

IMPORTANT NOTICE

NOT FOR DISTRIBUTION IN THE UNITED STATES

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

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



NANYANG COMMERCIAL BANK, LIMITED

(incorporated with limited liability in Hong Kong)

U.S.\$1,200,000,000 5.00 per cent. Non-Cumulative Subordinated Additional Tier 1 Capital Securities

Issue Price: 100.00 per cent.

The 5.00 per cent. Non-Cumulative Subordinated Additional Tier 1 Capital Securities (the “**Capital Securities**”) will be issued in an initial aggregate principal amount of U.S.\$1,200,000,000 by Nanyang Commercial Bank, Limited (the “**Issuer**”). The Capital Securities confer a right to receive Distributions on their principal amount (subject to adjustments following the occurrence of a Non-Viability Event (as defined herein in accordance with the Conditions) from, and including, the Issue Date at the applicable Distribution Rate (as defined herein), payable semi-annually in arrear on 2 June and 2 December in each year. Distributions (as defined herein) will not be cumulative and Distributions which are not paid in accordance with the Conditions will not accumulate or compound and holders of the Capital Securities (“**Holders**”) will have no right to receive such Distributions at any time, even if subsequent Distributions are paid in the future, or be entitled to any claim in respect thereof against the Issuer.

The terms of the Capital Securities also provide for circumstances under which the Issuer will not be obliged to pay, and will not pay, any Distribution on the applicable Distribution Payment Date (as defined herein), in whole or in part, as applicable. The Issuer shall have no obligation to pay a Distribution on any Distribution Payment Date if such non-payment is in accordance with the Conditions and any failure to pay such Distribution shall not constitute an Event of Default (as defined herein). Distributions are non-cumulative and any Distribution which is cancelled shall therefore not be payable at any time thereafter whether in a Winding-Up (as defined herein) or otherwise.

The Capital Securities are perpetual and have no maturity date. Holders have no ability to require the Issuer to redeem their Capital Securities whereas the Issuer can redeem the Capital Securities in certain circumstances as described in the Conditions. However, the Issuer is under no obligation to redeem the Capital Securities at any time. The ability of the Issuer to redeem Capital Securities is subject to the Issuer (a) obtaining the prior written consent of the Hong Kong Monetary Authority (the “**Monetary Authority**”) (as defined herein) (if then required) to the redemption, and (b) satisfying any conditions that the Monetary Authority may impose at that time.

If a Non-Viability Event occurs and is continuing, the Issuer shall, upon the provision of a Non-Viability Event Notice (as defined herein), irrevocably (without the need for the consent of the Holders) reduce the then principal amount of, and cancel any accrued but unpaid Distribution in respect of, each Capital Security (in each case in whole or in part) by an amount equal to the Non-Viability Event Write-off Amount (as defined herein) per Capital Security. Once the principal amount of, and any accrued but unpaid distribution under, the Capital Securities has been Written-off, the relevant amount(s) Written-off will not be restored in any circumstances including where the relevant Non-Viability Event ceases to continue. No Holder may exercise, claim or plead any right to any amount that has been Written-off, and each Holder shall, by virtue of his holding of any Capital Securities, be deemed to have waived all such rights to such amount that has been Written-off. Holders could risk losing up to the full principal amount of the Capital Securities, as well as the cancellation of any accrued (and unpaid) Distributions, without receiving any compensation for such loss or cancellation.

The Capital Securities are expected to be assigned a rating of “Ba2” by Moody’s Investors Service, Inc. (“**Moody’s**”). The rating does not constitute a recommendation to buy, sell or hold the Capital Securities and may be subject to suspension, reduction or withdrawal at any time by the rating organisation.

See “**Risk Factors**” beginning on page 19 for a discussion of certain considerations to be taken into account in connection with an investment in the Capital Securities.

Application has been made to The Stock Exchange of Hong Kong Limited (the “**SEHK**”) for the listing of the Capital Securities by way of debt issues to professional investors (as defined in Chapter 37 of the Rules Governing the Listing of Securities on the SEHK and in the Securities and Futures Ordinance (Cap. 571) of Hong Kong) only (together, “**Professional Investors**”). This document is for distribution to Professional Investors only. **Investors should not purchase the Capital Securities in the primary or secondary markets unless they are Professional Investors and understand the risks involved. The Capital Securities are only suitable for Professional Investors.**

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

It is expected that dealing in, and listing of, the Capital Securities on the SEHK will commence on or about 5 June 2017.

The Capital Securities have not been and will not be registered under the United States Securities Act of 1933, as amended (the “**Securities Act**”) and, subject to certain exceptions, may not be offered or sold within the United States under the Securities Act (“**Regulation S**”). The Capital Securities are being offered and sold only outside the United States in accordance with Regulation S.

The Capital Securities will be initially evidenced by a global certificate (the “**Global Certificate**”) in registered form, which will be registered in the name of a nominee of, and deposited with a common depository for, Euroclear Bank SA/NV (“**Euroclear**”) and Clearstream Banking S.A. (“**Clearstream, Luxembourg**”) on or about 2 June 2017 (the “**Issue Date**”). Beneficial interests in the Global Certificate will be shown on, and transfers thereof will be effected only through the records maintained by Euroclear and Clearstream, Luxembourg and their respective accountholders. Except in the limited circumstances set out herein, individual certificates for Capital Securities will not be issued in exchange for beneficial interests in the Global Certificate. See “*The Global Certificate*”.

THE CAPITAL SECURITIES ARE OFFERED TO PROFESSIONAL INVESTORS ONLY AND ARE NOT SUITABLE FOR RETAIL INVESTORS. INVESTORS SHOULD NOT PURCHASE THE CAPITAL SECURITIES IN THE PRIMARY OR SECONDARY MARKETS UNLESS THEY ARE PROFESSIONAL INVESTORS. INVESTING IN THE CAPITAL SECURITIES INVOLVES RISKS. SEE “RISK FACTORS” BEGINNING ON PAGE 19. INVESTORS SHOULD HAVE SUFFICIENT KNOWLEDGE AND EXPERTISE TO EVALUATE EFFECT OR THE LIKELIHOOD OF THE OCCURRENCE OF NON-VIABILITY EVENT FOR THE CAPITAL SECURITIES WHICH FEATURE LOSS ABSORPTION.

Joint Global Coordinators, Joint Bookrunners and Joint Lead Managers

UBS	BOC International	CITIC CLSA Securities
Credit Suisse	BofA Merrill Lynch	Cinda International

Joint Bookrunners and Joint Lead Managers

CCB International	ANZ	Morgan Stanley
Wells Fargo Securities	CICC HK Securities	Deutsche Bank

Offering Circular dated 25 May 2017.

IMPORTANT NOTICE

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

The Issuer, having made all reasonable enquiries, confirms that (i) this Offering Circular contains all information with respect to the Issuer and the Issuer's subsidiaries (collectively, the "**Group**"), and the issue of the Capital Securities, which is material in the context of the issue and offering of the Capital Securities; (ii) the statements contained herein relating to the Issuer or the Group are in every material respect true and accurate and not misleading; (iii) the opinions and intentions expressed in this Offering Circular with regard to the Issuer or the Group are honestly held, have been reached after considering all relevant circumstances and are based on reasonable assumptions; (iv) there are no other facts in relation to the Issuer or the Group or the Capital Securities, the omission of which would, in the context of the issue and offering of the Capital Securities (the "**Offering**"), make any statement in this Offering Circular misleading in any material respect; and (v) all reasonable enquiries have been made by the Issuer to ascertain such facts and to verify the accuracy of all such information and statements. In addition, the Issuer accepts full responsibility for the accuracy of the information contained in 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, having made all reasonable enquiries, that to the best of its knowledge and belief there are no other facts the omission of which would make any statement herein misleading.

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

This Offering Circular has been prepared by the Issuer solely for use in connection with the proposed offering of the Capital Securities described in this Offering Circular. The distribution of this Offering Circular and the offering of the Capital Securities in certain jurisdictions may be restricted by law. Persons into whose possession this Offering Circular comes are required by the Issuer and the joint lead managers as set forth in "*Subscription and Sale*" (the "**Joint Lead Managers**"), the Trustee and the Agents (as defined in the Conditions) to inform themselves about and to observe any such restrictions. No action is being taken to permit a public offering of the Capital Securities or the distribution of this Offering Circular in any jurisdiction where action would be required for such purposes. There are restrictions on the offer, sale and resale of the Capital Securities, and the circulation of documents relating thereto, in certain jurisdictions including, without limitation, the United States, the United Kingdom, the European Economic Area, Hong Kong, Singapore, Taiwan and Japan, and to persons connected therewith. For a description of certain further restrictions on offers, sales and resales of the Capital Securities and distribution of this Offering Circular, see "*Subscription and Sale*".

No person has been or is authorised to give any information or to make any representation concerning the Issuer, the Group or the Capital Securities other than as contained herein and, if given or made, any such other information or representation should not be relied upon as having been authorised by the Issuer, the Joint Lead Managers, the Trustee or the Agents (each as defined in the Terms and Conditions of the Capital Securities). Neither the delivery of this Offering Circular nor any offering, sale or delivery made in connection with the issue of the Capital Securities shall, under any circumstances, constitute a representation that there has been no change or development reasonably likely to involve a change in the affairs of the Issuer or any member of the Group since the date hereof or create any implication that the information contained herein is correct as at any date subsequent to

the date hereof. This Offering Circular does not constitute an offer of, or an invitation by or on behalf of the Issuer, the Joint Lead Managers, the Trustee or the Agents to subscribe for or purchase any of the Capital Securities and may not be used for the purpose of an offer to, or a solicitation by, anyone in any jurisdiction or in any circumstances in which such offer or solicitation is not authorised or is unlawful.

None of the Joint Lead Managers, the Trustee or the Agents or any of their respective affiliates, directors or advisers has independently verified the information contained in this Offering Circular. No representation or warranty, express or implied, is made or given by the Joint Lead Managers, the Trustee, the Agents or their affiliates or advisers as to the accuracy, completeness or sufficiency of the information contained in this Offering Circular. To the fullest extent permitted by law, none of the Joint Lead Managers, the Trustee or the Agents accept any responsibility for the contents of the Offering Circular or for any other statement, made or purported to be made by the Joint Lead Managers, the Trustee or the Agents or on its behalf in connection with the Issuer, the Group or the issue and offering of the Capital Securities. Each of the Joint Lead Managers, the Trustee and the Agents accordingly disclaims all and any liability whether arising in tort or contract or otherwise (save as referred to above) which it might otherwise have in respect of the Offering Circular or any such statement. Neither the Offering Circular nor any other financial statements are intended to provide the basis of any credit or other evaluation and should not be considered as a recommendation by any of the Issuer, the Joint Lead Managers, the Trustee, the Agents or their affiliates or advisers that any recipient of the Offering Circular or any other financial statements should purchase the Capital Securities. Each potential purchaser of Capital Securities should determine for itself the relevance of the information contained in the Offering Circular and its purchase of Capital Securities should be based upon such investigation as it deems necessary. None of the Joint Lead Managers, the Trustee or the Agents undertakes to review the financial condition or affairs of the Issuer or the Group during the life of the arrangements contemplated by the Offering Circular nor to advise any investor or potential investor in the Capital Securities of any information coming to the attention of any of the Joint Lead Managers, the Trustee or the Agents.

IN CONNECTION WITH THE ISSUE OF THE CAPITAL SECURITIES, ANY OF THE JOINT LEAD MANAGERS OR ANY PERSON ACTING ON THEIR BEHALF MAY OVER-ALLOT CAPITAL SECURITIES OR EFFECT TRANSACTIONS WITH A VIEW TO SUPPORTING THE MARKET PRICE OF THE CAPITAL SECURITIES AT A LEVEL HIGHER THAN THAT WHICH MIGHT OTHERWISE PREVAIL. HOWEVER, STABILISATION MAY NOT NECESSARILY OCCUR. ANY STABILISATION ACTION MAY BEGIN ON OR AFTER THE DATE ON WHICH ADEQUATE PUBLIC DISCLOSURE OF THE TERMS OF THE OFFER OF THE CAPITAL SECURITIES IS MADE AND, IF BEGUN, MAY CEASE AT ANY TIME AND MUST BE BROUGHT TO AN END AFTER A LIMITED PERIOD.

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

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

Each person receiving this Offering Circular acknowledges that such person has not relied on the Joint Lead Managers, the Trustee or the Agents or any person affiliated with the Joint Lead Managers, the Trustee or the Agents in connection with its investigation of the accuracy of such information or its investment decision.

CERTAIN DEFINED TERMS AND CONVENTIONS

Unless otherwise specified or the context requires otherwise, references herein to the “Issuer” or the “Bank” are to Nanyang Commercial Bank, Limited and its consolidated subsidiaries.

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

Unless otherwise specified, where financial information has been translated into U.S. dollars, it has been so translated for information purposes only at the rate of HK\$7.7840 equal to U.S.\$1.00 (being the average of the buying and selling rates of the opening indicative counter exchange rate published by the Hong Kong Association of Banks as at 31 December 2016). No representation is made that the Hong Kong dollar or U.S. dollar amounts referred herein could have been or could be converted into Hong Kong dollars or U.S. dollars, as the case may be, at any particular rate or at all.

PRESENTATION OF FINANCIAL INFORMATION

The Issuer has prepared audited consolidated financial statements for the years ended 31 December 2014, 2015 and 2016 in accordance with HKFRSs and the unaudited but reviewed condensed consolidated interim financial information for the six months ended 30 June 2015 and 2016 in accordance with Hong Kong Accounting Standard 34 “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants. Unless otherwise specified, the financial information set out in this Offering Circular is presented on a consolidated basis for the Issuer and its subsidiaries.

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

FORWARD-LOOKING STATEMENTS

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

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SUMMARY

Overview

Commenced business in 1949, the Group is one of the oldest local banks in Hong Kong, with over 65 years of operating history, highly recognised brand awareness, extensive branch network, stable and loyal customer base, expertise in providing cross-border services and robust financial conditions. As at 31 December 2016, the Group's total consolidated assets, advances to customers and deposits from customers were HK\$348,932.7 million, HK\$187,781.0 million and HK\$257,527.5 million, respectively. As at 31 December 2015, the Group's total consolidated assets, advances to customers and deposits from customers were HK\$305,196.8 million, HK\$156,236.8 million and HK\$218,262.0 million, respectively. As at 31 December 2014, the Group's total consolidated assets, advances to customers and deposits from customers were HK\$303,904.3 million, HK\$149,502.3 million and HK\$209,633.9 million, respectively.

The Group's core business services include wealth management services, trade finance, deposit taking, foreign currency savings, remittances, investment services, loans and advances, home mortgage loans, personal loans, credit cards, safe deposit boxes, personal Renminbi services, internet banking services and agency services for general and life insurance.

As at 31 December 2016, the Group offered a broad range of banking and related financial services in Hong Kong through a network of 42 branches strategically located to provide coverage for the core districts on Hong Kong island, Kowloon and the New Territories. The Group has enjoyed a strong brand recognition among the Chinese community with a loyal customer base with over 30 per cent. of its customers having used its services for 25 years or more. The Group's market-leading position in Renminbi and cross-border banking services is evidenced by the continued recognitions and awards received from various organisations, including the Cross-Border Renminbi Innovative Service Award by Wenweipo (文匯報) in 2005, the "Excellent Brand of Cross-Border Banking Services" Award by Metro Finance (新城財經台) for 3 consecutive years from 2014 to 2016, Award for Outstanding Retail Bank — Traditional Banking Business by Hong Kong Ta Kung Wen Wei Media Group, Metro Finance and Metro Finance Digital in 2015 and 2016 and the "My Favourite Cross-border Financial Service Award" by Sky Post in 2016. The Group also has extensive experience in operating cross-border banking business. The Group started to provide China-related banking services since 1979 through its China Investment Consultation Department and was one of the foreign first movers in the PRC banking industry when it established its Shenzhen branch in the Shenzhen Special Economic Zone in 1982. The Group was the first foreign bank operating in China since the establishment of the PRC, it granted the first foreign bank loan in China since its adoption of its reform and opening-up policy, it was also among the first banks which provided "offshore guarantee for onshore loan" products and was one of the first three foreign banks approved by the CBRC to issue credit cards in China.

In terms of the Group's overseas operations, the Group had in total 39 branches/ sub-branches in the PRC as at 31 December 2016. The Group's PRC businesses are operated through NCB (China), which is the Group's PRC-incorporated bank with its headquarters in Shanghai. NCB (China)'s business network covers the Pearl River Delta, the Yangtze River Delta Economic Zone and the Bohai Economic Rim, with branches/ sub-branches in major cities in the PRC such as Shanghai, Beijing, Dalian, Qingdao, Wuxi, Hefei, Suzhou, Hangzhou, Chengdu, Shenzhen and Guangzhou.

In 2007, the Group established NCB (China) as a PRC-incorporated bank. The Group's branches and their businesses in the PRC were consolidated under NCB (China) for further expansion of the Group's PRC presence. NCB (China) provides comprehensive RMB and foreign currency banking services to its customers. Services include but are not limited to deposit-taking, loans and advances, debit cards, credit cards, wealth management services, personal banking, investment services, agency services for life and general insurance, remittance and settlement, RMB cross-border trade settlement services and domestic and international trade finance facilities. As at the date of this Offering Circular, NCB

(China) has obtained the relevant licences for operating in the PRC its cross-border Renminbi business, foreign exchange settlement business, credit card business, derivatives business, insurance business, offshore wealth management business, investment fund business, interbank lending business, gold trading business and currency swap business.

After the Acquisition by China Cinda on 30 May 2016, the Group became a wholly owned subsidiary of China Cinda. The Group believes that the Acquisition is an important step for the Group to expand its business operations in Hong Kong and the PRC with synergy opportunities and strong support from China Cinda, as well as being a key milestone for China Cinda, allowing it to achieve additional financial and operational stability through its integration with a well-established commercial bank in Hong Kong, strengthening its leading advantage of the non-performing asset management business and creating an integrated asset management and financial services brand name. The Acquisition was an important step in the Group's development and holds huge significance for the future development of the Group as a core banking platform within the China Cinda group.

As at 31 December 2014, 2015 and 2016, the assets of the Group's operations in the PRC accounted for approximately 38.4 per cent., 37.4 per cent. and 38.8 per cent. of the total assets of the Group, respectively. The corresponding figures for Hong Kong as at 31 December 2014, 2015 and 2016 were 60.7 per cent., 61.8 per cent. and 61.2 per cent., respectively. For the years ended 31 December 2014, 2015 and 2016, the profit before taxation of the Group's operations in the PRC, accounted for approximately 6.2 per cent., 15.1 per cent. and 21.1 per cent. of the Group's consolidated profit before taxation, respectively. The corresponding figures for Hong Kong as at 31 December 2014, 2015 and 2016 were 93.5 per cent., 83.6 per cent. and 77.2 per cent., respectively.

As at 31 December 2014, 2015 and 2016, the Group's total capital adequacy ratio was approximately 16.53 per cent., 18.41 per cent. and 16.19 per cent., respectively, compared with the statutory minimum requirement of total capital adequacy ratio of 8.0 per cent., and its loan to deposit ratio was approximately 71.32 per cent., 71.58 per cent. and 72.92 per cent., respectively. For the year ended 31 December 2014, the Group's average liquidity ratio was approximately 51.99 per cent., and for the years ended 31 December 2015 and 2016, the average value of the Group's quarterly liquidity coverage ratio was 130.38 per cent. and 145.82 per cent., respectively.

The Group relies on its deposit base for the majority of its funding requirements. As at 31 December 2014, 2015 and 2016, the Group's deposits from customers accounted for approximately 84.7 per cent., 87.6 per cent. and 89.4 per cent., respectively, of its borrowed funds. The remainder of the Group's funding requirements as at 31 December 2014, 2015 and 2016 were primarily satisfied through interbank borrowings and the issuance of certificates of deposit and debt securities.

For the years ended 31 December 2014, 2015 and 2016, the Group's profit after taxation was HK\$2,751.5 million, HK\$2,896.8 million and HK\$2,747.4 million, respectively. For the years ended 31 December 2014, 2015 and 2016, the Group achieved a return on average assets of approximately 0.94 per cent., 0.95 per cent. and 0.84 per cent., respectively, and a return on average equity of approximately 8.19 per cent., 8.05 per cent. and 7.25 per cent., respectively.

Competitive Strengths

- The Group is a leading local commercial bank in Hong Kong with strong brand recognition backed by a long history, wide coverage of business network, loyal customer base and stable financial performance.
- The Group has mature business platforms in both the PRC and Hong Kong, with a well-established banking infrastructure and extensive experience in cross-border services.
- The Group is wholly owned by China Cinda as the only Hong Kong banking institution owned by a Big Four PRC Asset Management Company, strongly supported by China Cinda and the government of the PRC.

- The Group is supported by strong synergy with a fully-licensed financial conglomerate.
- The Group has a prudent risk management culture with outstanding risk control indicators and strong capital base.
- The Group has a collaborative senior management team with rich experience in the industry and strategic insight.

Strategies

- Dual track expansion and integration of businesses in Hong Kong and the PRC.
- Development of a balanced corporate and personal banking business portfolio.
- Focus on risk and capital management and enhancement of operational efficiency and stability.

THE OFFERING

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

The Issuer	Nanyang Commercial Bank, Limited, a company incorporated with limited liability in Hong Kong.
Description	U.S.\$1,200,000,000 5.00 per cent. Non-Cumulative Subordinated Additional Tier 1 Capital Securities.
Joint Global Coordinators, Joint Bookrunners and Joint Lead Managers	UBS AG Hong Kong Branch BOCI Asia Limited CLSA Limited Credit Suisse (Hong Kong) Limited Merrill Lynch International Cinda International Capital Limited Cinda International Securities Limited
Joint Bookrunners and Joint Lead Managers	CCB International Capital Limited Australia and New Zealand Banking Group Limited Morgan Stanley & Co. International plc Wells Fargo Securities International Limited China International Capital Corporation Hong Kong Securities Limited Deutsche Bank AG, Hong Kong Branch
Issue Date	2 June 2017
Maturity Date	The Capital Securities are perpetual securities in respect of which there is no fixed redemption date. The Capital Securities may not be redeemed at the option of the Issuer other than in accordance with Condition 6 (<i>Redemption and Purchase</i>).
Status of the Capital Securities	<p>The Capital Securities constitute direct, unsecured and subordinated obligations of the Issuer and shall at all times rank <i>pari passu</i> and without any preference among themselves. The rights and claims of the Holders are subordinated in the manner described below.</p> <p>Subject to the insolvency laws of Hong Kong and other applicable laws, in the event of a Winding-Up (as defined below) of the Issuer, the rights of the Holders to payment of principal and Distributions on the Capital Securities and any other obligations in respect of the Capital Securities shall rank (x) subordinate and junior in right of payment to, and of all claims of (i) all unsubordinated creditors of the Issuer (including its depositors), (ii) creditors in respect of Tier 2 Capital Securities of the Issuer, and (iii) all other Subordinated Creditors of the Issuer whose claims are stated to rank senior to the Capital Securities or rank senior to the Capital Securities by operation of law or contract; (y) <i>pari passu</i> in right of payment to and of all claims of the holders of Parity Obligations; and (z) senior in right of payment to and of all claims of the holders of Junior Obligations in the manner provided in the Trust Deed.</p>

“Junior Obligation” means the Shares, and any other class of the Issuer’s share capital and any instrument or other obligation (including without limitation any preference share) issued or guaranteed by the Issuer that ranks or is expressed to rank junior to the Capital Securities by operation of law or contract.

“Parity Obligation” means any instrument or other obligation issued, entered into, or guaranteed by the Issuer that constitutes or qualifies as Additional Tier 1 Capital (or its equivalent) under applicable Capital Regulations or that ranks or is expressed to rank *pari passu* with the Capital Securities by operation of law or contract which, for the avoidance of doubt, excludes any Junior Obligation of the Issuer.

“Tier 2 Capital Securities” means instruments categorised as Tier 2 capital pursuant to the Capital Regulations that rank or are expressed to rank senior to the Capital Securities by operation of law or contract.

No Set-off.....

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

Distributions

Subject to Condition 4.2 (*Distribution — Distribution Restrictions*) below, the Capital Securities confer a right to receive distributions (each a “**Distribution**”) on their principal amount (subject to adjustments following the occurrence of a Non-Viability Event in accordance with Condition 4.3 (*Distribution — Non-Viability Loss Absorption*) from, and including, 2 June 2017 (the “**Issue Date**”) at the applicable Distribution Rate, payable semi-annually in arrear on 2 June and 2 December in each year.

Non-Cumulative Distributions

Distributions will not be cumulative and Distributions which are not paid in accordance with these Conditions will not accumulate or compound and Holders will have no right to receive such Distributions at any time, even if subsequent Distributions are paid in the future, or be entitled to any claim in respect thereof against the Issuer.

Distribution Rate.....

The Distribution Rate applicable to the Capital Securities shall be:

- (i) in respect of the period from, and including, the Issue Date to, but excluding, 2 June 2022 (the “**First Call Date**”), 5.00 per cent. per annum;
- (ii) in respect of the period from, and including, the First Call Date and each Distribution Reset Date thereafter to, but excluding, the immediately following Distribution Reset Date, the Reset Distribution Rate.

	<p>“Reset Distribution Rate” means, in relation to a Reset Distribution Period, a fixed rate per annum (expressed as a percentage) equal to the aggregate of (a) Treasury Rate (as determined in Condition 4.1(b) (<i>Distribution — Distribution Payments</i>)) with respect to the relevant Distribution Reset Date and (b) the Spread.</p>
<p>Optional Distribution Cancellation Event.....</p>	<p>Unless a Distribution has already been cancelled in full pursuant to a Mandatory Distribution Cancellation Event, prior to any Distribution Payment Date the Issuer may, at its sole discretion, elect to cancel any payment of Distributions, in whole or in part, by the giving of a notice signed by two Directors of the Issuer, as further described in “<i>Terms and Conditions — Distribution Restrictions — Optional Distribution Cancellation Event</i>”.</p>
<p>Mandatory Distribution Cancellation Event.....</p>	<p>Notwithstanding that a Distribution Cancellation Notice may not have been given, the Issuer shall not be obliged to pay, and shall not pay, any Distribution on the applicable Distribution Payment Date, in whole or in part, as applicable, upon a Mandatory Distribution Cancellation Event, as further described in “<i>Terms and Conditions — Distribution Restrictions — Mandatory Distribution Cancellation Event</i>”.</p>
<p>No Obligation to Pay</p>	<p>The Issuer shall have no obligation to pay a Distribution on any Distribution Payment Date if such non-payment is in accordance with Condition 4.2(b) and any failure to pay such Distribution shall not constitute an Event of Default. Distributions are non-cumulative and therefore any Distribution which is cancelled in accordance with these Conditions shall not be payable at any time thereafter whether in a Winding-Up or otherwise.</p>
<p>No Claim by Holders for Distributions.....</p>	<p>No Holder shall have any claim in respect of any Distribution or part thereof cancelled and/or not due or payable as described under “<i>Terms and Conditions of the Capital Securities — Distribution Restrictions — Optional Distribution Cancellation Event</i>”, “<i>Terms and Conditions of the Capital Securities — Distribution Restrictions — Mandatory Distribution Cancellation Event</i>” and “<i>Terms and Conditions of the Capital Securities — Distribution — Non-Cumulative Distribution</i>”. Accordingly, such Distribution shall not accumulate for the benefit of Holders or entitle the Holders to any claim in respect thereof against the Issuer.</p>
<p>Distributable Reserves</p>	<p>Any Distribution may only be paid out of Distributable Reserves.</p>

“Distributable Reserves” means the amounts for the time being available to the Issuer for distribution as a distribution in compliance with section 297 of the Companies Ordinance (Cap. 622) of Hong Kong, as amended or modified from time to time, as at the date of the Issuer’s audited balance sheet last preceding the relevant Distribution Payment Date, and subject to the Monetary Authority’s then current capital conservation requirements as applicable to the Issuer on the relevant Distribution Payment Date (the “**Available Amount**”); *provided that* if the Issuer reasonably determines that the Available Amount as at any Distribution Determination Date is lower than the Available Amount as at the date of the Issuer’s audited balance sheet last preceding the relevant Distribution Payment Date and is insufficient to pay the Distributions and any payments due on Parity Obligations on the relevant Distribution Payment Date, then on certification by two Directors and the Auditors of such revised amount, the Distributable Reserves shall for the purposes of Distributions mean the Available Amount as set forth in such certificate.

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

As at the date hereof, pursuant to section 297(1) of the Companies Ordinance (Cap. 622), the Issuer may only make a distribution out of profits available for distribution. For the purposes of section 297 of the Companies Ordinance (Cap. 622), the Issuer’s profits available for distribution are its accumulated, realised profits, so far as not previously utilised by distribution or capitalisation, less its accumulated, realised losses, so far as not previously written off in a reduction or reorganisation of capital.

Dividend Stopper

If, on any Distribution Payment Date, payment of Distribution scheduled to be paid is not made in full by reason of Condition 4.2, the Issuer shall not:

- (i) declare or pay in cash any distribution or dividend or make any other payment in cash on, and will procure that no distribution or dividend in cash or other payment in cash is made on, any Shares; or
- (ii) purchase, cancel or otherwise acquire any Shares or permit any of its subsidiaries to do so,

in each case, unless or until the earlier of: (A) the Distribution scheduled to be paid on any subsequent Distribution Payment Date (which, for the avoidance of doubt, shall exclude any Distribution that has been cancelled in accordance with these Conditions prior to and in respect of a Distribution Payment Date preceding such subsequent Distribution Payment Date) has been paid in full to Holders or a designated third party trust account for the benefit of the Holders, or (B) the redemption or purchase and cancellation of the Capital Securities in full, or reduction of the principal amount of the Capital Securities in accordance with these Conditions to zero, or (C) the Issuer is permitted to do so by an Extraordinary Resolution of the Holders.

See “*Terms and Conditions of the Capital Securities — Dividend Stopper*” for further information.

Non-Viability Loss Absorption

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

“Loss Absorption Effective Date” means the date that will be specified as such in the applicable Non-Viability Event Notice. “Non-Viability Event” means the earlier of:

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

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

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

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

Consequence of Non-Viability
Loss Absorption.....

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

Hong Kong Bail-in Power

Notwithstanding any other term of the Capital Securities, including without limitation Condition 4.3, or any other agreement or arrangement, each Holder and the Trustee shall be subject, and shall be deemed to agree and acknowledge that they are each subject, to the exercise of any Hong Kong Bail-in Power by the relevant Hong Kong Resolution Authority without prior notice and which may include (without limitation) and result in any of the following or some combination thereof:

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

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

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

Upon the exercise of any Hong Kong Bail-in Power by the relevant Hong Kong Resolution Authority with respect to the Capital Securities, the Issuer shall provide a written notice not more than two Hong Kong Business Days after the occurrence of such exercise regarding such exercise of the Hong Kong Bail-in Power to the Holders in accordance with Condition 12.

Neither the reduction or cancellation, in part or in full, of the principal amount of, or Distributions on the Capital Securities, the conversion thereof into another security or obligation of the Issuer or another person, or any other amendment or alteration of these Conditions as a result of the exercise of any Hong Kong Bail-in Power by the relevant Hong Kong Resolution Authority with respect to the Issuer nor the exercise of the Hong Kong Bail-in Power by the relevant Hong Kong Resolution Authority with respect to the Capital Securities shall constitute an Event of Default under Condition 9.1.

Use of Proceeds

The Issuer intends to use the net proceeds from the issue of the Capital Securities for general corporate purposes.

Redemption at the Option of the Issuer

The Issuer may redeem all but not some only of the Capital Securities then outstanding on the First Call Date or any Distribution Payment Date thereafter, at their outstanding principal amount together (if appropriate) with Distributions accrued to (but excluding) the date of redemption, as further described in “*Terms and Conditions of the Capital Securities — Redemption and Purchase — Redemption at the option of the Issuer (“Issuer Call”)*”.

Redemption for Taxation
Reasons

Subject to Condition 6.6 (*Redemption and Purchase — Conditions for Redemption and Purchase in respect of the Capital Securities*), the Capital Securities may be redeemed at the option of the Issuer in whole, but not in part, at any time, on giving not less than 30 nor more than 60 days' notice to the Trustee and the Principal Paying Agent and, in accordance with Condition 12 (*Notices*), the Holders (which notice shall be irrevocable and shall specify the date fixed for redemption), if the Issuer satisfies the Trustee immediately before the giving of such notice that (a) on the occasion of the next payment due under the Capital Securities, the Issuer has or will become obliged to pay additional amounts as provided or referred to in Condition 7 (*Taxation*) 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 25 May 2017 and (b) such obligation cannot be avoided by the Issuer taking reasonable measures available to it.

See "*Terms and Conditions of the Capital Securities — Redemption and Purchase — Redemption for tax reasons*" for further information.

Redemption for Tax Deduction.....

Subject to Condition 6.6 (*Redemption and Purchase — Conditions for Redemption and Purchase in respect of the Capital Securities*), the Capital Securities may be redeemed at the option of the Issuer in whole, but not in part, at any time, on giving not less than 30 nor more than 60 days' notice to the Trustee, the Principal Paying Agent and the Registrar, and, in accordance with Condition 12 (*Notices*), the Holders (which notice shall be irrevocable, subject to Condition 4.3 (*Distribution — Non-Viability Loss Absorption*), and shall specify the date fixed for redemption), if the Issuer satisfies the Trustee immediately before the giving of such notice that:

- (a) in respect of the Distributions payable on the Capital Securities, the Issuer is no longer, or will no longer be, entitled to claim a deduction in respect of computing its taxation liabilities in Hong Kong or any political subdivision or any authority thereof or therein having power to tax as a result of any change in, or amendment to, the laws or regulations of Hong Kong or any political subdivision or any authority thereof or therein or any change in the application or official interpretation of such laws or regulations, which change or amendment becomes effective on or after 25 May 2017; and
- (b) such non tax deductibility cannot be avoided by the Issuer taking reasonable measures available to it.

See "*Terms and Conditions of the Capital Securities — Redemption and Purchase — Redemption for tax deduction reasons*" for further information.

Redemption for Regulatory Reasons	<p>Subject to Condition 6.6 (<i>Redemption and Purchase — Conditions for Redemption and Purchase in respect of the Capital Securities</i>), the Capital Securities may be redeemed at the option of the Issuer in whole, but not in part, at any time on giving not less than 30 nor more than 60 days’ notice to the Trustee and the Principal Paying Agent and, in accordance with Condition 12 (<i>Notices</i>), the Holders (which notice shall be irrevocable, subject to Condition 4.3 (<i>Distribution — Non-Viability Loss Absorption</i>), and shall specify the date fixed for redemption) following the occurrence of a Capital Event.</p> <p>A “Capital Event” occurs if the Issuer satisfies the Trustee immediately before the giving of the notice of redemption referred in Condition 6.4 that, for the purposes of the Banking Ordinance (Cap. 155) of Hong Kong or any successor legislation or regulations made thereunder, the Capital Securities, after having qualified as such, will no longer qualify (in whole or in part) as Additional Tier 1 Capital (or equivalent) of the Issuer, as a result of a change or amendment in (or any change in the application or official interpretation of) the relevant provisions of the Banking Ordinance (Cap. 155) of Hong Kong, Banking (Capital) Rules (Cap. 155L), or any supervisory guidance issued by the Monetary Authority in relation thereto, in each case, as amended or modified from time to time (other than as a result of any discounting or amortisation requirements as to the eligibility of the Capital Securities for such inclusion pursuant to the relevant legislation and relevant guidelines in force from time to time) <i>provided, however, that</i> no such notice of redemption shall be given earlier than 90 days prior to the earliest date on which it is determined that a Capital Event has occurred.</p> <p>See “<i>Terms and Conditions of the Capital Securities — Redemption and Purchase — Redemption of the Capital Securities for regulatory reasons</i>” for further information.</p>
Conditions for Redemption and Purchase in respect of Capital Securities.....	<p>the Issuer shall not redeem any of the Capital Securities (other than pursuant to Condition 9.1 (<i>Events of Default and Enforcement — Events of Default and Winding-up Proceedings</i>)) and neither the Issuer nor any Restricted Person shall purchase any of the Capital Securities unless the prior written consent of the Monetary Authority thereto shall have been obtained, as further described in “<i>Terms and Conditions of the Capital Securities — Redemption and Purchase — Conditions for Redemption and Purchase in respect of the Capital Securities</i>”.</p>
Trustee.....	The Bank of New York Mellon, London Branch
Principal Paying Agent and Calculation Agent	The Bank of New York Mellon, London Branch
Registrar and Transfer Agent.....	The Bank of New York Mellon SA/NV, Luxembourg Branch
Trust Deed	The Capital Securities will be constituted by a Trust Deed to be dated 2 June 2017 between the Issuer and the Trustee.

Form and Denomination	<p>The Capital Securities will be issued in registered form in denominations of U.S.\$200,000 each and integral multiples of U.S.\$1,000 in excess thereof. The Capital Securities will initially be represented by the Global Certificate, in registered form, deposited on or about the Issue Date with, and registered in the name of a nominee of, a common depository for Euroclear and Clearstream, Luxembourg.</p> <p>Beneficial interests in the Global Certificate will be shown on, and transfer thereof will be effected only through the records maintained by Euroclear and Clearstream, Luxembourg and their respective accountholders. Except as described herein, definitive certificates of Capital Securities will not be issued in exchange for beneficial interests in the Global Certificate. See “<i>The Global Certificate — Change of Registration of Title</i>”.</p>
Payments	<p>All payments of principal and Distribution in respect of the Capital Securities by or on behalf of the Issuer shall be made without withholding or deduction for, or on account of, any withholding taxes imposed by Hong Kong, subject as provided in Condition 7 (<i>Taxation</i>). In the event that any such deduction is made, the Issuer will, save in certain limited circumstances provided in Condition 7 (<i>Taxation</i>), be required to pay additional amounts to cover the amounts so deducted.</p>
Ratings	<p>The Capital Securities are expected to be rated Ba2 by Moody’s. A rating is not a recommendation to buy, sell or hold the Capital Securities and may be subject to revision, suspension or withdrawal at any time by the assigning rating organisation.</p>
Governing Law	<p>The Capital Securities and the Trust Deed 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 provisions of the Capital Securities and the Trust Deed relating to subordination shall be governed by the Hong Kong law.</p>
Capital Treatment.....	<p>It is intended that the Capital Securities will qualify in full as Additional Tier I capital of the Issuer.</p>
Listing	<p>Application has been made for the listing of the Capital Securities on the SEHK by way of debt issues to Professional Investors only.</p>
Clearing Systems	<p>Euroclear Bank SA/NV and Clearstream Banking S.A.</p>
Selling Restrictions.....	<p>There are restrictions on the distribution of this Offering Circular and the making of solicitations pursuant thereto in certain jurisdictions, including, among others, the United States, the United Kingdom, the European Economic Area, Hong Kong, Singapore, Taiwan and Japan. See “<i>Subscription and sale</i>”.</p>

SUMMARY FINANCIAL AND OTHER INFORMATION

The following tables set forth the summary consolidated financial information and other selected financial data of the Issuer and the Group as at and for the periods indicated. The summary consolidated historical financial data as at and for the years ended 31 December 2014, 2015 and 2016 set forth below are derived from the Group's audited consolidated financial statements as at and for the years ended 31 December 2015 and 2016 including the notes thereto, if any. The consolidated financial statements of the Group for the years ended 31 December 2015 and 2016 have been audited by Ernst & Young. The Group's audited consolidated income statement for the year ended 31 December 2015 and 2016 and the Group's audited consolidated statement of financial position as at 31 December 2015 and 2016 are included elsewhere in this Offering Circular. The Group's consolidated financial statements are prepared and presented in accordance with HKFRS.

The summary consolidated historical financial data as at and for the six months ended 30 June 2015 and 2016 set forth below are derived from the Group's unaudited but reviewed consolidated financial statements as at and for the six months ended 30 June 2016. The consolidated financial statements of the Group for the six months ended 30 June 2016 have been reviewed by Ernst & Young. However, such unaudited but reviewed consolidated interim financial statements have not been audited and should not be relied upon by prospective investors to provide the same quality of information associated with information that has been subject to an audit. None of the Joint Lead Managers, the Trustee or the Agents or any of their respective affiliates, directors or advisers makes any representation or warranty, express or implied, regarding the accuracy, completeness or sufficiency of such interim consolidated financial statements for an assessment of, and potential investor therefore should not rely upon such information as providing the same quality as audited or reviewed information, and you must exercise caution when using such information to evaluate the Group's financial condition and results of operations. None of the Joint Lead Managers, the Trustee or the Agents or any of their respective affiliates, directors or advisers has independently verified any of the information contained therein and can give assurance that such information is accurate, truthful or complete. The Group's historical financial information should not be taken as an indication of its future financial performance.

CONSOLIDATED INCOME STATEMENT

	Year ended 31 December			Six months ended 30 June	
	2014	2015	2016	2015	2016
	(audited)	(audited)	(audited)	(unaudited)	(unaudited)
	(in HK\$ thousands)			(in HK\$ thousands)	
Interest income	10,037,240	8,746,484	7,550,115	4,566,684	3,586,298
Interest expense	(4,847,191)	(4,026,334)	(3,015,306)	(2,186,749)	(1,407,919)
Net interest income	5,190,049	4,720,150	4,534,809	2,379,935	2,178,379
Fee and commission income . . .	1,332,965	1,446,527	1,633,666	762,744	808,620
Fee and commission expense . .	(78,239)	(89,577)	(61,595)	(48,365)	(33,484)
Net fee and commission income	1,254,726	1,356,950	1,572,071	714,379	775,136
Net trading gain/(loss)	8,858	54,159	134,695	(93,559)	14,951
Net loss on financial instruments designated at fair value through profit or loss . .	(7,958)	(6,382)	(7,708)	(1,323)	(1,651)
Net gain on other financial assets	122,530	336,421	192,772	63,255	117,021
Other operating income	70,808	42,408	27,059	31,239	11,785
Net operating income before impairment allowances	6,639,013	6,503,706	6,453,698	3,093,926	3,095,621
Net charge of impairment allowances	(904,294)	(633,324)	(486,075)	(341,086)	(283,728)
Net operating income	5,734,719	5,870,382	5,967,623	2,752,840	2,811,893
Operating expenses	(2,497,589)	(2,632,162)	(2,656,577)	(1,204,022)	(1,297,867)
Operating profit	3,237,130	3,238,220	3,311,046	1,548,818	1,514,026
Net gain from disposal of/fair value adjustments on investment properties	129,896	121,046	29,340	105,522	17,120
Net gain/(loss) from disposal/revaluation of properties, plant and equipment	(347)	19,246	4,136	18,468	2,812
Profit before taxation	3,366,679	3,378,512	3,344,522	1,672,808	1,533,958
Taxation	(615,180)	(481,735)	(597,145)	(264,481)	(273,598)
Profit for the year	<u>2,751,499</u>	<u>2,896,777</u>	<u>2,747,377</u>	<u>1,408,327</u>	<u>1,260,360</u>
Dividends	<u>700,000</u>	<u>542,500</u>	<u>—</u>	<u>542,500</u>	<u>—</u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	As at 31 December			As at 30 June	
	2014	2015	2016	2015	2016
	(audited)	(audited)	(audited)	(unaudited)	(unaudited)
	(in HK\$ thousands)			(in HK\$ thousands)	
ASSETS					
Cash and balances with banks and other financial institutions	58,282,800	54,244,805	52,327,583	48,764,069	55,137,450
Placements with banks and other financial institutions maturing between one and twelve months	18,180,762	7,056,785	14,679,699	16,313,208	8,019,190
Financial assets at fair value through profit or loss	6,155,213	6,963,572	3,680,401	6,312,715	4,800,806
Derivative financial instruments	439,072	696,266	896,476	542,483	670,095
Advances to other accounts . . .	163,903,699	168,924,014	192,119,592	176,922,216	176,481,629
Financial investments	47,168,324	55,407,983	76,935,082	53,554,443	57,938,088
Investment properties	1,280,271	414,736	383,830	398,534	346,200
Properties, plant and equipment	7,328,497	7,008,020	6,929,407	7,105,291	6,954,098
Current tax assets	—	46,690	—	650	88,142
Deferred tax assets	152,171	5,962	100,652	74,615	—
Other assets	1,013,444	4,295,231	879,987	6,032,590	1,288,679
Assets held for sale	—	132,729	—	—	—
Total Assets	<u>303,904,253</u>	<u>305,196,793</u>	<u>348,932,709</u>	<u>318,020,814</u>	<u>311,724,377</u>
LIABILITIES					
Deposits and balances of banks and other financial institutions	37,735,611	30,961,174	30,450,210	35,278,123	23,924,989
Financial liabilities at fair value through profit or loss . .	4,970,693	4,575,356	3,223,456	4,692,862	4,018,283
Derivative financial instruments	278,506	302,944	934,244	462,939	264,490
Deposits from customers	209,633,935	218,261,983	257,527,530	223,094,471	230,064,892
Debt securities and certificates of deposit in issue	—	—	1,095,937	—	—
Other accounts and provisions . .	15,181,966	12,974,800	15,908,708	17,056,422	14,153,440
Current tax liabilities	222,225	187,530	371,981	281,535	275,645
Deferred tax liabilities	986,473	812,352	735,675	956,923	839,025
Liabilities associated with assets held for sale	—	21,844	—	—	—
Total Liabilities	<u>269,009,409</u>	<u>268,098,023</u>	<u>310,247,741</u>	<u>281,823,275</u>	<u>273,540,764</u>
EQUITY					
Share capital	3,144,517	3,144,517	3,144,517	3,144,517	3,144,517
Reserves	31,750,327	33,954,253	35,540,451	33,053,222	35,039,096
Total equity	<u>34,894,844</u>	<u>37,098,770</u>	<u>38,684,968</u>	<u>36,197,539</u>	<u>38,183,613</u>
Total liabilities and equity . . .	<u>303,904,253</u>	<u>305,196,793</u>	<u>348,932,709</u>	<u>318,020,814</u>	<u>311,724,377</u>

	As at 31 December			As at 30 June	
	2014	2015	2016	2015	2016
	(audited)	(audited)	(audited)	(unaudited)	(unaudited)
	(in HK\$ thousands)			(in HK\$ thousands)	
OTHER SELECTED FINANCIAL DATA					
	(%)	(%)	(%)	(%)	(%)
Loan to Deposit Ratio ⁽¹⁾	71.32	71.58	72.92	71.96	72.82
Capital Adequacy Ratio ⁽²⁾	16.53	18.41	16.19	16.10	18.57
Cost to Income Ratio ⁽³⁾	37.62	40.47	41.16	38.92	41.93
Return on Average Assets	0.94	0.95	0.84	0.91	0.82
Return on Average Shareholders' Funds	8.19	8.05	7.25	7.92	6.70

Notes:

- (1) The Loan to Deposit Ratio was computed by Advances to customers/Deposits from customers.
- (2) The Capital Adequacy Ratio was computed on a consolidated basis covering the Issuer and certain of its subsidiaries as required by the Monetary Authority for its regulatory purposes, and was in accordance with Banking (Capital) Rules (Cap. 155L) of the laws of Hong Kong.
- (3) The Cost to Income Ratio was computed by Operating expenses/Net operating income before impairment allowances.

TIER I AND TIER II CAPITAL BASE

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

The 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 and the internal ratings-based (securitisation) approach to calculate the credit risk capital charge for its securitisation exposures. A small residual credit exposures are remained under the standardised (credit risk) (“**STC**”) approach. The Group has adopted the standardised credit valuation adjustment (“**CVA**”) method to calculate the capital charge for the CVA risk of the counterparty. The Group has adopted the internal models (“**IMM**”) approach to calculate the general market risk capital charge for foreign exchange and interest rate exposures, and the standardised (market risk) (“**STM**”) approach to calculate the market risk capital charge for the remaining exposures. The Group has adopted the standardised (operational risk) (“**STO**”) approach to calculate the operational risk capital charge.

	As at		
	31 December	As at 31 December 2016	
	2015		
	HK\$	HK\$	U.S.\$
	(audited)	(audited)	
	(in thousands)		
Common Equity Tier 1 (CET1) capital: instruments and reserves			
Directly issued qualifying CET1 capital instruments	3,144,517	3,144,517	403,972
Retained earnings	25,495,966	28,648,761	3,680,468
Disclosed reserves	8,451,135	6,885,557	884,578
CET1 capital before regulatory deductions	37,091,618	38,678,835	4,969,018
CET1 capital: regulatory deductions			
Valuation adjustments	(8,617)	(18,800)	(2,415)
Deferred tax assets net of deferred tax liabilities	(5,962)	(100,652)	(12,931)
Cash flow hedge reserve	—	48,098	6,179
Gains and losses due to changes in own credit risk on fair valued liabilities	(537)	(2,983)	(383)
Cumulative fair value gains arising from the revaluation of land and buildings (covering own-use and investment properties)	(6,190,605)	(6,026,176)	(774,175)
Regulatory reserve for general banking risks	(2,255,673)	(2,011,223)	(258,379)
Total regulatory deductions to CET1 capital	(8,461,394)	(8,111,736)	(1,042,104)
CET1 capital	28,630,224	30,567,099	3,926,914
Tier 1 capital	28,630,224	30,567,099	3,926,914
Tier 2 capital: instruments and provisions			
Collective impairment allowances and regulatory reserve for general banking risks eligible for inclusion in Tier 2 capital	1,109,458	1,304,611	167,602
Tier 2 capital base before deductions	1,109,458	1,304,611	167,602
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	2,785,772	2,711,779	348,379
Total regulatory deductions to Tier 2 capital	2,785,772	2,711,779	348,379
Tier 2 capital	3,895,230	4,016,390	515,981
Total capital	32,525,454	34,583,489	4,442,895

RISK FACTORS

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

RISK FACTORS RELATING TO THE GROUP

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

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

Since the second half of 2008, the global credit markets have experienced, and may continue to experience, significant dislocations and liquidity disruptions which have originated from liquidity disruptions in the United States and the European Union credit and sub-prime residential mortgage markets. In particular, the sovereign debt crisis in some European countries (including Greece, Ireland, Italy, Spain, Portugal and Cyprus) since early 2010 and the downgrading of the credit rating of the United State's sovereign debt in August 2011 have contributed to an economic slowdown in most economies around the world, substantial volatility in financial markets globally and the tightening of liquidity in global financial markets.

Although the global economy has shown varying degrees of recovery in 2015, there is still a great deal of uncertainty in relation to continued economic recovery globally and in Hong Kong and the PRC. The United States Federal Reserve increased interest rates by 25 basis points in November 2016 and another 25 basis points in March 2017, raising the target range for its federal funds from 0.5 per cent. to 1 per cent. There is also speculation that interest rates will rise generally in the next few years as a result of the United States Federal Reserve raising interest rates, which may have an adverse impact on the Group's cost of funding, business, operations, financial condition and properties.

In addition, the start of the formal Brexit withdrawal process in accordance with Article 50 of the Treaty on European Union, which was triggered by the United Kingdom on 29 March 2017 could also result in macroeconomic uncertainties hampering the pace of the global economic recovery. If there is any renewed economic downturn or slowdown in global economic recovery, there can be no assurance that the Hong Kong economy or the Group's business, financial condition and results of operations will not be adversely affected.

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

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

As at 31 December 2016, the Issuer's wholly-owned subsidiary, Nanyang Commercial Bank (China) Limited ("NCB (China)"), headquartered in Shanghai, operated 39 branches/ sub-branches in major cities of the PRC such as Shanghai, Beijing, Dalian, Qingdao, Wuxi, Hefei, Suzhou, Hangzhou, Chengdu, Shenzhen and Guangzhou.

For the years ended 31 December 2014, 2015 and 2016, net operating income before impairment allowances from the PRC amounted to HK\$2,535.7 million, HK\$2,381.4 million and HK\$2,451.5 million, respectively, representing approximately 38.2 per cent., 36.6 per cent. and 38.0 per cent., respectively, of the Group's total net operating income before impairment allowances. The Group's operating income from the PRC, as well as its advances to companies that have business interests in the PRC, may be influenced by the general state of the PRC economy and may be affected by significant political, social or legal uncertainties or changes in the PRC (including changes in political leadership, inflation rate, exchange controls and exchange rate, and the impact on the changes in regulations governing banking and other businesses). There can be no assurance that the Group's continued exposure to the PRC or its strategy to grow its business in the PRC will not have a negative impact on the Group's earnings or an adverse effect on the Group's business, financial condition or results of operations or that the economic and political environment in the PRC will remain favourable to the Group's business in the PRC in the future.

On 30 May 2016, China Cinda Asset Management Co., Ltd. ("**China Cinda**") completed the acquisition (the "**Acquisition**") of 100 per cent. of the Group's equity interests through China Cinda (HK) Holdings Company Limited, its wholly owned subsidiary in Hong Kong, from Bank of China (Hong Kong) Limited ("**BOCHK**"). With strengthened ties of businesses in the PRC after the Acquisition, the Issuer plans to continue to develop its cross-border business and operations in the PRC in the future. Accordingly, the Group's performance and the quality and growth of its assets are necessarily dependent on the overall economy in the PRC. Many of the Group's commercial customers are dependent to varying degrees on trade with the PRC. The asset quality of the Group's loans in the PRC, as well as its loans to customers that have business interests in the PRC, may be influenced by the general state of the PRC economy and may be affected by significant political, social or legal uncertainties or changes in the PRC (including changes in political leadership, the rate of inflation, RMB interest rate and RMB exchange rate). There can be no assurance that the economic and political environment in the PRC will remain favourable to the Group's business in the PRC in the future.

The economy of the PRC has experienced rapid growth in the past 30 years. There has been a slowdown in the growth of the PRC's GDP since the second half of 2013 and this has raised market concerns that the historic rapid growth of the economy of the PRC may not be sustainable. According to the National Statistics Bureau of the PRC, the annual growth rate of China's GDP in 2015 slowed down to 6.9 per cent. on a year-on-year basis compared to 7.3 per cent. in 2014, and it further decreased to 6.8 per cent. in 2016 on a year-on-year basis. In March 2016, Moody's Investors Service and S&P Global Ratings changed China's credit rating outlook to "negative" from "stable", which highlighted the country's surging debt burden and questioned the government's ability to enact reforms.

As far as the banking sector was concerned, this not only affected loan demand but also increased credit risk. In response to economic slowdown, the PRC government adopted a series of stimulus measures including, inter alia, reductions in the reserve requirement ratio and interest rates. Since November 2014, the People's Bank of China ("**PBOC**") has cut rates six times, resulting in a cumulative 165 basis point reduction in the benchmark lending rate to 4.35 per cent. and a cumulative 150 basis point reduction in the benchmark deposit rate to 1.50 per cent. Moreover, while a multi-year appreciation of the RMB exchange rate had already started to give way to two-way fluctuations, the PBOC's decision to change its daily rate fixing mechanism triggered a noticeable downward pressure on the RMB exchange rate and fuelled expectations of further devaluation ahead. If the PRC's economy experiences a continued slowdown in growth or a downturn in the future, or if the RMB exchange rate experiences unexpected phenomenal fluctuations, the Group's PRC business and its ability to implement its growth strategies in the PRC could be materially and adversely affected.

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

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

The Group has higher exposures to property-related usage as compared to other industries. As at 31 December 2014, 2015 and 2016, advances to customers for property-related usage in Hong Kong accounted for 17.47 per cent., 18.54 per cent. and 17.88 per cent. of the Group's total advances to customers.

The Hong Kong property market is highly cyclical and property prices in general have historically been cyclical volatile. After a period of significant increases in property prices as a result of increased demand spurred by access to funding with lower interest rates and reduced supply, at the end of 2010, the Hong Kong government and the Monetary Authority introduced property cooling measures such as a special stamp duty and reduced loan-to-value borrowings. Market consolidation in Hong Kong was experienced in the residential property market since these measures were introduced in 2010. On 26 October 2012, the financial secretary of the Hong Kong Government announced that the Stamp Duty Ordinance (Cap. 117) of the laws of Hong Kong ("**Stamp Duty Ordinance**") would be amended to adjust the rates and to extend the holding period in respect of the Special Stamp Duty ("**SSD**") imposed by the Stamp Duty (Amendment) Ordinance in 2011. Under the adjusted regime, any residential property acquired on or after 27 October 2012, either by an individual or a company (regardless of where it is incorporated), and resold within 36 months, will be subject to the new rates of SSD upon the enactment of the relevant legislation. The financial secretary also announced on 26 October 2012 that a Buyer's Stamp Duty ("**BSD**") would be introduced with effect from 27 October 2012 on residential properties acquired by any person (including a company incorporated) except a Hong Kong permanent resident. BSD is to be charged at a flat rate of 15 per cent. on all residential properties, on top of the existing stamp duty and the SSD, if applicable. On 22 February 2013, the financial secretary announced that the Hong Kong Government would further amend the Stamp Duty Ordinance to adjust the ad valorem stamp duty ("**AVD**") rates and to advance the charging of AVD on non-residential property transactions from the conveyance on sale to the agreement for sale. On 4 November 2016, the Hong Kong government announced further cooling measures in the form of an increase to stamp duty payable on property transactions to 15 per cent., effective from 5 November 2016 and applying to all residential property acquisitions by individuals or companies with the exception of first time home buyers who are Hong Kong permanent residents. The new 15 per cent. rate replaces the maximum 8.5 per cent. double AVD on non-first time home purchases by Hong Kong permanent residents that had been in place since February 2013. As the introduction of these measures are subject to policy changes reflecting domestic political or economic circumstances, there is no assurance that the Hong Kong government will not introduce further measures in the future that may have a significant impact on the Hong Kong property market, which may in turn affect have a negative impact on the Group's asset quality or an adverse effect on the Group's business.

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

The Group has significant exposure to the financial market.

As at 31 December 2014, 2015 and 2016, the Group's advances to customers of the financial sector accounted for 1.34 per cent., 2.88 per cent. and 5.88 per cent. of the Group's total advances to customers. There was a substantial increase of the Group's advances to customers of the financial sector in 2016, with a 145.43 per cent. increase on a year-on-year basis. The Group has a higher loan exposure to the financial sector as compared to other industries.

Unfavourable financial or economic environments, including the continued global financial uncertainties, have had and may continue to have an adverse impact on investors' confidence and global financial markets. The global financial markets have suffered significant disruption and volatility since 2007, initially triggered by adverse developments in the United States sub-prime mortgage sector. The ensuing contraction of liquidity, diminished credit availability, deteriorations in asset values, increase in bankruptcies, rising unemployment rates and declining consumer and business confidence have caused an overall slowdown in the global economy. The European debt crisis due to serious concerns over the abilities of certain European Union member countries to repay their debt since early 2010 has also led to further uncertainty for the global economy and financial markets. In addition, the United Kingdom's vote to withdraw from the European Union in June 2016 also brought volatility to the capital markets worldwide, increased foreign exchange volatility and potential negative impact to global economic growth.

The increasing uncertainties in financial markets could adversely affect the Group's financial condition and results of operations in many ways, including, among other things:

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

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

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

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

The Group is exposed to credit risk with respect to its investments in debt securities, treasury bills and securities businesses, which are recorded as financial assets at fair value and held-to-maturity financial assets. These financial assets may also be subject to price fluctuations as a result of changes

in the financial market's assessment of the relevant issuer's creditworthiness, delinquency and default rates and other factors. In addition, the Group may not have sufficient access to resources and trading counterparties to effectively implement its trading and investment risk mitigation strategies and techniques. If the Group fails to effectively manage its credit exposure, the volatility sourced from any negative news of the relevant security issuers could be magnified, and as a result, the Group may experience significant financial losses that could materially and adversely affect its business, financial condition and results of operations.

In addition, part of the Group's corporate loan portfolio comprises unsecured loans, the repayment of which is largely dependent on the cashflow of the borrower and adherence to the financial covenants contained in the loans. The majority of the Group's personal banking loan portfolio comprises loans secured by properties or financial instruments while the remaining portion comprises mainly unsecured personal loans, which generally carry higher rates of interest. As at 31 December 2016, 41.8 per cent. of the Group's advances were covered by collateral or other security. Although the Group carefully assesses the repayment ability of such borrowers, loan products which are not secured by any collateral entail a higher degree of credit risk than secured loan products. If there is a downturn in the economy, the credit quality and charge-off rates experienced by the Group may deteriorate.

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

The allowance for impairment losses on loans of the Group may not be sufficient for covering the actual losses on its loan portfolio which may be incurred in the future. As at 31 December 2014, 2015 and 2016, the Issuer's loan impairment allowances amounted to HK\$1,970.1 million, HK\$1,384.9 million and HK\$1,326.5 million, respectively, representing 1.32 per cent., 0.89 per cent. and 0.71 per cent. of the Issuer's advances to customers at that time, respectively. The allowance for impairment losses of the Issuer is determined according to the assessments and forecasts on various factors which may affect the quality of the loan portfolio. Such factors include, but are not limited to, a borrower's financial condition, solvency and willingness to repay, the realisable value of the collateral, the ability of the borrower's guarantor to perform the contract, as well as Hong Kong's and China's economic condition, policies for the industry, interest rates, accounting standards, laws and regulatory environment. Many of these factors are beyond its control, and the judgment and expectations on the aforesaid factors may not be consistent with the real conditions emerging in the future. Any change of the aforementioned factors may make its allowance for such impairment losses on loans insufficient to cover the actual losses, and as a result, may require the Issuer to increase its allowance for such impairment losses. Hence, the Group's profits may decrease, and its asset quality, results of operation and financial condition may also be materially and adversely affected.

Risks arising from changes in credit quality and the recoverability of loans and amounts due from counterparties are inherent in a wide range of businesses of the Group and there can be no assurance that the Group will be able to control effectively the level of impaired loans in its loan portfolio and the credit quality of its borrowers and counterparties. In particular, the amount of the Group's reported impaired loans, the ratio of its impaired loans to its loans and advances to customers may increase and the recoverability and value of the assets of the Group may reduce in the future as a result of deterioration in the quality of its loan portfolio. Such deterioration may occur for a variety of reasons, including factors which are beyond the Issuer's control, such as a slowdown in economic growth and other adverse macroeconomic conditions in Hong Kong and the PRC, which may cause operational, financial and liquidity problems for its borrowers and hence materially and adversely affect their ability to service their outstanding debts.

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

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

As part of its measures to maintain the liquidity of, and confidence in, the Hong Kong financial markets, the Hong Kong government introduced a Deposit Protection Scheme in 2006 to provide a level of protection to depositors with deposits held with authorised institutions in Hong Kong. An enhanced Deposit Protection Scheme with an increased protection limit of HK\$500,000 from HK\$100,000 and expanded coverage including deposits pledged as security for banking services, came into effect on 1 January 2011 under the Deposit Protection Scheme (Amendment) Ordinance 2010. However, there can be no assurance that the level of customer deposits, and therefore of the Group's liquidity, will not be adversely affected by the withdrawal of, or any changes to, the Deposit Protection Scheme in the future.

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

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

The Group has recorded net cash outflow in the recent financial period.

The Group recorded a net operating cash outflow for the year ended 31 December 2016, amounting to HK\$6,041.5 million. This is mainly attributable to the decrease in the Group's balances and placements with banks and other financial institutions, and the increase in the Group's advances and other accounts and its financial investments. Although the Issuer considers the change in the Group's operating cashflow as the result of the Group's increase in lending under its ordinary course of business, there can be no assurance that the Group will be able to generate sufficient cash flow to support the repayment of its current indebtedness.

If the Group is unable to make scheduled payments in connection with its debt and other fixed payment obligations as they become due, it may need to renegotiate the terms and conditions of such obligations or to obtain additional equity or debt financing. There can be no assurance that such renegotiation efforts would be successful or timely or that the Group would be able to refinance its

obligations on acceptable terms or at all. If financial institutions decline to lend additional funds to the Group or to refinance its existing loans when they mature as a result of its credit risk and it fails to raise financing through other means, its financial condition, cash flow position and business prospects may be materially and adversely affected.

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

As with most banks, the Group's net interest income is a significant factor in determining its overall financial performance. For the years ended 31 December 2014, 2015 and 2016, the Group's net interest income represented approximately 90.5 per cent., 80.4 per cent. and 76.0 per cent., respectively, of its operating income. Interest rates in Hong Kong have remained relatively low and have been falling steadily in recent years, however there can be no assurance that interest rates will not be raised or that increases in interest rates will not be frequent. The Group realises income from the margin between income earned on its assets and interest paid on its liabilities. The Group's net interest margins, as the weighted average of the difference between interest rates on the loan advances made by, and the cost of debt funding for the Issuer, for the years ended 31 December 2014, 2015 and 2016 were approximately 1.83 per cent., 1.65 per cent. and 1.52 per cent., respectively. As some of the Group's assets and liabilities are repriced at different times, the Group is vulnerable to fluctuations in market interest rates. As a result, volatility in interest rates could have an adverse effect on the Group's business, financial condition, liquidity and results of operations.

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

The differences in timing and level of changes in interest rates can result in an increase in interest expense relative to its interest income, which may lead to a reduction in its net interest income. Interest rates in Hong Kong are sensitive to factors over which the Group has no control, including, among others:

- interest rates in the United States;
- liquidity of the domestic inter-bank market and the international capital markets;
- domestic and international economic and political conditions; and
- competition for loan demand.

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

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

The Group's assets and liabilities are denominated in major currencies, particularly the HK dollar, the U.S. dollar and Renminbi. As at 31 December 2014, 2015 and 2016, the Group held a substantial part of its spot assets in U.S. dollars amounting to HK\$50,714.9 million, HK\$62,789.2 million and HK\$89,820.7 million, respectively, and Renminbi amounting to HK\$129,625.8 million, HK\$105,966.7 million and HK\$116,285.5 million, respectively.

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

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

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

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

The Group holds a portfolio of debt securities and certificates of deposit with different investment grades. The Group has analysed its investments in debt securities according to the designation of external credit institutions such as Moody's. As at 31 December 2016, the Group had a total investment in debt securities of HK\$80,602.1 million, of which approximately 21.2 per cent. were rated Aaa, approximately 33.1 per cent. were rated between Aa1 to Aa3, approximately 19.6 per cent. were rated between A1 to A3, approximately 9.6 per cent. were rated lower than A3 and approximately 16.5 per cent. were unrated (but with internal rating which is equivalent to investment grade of external rating). Given the uncertainties in the current credit and capital markets, there can be no assurance that the Group will not suffer any future marked-to-market losses on its original investment amount in its portfolio of debt securities.

The Group's equity investments are subject to market risks.

The Group invests in certain equity and fixed income securities, all of which are subject to market volatility. The performance of the Group's equity investment is determined by its investment decisions and judgments based on its assessment of existing and future market conditions. The Group's investment decisions are a matter of judgment, which involves management discretion and assumptions. Its decision-making process may fail to effectively minimise losses, capture gains, or conform to actual changes in market conditions. Any decline in the value of such assets can result in the recognition of impairment losses of the Group.

The Group is exposed to operational risks associated with the banking industry.

Like all other financial institutions, the Group is exposed to many types of operational risks, including the risk of fraud, unauthorised transactions or other misconduct by employees (including the violation of regulations for the prevention of corrupt practices, and other regulations governing the Group's business activities), or operational errors, including clerical or record keeping errors or errors resulting from faulty computer or telecommunications systems. There can be no assurance that any of such operational risks or operational errors will not materialise or occur in the future, or that, if such risks or errors do materialise or occur, the Group's business, reputation, results of operations and financial conditions will not be adversely affected. The Group 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 Group outsources some functions to other agencies. Moreover, the Group is exposed to the risk that its (or its vendors') business continuity and data security systems prove not to be sufficient in case of a system failure or natural disaster.

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

The Group is subject to significant competition.

The Group is subject to significant competition in Hong Kong from many other Hong Kong and foreign banks and financial institutions, including competitors which have significantly more financial and other capital resources, higher market share, and stronger brand recognition than the Group. In particular, the banking and financial services industry in Hong Kong is a mature market and, according to statistics published by the Monetary Authority, supported 22 Hong Kong incorporated licensed banks and 133 banks incorporated outside Hong Kong as at 28 February 2017 competing for a customer population of approximately 7 million people. Therefore, many of the international and local banks and niche players operating in Hong Kong compete for substantially the same customers as the Group. In recent years, competition among banks in Hong Kong for investment and insurance products, home mortgage loans, credit cards, personal loans and transport lending business has become very aggressive. There can be no assurance that increased competition will not have a material adverse effect on the Group's business, financial condition or results of operations.

The banking industry in the PRC is highly competitive. The market has been dominated by the large state-owned commercial banks, which have long operating histories, well-established branch networks, large customer bases and better brand recognition. Moreover, the banking industry in the PRC has been facing more challenges in recent years as the PRC government implemented a series of measures to liberalise the banking industry. The Issuer expects competition from foreign commercial

banks to increase significantly as a number of foreign banks have established locally-incorporated banks in the PRC and previous restrictions on their geographical presence, customer base and operating licences in the PRC were removed in April 2007 pursuant to the PRC's World Trade Organisation ("WTO") commitments.

In addition, the PRC's Closer Economic Partnership Arrangement ("CEPA") with Hong Kong and Macau allows smaller banks from these jurisdictions to operate in the PRC, which has also increased competition in the banking industry in the PRC. Many of these banks compete with the Group for the same customer base and some of them may have greater financial, management and technical resources than the Group.

The intensified competition in the markets where the Group operates may adversely affect the Group's business and prospects, the effectiveness of its strategies, its results of operations and financial condition by potentially:

- reducing the Group's market share in its principal products and services;
- reducing the growth of the Group's loan and deposit portfolios and other products and services;
- reducing the Group's interest income and net interest margin;
- reducing the Group's fee and commission income;
- increasing the Group's interest and operating expenses; and
- increasing competition for qualified managers and employees.

The Group may be presented with new risks and challenges as it expands in the Hong Kong and PRC markets.

The Issuer was the first foreign bank in the PRC and has been providing cross-border financial services to customers between Hong Kong and mainland China since the establishment of its first mainland branch in Shenzhen in 1982. NCB (China) was incorporated in the PRC on 4 December 2007 as a locally-incorporated bank. The establishment of a locally-incorporated bank is one of the prerequisites, providing an RMB retail banking service in the PRC. Further expansion into the PRC may present the Group with new risks and challenges, such as more stringent and changing regulatory requirements, and new competition from online money market funds.

Following the Acquisition, significant synergies and cross-selling potential between China Cinda and the Group were expected, which would involve expansion of the Group's business in the Hong Kong and PRC markets through serving as a core financial services platform of China Cinda. Following the Acquisition, synergies between China Cinda and the Group began to appear and the result has been reflected in some of the Group's financial indicators. The Group's average monthly net operating income before impairment allowances increased by 9.94 per cent. from HK\$508.33 million to HK\$558.86 million, the Group's average monthly profit after taxation increased by 12.30 per cent. from HK\$213.62 million to HK\$239.90 million¹, the Group's average monthly deposit balance increased by 15.5 per cent. from HK\$212 billion to HK\$244 billion and the Group's average monthly loan balance increased by 11.1 per cent. from HK\$158 billion to HK\$175 billion. In addition, the Group's average monthly net fee and commission income increased by 7.6 per cent. from HK\$125.4 million to HK\$135.0 million, and the classified or impaired loan ratio decreased from 0.49 per cent. to 0.42 per cent.^{2,3}

¹ The Group's pre-/post- Acquisition average monthly profit after taxation was calculated by the average values of the Group's profit after taxation before net charge of impairment allowances for the pre-/post-Acquisition period minus the Group's average annual net charge of impairment allowances.

² The pre-Acquisition and post-Acquisition figures were represented by the average values of the corresponding figures for the five months ended 31 May 2016 and the seven months ended 31 December 2016, respectively.

³ The classified or impaired loans include loans classified as Substandard, Doubtful or Loss, or loans which were individually assessed as impaired loans.

Further business integration with China Cinda and future expansion in the Hong Kong and PRC markets may require significant financial, operational, administrative and management resources. The success of such integration will depend in part on the ability of the Group's management to integrate the operations of the new businesses with its existing operations and, where applicable, to integrate various departments, systems and processes. Consequently, the Group's ability to implement its business strategy may be constrained and the timing of such implementation may be affected due to the demand placed on existing resources by the process. Any failure to manage integration and expansion effectively could have an adverse effect on the Group's business, financial condition and results of operations.

In addition, in order to meet the needs of its customers and to expand its business, the Group has widened the range of products and services offered by NCB (China). Expansion of the business of the Group in the PRC is subject to certain risks and challenges, including:

- the Group may not be able to obtain regulatory approval for new products or services;
- new products and services may not be well received by customers or are not able to generate the Group's expected return;
- difficulties in recruiting experienced professionals or qualified personnel to offer new products and services, due to competition in the labour market; and
- the Group may not be able to enhance risk management capabilities and information technology systems to support a broader range of products and services.

If the Group is not able to achieve the intended results with respect to its new products and services to be offered in the PRC, this could have an adverse effect on the business, financial condition and results of operations of the Group.

The Group may not be able to achieve the anticipated intra-group synergies.

The Group has formulated certain strategies to achieve and enhance collaboration among various business lines and intra-group cooperation between its branches and its subsidiaries so as to further enhance synergies. Since the Acquisition, achieving further synergies between China Cinda and the Group has become more complex due to the integration of businesses, cross-selling and the increased cross-border element in the Group's business development. There can be no assurances that the Group will be able to fully develop or implement these strategies or that it will realise the anticipated benefits of these strategies.

Following the Acquisition, the Group has become wholly owned by China Cinda as its key platform for providing banking services. China Cinda has appointed senior executives to be members of the seven working committees under the Issuer's board of directors to facilitate a smooth post-Acquisition transition and to implement effective management of the Group's strategies, risk management, human resources and finance functions. The Group also proactively visits its customers to introduce China Cinda as its new major shareholder, stabilising the Group's customers' confidence in it after the Acquisition and seeking further business opportunities. To achieve a successful integration, China Cinda and the Group may need to, among other things, (i) retain its existing customers and further expand its customer base; (ii) put in place and execute a well-managed operation plan between China Cinda and the Group, including formulating effective incentive mechanisms; (iii) ensure the stability and quality of transitional support to the Group with respect to information technology and other operations previously provided by BOCHK; (iv) retain, hire and train staff who will contribute to the

Group's business development; and (v) minimise adverse effects resulting from cultural differences, if any, between China Cinda and the Group. The Group cannot assure that these actions or strategies will be successfully implemented, and the failure of these actions and strategies may significantly and adversely affect the Group's financial condition and operational results.

Implementation of these strategies could also be affected by a number of factors beyond the Group's control, including operating difficulties, increased operating costs, regulatory developments, deterioration in general or local economic conditions or increased competition. In particular, the applicable PRC regulatory framework allows the regulatory authorities to oversee and inspect the cooperation within the Group, and licenses may be required for certain activities. If the cooperation within the Group is deemed a violation of any regulations in the PRC or other territories, its intra-group cooperation and collaboration may be adversely affected, and the Group may be subject to relevant legal liabilities or administrative penalties and its reputation may be harmed, all of which would have a material adverse effect on the Group's business and prospects.

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

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

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

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

In accordance with the Commercial Banking Law of the PRC (中華人民共和國商業銀行法) amended on 29 August 2015 and effective on 1 October 2015, the previous requirement that all commercial banks in China should maintain a loan-to-deposit ratio of not more than 75 per cent. has been removed. However, the CBRC uses other indicators, such as liquidity coverage ratio, liquidity ratio, and net stable funding ratio to monitor the liquidity status of commercial banks. If NCB (China) failed to fulfil this mandatory requirement, it may result in restrictions on its business expansion imposed by the CBRC, such as suspension of new business application and establishment of new branch or sub-branch. As at 31 December 2016, NCB (China) was complied with this mandatory requirement.

In recent years, the CBRC has issued regulations and guidelines governing the capital management of all commercial banks in the PRC. According to the Regulation Governing Capital of Commercial Bank (Provisional) (商業銀行資本管理辦法(試行)) issued on 7 June 2012 and effective on 1 January 2013, the new capital requirements of the CBRC should be fulfilled by all commercial banks in the PRC on or before 31 December 2018. The minimum capital requirements of CAR, Tier 1 CAR and Core Tier 1 CAR for non-systemically important banks in China are 8 per cent., 6 per cent. and 5 per cent. respectively. On top of the minimum capital requirements, all commercial banks should make an additional provision of 2.5 per cent. on their risk weighted assets. According to the Matters Relating to Arrangements During the Transitional Period for Implementation of the Administrative Measures on

Capitals of Commercial Banks (For Trial Implementation) (關於實施《商業銀行資本管理辦法(試行)》過渡期安排相關事項的通知) issued and effective on 30 November 2012, NCB (China) is required to maintain a Core Tier 1 CAR of 7.5 per cent., a Tier 1 CAR of 8.5 per cent. and a CAR of 10.5 per cent. by 31 December 2018. According to the Administrative Measures on Liquidity risk of Commercial Banks (Trial Implementation) (商業銀行流動性風險管理辦法(試行)) issued on 2 September 2015 and effective on 1 October 2015, the liquidity coverage ratio and liquidity ratio of commercial banks shall not be less than 100 per cent. and 25 per cent. respectively; and the liquidity coverage ratio should be fulfilled by all commercial banks on or prior to 31 December 2018.

The principal regulator of the PRC insurance industry is the China Insurance Regulatory Commission (“CIRC”). According to the Matters Relating to Administrative Licensing for Banks Engaging in Insurance Agency Business (關於銀行類保險兼業代理機構行政許可有關事項的通知) issued and effective on 25 April 2016, to carry out business in the insurance industry, commercial banks with legal person identities are required to apply for licenses engaging in insurance agency business. With such licenses, they may authorise their branches to engage in insurance agency business. Under the Circular on Regulating the Bank Business Being Commissioned to Sell Insurance (關於規範銀行代理保險業務的通知) issued and effective on 15 June 2006, commercial banks conducting insurance business shall arrange a special department to answer for such business, which shall be accounted and audited independently.

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

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

The Group’s efforts to integrate its various business operations and coordinate among its branches and subsidiaries may not be effective or timely. In addition, the Group cannot assure you that such growth will continue in the future. The expansion of the Group’s business activities poses various challenges to it, including but not limited to:

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

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

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

The success of the Group's business, to a large extent, depends on its ability to attract and retain key personnel who possess in-depth knowledge and understanding of, and extensive working experience in, the financial industry. These key personnel include, among others, senior management, professional staff in the banking industry, experienced investment managers, product development personnel, research analysts, marketing and sales staff, legal professionals, risk management personnel, IT specialists and other operational personnel. Therefore, the Group devotes considerable resources to recruiting and retaining these personnel. However, the market for quality professionals is highly competitive and the Group faces increasing competition in recruiting and retaining these individuals as other banks and financial institutions are vying for the same pool of talent. The Group's business and financial condition could suffer if it is unable to retain its management team, including its senior management and operating management, and other high-quality personnel, including its management in the business, finance, investment and IT departments, or cannot replace them upon their departure in a timely manner. In the face of the intense competition for talent, the Group may need to offer better compensation and other benefits to recruit and retain qualified professionals and additional costs may be incurred.

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

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

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

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

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

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

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

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

In addition, the Group provides online financial services such as securities brokerage services to its customers. Security breaches, disruption to or instability of the Group's online financial services platform or mobile service platform could impair its ability to serve its customers and execute trades on their behalf and on its own account, which could materially and adversely affect its results of operations and reputation. The Group's networks may be vulnerable to unauthorised access, computer viruses and other disruptive problems. Costs incurred in rectifying any such disruptive problems may be high and may adversely affect the Group's business, financial condition and results of operations. The Group has been actively monitoring its internet banking security through an external IT unit and would issue public alerts when any security issue is located. In October 2014, the Issuer published an alert that there was a fraudulent website (address: <http://23.94.244.182/-/ncbchina.cn/>) which claimed to be the website of NCB (China). In May 2015, the Issuer published an alert that there was a fake pop-up window requesting for personal information at its Personal Internet Banking login page. The Issuer has reported both cases to the Monetary Authority and the Hong Kong Police Force. The Issuer confirmed that these two incidents did not have a material adverse effect on the Group's business, financial condition and results of operations. Concerns regarding security risks in general may deter the Group's existing and potential customers from using its internet banking products and services, and may in turn have a material adverse effect on the Group's internet banking business.

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

Following the Acquisition, BOCHK, Cinda Financial Holdings Co., Limited (“Cinda Financial”) and the Issuer entered into a transitional services agreement (the “TSA”) on the 30 May 2016, pursuant to which BOCHK shall provide certain transitional support services to the Issuer and NCB (China) at service charges mutually agreed by the parties for an initial term of three years from 30 May 2016 to facilitate smooth post-Acquisition transition (the “Transition Period”). The services provided by BOCHK under the TSA include the maintenance of IT systems currently used by the Issuer and NCB (China) and other forms of IT support. If BOCHK fails to maintain the IT systems used by the Issuer and NCB (China) or provide IT support to the Group properly under the TSA, or if there is any disruption to or instability of the IT systems maintained by BOCHK, the Group’s operations, business and financial condition may be materially and adversely affected. There can be no assurance that such problems with BOCHK’s provision of IT system maintenance service will not occur in the future.

The Group has been developing its proprietary IT systems since the Acquisition, however there is no assurance that the Group will be able to complete the intended development of its proprietary IT systems within the Transition Period. If the Group fails to complete the intended development of its proprietary IT systems within the Transition Period, it may have to further negotiate with BOCHK or other third-party service providers for the continuation of use of the IT systems and IT support currently provided by BOCHK.

The Group may incur significant capital expenditure for the development of its proprietary IT systems.

While the Group has been using certain IT support services and IT systems provided by BOCHK during the Transition Period, it has been developing its proprietary IT systems for its own use in the long run. The development of such IT systems requires substantial capital investment. The Group may have higher capital expenditure in the future as it continues to develop and enhance its IT systems. The Group’s capital expenditure plans are subject to a number of factors, some of which are beyond its control, including its ability to generate sufficient cash flows from its operations and the availability and terms of external financing. If the Group is unable to obtain acceptable financing to fund necessary capital expenditures in the future, the results of its operations and its financial condition could be adversely affected.

The Group may not be able to detect money laundering and other illegal or improper activities in its business operations completely or on a timely basis.

The Group is required to comply with applicable anti-money laundering laws, anti-terrorism laws and other regulations in Hong Kong, the PRC and overseas. The PRC Anti-money Laundering Law (中華人民共和國反洗錢法) and the relevant anti-money laundering laws and regulations in Hong Kong require financial institutions to establish sound internal control policies and procedures with respect to anti-money laundering monitoring and reporting activities. The PRC Anti-Terrorism Law (中華人民共和國反恐怖主義法) and the relevant anti-terrorism regulations also require financial institutions to freeze capital or other assets of terrorist organisations and their members that have been designated by the national anti-terrorism authorities and to report to the relevant governmental authorities.

The Group has established adequate internal control systems taking into account factors including the types of products and services offered, the category of customers and geographical locations of the parties and transactions involved for its identification of potential risks. The Group has also implemented various ongoing control measures to manage and mitigate any potential risks arising from its business operations, ranging from senior management oversight, appointments of compliance officer and money laundering reporting officer, regular checks by its compliance and audit function teams, staff screening and training. The Group’s existing policies and procedures for the detection and prevention of money laundering activities and terrorist-financing activities through its business

platform have only been adopted in recent years and may not eliminate instances in which it may have been used by other parties to engage in money laundering and other illegal or improper activities. In the event that the Group fails to fully comply with applicable laws and regulations, the relevant government agencies may freeze its assets or impose fines or other penalties on it. There is no assurance that there will not be failures in detecting money laundering or other illegal or improper activities which may adversely affect the Group's business reputation, financial condition and results of operations.

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

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

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

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

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

The Group is subject to extensive regulatory requirements and any breach of the relevant laws or regulations would materially and adversely affect the Group's business, financial condition and results of operations.

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

Certain products and services provided by the Group are regulated by other regulators including the Securities and Futures Commission (the “SFC”) in Hong Kong. The Group carefully manages legal and compliance risks, including in relation to the sale of financial products and anti-money laundering regulations. Since 2007, the regulators in Hong Kong have introduced recommendations which are intended to provide tighter control and more transparency in the Hong Kong banking sector, in particular, in relation to the marketing and sale of investment products.

In May 2010, the Monetary Authority and the SFC each launched new investor protection measures. The Monetary Authority measures apply to the sale of non-listed derivative products to retail customers. Authorised institutions are required to offer a pre-investment cooling-off period to certain groups of customers, such as elderly customers and first-time buyers with a high concentration (over 20 per cent. of the customer’s assets). The SFC measures apply to the sale of unlisted structured investment products with a tenor of more than a year. Issuers of unlisted structured investment products are required to provide a five-day ‘cooling-off’ period to investors. On 28 December 2010, the Group implemented the pre-investment cooling-off period. The Group continues to review its internal procedures and controls on risk exposures and implement new measures governing the sale process for financial products. Other recent measures that the Group implemented include, for example, the implementation on 4 September 2011 of investor characterisation measures, which were required to be implemented as part of the “Know Your Client” process, which seek from clients information in relation to each client’s knowledge of derivative products. On 3 April 2017, the Monetary Authority sent a letter to the financial institutions in Hong Kong regarding the recent Pillar 3 disclosure requirements published by the Basel Committee on 29 March 2017 and drew the financial institutions’ attention to the requirements. The Monetary Authority also stated that it will consult the industry later in 2017 regarding the proposed approach to enhance the local disclosure regime.

The Group has taken steps to implement the recommendations by relevant regulators and to comply with any new or modified regulations. Increased regulation and the requirement for more stringent investor protections have increased its operational and compliance expenses. Any changes in regulation, governmental policies, income tax laws or rules and accounting principles, as well as international conventions and standards relating to commercial banking operations in Hong Kong, could increase the costs and burden on the Group and may affect the Group’s operations. There can be no assurance that the relevant regulatory authorities will not implement further regulations and that such change will not materially increase the Group’s operational and compliance cost or adversely affect its business or operations. There can also be no assurance that breaches of legislation or regulations by the Group will not occur and, to the extent that such a breach does occur, that significant liability or penalties will not be incurred.

The Group is subject to certain minimum regulatory capital and liquidity requirements.

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

Capital and liquidity requirements are expected to increase upon full implementation of Basel III. On 16 December 2010 and on 13 January 2011, the Basel Committee issued its final guidance on Basel III. The Basel Committee’s package of reforms includes increasing the minimum common equity (or equivalent) requirement and the total Tier 1 capital requirement. In addition, banks will be required to maintain, in the form of common equity (or equivalent), a capital conservation buffer to withstand future periods of stress. If there is excess credit growth in any given country resulting in a system-wide build up of risk, a countercyclical buffer of common equity is to be applied as an extension of the conservation buffer. The role of any other fully loss absorbing capital in the context

of any countercyclical buffer remains under discussion according to the guidance issued by the Basel Committee on 16 December 2010 (as revised in June 2011). Furthermore, systemically important banks should have loss absorbing capacity beyond these standards. The Basel III reforms also require Tier 1 and Tier 2 capital instruments to be more loss-absorbing. The reforms therefore increase the minimum quantity and quality of capital which banks are obliged to maintain. There can be no assurance as to the availability or cost of such capital. The capital requirements are to be supplemented by a leverage ratio, and a liquidity coverage ratio and a net stable funding ratio will also be introduced. The initial stage of the proposed reforms has been implemented since the beginning of 2013, however the requirements are subject to a series of transitional arrangements and will be phased in over a period of time, to be fully effective by 2019.

There can be no assurance that, prior to its full implementation by 2019, the Basel Committee will not amend the package of reforms described above. Further, the Monetary Authority or other authorities (the “**Relevant Authority**”) having oversight of the Issuer at the relevant time may implement the package of reforms in a manner that is different from that which is currently envisaged, or may impose additional capital requirements on authorised institutions. If the regulatory capital requirements, liquidity restrictions or ratios applied to the Group are increased in the future, any failure of the Group to maintain such increased regulatory capital ratios could result in administrative actions or sanctions, which may have an adverse effect on the Group’s results of operations.

The Group may expand its business through acquisitions in the future, which may cause adverse impact on its financial condition.

The Group may consider expanding its business operations through mergers, acquisitions and forming joint ventures. The benefits of an acquisition or joint venture transaction may take considerable time to develop. Such post-acquisition integration could place significant strain on its managerial, operational and financial resources and there is no assurance that any particular acquisition or joint venture will achieve the intended benefits. In particular, the heavy demand of capital for such transactions may lead to a deduction of capital and a decrease in the Group’s capital adequacy level. Further, the success of such joint ventures is also dependent on current global economic conditions. For example, in a global economic downturn, the Group’s joint ventures may need to raise more funds in order to continue to meet their obligations and there is no assurance that such funds will be successfully raised. Moreover, the PRC government may issue policies which could have a significant influence over many aspects of the economy from time to time. There is no assurance that the Group’s investments and operations will not be restricted or adversely affected by such policies in the future.

In addition, the Group may review and optimise its business portfolio from time to time, including implementing exit plans for its investments in accordance with its development strategies. There is no assurance that the Group will successfully implement its investment exit strategies and/or restructure its business portfolio in the future. The Group will take into account various factors such as the following when reviewing its investment exit strategies:

- general market conditions;
- the availability of different methods of exit and the risks associated thereto;
- the projected investment gain, as updated during the entire lifecycle of the investment; and
- the impact on the Group’s financial results and cashflows.

In the event that the Group is unable to make and implement investment exit decisions that adequately address its business restructuring and optimisation needs, the Group’s business, financial condition, results of operation and prospects might be adversely affected.

Recurrence of SARS, Human Swine Influenza A (H1N1), Avian or Swine Influenza or other highly contagious diseases in Asia and elsewhere.

In 2003, there was an outbreak of SARS, a highly contagious and potentially deadly disease, in Hong Kong, along with many other countries and regions in Asia. The SARS outbreak had a significant adverse impact on the economies of the affected countries and regions. Since the latter half of 2005, there have been media reports regarding the spread of the H5N1 virus or “Avian Influenza A” among birds and poultry and, in some isolated cases, transmission of Avian Influenza A virus from animals to human beings. Similarly, since early 2009, there have been reports regarding the spread of the H1N1 virus or “Swine Influenza A” from animals to humans and, in some isolated cases, of human-to-human transmission of Swine Influenza A. In December 2013, the “Serious Response Level” under the Hong Kong government’s Preparedness Plan for Influenza Pandemic was activated. As at 30 April 2014, a number of cases of the H7N9 and H10N8 viruses, different strands of Avian Influenza A, were reported in the PRC, while a few cases of the H7N9 virus were reported in Hong Kong.

There can be no assurance that there will not be a recurrence of the outbreak of SARS or other epidemics, or that incidents of avian or swine influenza or Human Swine Influenza A (H1N1) will not increase. The SARS outbreak caused an adverse effect on the economies of the affected regions, including Hong Kong and the PRC. Like other financial institutions, the Group’s operations in those affected regions were influenced by a number of SARS-related factors including, but not limited to, a decline in demand for residential mortgage advances, a reduction in the number of customers visiting the Group’s branches and an adverse impact on asset quality due to a weakened economy and higher unemployment rate. There can be no assurance that the Group’s business, financial condition and result of operations would not be adversely affected if another outbreak of SARS or another highly contagious disease occurs.

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

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

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

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

Nevertheless, as at 31 December 2016, neither the Issuer nor any other member of the Group are not involved in any material litigation, arbitration or similar proceedings, and the Issuer is not aware of any such proceedings pending or threatened against it or any of its subsidiaries, which are or might be material in the context of the Capital Securities. See the section titled “*Business of the Group — Litigation*”.

RISK FACTORS RELATING TO THE CAPITAL SECURITIES

The Capital Securities may not be a suitable investment for all investors.

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

- (a) have sufficient knowledge and experience to make a meaningful evaluation of the Capital Securities, the merits and risks of investing in the Capital Securities and the information contained or incorporated by reference in the Offering Circular or any applicable supplement;
- (b) have access to, and knowledge of, appropriate analytical tools to evaluate, in the context of its particular financial situation, an investment in the Capital Securities and the impact such investment will have on its overall investment portfolio;
- (c) have sufficient financial resources and liquidity to bear all of the risks of an investment in the Capital Securities, including where the currency for principal or interest payments is different from the potential investor’s currency;
- (d) understand thoroughly the terms of the Capital Securities and be familiar with the behaviour of any relevant financial markets; and
- (e) be able to evaluate (either alone or with the help of a financial adviser) possible scenarios for economic and other factors that may affect its investment and its ability to bear the applicable risks.

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

The Capital Securities are perpetual securities and investors have no right to require redemption.

The Capital Securities are perpetual and have no maturity date. Holders have no ability to require the Issuer to redeem their Capital Securities whereas the Issuer can redeem the Capital Securities in certain circumstances as described in the Conditions. However, the Issuer is under no obligation to redeem the Capital Securities at any time. The ability of the Issuer to redeem Capital Securities is subject to the Issuer (a) obtaining the prior written consent of the Monetary Authority (if then required) to the redemption, and (b) satisfying any conditions that the Monetary Authority may impose at that time.

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

In addition, upon the occurrence of a Withholding Tax Event, a Tax Deduction Event or a Capital Event, the Capital Securities may be redeemed at the relevant redemption amount, as more particularly described in the Conditions. Also, if any Non-Viability Event occurs, as more fully described in “Non-viability Loss Absorption Provisions”, Holders may lose up to the full principal amount of the Capital Securities. There can be no assurance that Holders will be able to reinvest the amount received upon redemption at a rate that will provide the same rate of return as their investment in the Capital Securities.

The Capital Securities may be redeemed at the Issuer’s option on the first call date and every six months thereafter or the occurrence of certain other events.

The Capital Securities are redeemable at the option of the Issuer on the First Call Date (as defined in the Conditions) and on every Distribution Payment Date (as defined in the Conditions) thereafter at their principal amount together with any Distribution accrued to but excluding) the date fixed for redemption. In addition, upon the occurrence of a Withholding Tax Event, a Tax Deduction Event or a Capital Event, the Capital Securities may be redeemed at the relevant redemption amount, as more particularly described in the Conditions.

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

The Issuer’s obligations under the Capital Securities are subordinated.

The Issuer’s obligations under the Capital Securities constitute direct, unsecured and subordinated obligations of the Issuer which rank *pari passu* with Parity Obligations. Subject, inter alia, as discussed under “— Distribution — Non-Viability Loss Absorption”, to the insolvency laws of Hong Kong and other applicable laws, in the event of a Winding-Up of the Issuer, the rights of the Holders to payment of principal and Distributions on the Capital Securities and any other obligations in respect of the Capital Securities are expressly subordinated and subject in right of payment to the prior payment in full of all claims of such senior creditors as set out in Condition 2(b) and will rank senior to all Junior Obligations. In the event of a shortfall of funds on a Winding-Up, there is a risk that an investor in the Capital Securities will lose all or part of its investment and will not receive a full return of the principal amount or any unpaid amounts due under the Capital Securities. The Capital Securities also do not limit the Issuer’s ability or the ability of any entity in the Group to incur additional indebtedness, including indebtedness that ranks senior in priority of payment to the Capital Securities.

Non-Viability Loss Absorption Provisions.

Under the Conditions, a Non-Viability Event occurs when the Monetary Authority notifies the Issuer in writing that the Monetary Authority is of the opinion that a Write-off or conversion is necessary, without which the Issuer would become non-viable; or that a decision has been made by the government body, a government officer or other relevant regulatory body with the authority to make such a decision, that a public sector injection of capital or equivalent support is necessary, without which the Issuer would become non-viable.

If a Non-Viability Event occurs and is continuing, the Issuer shall, upon the provision of a Non-Viability Event Notice (which shall be given by the Issuer not more than two Hong Kong Business Days after the occurrence of the Non-Viability Event), irrevocably (without the need for the consent of the Holders) reduce the then principal amount of, and cancel any accrued but unpaid Distribution in respect of, each Capital Security (in each case in whole or in part). Although the Issuer has agreed to notify the clearing systems and the Holders following the occurrence of a Non-Viability Event, there will be a delay between a Non-Viability Event and the time that the clearing systems and the Holders via the clearing systems are notified of the occurrence of the relevant Non-Viability Event

through their clearing systems accounts or otherwise. Such delay may exceed several days during which trading and settlement in the Capital Securities may continue. Any such delay will not change or delay the effect of a Non-Viability Event on the obligations of the Issuer under the Capital Securities or on the rights of the Holders. See “*Terms and Conditions of the Capital Securities — Distribution — Non-Viability Loss Absorption*”. The notification of a Non-Viability Event is at the discretion of the Monetary Authority and beyond the control of the Issuer. The circumstances in which such discretion is exercised are not limited and may include concerns about the Issuer’s capital, funding and/or liquidity levels.

Holders should note that any amount that is written down upon the occurrence of a Non-Viability Event in accordance with the Conditions is permanent and will not be restored under any circumstances, even if the relevant Non-Viability Event has ceased. In addition, a Non-Viability Event may occur on more than one occasion and each Capital Security may be written down on more than one occasion. As the Distribution Rate is calculated on the basis of the principal amount as adjusted following the occurrence of a Non-Viability Event, in the event that such principal amount is permanently reduced by the relevant Write-off, Holders will receive less Distributions on their Capital Securities. In addition, upon the occurrence of a Non-Viability Event, Holders could risk losing up to the full principal amount of the Capital Securities, as well as the cancellation of any accrued (and unpaid) Distributions, without receiving any compensation for such loss or cancellation.

The application of a non-viability loss absorption feature similar to Condition 4.3 has not been tested in Hong Kong and some degree of uncertainty may exist in its application.

Transfers scheduled to settle through Euroclear and Clearstream, Luxembourg (the “ICSDs”) are expected to be rejected if the scheduled settlement is after any suspension by the ICSDs of clearance and settlement of the Notes in connection with a Non-Viability Event Notice. Furthermore, because of time zone differences and the delay between the time when a Non-Viability Event occurs and when the ICSDs receive and process the Non-Viability Event Notice, 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 (ii) are settled through the ICSDs even though such transfers were initiated after the Non-Viability Event.

The ICSDs are expected to suspend all clearance and settlement of transfers of the Capital Securities by Holders after receipt of a Non-Viability Event Notice, and any transfer of the Capital Securities that is scheduled to settle after commencement of such suspension is expected to be rejected by the ICSD and will not be settled within the ICSDs.

Although a Non-Viability Event Notice will be sent by the Issuer to the ICSDs and the Holders via the ICSDs after the occurrence of a Non-Viability Event, the records of the ICSDs will not be immediately updated to reflect the Non-Viability Event, and a period of time, which may exceed several days, will be required before the clearance and settlement of transfers of the 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. In such circumstances, transferors of the Capital Securities would not receive any consideration through the ICSDs in respect of such intended transfer because the ICSDs will not settle such transfer after commencement of such suspension. Similarly, it is possible that transfers that are initiated prior to such suspension and scheduled to settle on a date before the ICSDs commence such suspension will be settled through the ICSDs even though such transfers were initiated after the Non-Viability Event. In such circumstances, transferees of the Capital Securities may be required to pay consideration through the ICSDs even though, upon the occurrence of a Non-Viability Event, no amounts under the Capital Securities will thereafter become due, and such transferees will have no rights whatsoever under the Trust Deed or the Capital Securities to take any action or enforce any rights or instruct the

Trustee to take any action or enforce any rights whatsoever against the Bank, regardless of whether they have received actual or constructive notice of such fact. The settlement of the Capital Securities following a Non-Viability Event will be subject to procedures of the ICSDs that are in place at such time.

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

In early 2014, the Hong Kong government launched the initial stage of a public consultation on establishing a “resolution regime” for authorised institutions and other financial institutions in Hong Kong. A second consultation was launched in early 2015. A consultation response paper dated 9 October 2015 (the “**Response Paper**”) was published concluding the two consultations and summarising the key comments received and the authorities’ responses and proposals in relation to those comments. The Response Paper also discusses certain further issues which remain under development internationally. On 22 June 2016, the Financial Institutions (Resolution) Bill was passed by the Legislative Council of Hong Kong and enacted as the Financial Institutions (Resolution) Ordinance (No. 23 of 2016) on 30 June 2016 but has not yet commenced operation as at the date of this Offering Circular. The Financial Institutions (Resolution) Ordinance will come into operation on a day to be appointed by the Secretary for Financial Services and the Treasury by notice published in the Hong Kong Government Gazette.

The resolution regime seeks to provide the relevant resolution authorities with administrative powers to bring about timely and orderly resolution in order to stabilise and secure continuity for a failing financial institution in Hong Kong. In particular, it has been envisaged that subject to certain safeguards, the relevant resolution authority would be provided with powers to affect contractual and property rights as well as payments (including in respect of any priority of payment) that creditors would receive in resolution. These may include but are not limited to, powers to write off or convert all or a part of the principal amount of, or interest on, the Capital Securities, which may *inter alia* be in addition to any write off pursuant to the contractual provisions relating to loss absorption of the Capital Securities, and powers to amend or alter the contractual provisions of the Capital Securities. Although the Financial Institutions (Resolution) Ordinance has not commenced operation as at the date of this Offering Circular, Holders will be subject to and bound by the Financial Institutions (Resolution) Ordinance once it comes into operation.

Certain considerations relating to enforcement.

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

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

Credit ratings of the Capital Securities.

The Capital Securities are expected to be assigned a rating of “Ba2” by Moody’s. These ratings reflect the Issuer’s ability to make timely payments of principal and interest on the Capital Securities. A rating is not a recommendation to buy, sell or hold any security, does not address the likelihood or timing of payment of the Capital Securities and may be subject to revision, suspension or withdrawal at any time by the assigning rating organisation. There is no assurance that the ratings assigned to the Capital Securities will remain in effect for any given period or that the ratings will not be revised by the assigning rating organisation in the future if, in its judgment, circumstances so warrant. A downgrade in ratings may affect the secondary market price of the Capital Securities.

Liquidity of the Capital Securities.

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

Payments of Distribution are discretionary and Distributions are non-cumulative.

Payment of Distributions on any Distribution Payment Date is at the sole discretion of the Issuer. Subject to the Conditions, the Issuer may elect to or, in certain cases, be required to cancel any Distribution on any Distribution Payment Date. The Issuer may make such election for any reason. In addition, the Issuer will not be obliged to pay, and will not pay, any Distribution upon the occurrence of a Mandatory Distribution Cancellation Event or an Optional Distribution Cancellation Event. Cancelled Distributions will not be reinstated and will not constitute an event of default. In addition, Distributions would only be paid out of such amounts for the time being available to the Issuer for distribution in compliance with section 297 of the Companies Ordinance (Cap. 622) of Hong Kong as at the Issuer's latest audited balance sheet, and subject to certain capital conservation requirements as applicable to the Issuer. As at the date of this Offering Circular, pursuant to section 297(1) of the Companies Ordinance (Cap. 622), the Issuer may only make a distribution out of profits available for distribution. For the purposes of section 297 of the Companies Ordinance (Cap. 622), the Issuer's profits available for distribution are its accumulated, realised profits, so far as not previously utilised by distribution or capitalisation, less its accumulated, realised losses, so far as not previously written off in a reduction or reorganisation of capital.

Any Distributions which are not paid on the applicable Distribution Payment Date following a Mandatory Distribution Cancellation Event, an Optional Distribution Cancellation Event or a Write-off shall not accumulate or be payable at any time thereafter, whether or not funds are or subsequently become available. Holders will have no right thereto whether in a bankruptcy or dissolution as a result of the insolvency of the Issuer or otherwise. Therefore, any Distributions not paid following a Mandatory Distribution Cancellation Event, an Optional Distribution Cancellation Event or a Write-off will be lost and the Issuer will have no obligation to make payment of such Distributions or to pay interest thereon.

If Distributions are not paid for whatever reason, the Capital Securities may trade at a lower price. If a Holder sells his Capital Securities during such a period, he may not receive the same return on investment as a Holder who continues to hold his Capital Securities until Distributions are resumed.

There are limited remedies for non-payment under the Capital Securities.

Any scheduled distribution will not be due if the Issuer elects not to pay the distribution pursuant to the Conditions. Notwithstanding any of the provisions relating to non-payment defaults, the right to institute winding-up proceedings is limited to circumstances where payment of principal or any distributions on any of the Capital Securities has become due and such failure continues for a period of 14 days in the case of distributions or seven business days in the case of principal; or where an order is made or an effective resolution passed for the winding-up or dissolution of the Issuer. The only remedy against the Issuer available to any Holders for recovery of amounts in respect of the Capital Securities following the occurrence of a payment default after any sum becomes due in respect of the

Capital Securities will be instituting winding-up proceedings and/or proving and/or claiming in winding-up in respect of any of the Issuer's payment obligations arising from the Capital Securities. In such a winding-up, the claims of the Holder 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 2.

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

In certain circumstances (including the giving of notice to the Issuer pursuant to Condition 9.1), the Trustee may (at its sole discretion) request the Holders to provide an indemnity and/or security and/or pre-funding to its satisfaction before it takes actions on behalf of the Holders and shall not be obliged to take any such actions until it is indemnified and/or secured and/or pre-funded to its satisfaction. Negotiating and agreeing to an indemnity and/or security and/or pre-funding can be a lengthy process and may have an impact upon when such actions can be taken.

The Trustee may decline to take action requested by the Holders, notwithstanding the provision of an indemnity or security or pre-funding to it, where it is not satisfied that the action is permitted by applicable law or regulation and, to the extent permitted by the agreements and applicable law, it will be for the Holders to take such actions directly.

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

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

USE OF PROCEEDS

The net proceeds from the issue of the Capital Securities are estimated to be approximately U.S.\$1,197,000,000 after deducting underwriting commissions and other estimated expenses payable in connection with the offering of the Capital Securities. The Issuer intends to use the net proceeds from the issue of the Capital Securities for general corporate purposes.

CAPITALISATION AND INDEBTEDNESS

As at the date of this Offering Circular, the Issuer has an authorised share capital of HK\$700 million consisting of 7,000,000 ordinary shares of HK\$100 each, and issued and fully paid up share capital of HK\$3,144.5 million consisting of 7,000,000 ordinary shares of HK\$449.2 each.

The following table sets out the Group's consolidated capitalisation and indebtedness as at 31 December 2016 and as adjusted for the issue of the Capital Securities and the transaction costs from the issue of the Capital Securities are described in the notes below.

	As at 31 December 2016	As adjusted
	(in HK\$ thousands)	(in HK\$ thousands)
INDEBTEDNESS		
Deposits and balances of banks and other financial institutions	30,450,210	30,450,210
Financial liabilities at fair value through profit or loss	3,223,456	3,223,456
Derivative financial instruments	934,244	934,244
Deposits from customers ⁽¹⁾	257,527,530	257,527,530
Debt securities and certificates of deposit in issue ⁽²⁾	1,095,937	1,095,937
Other accounts and provisions	15,908,708	15,908,708
Current tax liabilities	371,981	371,981
Deferred tax liabilities	735,675	735,675
Liabilities associated with assets held for sale	—	—
Total indebtedness	<u>310,247,741</u>	<u>310,247,741</u>
EQUITY		
Share capital	3,144,517	3,144,517
Reserves	35,540,451	35,540,451
Capital Securities to be issued ⁽³⁾	—	9,340,800
Total equity	<u>38,684,968</u>	<u>48,025,768</u>
Total indebtedness and equity	<u>348,932,709</u>	<u>358,273,509</u>

Note:

- (1) Since 31 December 2016, there has been an increase in deposits from customers, primarily due to general economic conditions.
- (2) On 16 March 2017, NCB (China) issued RMB2.5 billion fixed rate financial debt due 2022 in the PRC.
- (3) This balance represents the aggregate principal amount of the Capital Securities of U.S.\$1,200,000,000 taken up fully by the Joint Lead Managers with net proceeds estimated to be approximately U.S.\$1,197,000,000 (approximately HK\$9,317,448,000, translated at the exchange rate of HK\$7.7840 to U.S.\$1.00) after deducting underwriting commissions and other estimated expenses payable in connection with this offering.
- (4) Except as otherwise disclosed above, there has been no material adverse change in the Group's consolidated capitalisation and indebtedness since 31 December 2016.

BUSINESS OF THE GROUP

INTRODUCTION

Overview

Commenced business in 1949, the Group is one of the oldest local banks in Hong Kong, with over 65 years of operating history, highly recognised brand awareness, extensive branch network, stable and loyal customer base, expertise in providing cross-border services and robust financial conditions. As at 31 December 2016, the Group's total consolidated assets, advances to customers and deposits from customers were HK\$348,932.7 million, HK\$187,781.0 million and HK\$257,527.5 million, respectively. As at 31 December 2015, the Group's total consolidated assets, advances to customers and deposits from customers were HK\$305,196.8 million, HK\$156,236.8 million and HK\$218,262.0 million, respectively. As at 31 December 2014, the Group's total consolidated assets, advances to customers and deposits from customers were HK\$303,904.3 million, HK\$149,502.3 million and HK\$209,633.9 million, respectively.

The Group's core business services include wealth management services, trade finance, deposit taking, foreign currency savings, remittances, investment services, home mortgage loans, personal loans, credit cards, safe deposit boxes, personal Renminbi services, internet banking services and agency services for general and life insurance.

As at 31 December 2016, the Group offered a broad range of banking and related financial services in Hong Kong through a network of 42 branches strategically located to provide coverage for the core districts on Hong Kong island, Kowloon and the New Territories. The Group has enjoyed a strong brand recognition among the Chinese community with a loyal customer base with over 30 per cent. of its customers having used its services for 25 years or more. The Group's market-leading position in Renminbi and cross-border banking services is evidenced by the continued recognitions and awards received from various organisations, including, the "Excellent Brand of Cross-Border Banking Services" Award by Metro Finance (新城財經台) for 3 consecutive years from 2014 to 2016, Award for Outstanding Retail Bank — Traditional Banking Business by Hong Kong Ta Kung Wen Wei Media Group, Metro Finance and Metro Finance Digital in 2015 and 2016 and the "My Favourite Cross-border Financial Service Award" by Sky Post in 2016. The Group also has extensive experience in operating cross-border banking business. The Group started to provide China-related banking services since 1979 through its China Investment Consultation Department and was one of the foreign first movers in the PRC banking industry when it established its Shenzhen branch in the Shenzhen Special Economic Zone in 1982. The Group was the first foreign bank operating in China since the establishment of the PRC, it granted the first foreign bank loan in China since its adoption of its reform and opening-up policy, it was also among the first banks which provided "offshore guarantee for onshore loan" products and was one of the first three foreign banks approved by the CBRC to issue credit cards in China.

In terms of the Group's overseas operations, the Group had in total 39 branches/ sub-branches in the PRC as at 31 December 2016. The Group's PRC businesses are operated through NCB (China), which is the Group's PRC-incorporated bank with its headquarters in Shanghai. NCB (China)'s business network covers the Pearl River Delta, the Yangtze River Delta Economic Zone and the Bohai Economic Rim, with branches/ sub-branches in major cities in the PRC such as Shanghai, Beijing, Dalian, Qingdao, Wuxi, Hefei, Suzhou, Hangzhou, Chengdu, Shenzhen and Guangzhou.

In 2007, the Group established NCB (China) as a PRC-incorporated bank. The Group's branches and their businesses in the PRC were consolidated under NCB (China) for further expansion of the Group's PRC presence. NCB (China) provides comprehensive RMB and foreign currency banking services to its customers. Services include but are not limited to deposit-taking, loans and advances, debit cards, credit cards, wealth management services, personal banking, investment services, agency services for life and general insurance, remittance and settlement, RMB cross-border trade settlement services and

domestic and international trade finance facilities. As at the date of this Offering Circular, NCB (China) has obtained the relevant licences for operating in the PRC its cross-border Renminbi business, foreign exchange settlement business, credit card business, derivatives business, insurance business, offshore wealth management business, investment fund business, interbank lending business, gold trading business and currency swap business.

After the Acquisition by China Cinda on 30 May 2016, the Group became a wholly owned subsidiary of China Cinda. The Group believes that the Acquisition is an important step for the Group to expand its business operations in Hong Kong and the PRC with synergy opportunities and strong support from China Cinda, as well as being a key milestone for China Cinda, allowing it to achieve additional financial and operational stability through its integration with a well-established commercial bank in Hong Kong, strengthening its leading advantage of the non-performing asset management business and creating an integrated asset management and financial services brand name. The Acquisition was an important step in the Group's development and holds huge significance for the future development of the Group as a core banking platform within the China Cinda group.

As at 31 December 2014, 2015 and 2016, the assets of the Group's operations in the PRC accounted for approximately 38.4 per cent., 37.4 per cent. and 38.8 per cent. of the total assets of the Group, respectively. The corresponding figures for Hong Kong as at 31 December 2014, 2015 and 2016 were 60.7 per cent., 61.8 per cent. and 61.2 per cent., respectively. For the years ended 31 December 2014, 2015 and 2016, the profit before taxation of the Group's operations in the PRC, accounted for approximately 6.2 per cent., 15.1 per cent. and 21.1 per cent. of the Group's consolidated profit before taxation, respectively. The corresponding figures for Hong Kong as at 31 December 2014, 2015 and 2016 were 93.5 per cent., 83.6 per cent. and 77.2 per cent., respectively.

As at 31 December 2014, 2015 and 2016, the Group's total capital adequacy ratio was approximately 16.53 per cent., 18.41 per cent. and 16.19 per cent., respectively, compared with the statutory minimum requirement of total capital adequacy ratio of 8.0 per cent., and its loan to deposit ratio was approximately 71.32 per cent., 71.58 per cent. and 72.92 per cent., respectively. For the year ended 31 December 2014, the Group's average liquidity ratio was approximately 51.99 per cent., and for the years ended 31 December 2015 and 2016, the average value of the Group's quarterly liquidity coverage ratio was 130.38 per cent. and 145.82 per cent., respectively.

The Group relies on its deposit base for the majority of its funding requirements. As at 31 December 2014, 2015 and 2016, the Group's deposits from customers accounted for approximately 84.7 per cent., 87.6 per cent. and 89.4 per cent., respectively, of its borrowed funds. The remainder of the Group's funding requirements as at 31 December 2014, 2015 and 2016 were primarily satisfied through interbank borrowings and the issuance of certificates of deposit and debt securities.

For the years ended 31 December 2014, 2015 and 2016, the Group's profit after taxation was HK\$2,751.5 million, HK\$2,896.8 million and HK\$2,747.4 million, respectively. For the years ended 31 December 2014, 2015 and 2016, the Group achieved a return on average assets of approximately 0.94 per cent., 0.95 per cent. and 0.84 per cent., respectively, and a return on average equity of approximately 8.19 per cent., 8.05 per cent. and 7.25 per cent., respectively.

History and Corporate Development

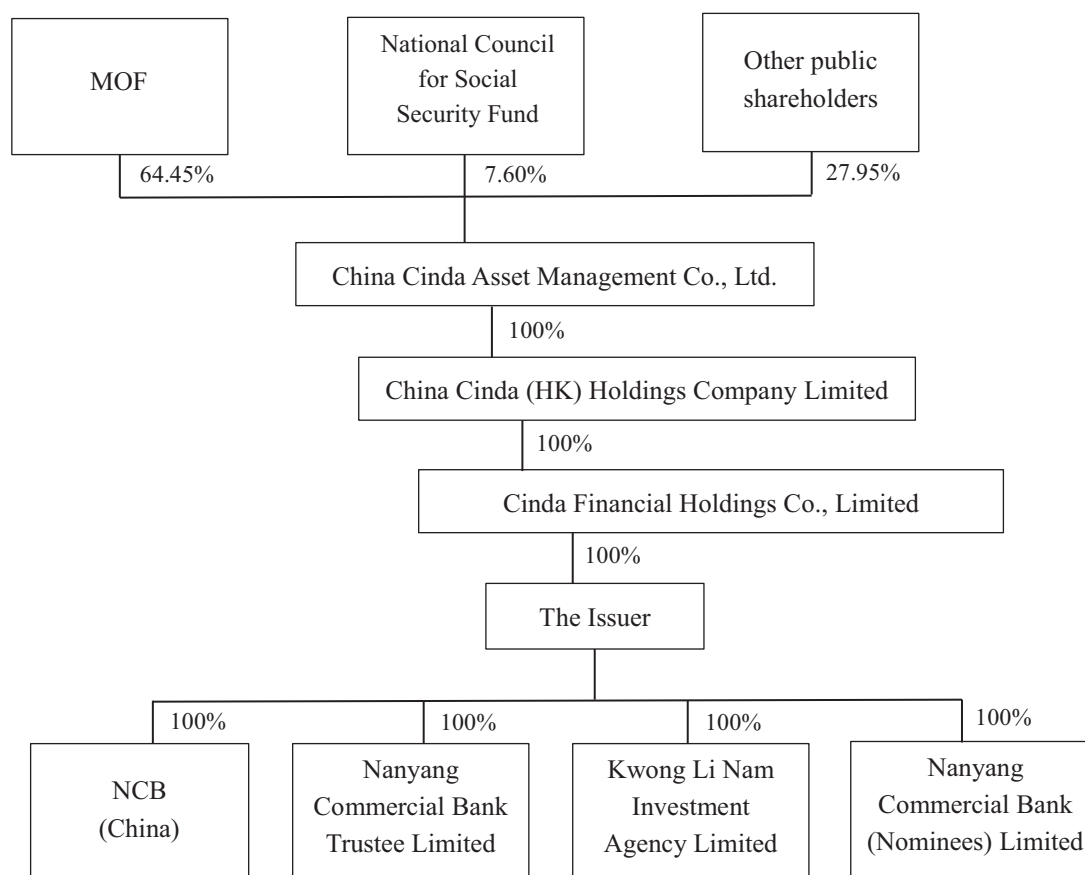
Since its establishment in 1949, the Group has operated in Hong Kong for over 65 years and has enjoyed a reputation as one of the leading local banks in Hong Kong.

The following chart highlights some of the milestone developments of the Group:

Year	Events
1949	The Issuer was established by Mr. Chuang Shih Ping and started operating in Hong Kong.
1979	The Issuer established the China Investment Consultation Department to provide financial services for Hong Kong corporations with trading, investments and other businesses in the PRC.
1982	The Issuer established its Shenzhen branch in the Shenzhen Special Economic Zone and was the first foreign bank operating in the PRC.
2001	The Issuer became a wholly owned subsidiary of Bank of China (Hong Kong) Limited while continuing to operate separately under its own brand.
2005	The Issuer was awarded the “Caring Company” logo by The Hong Kong Council of Social Service for the first time.
2007	NCB (China) was established as a locally-incorporated bank in the PRC. The Issuer’s onshore branches and their businesses in the PRC were consolidated under NCB (China) for further expansion of the Group’s PRC presence.
2011 — 2016	The Issuer was awarded the Top 10 Banks (Hong Kong) Honour Award on the Asian Bank 300 list by Yazhou Zhoukan (亞洲週刊).
2014 — 2016	The Issuer was awarded the “Excellent Brand of Cross-Border Banking Services” Award by Metro Finance (新城財經台) for 3 consecutive years.
2015 — 2016	The Issuer received the Award for Outstanding Retail Bank — Traditional Banking Business from Hong Kong Ta Kung Wen Wei Media Group, Metro Finance and Metro Finance Digital.
2016	The Issuer was awarded “My Favourite Cross-border Financial Service” by Sky Post.
2016	China Cinda acquired 100 per cent. of the Issuer’s equity interests from BOCHK with completion on 30 May 2016. The Issuer became a wholly owned subsidiary of China Cinda.
2017	The Issuer was named the “Accredited Professional Financial Planning Firm 2017” by the Institute of Financial Planners of Hong Kong.
2017	The Issuer received “Hong Kong Leaders’ Choice 2017 — Excellent Brand of Wealth Management Banking Service” from Metro Finance (新城財經台)

ORGANISATION

The following chart provides an overview of the shareholding structure of the Group and its key operating subsidiaries as at 31 December 2016.



The Issuer is the holding company and the principal operating company of the Group. In addition, the Issuer has a number of significant subsidiaries and associated companies through which the Group conducts various operations such as banking, trustee services, agency management and nominee services.

For the year ended and as at 31 December 2016, except for NCB (China), none of the Issuer's subsidiaries accounted for more than 10 per cent. of the consolidated net profit and loss of the Group or had a book value in excess of 10 per cent. of the Group's consolidated total assets.

As at 31 December 2016, the Group's principal subsidiaries were as follows:

Name of subsidiary of the Issuer	Place of incorporation and operation of the Group	Issued and paid-up capital	Interest held by the Group	Nature of business
Nanyang Commercial Bank (China), Limited . . .	PRC	RMB6,500,000,000	100%	Banking
Nanyang Commercial Bank Trustee Limited . . .	Hong Kong	HK\$3,000,000	100%	Trustee
Kwong Li Nam Investment Agency Limited . . .	Hong Kong	HK\$3,050,000	100%	Management Agency
Nanyang Commercial Bank (Nominees) Limited .	Hong Kong	HK\$50,000	100%	Nominee Service

The Board of Directors of the Group is responsible for the overall management of the Group. To assist the Board of Directors in managing the Group, a number of committees have been established, including the Executive Committee, the Strategy and Development Committee, the Audit Committee, the Risk Management Committee, the Connected Transaction Committee and the Nomination and Remuneration Committee. For each of these committees' roles and functions, see the relevant sections under "*Board of Directors and Senior Management — Board of Directors*".

The Issuer has 22 divisions, each of which is responsible for a specific operational function. The divisions are the Personal Banking Division, the Corporate Banking Division, the Wealth Management Division, the Treasury Division, the Operations Division, the Information Technology Office, the Secretary Division, the Credit Review Division, the Credit Optimization & Monitoring Division, the Collection Division, the Credit Execution Division, the Basel Implementation Division, the Business Planning & Optimization Division, the Administrative Division, the Financial Management Division, the Financial Budget and Planning Division, the Accounting Division, the Human Resources Division, the Strategy and Development Division, the Financial Crime Division, the Risk Management & Co-ordination Division and the Operational Risk, Legal and Compliance Division.

COMPETITIVE STRENGTHS

The Group is positioned as a leading local commercial bank in Hong Kong with strong brand recognition backed by a long history, wide coverage of business network, loyal customer base and stable financial performance.⁴ It is also a 100 per cent. owned subsidiary of China Cinda, a leading integrated financial conglomerate in the PRC. The Group has synergic operations amongst its business units, equipped with high management capabilities regarding risks and distressed assets, and is able to provide cross-border financial services through both corporate and personal banking businesses. The Group believes its key strengths are as follows:

The Group is a leading local commercial bank in Hong Kong with strong brand recognition backed by a long history, wide coverage of business network, loyal customer base and stable financial performance

Commenced business in 1949, the Group is one of the oldest local banks in Hong Kong, with over 65 years of operating history. The Group has enjoyed a strong brand recognition among the Chinese community with a loyal customer base with over 30 per cent. of its customers having used its services for 25 years or more. The Group's business lines are personal banking business, corporate banking business, treasury investment business and other businesses, providing banking services including wealth management services, trade finance, deposit taking, foreign currency savings, remittances, investment services, home mortgage loans, personal loans, credit cards, safe deposit boxes, personal Renminbi services, internet banking services and agency services for general and life insurance. As at 31 December 2016, the Group has 42 branches in Hong Kong strategically located in the core districts on Hong Kong island, Kowloon and the New Territories.

In addition, the Group was one of the first foreign banks in the PRC conducting PRC-related banking business. The Group has been providing PRC-related banking services since 1979 through its China Investment Consultation Department and became the first foreign bank to operate in the PRC when it established its Shenzhen branch in the Shenzhen Special Economic Zone in 1982. In 2007, the Group established NCB (China) as a locally-incorporated bank in the PRC, with the Group's PRC branches and their businesses consolidated under NCB (China), further expanding the Group's PRC business network. As at 31 December 2016, the Group had in total 39 branches in the PRC, covering major cities in the Pearl River Delta, the Yangtze River Delta Economic Zone and the Bohai Economic Rim.

⁴ Local commercial banks in Hong Kong refers to Hong Kong incorporated licenced banks with headquarters in Hong Kong.

The Group has demonstrated stable financial strength. In 2016, the Group ranked 3rd amongst Hong Kong local banks in terms of total assets, total deposits, gross loan made and net profit,⁵ and ranked 8th in terms of gross loan made, 9th in terms of total assets and total deposits, and 10th in terms of net profit among all licenced banks in Hong Kong. As at 31 December 2016, the Group's total assets, total deposits from customers and gross loan to customers amounted to HK\$348,932.7 million, HK\$257,527.5 million and HK\$187,781.0 million, respectively. For the year ended 31 December 2016, the Group's net profit amounted to HK\$2,747.4 million.

The Group has recorded stable growth in its total assets, total deposits from customers and total advances to customers. As at 31 December 2016, the Group's total assets amounted to HK\$348,932.7 million, representing a year-on-year increase of 14.3 per cent. from HK\$305,196.8 million as at 31 December 2015, which in turn represents a year-on-year increase of 0.43 per cent. from HK\$303,904.3 million as at 31 December 2014. As at 31 December 2016, the Group's total deposits from customers amounted to HK\$257,527.5 million, representing a year-on-year increase of 18.0 per cent. from HK\$218,262.0 million as at 31 December 2015, which in turn represents a year-on-year increase of 4.1 per cent. from HK\$209,633.9 million as at 31 December 2014. As at 31 December 2016, the Group's total advances to customers amounted to HK\$187,781.0 million, representing a year-on-year increase of 20.2 per cent. from HK\$156,236.8 million as at 31 December 2015, which in turn represents a year-on-year increase of 4.5 per cent. from HK\$149,502.3 million as at 31 December 2014.

In addition, the Group's has diversified its income source with higher proportion of operating income generated from its intermediary businesses, including commissions from loan and exchange, insurance business, securities business and credit card business. For the years ended 31 December 2014, 2015 and 2016, the net fee and commission income generated from the Group's intermediary businesses has increased steadily, amounted to HK\$1,254.7 million, HK\$1,357.0 million and HK\$1,572.1 million, respectively, and accounted for 18.9 per cent., 20.9 per cent. and 24.4 per cent. of its net operating income before impairment allowance, respectively.

The Group has mature business platforms in both the PRC and Hong Kong with a well-established banking infrastructure and extensive experience in cross-border services

With over 65 years of operating history in Hong Kong and near 30 years of operating history in the PRC, the Group has developed mature business platforms in both Hong Kong and the PRC. With 42 branches in Hong Kong across Hong Kong island, Kowloon and the New Territories, and 39 branches in the PRC covering the Pearl River Delta, the Yangtze River Delta Economic Zone and the Bohai Economic Rim, the Group has developed a balanced scale of banking business network with sufficiently wide geographical coverage in both Hong Kong and the PRC. In addition, the locations of the businesses of the Group are compatible with the main business developed regions of China Cinda, which equipped the Group with the ability to deepen its cross-border banking business by utilising China Cinda's network of over 500 branch organisations in the PRC and its huge client base which provides potential cross selling and further development of cross-border businesses opportunities.

The Group has extensive experience in operating cross-border banking business. The Group started to provide China-related banking services since 1979 through its China Investment Consultation Department and was one of the foreign first movers in the PRC banking industry. The Group was the first foreign bank operating in China since the establishment of the PRC, it granted the first foreign bank loan in China since its adoption of its reform and opening-up policy, it was also among the first banks which provided "offshore guarantee for onshore loan" products and was one of the first three foreign banks approved by the CBRC to issue credit cards in China. As at 31 December 2016, the

⁵ "Hong Kong local banks" refer to banks (as defined in the Banking Ordinance) which are registered and headquartered in Hong Kong, including The Bank of East Asia, Limited, Chiyu Banking Corporation Limited, Chong Hing Bank Limited, Dah Sing Bank, Limited, The Hongkong and Shanghai Banking Corporation Limited, OCBC Wing Hang Bank Limited, Wing Lung Bank Limited, Tai Sang Bank Limited, Tai Yau Bank Limited and Shanghai Commercial Bank Limited.

Group's PRC exposure was approximately 60.06 per cent. of the Group's total advances, and among the top ten advances to corporate customers, 70 per cent. were made to corporate banking customers of PRC background. In 2016, the Group's average revenue per account from its active PRC personal banking customers amounted to an approximately HK\$22,000, and the corresponding figure for its active Hong Kong personal banking customers was approximately HK\$11,500. With the further development of the Group's cross-border banking business, the Group expects that it can attract more PRC background customers with higher contribution to the Group's advances to customers and revenue.

The Group has been actively developing innovative cross-border banking products in recent years in order to serve its corporate and individual customers' evolving needs in light of the closer ties between Hong Kong and the PRC. For example, the Group provides cross-border banking products such as Nei Fang Tong (內房通) to satisfy financing needs of Hong Kong residents for their purchases of properties in Beijing, Shanghai, Guangzhou and Shenzhen, Wai Pai Tong (外派通) to provide comprehensive banking services, including cross-border loans, for employees of Chinese corporations working in Hong Kong, Guangdong HK Link Scheme (粵港通、一額兩地用計畫) to support the financing needs of small and medium enterprises' associated companies in the PRC, with a unified cross-border credit limit available to both the entities in Hong Kong and the PRC, acceptance of a shared pool of collateral and acceptance of dual currency payments in HK dollars or Renminbi, NCB Wealth Express Card (南商財互通卡) to allow its customers to have cross-border access to the Group's banking network in both the PRC and Hong Kong, and Li Cai Tong (理財通) to allow customers to utilise the funds deposited with the Group and to apply for pledge loan with deposit certificates.

The Group is wholly owned by China Cinda as the only Hong Kong banking institution owned by a Big Four PRC Asset Management Company, strongly supported by China Cinda and the PRC government

The Issuer became a wholly owned subsidiary of China Cinda on 30 May 2016 upon the completion of the Acquisition. As one of the Big Four PRC Asset Management Companies and with the Ministry of Finance of the PRC ("MOF") being its majority shareholder,⁶ China Cinda receives strong support from the PRC government and plays an important strategic role in the financial industry and social economy of the PRC. As part of the China Cinda group, the Issuer is the only Hong Kong banking institution owned by a Big Four PRC Asset Management Company, and the Group believes that it would play a strategic role as a banking and financial platform in facilitating cross-border financial businesses under the "Belt and Road" initiative.

China Cinda is equipped with full licenses in providing financial services in the PRC, including distressed asset management, property and casualty insurance, life insurance, financial leasing, trust service, securities, futures and funds, and investment and asset management. With the banking licences owned by the Issuer in Hong Kong and NCB (China) in the PRC, the comprehensiveness of financial services that could be provided by China Cinda was enhanced. According to China Cinda's strategic plan, the Group will be a core financial service platform of the China Cinda group, and will play a key role in creating synergies among its banking services and the other financial services provided by the other members of the China Cinda group. The Group is expected to receive strong support from China Cinda in terms of financial, managerial, business network and information and experience sharing aspects, and the Group aims to develop an integrated financial service model, with banking services remaining its core business and supported by other product lines.

⁶ The "Big Four PRC Asset Management Companies" means China Cinda, China Great Wall Asset Management Co., Ltd., China Huarong Asset Management Co., Ltd. and China Orient Asset Management Co., Ltd.

The Group is supported by the strong synergy with a fully-licensed financial conglomerate

The Acquisition and the integration of the Group and China Cinda was carried out in an orderly manner to achieve the Group's stable operation, performance improvement and in depth integration with China Cinda's business. China Cinda built its competitive advantage with full licenses in providing financial services in the PRC, including distressed asset management, property insurance, life insurance, financial leasing, trust service, securities, futures and funds, and investment and asset management. This allows China Cinda to effectively facilitate its capacities of business synergy and integrated financial service following the successful consolidation of the Group, providing unprecedented convenience for customer sharing, product synergy, cooperation between domestic and overseas businesses and capital supervision. Being a new momentum for the development of China Cinda, a new platform for transformation and a new hub of collaboration, the Group has gone through a smooth post-acquisition transition and gradually leveraged its strengths with the emergence of growth potential.

Following the Acquisition, synergies between China Cinda and the Group began to appear and the result has been reflected in some of the Group's financial indicators. The Group's average monthly net operating income increased by 9.94 per cent. from HK\$508.33 million to HK\$558.86 million, the Group's average monthly profit after taxation increased by 12.30 per cent. from HK\$213.62 million to HK\$239.90 million,⁷ the Group's average monthly deposit balance increased by 15.5 per cent. from HK\$212 billion to HK\$244 billion and the Group's average monthly loan balance increased by 11.1 per cent. from HK\$158 billion to HK\$175 billion. In addition, the Group's average monthly net fee and commission income increased by 7.6 per cent. from HK\$125.4 million to HK\$135.0 million, and the classified or impaired loan ratio decreased from 0.49 per cent. to 0.42 per cent.^{8, 9}

The Group believes that there are six major areas of synergy with China Cinda:

- ***Customer resources synergy***: customers of the Group's banking business and China Cinda's distressed assets business complement to each other and form a whole-cycle coverage. The Group can leverage on the brand recognition and clientele of China Cinda to achieve an upscale of its customer base, increase customers' viscosity and attract more high net worth customers.
- ***Product innovation synergy***: the integration of China Cinda's asset management business and the Group's banking business creates the synergy in the development of financial products with an integrated solution satisfying customers' needs.
- ***Distribution channel synergy***: China Cinda will assist the Group in expanding its onshore and offshore business network with support in regions where China Cinda currently operates in.
- ***Management and operational team synergy***: the management of China Cinda has an average of around 30 years' experience working in financial institutions or financial regulatory bodies, and 83 per cent. of the senior management of China Cinda has over 10 years of experience working in commercial banks, supporting the Group's operation and decision making with rich industry experience.
- ***Business sector synergy***: the distressed assets business of China Cinda is closely related to the businesses of commercial banks in terms of the financing needs of customers, investment and management of funds and collection of outstanding loans. With the support from China Cinda's

⁷ The Group's pre-(/post-) Acquisition average monthly profit after taxation was calculated by the average values of the Group's profit after taxation before net charge of impairment allowances for the pre-(/post-)Acquisition period minus the Group's average annual net charge of impairment allowances.

⁸ The pre-Acquisition and post-Acquisition figures were represented by the average values of the corresponding figures for the five months ended 31 May 2016 and the seven months ended 31 December 2016, respectively.

⁹ The classified or impaired loans include loans classified as Substandard, Doubtful or Loss, or loans which were individually assessed as impaired loans.

wide range of licences for providing financial services and high product development capabilities, the Group can further develop its intermediary businesses through cross selling efforts with China Cinda and fully developing the business potential in China Cinda's distressed asset management customers.

- **Risk management synergy:** with strong support from China Cinda through sharing its experience in risk management, the Group will be able to further improve its own risk management system, while assisting China Cinda in the disposal of distressed assets as a banking platform.

As at 31 December 2016, the Group's year-on-year increase in total loans to its customers attributable to its synergy with China Cinda accounted for approximately 52 per cent. of its total loan balance increase by HK\$31.5 billion. As at 31 December 2016, the Group's year-on-year increase in total deposits balance was HK\$39.3 billion, which consists of a HK\$47.2 billion increase attributable to its synergy with China Cinda and a HK\$7.9 billion decrease in non-collaborative deposits. For the year ended 31 December 2016, the Group's net fee and commission income attributable to its synergy with China Cinda accounted for approximately 8 per cent. of its total net fee and commission income of HK\$120.0 million.

The Group also believes that it would benefit from leveraging China Cinda's rich customer resources to achieve strong business synergy. As of 31 December 2016, China Cinda had over 500 thousand borrowers with cumulative carry amount of over RMB1 trillion and 165 debt-to-equity customers with carry amount of approximately RMB40 billion for its impaired asset management business; approximately 1.1 million existing customers for its property and casualty insurance business under Cinda Property and Casualty Insurance Co., Ltd. (信達財產保險股份有限公司); approximately 1.0 million existing customers for its life insurance business under Happy Life Insurance Co., Ltd. (幸福人壽保險股份有限公司); 166 customers for its financial leasing business under Cinda Financial Leasing Co., Ltd. (信達金融租賃有限公司); and 120 thousand customers for its trust business under China Jingu International Trust Co., Ltd. (中國金谷國際信託有限責任公司).

Set out below are some landmark projects which illustrates the cooperation and synergy between China Cinda and the Group:

- China Cinda deposited U.S.\$3.2 billion from its additional tier 1 preference shares issue proceeds into the Group. This was the largest amount of deposit in the Group's history of operation and was also the first time the Group taking the role as receiving bank in a large-scale capital markets transaction; and
- The Group provided a U.S.\$230 million project loan to a subsidiary of China National Chemical Corporation (ChemChina) for its acquisition of 40 per cent. shareholding of Israeli manufacturer Adama Agricultural Solutions Ltd. This was the first large-scale financing provided by the Group to an overseas acquisition project by a state-owned enterprise.

The Group has a prudent risk management culture with outstanding risk control indicators and strong capital base

The Issuer, as a financial institution in Hong Kong, is subject to the supervision of and regulatory requirements imposed by the Monetary Authority. In addition, NCB (China) is subject to the supervision and regulatory requirements imposed by the CBRC as a bank in the PRC and that of the Monetary Authority as a subsidiary within the Group. These regulatory authorities promulgate requirements governing the Group's business in various aspects, such as capital adequacy, anti-money laundering, entry into certain markets, periodic reporting and filing and other requirements and safeguarding the health and stability of the Group's risk management. In particular, the Monetary Authority carries out onsite and offsite supervisions on NCB (China), by sending representatives to visit the headquarters and the branches of NCB (China) and raising enquiries with the Issuer on the results of business operation, risks and financial conditions of NCB (China). The Issuer also regularly submits certain risk and financial management reports to the Monetary Authority regarding the

liquidity and credit risks of NCB (China). In addition, the Monetary Authority sets risk assessment indicators and limits for the Group as a whole, for example capital adequacy ratio, liquidity coverage ratio and risk concentration, and may make similar requests to NCB (China) with reference to the relevant indicators set out by the CBRC.

The Group also adopts the Internal Ratings-based (“**IRB**”) risk assessment model for its identification, measurement, supervision and control of potential risks. It also conducts periodic reviews of its risk management policies and procedures in order to accommodate the changes in market risks faced by the Group and its business strategies. The Group’s risk management capabilities are further supported by China Cinda’s rich experience in distress asset management and disposal, which assisted the Group to further diversify its channels and manners of handling its distress assets.

The Group adopts a stringent approach in managing its quantitative risk indicators. The Group has maintained relatively low percentages for its classified, special mention and impaired loan. For the years ended 31 December 2015 and 2016, the Group’s classified loans or impaired loan ratio were 0.44 per cent. and 0.39 per cent., respectively, which was lower than the average values of local retail banks in Hong Kong of 0.70 per cent. and 0.72 per cent., respectively. The Group’s special mention loan ratio were 1.13 per cent. and 1.18 per cent., respectively, which was lower than the average values of local retail banks in Hong Kong of 1.44 per cent. and 1.53 per cent., respectively. The Group also maintained relatively high provision and liquidity coverage ratios. For the years ended 31 December 2015 and 2016, the Group’s provision coverage ratio was 202 per cent. and 179 per cent., respectively, which was significantly higher than the average value of local retail banks in Hong Kong of 142 per cent. and 96 per cent., respectively.⁸ For the years ended 31 December 2015 and 2016, the Group’s average value of liquidity coverage ratio was 130 per cent. and 146 per cent., respectively, which was significantly higher than the regulatory requirements of 60 per cent. and 70 per cent., respectively. The Group has also demonstrated strong capital base with total capital adequacy ratio of 18.41 per cent. and 16.19 per cent. as at 31 December 2015 and 2016, as compared to the statutory minimum requirement of 8.0 per cent.

As at 31 December 2016, the Group had 208 employees in its risk management department, with an average experience of around 8 years working in risk management for the members of its risk management department and around 23 years for those at or above the supervisor level.

Furthermore, NCB (China) adopts a prudent risk culture consistent with the rest of the Group, with strong support from the Issuer through the following measures:

- The Issuer has set up a Credit Approval Committee to provide approval advice to the credit proposals submitted by NCB (China);
- The Issuer’s Chief Executive is also a director of NCB (China) and a member of the Audit Committee of NCB (China) to supervise the internal control of NCB (China);
- The risk management controller of NCB (China) is also a member of the Issuer’s Risk Management and Internal Control Committee to strengthen the internal communication regarding risks within the Group;
- Indicators regarding risks and financial management are set for and implemented in NCB (China); and
- Trainings and site visits are arranged within the Group for advanced communication of regulatory requirements.

⁸ Local retail banks in Hong Kong data is based on “the Asset Quality of Retail Banks” disclosed by the Monetary Authority in its Monthly Bulletin, last updated on 3 March 2017. The retail banks include Hong Kong incorporated banks and several large foreign banks which have similar businesses with the Hong Kong incorporated banks.

See the section headed “*Selected Statistical and Other Information — Risk Management*”.

The Group has a collaborative senior management team with rich experience in the industry and strategic insight

The Group is led by a highly experienced management team that has overseen the Group’s recent growth and development. The Group’s management team has extensive operating experience and an in-depth understanding of the banking industry. The Group has also benefited from the addition of its newly appointed directors and senior executives after the Acquisition, through which China Cinda has provided the Group with invaluable leadership experience in other segments of the financial industry. The senior management team of the Group consists of both the senior executives from the China Cinda group as well as the original senior executives of the Issuer. In particular, the chairman of the Issuer, Mr. Chen Xiaozhou, is also the chairman of China Cinda. See the section headed “*Board of Directors and Senior Management*”.

STRATEGY

The Group’s core objectives are to position itself as a leading local commercial bank in Hong Kong with strong brand recognition backed by a long history, wide coverage of business network, loyal customer base and stable financial performance.⁹ It is also a 100 per cent. owned subsidiary of China Cinda, a leading integrated financial conglomerate in the PRC. The Group has synergic operations across different units in Hong Kong and the PRC, to further enhance its high management capabilities regarding risks and distressed assets, and to leverage its rich experience in provision of cross-border financial services through both corporate and personal banking businesses. The Group intends to continue to maintain its growth strategy for its businesses and operations. Given the increasingly close economic connection between the PRC and Hong Kong, the Group seeks to further integrate its businesses in Hong Kong and the PRC with the support from China Cinda. The key components of the Group’s strategy are set out below:

Dual track expansion and integration of businesses in Hong Kong and the PRC

The Group intends to continue to concurrently develop and integrate its businesses in both Hong Kong and the PRC.

The Group plans to leverage on the strong brand recognition of the Issuer among the Chinese community to further develop its banking business in Hong Kong and the PRC. With its diversified banking products and services, the Group aims to provide one-stop shop service to its corporate banking and personal banking customers, satisfying their needs in banking, investment, insurance, financing and wealth management, for both domestic and cross-border transactions.

The Group also intends to consolidate and strengthen its position in the PRC through its locally-incorporated bank subsidiary, NCB (China). With the business network of NCB (China) covering the major economic development regions in the PRC, the Group is able to provide a comprehensive range of RMB and foreign currency banking products and services to its customers in the PRC, capitalising on opportunities arising from the liberalisation of the banking sector and the internationalisation of RMB.

The Group will continue to optimise the use of its assets and of its dual strong presence of NCB (China) in the PRC and the Issuer in Hong Kong to build an integrated cross-border banking network and to deliver a wide range of tailored services for its customers. The Group will further strengthen cross-referral businesses between the PRC and Hong Kong and its development of unique cross-border banking products to capture opportunities arising from increasing business flows to and from the PRC. The Group currently provides cross-border banking products such as Nei Fang Tong (內房通) to

⁹ Local commercial banks in Hong Kong refer to Hong Kong incorporated licenced banks with headquarters in Hong Kong.

satisfy financing needs of Hong Kong residents for their purchases of properties in Beijing, Shanghai, Guangzhou and Shenzhen, Wai Pai Tong (外派通) to provide comprehensive banking services, including cross-border loans, for employees of Chinese corporations working in Hong Kong, Guangdong HK Link Scheme (粵港通、一額兩地用計畫) to support the financing needs of small and medium enterprises' associated companies in the PRC, with a unified cross-border credit limit available to both the entities in Hong Kong and the PRC, acceptance of a shared pool of collateral and acceptance of dual currency payments in HK dollars or Renminbi, NCB Wealth Express Card (南商財互通卡) to allow its customers to have cross-border access to the Group's banking network in both the PRC and Hong Kong, and Li Cai Tong (理財通) to allow customers to utilise the funds deposited with the Group and to apply for pledge loan with deposit certificates.

The Group also expects further synergies between China Cinda and the Group to appear after the post-Acquisition transition. According to China Cinda's strategic plan, the Group will be the core financial service platform of China Cinda. With the strong support from China Cinda, the Group intends to utilise the network of over 500 branch organisations and also the wide customer base of China Cinda in the PRC to deepen its cross-border banking business.

Development of a balanced corporate and personal banking business portfolio

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

The Group identified five business development drivers, including customer demand, business coordination, innovation, integrated operation and brand marketing, and it intends to supplement its existing business with active development of its internet and mobile banking services, fully supporting both the online and offline banking needs of both its corporate customers and personal banking customers and enhancing service quality and communication through traditional physical channels for new customers that do not have access to, or prefer not to use, internet and mobile banking services.

Focus on risk and capital management and enhancement of operational efficiency and stability

With strong support from China Cinda through sharing its experience and knowhow in risk management, the Group intends to develop its business at a compatible pace with its risk management status, balancing the operating income level and risk management quality. Leveraging China Cinda's risk management capabilities, the Group plans to strengthen its internal control system and internal transactions system, which could assist the Group in carrying out its risk segregation and risk control procedures. In addition, the Group will continue to maintain its stable total amount of capital and prudent capital structure in order to satisfy its strategic development needs and regulatory requirements.

The Group aims to further enhance efficiency and market competitiveness. China Cinda will assist the Group in maintaining the stability of its human resources system, while improving on its employee selection, training and promotion mechanisms. The Group will continue to improve its market-based operation results management system and bonus payment mechanism. The Group will also continue to enforce and explore technological innovation to streamline the selling, servicing and operation processes. The Group will focus on growth across its operations and implement strategies to optimise its asset and portfolio mix, as well as remaining vigilant in managing its risks and striving to enhance efficiency and productivity.

BUSINESS OVERVIEW

The Group's core businesses are the acceptance of deposits and lending to corporate and personal banking customers. As at 31 December 2014, 2015 and 2016, the Group's total deposits from customers amounted to HK\$209,633.9 million, HK\$218,262.0 million and HK\$257,527.5 million, respectively, and its total advances to customers amounted to HK\$149,502.3 million, HK\$156,236.8 million and HK\$187,781.0 million, respectively. As at 31 December 2016, the Issuer had 42 branches in Hong Kong, covering core commercial and residential districts across Hong Kong island, Kowloon and the New Territories. As at 31 December 2016, the Issuer had approximately 390 thousand customers in total, including 357 thousand personal banking customers and 33 thousand corporate banking customers. The Group provides a wide range of banking services including wealth management service, trade finance, deposit taking, foreign currency savings, remittances, investment services, loans and advances, home mortgage loans, personal loans, credit cards, safe deposit boxes, personal Renminbi services, internet banking services and agency services for general and life insurance. The Group is a member of JETCO, which provides ATM services throughout Hong Kong, Macau and major cities in the PRC.

As at 31 December 2016, NCB (China) had 39 branches/ sub-branches in the PRC, located in major cities such as Shanghai, Beijing, Dalian, Qingdao, Wuxi, Hefei, Suzhou, Hangzhou, Chengdu, Shenzhen and Guangzhou. As at 31 December 2016, NCB (China) had approximately 119 thousand customers in total, including 107 thousand personal banking customers and 12 thousand corporate banking customers. NCB (China) provides comprehensive RMB and foreign currency banking services to its customers. Services include but are not limited to deposit-taking, loans and advances, debit cards, credit cards, wealth management services, personal banking, investment services, agency services for life and general insurance, remittance and settlement, RMB cross-border trade settlement services and domestic and international trade finance facilities.

As at 31 December 2014, 2015 and 2016 and 30 June 2015 and 2016, the total assets of the Group's operations in Hong Kong accounted for approximately 60.7 per cent., 61.8 per cent., 61.2 per cent., 60.8 per cent. and 59.9 per cent. of the total assets of the Group, respectively. The corresponding figures for the PRC as at 31 December 2014, 2015 and 2016 and 30 June 2015 and 2016 were 38.4 per cent., 37.4 per cent., 38.8 per cent., 38.4 per cent. and 39.2 per cent., respectively.

The Group's total assets and total liabilities by geographical area for the periods indicated were as follows:

The Group's total assets by geographical area

	As at 31 December			As at 30 June	
	2014	2015	2016	2015	2016
	(audited)	(audited)	(audited)	(unaudited)	(unaudited)
	(in HK\$ thousands)			(in HK\$ thousands)	
Hong Kong	184,505,742	188,707,746	213,536,801	193,310,573	186,857,647
The PRC	116,624,065	114,108,360	135,395,908	122,221,799	122,249,153
Others	2,774,446	2,380,687	—	2,488,442	2,617,577
Total	303,904,253	305,196,793	348,932,709	318,020,814	311,724,377

The Group's total liabilities by geographical area

	As at 31 December			As at 30 June	
	2014	2015	2016	2015	2016
	(audited)	(audited)	(audited)	(unaudited)	(unaudited)
	(in HK\$ thousands)			(in HK\$ thousands)	
Hong Kong	162,047,271	165,544,765	185,711,520	173,123,679	163,836,665
The PRC	104,331,044	102,324,412	124,536,221	108,347,350	109,572,449
Others	2,631,094	228,846	—	352,246	131,650
Total	<u>269,009,409</u>	<u>268,098,023</u>	<u>310,247,741</u>	<u>281,823,275</u>	<u>273,540,764</u>

For the years ended 31 December 2014, 2015 and 2016 and the six months ended 30 June 2015 and 2016, the net operating income before impairment allowances of the Group's operations in Hong Kong, accounted for approximately 61.1 per cent., 62.3 per cent., 61.2 per cent., 62.5 per cent. and 62.0 per cent. of the Group's consolidated profit before taxation, respectively. The corresponding figures for the Group's operations in the PRC for the years ended 31 December 2014, 2015 and 2016 and the six months ended 30 June 2015 and 2016 were 38.2 per cent., 36.6 per cent., 38.0 per cent., 36.4 per cent. and 36.7 per cent., respectively.

For the years ended 31 December 2014, 2015 and 2016 and the six months ended 30 June 2015 and 2016, the profit before taxation of the Group's operations in Hong Kong, accounted for approximately 93.5 per cent., 83.6 per cent., 77.2 per cent., 85.8 per cent. and 83.3 per cent. of the Group's profit before taxation, respectively. The corresponding figures for the Group's operations in the PRC as at 31 December 2014, 2015 and 2016 and the six months ended 30 June 2015 and 2016 were 6.2 per cent., 15.1 per cent., 21.1 per cent., 12.9 per cent. and 14.8 per cent., respectively.

The Group's net operating income before impairment allowances and profit before taxation by geographical area for the periods indicated were as follows:

The Group's net operating income before impairment allowances by geographical area

	For the years ended 31 December			For the six months ended 30 June	
	2014	2015	2016	2015	2016
	(audited)	(audited)	(audited)	(unaudited)	(unaudited)
	(in HK\$ thousands)			(in HK\$ thousands)	
Hong Kong	4,059,329	4,054,030	3,949,714	1,935,219	1,919,029
The PRC	2,535,739	2,381,416	2,451,494	1,125,307	1,137,099
Others	43,945	68,260	52,490	33,400	39,493
Total	<u>6,639,013</u>	<u>6,503,706</u>	<u>6,453,698</u>	<u>3,093,926</u>	<u>3,095,621</u>

The Group's profit before taxation by geographical area

	For the years ended 31 December			For the six months ended	
				30 June	
	2014	2015	2016	2015	2016
	(in HK\$ thousands)			(in HK\$ thousands)	
Hong Kong	3,149,295	2,823,205	2,582,188	1,434,500	1,277,830
The PRC	207,655	509,623	705,399	216,267	226,483
Others	9,729	45,684	56,935	22,041	29,645
Total	<u>3,366,679</u>	<u>3,378,512</u>	<u>3,344,522</u>	<u>1,672,808</u>	<u>1,533,958</u>

PERSONAL BANKING

Wealth Management Services

For the year ended 31 December 2016, personal banking services of the Group recorded 1.47 per cent. growth in net operating income before impairment allowance, reaching HK\$1,677 million. Number of wealth management customers of the Group also increased by approximately 17 per cent. from 44,545 in 2015 to 52,260 in 2016. Upholding the customer-oriented philosophy, the Group launched customised products, promotion and services, aiming to solicit more mid- and high-end customers and to expand wealth management services for more contribution to total revenue. One of the Group's initiatives was to refine its customer segments and to design multiple-tier product portfolios and premium products for diverse demands.

The Group provides wealth management services under the "NCB Wealth Management" programme, providing flexible financial service packages that bring its customers diverse banking services and privileged offers. Each customer of NCB Wealth Management is assisted by the Group's Customer Relationship Managers in managing their assets or balance sheets. The Group also provides customers of NCB Wealth Management with wealth management services in the PRC through NCB (China) with diversified financial management services including RMB and foreign currency deposit, personal loan, investment products including Qualified Domestic Institutional Investor (QDII) Scheme and other structured financial products, foreign exchange, insurance and remittance.

The following illustrates the key features of NCB Wealth Management Service:

- Personalised financial planning service — the customised and comprehensive financial planning service of NCB Wealth Management helps its customers effectively manage and maximise the potential of their wealth by develop short-, medium- and long-term financial solutions in accordance with their financial goals and risk tolerance level. The customers' portfolios are also monitored and reviewed regularly as the market changes.
- Designated customer relationship manager — a customer relationship manager is assigned to each customer to provide him/her with personalised wealth management services.
- Personalised insurance service — customers of NCB Wealth Management can request a tailored insurance package covering various risks and such insurance would be managed in conjunction with their overall financial plan.
- Personalised deposits service — customers are provided with a wide range of choices for their deposits, including current accounts, savings accounts, time deposit accounts and foreign currency accounts.

- Convenient cross-border banking services — customers can make appointment for opening an NCB (China) account, make appointments for remittance, repay mortgage loans or use other banking services in the PRC through the Group’s Hong Kong branches.
- “Capital Investment Entrant Scheme” account service — the Issuer offers the successful entrants of the “Capital Investment Entrant Scheme” into Hong Kong with a wide range of wealth management services, enquiry services and privileges for the scheme.

Deposits

The Group offers three principal deposit products to its personal banking customers, including current account deposits, savings account deposits and time deposits. In order to satisfy the customers’ needs for transactions in different currencies, the Group offers Hong Kong dollar, Renminbi and U.S. dollar current accounts, respectively, and offers Hong Kong dollar and multi-currency savings accounts. The Group also offers time deposits services in 15 currencies, which can be connected to the respective customers’ current accounts, savings accounts and investment accounts with the Group. As at 31 December 2016, spot and demand deposits, fixed, short-term and notice deposits and saving deposits accounted for approximately 16 per cent., 60 per cent. and 24 per cent. of the total deposits balance of the Group, respectively.

The Issuer also offers three special time deposits: club deposit, time deposit with monthly interest payment and deposit for senior citizen.

- Club deposit — a deposit product designed with the planned savings concept. Customers can put in an agreed amount by instalment over an arranged period, with the aim of reaching the customers’ saving targets when the maturity date is due.
- Time deposit with monthly interest payment — as opposed to the conventional time deposit where the interest is collected by the maturity date, the scheduled interest of this time deposit is automatically credited to the customers’ designated account on a monthly basis, enhancing the financial flexibility and liquidity provided by the traditional time deposit service.
- Deposit for senior citizen — holders of Senior Citizen Card issued by Social Welfare Department of Hong Kong or customers at age 55 or above can enjoy preferential interest rate for time deposit service, preferential rate for foreign currency exchange and certain fee waivers.

NCB (China) also offers the principal deposit products. In addition, NCB (China) offers the following types of deposit services to its personal customers:

- Call deposit — 1-day and 7-day RMB call deposit are available with a minimum initial deposit amount and minimum withdrawal amount of RMB50,000. 7-day personal foreign currency call deposit with both the minimum initial deposit amount and the minimum withdrawal amount equivalent to RMB50,000 is also available.
- Instalment Time Deposit — the deposit cycle, deposit amount and tenor of the deposit are specified at the time of account opening, with regular deposit placed into the account according to the cycle selected.
- Non-standard Maturity Personal Time Deposit — a deposit product with 13-month tenor and a choice of deposit currencies including HK dollar, U.S. dollar, Euro and Japanese Yen which enables the customers to enjoy a higher interest rate than regular time deposit.

Loan Service

The Group provides its loan service through home mortgages and personal loans. As at 31 December 2014, 2015 and 2016, the Group's total advances to its personal banking customers amounted to HK\$31,455.9 million, HK\$34,515.6 million and HK\$38,210.0 million, respectively. As at 31 December 2014, 2015 and 2016, home mortgage loan balance accounted for approximately 67.2 per cent., 69.4 per cent. and 68.6 per cent. of the Group's total advances to its personal banking customers, respectively. The corresponding figures for personal loans and credit cards as at 31 December 2014, 2015 and 2016 were 32.8 per cent., 30.6 per cent. and 31.4 per cent., respectively.

Home mortgages

The Group offers home mortgage plans for both potential owners of local private residential properties and properties offered by the government and public sectors for self-occupation purpose. The mortgage plans provided by the Group include the Home Ownership Scheme Mortgage Plan, Home Starter Loan Scheme Mortgage Plan, Civil Servant Home Purchase Scheme, Flat-for-Sale Scheme, Mortgage Insurance Programme, Tenants Purchase Scheme Mortgage Plan, Sandwich Class Mortgage Plan, Civil Servant Home Financing Scheme and Hospital Authority Home Loan Interest Subsidy Scheme. The Group also offers its "All-You-Want" Mortgage Scheme and "Smart" Mortgage Scheme, which link a customer's mortgage to his current account and provide higher financial flexibility.

In addition, the Group launched innovative products to maintain its leading position in cross-border loan businesses. For example, in 2016, the Group launched a credit scheme to allow Hong Kong residents to secure loans with their properties located in the PRC, which further enhanced the overall personal loan business growth.

All home mortgage advances are secured by a first legal charge on the property and, in certain circumstances, the Group may also require personal guarantees as additional security. The Group provides various different mortgage plans, including floating Prime-based rate and floating HIBOR-based rate mortgage plans which are repayable by instalments. Home mortgages are also offered by NCB (China) with the maximum loan amount up to 70 per cent. of the lower of the purchase price or the appraised property value of the relevant property, with a repayment period of up to 30 years and a choice of loan currencies including HK dollar, the U.S. dollar and Renminbi.

The Group intends to continue maintaining its market share in the mortgage business by diversifying and customising the mortgage loans offered to its customers and providing tailor-made services to its existing and potential customers.

Personal loans

Personal loans include unsecured advances to individuals for purposes such as education, tax payments, travel and home improvement and decoration, and also includes overdrafts. The Group offers a series of lending programmes with varied product features including a personalised interest rate based on the relevant customer's credit standing, payment holidays and tax advance packages. The "Easi-Personal Loan" programme provides loan amounts up to HK\$1 million or 12 times of the customer's monthly salary, with preferential interest rates available to the Group's privileged customers. The "Easy Tax Loan" programme, the Group's annual tax loan promotion campaign, is offered to customers during the tax season in Hong Kong. It is a facility to personal salary tax and personal assessment at a preferential loan rate and a prolonged repayment period up to 18 months.

In addition, NCB (China) also provides its personal customers with loan services catering for various specific needs, including personal consumption loan, personal home decoration loan, personal business financing plan, personal credit facility, overseas education loan and personal auto loan.

Investment Service

In addition to the range of traditional banking products and services offered by the Group to its customers, the Group also provides investment services for various types of products, including but not limited to securities, securities margin, Shanghai-Hong Kong stock connect, Shenzhen-Hong Kong stock connect, monthly stocks savings plan, family securities accounts, IPO subscription, FX margin trading, funds, precious metals margin trading, currency linked investments, debt securities, notional precious metals passbook account and structured investments.

Remittance service

As part of the Group's cross-border banking business, the Group offers services for both inward and outward remittance, in both its physical branches in Hong Kong and the PRC and also online via the Group's internet banking service. The Group's remittance service is available in the forms of telegraphic transfer or demand draft. The Group's "BOC Remittance Plus" programme allows its customers to get their funds transferred on the same day to about 5,000 remittance points spanning all provinces, autonomous regions and municipalities in the PRC, Hong Kong and Macau covering Bank of China, NCB (China) and Chiyu Banking Corporation Ltd.

Foreign cheques payable overseas can also be entrusted to the Issuer for collection to seek for payment from the drawee on the customer's behalf. Arrangement may also be made for use of funds in advance while pending for collection of proceeds.

Insurance service

The Group acts as an appointed insurance agent of BOC Group Life Assurance Company Limited, China Life Insurance (Overseas) Company Limited and China Taiping Insurance (HK) Company Limited and provides a wide variety of insurance services, with personal insurance products include life, personal accident, home comprehensive, domestic helper comprehensive, motor vehicle, comprehensive travel, personal medical, outpatient medical, golfer and global mind personal accident insurance, etc. Business line products include fire, public liability, contractors' all risks, employees' compensation, marine cargo, marine hull, money, retailer comprehensive, burglary and group medical insurance.

The total premium income of the Group's insurance business for the year ended 31 December 2016 was HK\$272 million, an approximately 87 per cent. increase as compared with the figure reported for the year ended 31 December 2015. The total premium income of the Group's insurance business for the year ended 31 December 2015 was HK\$145 million, an approximately 23 per cent. increase as compared with the figure reported for the year ended 31 December 2014.

Internet and Mobile Banking Services

The internet and mobile banking services offered by the Group include NCB Enrich Banking and i-Free Banking. For the year ended 31 December 2016, the number of individual banking finance transactions completed through the Group's internet and mobile banking services accounted for approximately 70 per cent. of the Group's total number of approximately 8.8 million transactions.

NCB Enrich Banking is designed to provide the Group's customers with 24-hour banking services through the Issuer's professional team, diversified service channels, personalised e-services and privileges.

- Diversified service channels — customers are offered with round-the-clock services via diversified service channels such as the Online Chat service, internet banking, mobile banking, mobile app and priority counter service at designated branches.

- Enhanced e-platform — customers can receive service notifications and market information of their choice to meet their financial needs.
- Comprehensive information — customers are provided with the latest market information and analysis to keep abreast of the market trend.

i-Free Banking offers the Group's customers a comprehensive solution to meet their sophisticated needs for financial services.

- All-around personal financial services — customers are offered a personalised financial solution designed to meet their diverse needs for deposit, investment, insurance as well as credit facilities.
- Free investment access — customers can flexibly and conveniently manage their finances via the Group's internet banking, phone banking or mobile banking services, allowing them to conduct investments in various financial products, to access stock information and market news and to obtain live rate quotes.

CORPORATE BANKING

The Group's corporate banking services continue to grow with optimised loan portfolio. As at the end of December 2016, corporate loans recorded a 22.88 per cent. increase to HK\$149.57 billion as compared to the corresponding figure as at 31 December 2015. Net interest income from corporate financial services amounted to HK\$3,183 million, while net operating income before impairment allowance increased 25.72 per cent. to HK\$4,120 million as compared the corresponding figure as at 31 December 2015.

In addition to the general banking services offered by the Group to both its personal banking customers and corporate banking customers, including deposit service, investment service, remittance service, insurance service and internet and mobile banking service, the following highlights the additional services available to the Group's corporate banking customers.

Commercial Lending

The Group provides diversified financing solutions through the Issuer and NCB (China) to cater for its corporate customers' financial needs in operation of their businesses. NCB (China) provides a wide range of financing products to its corporate customers meeting their day-to-day financing demand and demand for particular business development and operations, including working capital loan, project financing, machinery financing, syndicated loan, merging and acquiring loan, loan pledged by export tax rebate custody account, overdraft for corporate account, real estate development loan, fixed asset loan, entrusted loan, assets (commercial property)-backed loan and commercial bill discount. The Issuer also provides working capital financing, medium and long-term financing, property mortgage loan and corporate tax loan. In addition, the Issuer offers various programmes to provide continuous support to local SMEs in Hong Kong.

As at 31 December 2014, 2015 and 2016, the Group's total advances to its corporate banking customers amounted to HK\$118,046 million, HK\$121,721 million and HK\$149,571 million, respectively. As at 31 December 2014, 2015 and 2016, advances to large corporates accounted for approximately 68.9 per cent., 70.5 per cent. and 78.5 per cent. of the Group's total advances to its corporate banking customers, respectively. The corresponding figures for other corporate customers as at 31 December 2014, 2015 and 2016 were 31.1 per cent., 29.5 per cent. and 21.5 per cent., respectively.¹⁰

¹⁰ Large corporates refer to corporations with annual revenue larger than or equal to HK\$1 billion, or to the exposure larger than or equal to HK\$200 million where the relevant corporate does not record any revenue.

SME Financing Guarantee Scheme (SFGS)

The Issuer has joined the SME Financing Guarantee Scheme launched by The Hong Kong Mortgage Corporation Limited (“HKMC”). The Issuer offers flexible lending solutions which meets SMEs’ financing needs and facilitates their business growth. HKMC provides support to SMEs by way of loan guarantees of up to 80 per cent., with a maximum loan amount of up to HK\$12,000,000.

SME Loan Guarantee Scheme (SGS)

In support of the SME Loan Guarantee Scheme initiated by the Hong Kong government, the Issuer offers flexible lending packages for acquiring business installations and equipment or meeting working capital needs of general business. The HKSAR government provides loan guarantees of up to 50 per cent., with a maximum loan amount of up to HK\$12,000,000.

NCB Small Business Loan

The Issuer’s unsecured lending programme “NCB Small Business Loan” offers unsecured loan to small businesses up to an amount of HK\$2,000,000.

Trade Finance

The Group’s trade finance business provides international trade settlement services to industrial and commercial circles through both the Issuer and NCB (China). Import financing services include issuance of letters of credit (“LC”), back-to-back LC, shipping guarantee, inward documentary bills, inward collection, import loans and import invoice financing. Export financing services include advice and confirmation of LC, LC transfers, outward documentary collection, LC negotiation, packing loans, bills purchase, Hong Kong Export Credit Insurance Corporation (ECIC) supported export finance and export invoice discounting.

Trade finance advances are made on either a fully or partially secured basis by way of a mortgage of property or cash collateral or on an unsecured basis. Trade finance advances typically have a relatively short maturity. For example, advances used to finance imports often have a maturity of approximately 90 days.

As at 31 December 2016, trade finance advances amounted to HK\$7,596.23 million, representing an increase of approximately 23.7 per cent. as compared with the figure reported as at 31 December 2015, and accounted for approximately 4.0 per cent. of the Group’s total advances to customers as at 31 December 2016. As at 31 December 2015, trade finance advances amounted to HK\$6,141.78 million, representing a decrease of approximately 19.6 per cent. as compared with the figure reported as at 31 December 2014, and accounted for approximately 3.9 per cent. of the Group’s total advances to customers as at 31 December 2015.

Business Integrated Account

The Business Integrated Account is a product designed for the Issuer’s corporate banking customers to manage all of their accounts with the Issuer, including deposits, loans, trade services, mortgage and investments accounts, under one roof for added flexibility and convenience. The key features of the Business Integrated Account are illustrated below:

- Consolidated Monthly Statement — accounts summary, total relationship balance, monthly service fee privilege, time deposit schedule, account balance and transaction details are consolidated into a single statement for the corporate banking customers to understand its full financial status at ease.

- “Auto-Sweeping Service” — when the available balance of the designated current account is not sufficient to settle the cheque amount, this Auto-Sweeping Service will sweep funds from the corporate banking customer’s other designated account to avoid bounced cheque and unnecessary overdraft interest.
- Remittance and Express Transfer Services (RTGS / CHATS) — with a suite of global remittance services, the Issuer provides its corporate banking customers, through diversified branch network and electronic channels, with telegraphic transfer and local interbank transfer in all major currencies.
- Payroll Service — the Issuer provides its corporate banking customers with convenient and secure payroll and personnel management solution which helps them to enhance administrative efficiency and to minimise operation risk and transaction cost. Corporates can choose payroll channels according to their actual needs and pay salaries to any designated account of local banks.

TREASURY




The Group’s treasury business is responsible for managing the capital, liquidity, and the interest rate and foreign exchange positions of the Group in addition to proprietary trades. It provides funds to other business segments and receives funds from deposit taking activities of the Group’s personal banking and corporate banking businesses. These inter-segment funding is charged according to the internal funds transfer pricing mechanism of the Group.

For the years ended 31 December 2014, 2015 and 2016, the treasury business recorded HK\$1,720.2 million, HK\$1,422.0 million and HK\$600.0 million of net operating income before impairment allowance. With RMB-denominated deposit contractions, the Group scaled down its investments in RMB-denominated bonds and increased bonds denominated in HK dollar and U.S. dollar. Moreover, the Group consolidated its market competitiveness by launching forex trading and deposit concessions and offering market-based prices.

PROPERTIES

As at 31 December 2016, the Group owns properties in Hong Kong with aggregate saleable floor areas of approximately 123,766 square feet, 52,734 square feet and 24,166 square feet on Hong Kong Island, in Kowloon and in the New Territories, respectively. Most of the Group’s properties are used as banking offices, as branches or for storage. The remainder are currently leased to third parties. In addition, the Group also leases 21 properties with aggregate saleable floor areas of approximately 32,602 square feet, 22,958 square feet and 8,411 square feet on Hong Kong Island, in Kowloon and in the New Territories, respectively. These leased properties are used as banking offices, as branches or for storage. As at 31 December 2016, the fair value for the Group’s investment properties and premises amounted to HK\$383.8 million and HK\$6,705.6 million, respectively.

INTELLECTUAL PROPERTY

The Group has been using the trademarks, “NCB 南洋商業銀行”, “”, “”, “”, “南商簡易卡” and “南商理財專用提款卡”, and service mark “NCB” which have been registered with the Trademarks Registry in Hong Kong.

The Group has also been using trademarks “”, “” and “”, which have been registered with the PRC Trademark Office.

The Group also relies on domain name registrations to establish and protect its internet domain names. The Group has registered of the following internet domain names: “hkncb.com”, “ncbhk.com”, “nanyang-bank.com”, “南商.HK”, “南商.公司.HK”, “ncb.com.hk”, “ncb.hk”, “南洋商業銀行.HK” and “南洋商業銀行.公司.HK”.

INSURANCE

The Group currently maintains insurance cover to mitigate its risk exposure. Such insurance can broadly be categorised into property insurance to cover the loss of or damage to building structure and content, electronic equipment and motor vehicles; public liability insurance to cover legal liability as a result of physical bodily injury and/or property damage caused to third parties; bankers’ blanket bonds insurance to cover the loss resulting from fraudulent acts by employees, loss of money on premises and in transit and forgery of bank instruments; professional indemnity insurance to indemnify the Group for loss arising out of claims for wrongful or negligent professional acts; and directors’ and officers’ liability insurance to cover the personal liability of the Group’s directors and officers against any claims resulting from any wrongful act. There is a centralised independent function within the Group that handles the validity and adequacy of insurance cover.

COMPETITION

The Group is subject to significant competition in Hong Kong from many other Hong Kong and foreign banks and financial institutions. Competition among banks in Hong Kong for investment and insurance products, home mortgage loans, credit cards, personal loans and transport lending business has become very aggressive. Given increasing competition among the local banks in Hong Kong, the Group has placed greater focus on diversifying its revenue sources and increasing its fee-based income, particularly from its wealth management and retail investment businesses.

The banking industry in the PRC is also highly competitive. The market has been dominated by the large state-owned commercial banks, which have long operating histories, well-established branch networks, large customer bases and better brand recognition. The Group has been expanding its presence in the PRC through NCB (China) by strategically establishing branches in major cities in the PRC. However, in view of the fact that banking business in the PRC was opened to foreign banks in early 2007 as part of the PRC’s WTO commitments, the Group expects competition in the PRC to continue to increase.

For a further discussion of the risks of competition faced by the Group in Hong Kong and China, see “*Risk Factors — Considerations Relating to the Group — The Group is subject to significant competition*”.

LITIGATION

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

EMPLOYEES

As at 31 December 2016, the Group had a total of 2,995 employees as set forth in the following table:

	<u>No. of employees</u>
Hong Kong	1,535
PRC	<u>1,460</u>
Total	<u><u>2,995</u></u>

The management of the Group believes that it maintains a good relationship with its employees and has not experienced any material employment disputes. The Group provides attractive remuneration and benefits packages to its employees including medical health care plans, group life insurance, various paid leave, staff housing loan with preferential interest rate, staff account with preferential deposit interest rate and retirement benefits under either the Mandatory Provident Fund (“MPF”) Scheme or the MPF exempted Occupational Retirement Schemes Ordinance (“ORSO”) Scheme.

In addition to benefits packages, the Group continues to provide career advancement opportunities and a healthy, positive working environment to its employees. The Group offers a wide range of training courses to support its employees’ ongoing professional development.

PROTECTION OF DEPOSITORS

The Issuer is a member of the Deposit Protection Scheme, which was launched in September 2006. Accordingly, all eligible depositors of the Issuer are automatically protected under the Deposit Protection Scheme. As part of its measures to maintain the liquidity of, and confidence in, the Hong Kong financial markets, the Hong Kong government introduced a Deposit Protection Scheme in 2006 to provide a level of protection to depositors with deposits held with authorised institutions in Hong Kong. An enhanced Deposit Protection Scheme with an increased protection limit of HK\$500,000 and expanded coverage including deposits pledged as security for banking services, came into effect on 1 January 2011.

SELECTED STATISTICAL AND OTHER INFORMATION

The selected statistical and other information set forth below relates only to the Group and has, except where otherwise indicated, been compiled as at and for each of the years ended 31 December 2014, 2015 and 2016, and should be read in conjunction with the information contained elsewhere in this Offering Circular, including “*Business of the Group*”.

ADVANCE PORTFOLIO

Overview

As at 31 December 2014, 2015 and 2016, the Group’s total outstanding advances to other accounts were HK\$163,903.7 million, HK\$168,924.0 million and HK\$192,119.6 million, respectively, which represented approximately 53.93 per cent., 55.35 per cent. and 55.06 per cent., respectively, of its total assets.

A significant portion of the Group’s advances are in respect of home mortgages and advances for property investment and development in Hong Kong, which together, as at 31 December 2014, 2015 and 2016, represented approximately 17.47 per cent., 18.54 per cent. and 17.88 per cent., respectively, of the Group’s total advances to customers.

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

The Group

	As of 31 December					
	2014	%	2015	%	2016	%
	(audited)		(audited)		(audited)	
	(in HK\$ thousands, except percentages)					
Loans for use in Hong Kong						
Industrial, commercial and financial						
— Property development	3,109,845	2.08%	5,448,761	3.49%	9,395,050	5.00%
— Property investment	12,223,689	8.18%	10,849,282	6.94%	10,775,101	5.74%
— Financial concerns	2,001,248	1.34%	4,497,199	2.88%	11,037,686	5.88%
— Stock Broker	101,383	0.07%	480	0.00%	—	—
— Wholesale and retail trade	11,956,256	8.00%	9,251,574	5.92%	8,029,810	4.28%
— Manufacturing	6,307,305	4.22%	8,523,132	5.46%	8,334,113	4.44%
— Transport and transport equipment	4,056,145	2.71%	4,316,243	2.76%	5,973,029	3.18%
— Recreational activities	56,908	0.04%	141,637	0.09%	3,437	0.00%
— Information technology	1,728,779	1.16%	741,295	0.47%	2,272,628	1.21%
— Others	13,754,281	9.20%	14,315,090	9.16%	12,915,062	6.88%
Individuals						
— Loans for the purchase of flats in Home Ownership Scheme, Private Sector Participation Scheme and Tenants Purchase Scheme	455,145	0.30%	364,199	0.23%	293,571	0.16%
— Loans for purchase of other residential properties	10,333,678	6.91%	12,304,337	7.88%	13,105,671	6.98%
— Credit card advances	20,012	0.01%	—	—	—	—
— Others	6,759,164	4.52%	7,338,950	4.70%	8,782,704	4.68%
Total loans for use in Hong Kong	72,863,838	48.74%	78,092,179	49.98%	90,917,862	48.42%
Trade finance	7,642,319	5.11%	6,141,777	3.93%	7,596,230	4.05%
Loans for use outside Hong Kong	68,996,099	46.15%	72,002,818	46.09%	89,266,870	47.53%
Gross advances to customers	<u>149,502,256</u>	<u>100.00%</u>	<u>156,236,774</u>	<u>100.00%</u>	<u>187,780,962</u>	<u>100.00%</u>

Geographical Concentration

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

	As of 31 December					
	2014	%	2015	%	2016	%
	(audited)		(audited)		(audited)	
	(in HK\$ thousands, except percentages)					
Hong Kong	73,959,116	49.47%	88,083,058	56.38%	99,595,734	53.04%
PRC	69,650,228	46.59%	61,013,223	39.05%	78,467,343	41.79%
Others	5,892,912	3.94%	7,140,493	4.57%	9,717,885	5.17%
Total	<u>149,502,256</u>	<u>100.00%</u>	<u>156,236,774</u>	<u>100.00%</u>	<u>187,780,962</u>	<u>100.00%</u>

Customer Advance Concentration

The Banking Ordinance generally prohibits any bank incorporated in Hong Kong from maintaining a financial exposure to any single person or group of connected persons in excess of 25 per cent. of its capital base. As at 31 December 2016, the Group's exposure to its 10 largest borrowers (including groups of individuals and companies, excluding China Cinda Group exposure) amounted to approximately HK\$27,179.2 million, or approximately 78.59 per cent. of the Group's capital base, with the largest representing HK\$4,385.3 million, or approximately 12.68 per cent. of the Group's capital base. As at 31 December 2015, the Group's exposure to its 10 largest borrowers (including groups of individuals and companies) amounted to approximately HK\$21,337.3 million, or approximately 65.60 per cent. of the Group's capital base, with the largest representing HK\$3,001.7 million, or approximately 9.23 per cent. of the Group's capital base. As at 31 December 2014, the Group's exposure to its 10 largest borrowers (including groups of individuals and companies) represented approximately HK\$18,441.3 million, or approximately 61.67 per cent. of the Group's capital base, with the largest accounting for HK\$2,253.5 million, or approximately 7.54 per cent. of the Group's capital base.

Advance Analysis

As at 31 December 2014, 2015 and 2016, approximately 35.51 per cent., 39.92 per cent. and 46.09 per cent. of advances had a remaining maturity between one to five years, respectively.

The table below sets forth a summary of the Group's gross advances to customers by remaining maturity as at the dates indicated.

	As of 31 December 2014		As of 31 December 2015		As of 31 December 2016	
	Advances to customers	%	Advances to customers	%	Advances to customers	%
	(audited)		(audited)		(audited)	
	(in HK\$ thousands, except percentages)					
Repayable on demand	5,600,078	3.80%	5,500,045	3.55%	6,757,582	3.62%
Up to 1 month	9,742,952	6.60%	7,436,513	4.80%	6,710,603	3.60%
1 to 3 months	16,597,492	11.25%	14,184,098	9.16%	10,567,311	5.67%
3 to 12 months	36,208,391	24.54%	36,000,440	23.25%	36,092,176	19.36%
1 to 5 years	52,393,120	35.51%	61,815,074	39.92%	85,944,627	46.09%
Over 5 years	26,179,173	17.74%	29,138,201	18.82%	39,903,860	21.40%
Indefinite	810,930	0.55%	777,500	0.50%	478,279	0.26%
Total	<u>147,532,136</u>	<u>100.00%</u>	<u>154,851,871</u>	<u>100.00%</u>	<u>186,454,438</u>	<u>100.00%</u>

As at 31 December 2014, 2015 and 2016, at least 45.11 per cent., 44.63 per cent. and 41.81 per cent. of the Group's advances were secured by collateral, respectively. Home mortgages are secured by a first legal charge over the underlying property. Working capital advances for businesses are typically secured by fixed and floating charges over land, buildings, machinery, inventory and receivables. Term advances for specific projects or developments are typically secured against the underlying project's assets and its receivables, while additional guarantees are typically provided by the sponsors or shareholders. The Group also receives guarantees in relation to certain of its other advances to cover, in the case of trade finance, any shortfall in security or, in the case of consumer advances to younger or less financially secure customers, to provide security on what are normally unsecured advances.

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

The table below sets forth a summary of the percentages of the Group's gross advances to customers covered by collateral or other security as at the dates indicated.

	As of 31 December					
	2014		2015		2016	
	Gross advances to customers	% covered by collateral or other security	Gross advances to customers	% covered by collateral or other security	Gross advances to customers	% covered by collateral or other security
	(audited)					
	(in HK\$ thousands, except percentages)					
Loans for use in Hong Kong						
Industrial, commercial and financial						
— Property development	3,109,845	30.32%	5,448,761	15.36%	9,395,050	6.41%
— Property investment	12,223,689	86.15%	10,849,282	92.84%	10,775,101	84.72%
— Financial concerns	2,001,248	21.71%	4,497,199	9.53%	11,037,686	3.70%
— Stockbrokers	101,383	1.35%	480	100.00%	—	—
— Wholesale and retail trade	11,956,256	26.82%	9,251,574	30.74%	8,029,810	43.50%
— Manufacturing	6,307,305	23.80%	8,523,132	23.30%	8,334,113	20.75%
— Transport and transport equipment	4,056,145	10.50%	4,316,243	7.66%	5,973,029	11.14%
— Recreational activities	56,908	1.97%	141,637	0.76%	3,437	29.82%
— Information technology	1,728,779	1.80%	741,295	2.40%	2,272,628	1.14%
— Others	13,754,281	44.32%	14,315,090	42.23%	12,915,062	56.98%
Individuals						
— Loans for the purchase of flats in Home Ownership Scheme, Private Sector Participation Scheme and Tenants Purchase Scheme	455,145	99.99%	364,199	99.88%	293,571	99.79%
— Loans for purchase of other residential properties	10,333,678	99.51%	12,304,337	99.86%	13,105,671	99.93%
— Credit card advances	20,012	—	—	—	—	—
— Others	6,759,164	41.17%	7,338,950	56.81%	8,782,704	71.29%
Total loans for use in Hong Kong	72,863,838	50.36%	78,092,179	50.43%	90,917,862	47.37%
Trade finance	7,642,319	27.90%	6,141,777	33.44%	7,596,230	23.78%
Loans for use outside Hong Kong	68,996,099	41.47%	72,002,818	39.30%	89,266,870	37.67%
Gross advances to customers	<u>149,502,256</u>	<u>45.11%</u>	<u>156,236,774</u>	<u>44.63%</u>	<u>187,780,962</u>	<u>41.81%</u>

RISK MANAGEMENT

The Group's lending policies have been formulated on the basis of its own experience, the Banking Ordinance, Monetary Authority guidelines and policies issued by the Hong Kong Association of Banks and other statutory requirements (and, in the case of overseas branches and subsidiaries, the relevant local laws and regulations). The Issuer believes it has a history of, and reputation for, prudent lending practices. The Group has established loan-to-value lending limits based on the appraised market value of the relevant collateral.

The Issuer's Board of Directors (the "**Board**") holding the ultimate responsibility for the Group's overall risk management. It determines the risk management strategies and the risk management structure.

To achieve the Group's goals in risk management, the Board has set up the Risk Management Committee, which includes the Issuer's Independent Non-executive Directors, to oversee the Group's various types of risks and approve the high-level risk management policies. Also, the Credit Approval Committee is set up under the Risk Management Committee to approve credit applications exceeding the Chief Executive's authority or as required by the policy and portfolio limit. The Audit Department conducts independent reviews on the adequacy and effectiveness of risk management policies and controls to ensure that the Group is operating according to the established policies, procedures and limits.

To ensure the independence of the Risk Management Department and the Audit Department, they report directly to the Risk Management Committee and the Audit Committee respectively. Both committees are specialised committees set up by the Board and all members are directors of the Issuer.

The risk management units develop policies and procedures for identifying, measuring, monitoring and controlling credit risk, market risk, operational risk, reputation risk, legal and compliance risk, interest rate risk, liquidity risk and strategic risk; set appropriate risk limits; and continually monitor risks. According to the risk management strategies established by the Board, risk management policies and controls are devised and reviewed regularly by relevant departments and respective management committees set up by the Issuer's Chief Executive.

These mechanisms capture the different risk-related management activities on a group basis, including the formulation of policies, risk assessment, setting up of procedures and control limits, and ongoing monitoring. The mechanisms ensure compliance with the Group's policies, and legal and regulatory requirements in Hong Kong, the PRC and overseas. They are supplemented by management involvement, effective internal controls, and comprehensive audits.

The major types of risks management under the Group's risk management structure are (i) credit risk management; (ii) liquidity risk management, (iii) market risk management, (iv) operational risk management, (v) reputation risk management, (vi) legal and compliance risk management, (vii) strategic risk management and (viii) interest rate risk management.

Credit Risk Management

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 Credit and Loans Management Committee, a management committee authorised by the Chief Executive, is responsible for the implementation of the credit risk management strategies as well as the approval of credit policies. It also monitors the Group's loan portfolio, quality of credit asset and risk concentration level. Different units of the Group have their respective credit risk management responsibilities. Business units act as the first line of defence. The risk management units, which are

independent from the business units, are responsible for the day-to-day management of credit risks and have the primary responsibilities 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. They report directly to the Credit and Loans Management Committee, Chief Executive, Credit Approval Committee and Risk Management Committee.

In addition, NCB (China) also sets up independent risk monitoring teams to monitor credit risk, and submits management information and reports to the Issuer on a regular basis.

Hong Kong has adopted the Basel II Accord capital adequacy standards from the beginning of 2007. On 31 December 2010, the Issuer received the approval from the Monetary Authority to adopt the advanced approaches under the Basel II Accord. The business benefits of adopting these advanced approaches are significant, including enhanced risk management, more efficient use of capital and higher transparency in the disclosure of risk-related information.

In December 2010, the Basel Committee issued the Basel III regulatory framework presenting the Committee's reforms to strengthen capital and liquidity standards in order to promote a more resilient banking sector. In line with the international implementation timetable set by the Basel Committee, the Basel III rules pertaining to capital standards have been enacted into local banking regulations and implemented in Hong Kong on 1 January 2013. While transitional implementation is allowed for some of the standards, a substantial portion of the Basel III capital framework has already been implemented in full since 1 January 2013 and had been reflected in the Group's position for the financial years ended 31 December 2014, 2015 and 2016.

Liquidity Risk Management

The Group's liquidity risk management objective is to effectively manage the liquidity of on- and off-balance sheet items with reasonable cost based on the liquidity risk appetite to achieve sound operation and sustainable profitability. Deposits from customers are the Group's primary source of funds. To ensure stable and sufficient source of funds are in place, the Group actively attracts new deposits, keeps the core deposit and obtains supplementary funding from the interbank market. According to different term maturities and the results of funding needs estimated from stressed scenarios, the Group adjusts its asset structure (including loans, bonds investment, interbank placement, etc.) to maintain sufficient liquid assets which provides adequate funds in support of normal business needs and ensure its ability to raise funds at a reasonable cost to serve external claims in case of emergency. The Group is committed to diversify the source of funds and the use of funds to avoid excessive concentration of assets and liabilities and prevent triggering liquidity risk due to the break of funding strand when problem occurred in one concentrated funding source. The Group has established intra-group liquidity risk management guideline to manage the liquidity funding among different entities within the Group, and to restrict their reliance of funding on each other. The Group also pays attention to manage liquidity risk created by off-balance sheet activities, such as loan commitments and derivatives. 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's Risk Management Committee ("**RMC**") is the decision-making authority of liquidity risk management, and assumes the ultimate responsibility of liquidity risk management. As authorised by RMC, the Asset and Liability Management Committee ("**ALCO**") exercises its oversight of liquidity risk and ensures the daily operations of the Group are in accordance with risk appetite and policies as set by RMC. The Financial Management Division is responsible for overseeing the Group's liquidity risk. It cooperates with Treasury Division to assist the ALCO to perform liquidity management functions according to their specific responsibilities.

The Group established liquidity risk management indicators and limits to identify, measure, monitor and control liquidity risk on daily basis. These indicators and limits include, but are not limited to liquidity coverage ratio (“**LCR**”), loan-to-deposit ratio, Maximum Cumulative Cash Outflow (“**MCO**”) and liquidity buffer asset portfolio. The Group applies cash flow analysis to assess the Group’s liquidity condition under normal conditions and also performs a liquidity stress test (including institution specific, general market crisis and combined crisis) at least on monthly basis to assess the Group’s capability to withstand various severe liquidity crises. Also, the Assets and Liabilities Management System is developed to provide data and the preparation for regular management reports to facilitate liquidity risk management duties.

In accordance with the requirements of Supervisory Policy Manual LM-2 “Sound Systems and controls for Liquidity Risk Management” issued by the Monetary Authority in 2011, the Group has implemented behaviour model and assumptions of cash flow analysis and stress test to enhance the Group’s cash flow analysis under both normal and stressed conditions. In cash flow analysis under normal circumstances, assumptions have been made relating to on-balance sheet items (such as deposits from customers) and off-balance sheet items (such as loan commitments). According to various characteristics of the assets, liabilities and off-balance sheet items, the Group forecasts the future cash flow based on contractual maturity date and the assumptions of customer behaviour and balance sheet changes. The Group establishes MCO indicator which predicts the future 30-day maximum cumulative net cash outflow in normal situations based on the above assumptions, to assess if the Group has sufficient financing capacity to meet the cash flow gap in order to achieve the objective of continuing operation. As at 31 December 2016, before taking the cash inflow through the sale of outstanding marketable securities into consideration, the Issuer’s 30-day cumulative cash flow was a net cash inflow amounting to HK\$457.88 million, as compared to HK\$9,723.24 million as at 31 December 2015, and was in compliance with the internal limit requirements.

In the liquidity stress test, institution specific, general market crisis and combined crisis scenario has been set up, combined crisis scenario is a combination of institution specific and general market crisis to assess the Group’s capability to withstand a more severe liquidity crisis, with a more stringent set of assumptions being adopted. Stress test assumptions include the run-off rate of retail, wholesale and interbank deposits; drawdown rate of loan commitments and trade-related contingent liabilities; delinquency ratio and rollover rate of customer loans; and haircut of interbank placement and marketable securities. As at 31 December 2016, the Group was able to maintain a positive cash flow 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 per cent. or 20 per cent. risk weight or marketable securities issued or guaranteed 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 2016, the Issuer’s liquidity cushion (before haircut) was HK\$28,653.57 million, as compared to HK\$29,189.80 million as at 31 December 2015. A contingency plan is being established which details the conditions to trigger the plan based on stress test results and early warning indicators, the action plans and relevant procedures and responsibility of various departments.

The LCR is calculated in accordance with the Banking (Liquidity) Rules (Cap. 155Q) effective from 1 January 2015, the Group, being classified as category 1 authorised institution by the Monetary Authority, is required to calculate LCR on consolidated basis. For 2016, the Group was required to maintain a LCR not less than 70 per cent., and for 2017, the Group is required to maintain a LCR of not less than 80 per cent.

The Group monitors its liquidity position on a daily basis to ensure the Group’s funding needs can be met and the statutory liquidity ratio is complied with. The average value of Group’s quarterly liquidity coverage ratio was approximately 130.38 per cent. and 145.82 per cent. for the years ended 31 December 2015 and 2016, respectively, which was above the statutory minimum ratio of 60 per cent. and 70 per cent. respectively.

By holding sufficient liquid assets (e.g. cash and short term funds and securities) of appropriate quality, the Group ensures that short term funding requirements are covered within prudent limits. Contingent funding sources are maintained to provide strategic liquidity to meet unexpected and material cash outflows.

Stress testing is regularly conducted to analyse liquidity risk. With reference to the stress-testing results, the Group identifies potential vulnerabilities within the Group and formulates a Contingency Funding Plan that describes the Group's strategy for dealing with any liquidity problem and the procedures for making up cash flow deficits in emergency situations.

Market Risk Management

The Group's objective in managing market risk is to maintain healthy growth of its treasury business by effective management of potential market risk in the Group's business, in accordance with the Group's overall risk appetite and strategy of treasury business on the basis of a well-established risk management regime and related management measures.

In accordance with the Group's corporate governance principles in respect of risk management, the Board and the Risk Management Committee, senior management and functional units perform their duties and responsibilities to manage the Group's market risk. The risk management units are responsible for 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, to ensure that the aggregate and individual market risks are within acceptable levels. Independent units are assigned to monitor the risk exposure against risk limits on a daily basis, together with profit and loss reports submitted to senior management on a regular basis, while limit excess will be reported to senior management at once when it occurs. In addition, NCB (China) sets up independent risk monitoring teams to monitor daily market risk and limit compliance, and submit management information and reports to the Issuer on a regular basis.

The Group sets up market risk indicators and limits to identify, measure, monitor and control market risk. Major risk indicators and limits include but not limited to VAR (Value-at-Risk), Stop Loss, Open Position, Stress Testing and Sensitivity Analysis (Basis Point Value). To meet management requirements, major risk indicators and limits are classified into four levels, and are approved by the Risk Management Committee, Asset and Liability Management Committee or senior management respectively. Treasury business units are required to conduct their business within approved market risk indicators and limits.

(a) Currency risk

The Group's assets and liabilities are denominated in major currencies, particularly the HK dollar, the U.S. dollar and Renminbi. To ensure the currency risk exposure of the Group is managed at an acceptable level, risk limits (e.g. Position and VAR limit) are used to serve as a monitoring tool. Moreover, foreign exchange contracts (e.g. FX swaps) are usually used to manage foreign exchange risk associated with foreign currency-denominated assets and liabilities.

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 Monetary Authority return of foreign currency position as at 31 December 2016:

As of 31 December 2016				
Equivalent in HK\$ thousands				
	U.S. dollars	Renminbi	Other foreign currencies	Total foreign currencies
	(audited)	(audited)	(audited)	(audited)
Spot assets	89,820,749	116,285,504	8,951,419	215,057,672
Spot liabilities	(73,408,148)	(114,083,563)	(6,962,887)	(194,454,598)
Forward purchases	24,235,532	18,169,822	2,851,778	45,257,132
Forward sales	(38,954,759)	(20,994,854)	(4,819,645)	(64,769,258)
Net long/(short) position	<u>1,693,374</u>	<u>(623,091)</u>	<u>20,665</u>	<u>1,090,948</u>
Net structural position	<u>121,810</u>	<u>8,554,006</u>	<u>—</u>	<u>8,675,816</u>

(b) Interest rate risk

The Group's risk management framework applies also to interest rate risk management. The Asset and Liability Management Committee exercises its oversight of interest rate risk in accordance with the "Banking Book Interest Rate Risk Management Policy" approved by Risk Management Committee. The Financial Management Division is responsible for interest rate risk management. With the cooperation of the Treasury Division, Financial Management Division assists the Asset and Liability Management Committee to perform day-to-day interest rate risk management. Its roles include, but are not limited to, the formulation of management policies, selection of methodologies, setting of risk indicators and limits, assessment of target balance sheet, monitoring of the compliance with policies and limits, and submission of interest rate risk management reports to the Management and Risk Management Committee.

The Group is principally exposed to the Hong Kong dollar, U.S. dollar and Renminbi in terms of interest rate risk. As at 31 December 2016, if Hong Kong dollar, U.S. dollar and Renminbi market interest rates had a 100 basis point parallel upward shift of the yield curve in relevant currency 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:

	Impact on net interest income over the next twelve months at 31 December	Impact on reserves at 31 December	Impact on net interest income over the next twelve months at 31 December	Impact on reserves at 31 December	Impact on net interest income over the next twelve months at 31 December	Impact on reserves at 31 December
	2014	2014	2015	2015	2016	2016
(in HK\$ thousands, except percentages)						
(audited)						
Hong Kong dollar	256,299	(46,786)	298,266	(79,004)	344,852	(145,477)
U.S. dollar	(32,688)	(60,416)	(74,762)	(114,872)	(65,468)	(239,489)
Renminbi	<u>(13,535)</u>	<u>(324,817)</u>	<u>(39,332)</u>	<u>(301,279)</u>	<u>(109,140)</u>	<u>(283,703)</u>

Operational Risk Management

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 parties immediately 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 Operational Risk, Legal and Compliance Division together with certain specialist functional units in relation to operational risk management within the Group, including the Human Resources Division, Business Planning & Optimization Division, Administration Division, Financial Management Division and Accounting Division (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 Operational Risk, Legal and Compliance Division, 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 Risk Management Committee. 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. The Audit Department 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.

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.

Reputation Risk Management

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.

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.

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 all applicable laws and regulations. Legal and compliance risks are managed by the Operational Risk, Legal and Compliance Division. All legal matters are handled by the Operational Risk, Legal and Compliance Division. As part of the Group's corporate governance framework, the policy for the management of legal and compliance risk is approved by the Risk Management Committee as delegated by the Board.

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 response to the changing market condition. The Group regularly reviews its business strategies to cope with the latest market situation and developments. The Board also reviews and approves its strategic risk management policy. Key strategic issues would be reported to the management of the Issuer and the Board to be fully evaluated and properly endorsed.

ASSET QUALITY

Overview

The performance of the Hong Kong economy is heavily dependent on the property sector, and, as at 31 December 2014, 2015 and 2016, home mortgages and advances for property investment and development in Hong Kong together accounted for approximately 17.47 per cent., 18.54 per cent. and 17.88 per cent., respectively, of the Group's total advances to customers. As a result, the Group's asset quality is vulnerable to deflation in property prices. The ability of borrowers, including homeowners, to make timely repayment of their advances may be adversely affected by rising interest rates or a slowdown in economic growth. See "*Risk Factors — Risk Factors Relating to the Group — The Group may be affected by an economic downturn in Hong Kong*" and "*Risk Factors — Risk Factors Relating to the Group — The Group's business operation is exposed to interest rate risk*". As at 31 December 2014, 2015 and 2016, home mortgage advances in Hong Kong amounted to HK\$10,788.8 million, HK\$12,668.5 million and HK\$13,399.2 million, respectively, or approximately 7.22 per cent., 8.11 per cent. and 7.14 per cent., respectively, of the Group's total advances to customers and was one of the most significant segments of the Group's total advances to customers. See "*Risk Factors — Risk Factors Relating to the Group — The Group has significant exposure to the Hong Kong property market*".

The Group is committed to expanding its business and operations in the PRC and remains susceptible to risks associated with lending in the PRC, which could lead to an increase in the Group's classified advances. As at 31 December 2014, 2015 and 2016, the Group's PRC exposure was approximately 59.11 per cent., 58.61 per cent. and 60.06 per cent., respectively, of the Group's total advances and its PRC classified advances account for approximately 1.16 per cent., 0.56 per cent. and 0.50 per cent., respectively, of its total PRC exposure. See "*Risk Factors — Risk Factors Relating to the Group — The Group has significant exposure to the PRC market which may be influenced by the general state of the PRC economy and any significant political, social or legal uncertainties or changes in the PRC*".

Advance classification

The Group classifies the advances into the following grading in the dimension that reflects the borrower's repayment ability:

- Grade 1 — pass;
- Grade 2 — special mention;
- Grade 3 — sub-standard;
- Grade 4 — doubtful; and
- Grade 5 — loss.

In classifying the individual borrowers into one of the five grades, the Group considers relevant factors including: (i) source of repayment and repayment ability of principal and interest; (ii) estimation of probability of default from the internal rating systems comprising statistical measurement and expert judgment with consideration of quantitative and qualitative elements such as the borrower's financial condition, the management and operation of the borrower's business, market conditions affecting the borrower's industry and demographic characteristics; (iii) the payment history of the borrower; and (iv) the history of the Group's dealings with the borrower concerned.

Another dimension that reflects the transaction specific characteristics considers relevant factors including: (i) type of advance; (ii) seniority of the advance; and (iii) credit mitigation such as collateral and guarantee.

The Issuer believes that its advance classification policy is in compliance with the Banking Ordinance and the applicable guidelines of the Monetary Authority.

Recognition of impaired loans

The Group's impaired loans are sub-divided into three categories: "sub-standard" (Grade 3), "doubtful" (Grade 4) and "loss" (Grade 5). When the repayment of an advance is uncertain (for example, there is a past-due record of 90 days or more), the Group downgrades the advance to sub-standard. If full recovery of the advance is in doubt and the Group expects to sustain a loss of principal or interest, the Group classifies the advance as doubtful. Loss advances are those which are considered non-collectible after exhausting all collection efforts, such as the realisation of collateral and the institution of legal proceedings, and the liquidator or official receiver has ascertained the relevant recovery ratio.

Impairment of Loans and Receivables

At each balance sheet date, the carrying amount of the Group's assets are reviewed to determine whether there is objective evidence of impairment. If internal and external sources of information indicate such evidence exists, the carrying amount is reduced to the estimated recoverable amount and an impairment loss is recognised in the profit and loss account.

The total allowance for impairment losses consists of two components: individual impairment allowances, and collective impairment allowances.

The individual impairment allowance is based upon management's best estimate of the present value of the cash flows which are expected to be received discounted at the original effective interest rate. In estimating these cash flows, management makes judgments about the borrower's financial situation and the net realisable value of any underlying collateral or guarantees in favour of the Group. Each impaired loan is assessed on its own merits.

In assessing the need for collective loan loss allowances, management considers factors such as credit quality, portfolio size, customer segment, and economic factors. In order to estimate the required allowance, the Group makes assumptions both to define the way the Group models inherent losses and to determine the required input parameters, based on historical experience and current economic conditions.

The accuracy of the impairment allowances the Group makes depends on how well the Group can estimate future cash flows for individually assessed impairment allowances and the model assumptions and parameters used in determining collective impairment allowances. While this necessarily involves judgment, the Group believes that the impairment allowances on loans and advances to customers are reasonable and supportable and that its provisioning policies are in compliance with the Banking Ordinance and the applicable guidelines of the Monetary Authority.

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

As at 31 December 2016, the provision for impairment allowance was HK\$1,326.5 million which had decreased by HK\$58.4 million as compared with the provision as at 31 December 2015. As at 31 December 2015, the provision for impairment allowance was HK\$1,384.9 million which had decreased by HK\$585.2 million as compared with the provision of HK\$1,970.1 million as at 31 December 2014. The Issuer believes its provisions for impaired loans are appropriate and more adequate in the current uncertain economic environment.

For the year ended 31 December 2016, HK\$45.3 million of impaired loans had been recovered, which represents an increase of HK\$25.1 million as compared against the impaired loans recovered for the year 31 December 2015. For the year ended 31 December 2015, HK\$20.2 million of impaired loans had been recovered, which represents an increase of HK\$14.1 million as compared against the impaired loans recovered of HK\$6.2 million for the year ended 31 December 2014.

Top Ten Impaired Loans

As at 31 December 2016, the Group's ten largest impaired loans accounted for approximately 0.24 per cent. of its total advances and approximately 66.06 per cent. of its gross impaired loan portfolio. The majority of the borrowers of such ten largest impaired loans were engaged in wholesale and retail trade and property investment and accounted for approximately 79.73 per cent. of the aggregate exposure relating to such ten largest impaired loans as at 31 December 2016. As at 31 December 2016, the Group's exposure under its ten largest impaired loans ranged from HK\$18 million to HK\$179 million per impaired loan, and amounted to approximately HK\$441 million in the aggregate. As at 31 December 2015, the Group's exposure under its ten largest impaired loans ranged from HK\$18 million to HK\$59 million per impaired loan, and amounted to approximately HK\$339 million in the aggregate. As at 31 December 2014, the Group's exposure under its ten largest impaired loans ranged from HK\$23 million to HK\$300 million per impaired loan, and amounted to approximately HK\$800 million in the aggregate.

Impaired Loans That Have Been Restructured

The Group's classified advances/impaired loans are restructured on a case-by-case basis, subject to the approval of the appropriate lending parties for both the restructured limits and recovery measures. The Group believes that it maintains a prudent reclassification policy. Before approving a restructure of the classified advances/ impaired loans, the Group would analyse different factors including the reasons of default, the repayment ability and intention of the relevant borrower after the proposed restructuring and guarantees provided by the relevant borrower. The Group is also bound by certain restrictions in accordance with its credit management policy when restructuring its classified advances/impaired loans. For example, the Group adopts a stringent approach in providing additional credits to customers with existing restructured loans and imposes a maximum period of five years for the restructuring period.

As at 31 December 2014, 2015 and 2016, the Group's impaired loans including those that have been restructured through the rescheduling of principal repayments and deferral or waiver of interest were as follows:

	As at 31 December		
	2014	2015	2016
	(in HK\$ thousands, except percentages)		
Gross classified or impaired advances to customers	<u>1,254,636</u>	<u>684,698</u>	<u>740,215</u>
Gross classified or impaired advances to customers as a percentage of gross advances to customers	<u>0.84%</u>	<u>0.44%</u>	<u>0.39%</u>
Individually assessed impairment allowances made in respect of such advances	<u>731,598</u>	<u>433,567</u>	<u>474,147</u>

Held-to-maturity Debt Securities

The Group's held-to-maturity debt securities included listed and unlisted debt securities. As at 31 December 2014, 2015 and 2016, the book value of these securities were HK\$2,618.4 million, HK\$2,466.5 million and HK\$2,063.9 million, respectively. These debt securities included both Hong Kong dollar and U.S. dollar denominated bonds and notes.

The table below sets forth a summary of the carrying values of the Group's held-to-maturity debt securities, categorised by the types of issuers as at the dates indicated:

Type of issuers	As at 31 December		
	2014	2015	2016
	(in HK\$ thousands)	(in HK\$ thousands)	(in HK\$ thousands)
Sovereigns	1,778,199	1,690,727	1,375,850
Public sector entities	130,399	111,195	109,953
Banks and other financial institutions	596,741	567,071	480,461
Corporate entities	<u>113,051</u>	<u>97,537</u>	<u>97,678</u>
	<u>2,618,390</u>	<u>2,466,530</u>	<u>2,063,942</u>

INTERNAL AUDIT

The Issuer's internal auditors are responsible for auditing the Group's operations, including NCB (China). Through regular audits of all of the departments, subsidiaries and branches of the Issuer, the internal auditors review and evaluate the adequacy and effectiveness of internal controls, safeguards the Group's assets, reviews operations in terms of efficiency and effectiveness, secures the accuracy and reliability of information and reviews compliance with established policies, procedures and relevant statutory requirements. The results of an internal audit are reported to the Audit Committee, and any internal audit recommendations are closely followed up after the issuance of the internal audit report.

COMPLIANCE

Legal and compliance risks are managed by the Operational Risk, Legal and Compliance Division. All legal matters are handled by the Operational Risk, Legal and Compliance Division. It is responsible for reviewing new products and business proposals, conducts periodic review of the Group's activities and advises senior management of the Group in accordance with applicable laws, rules and regulations. As part of the Group's corporate governance framework, the policy for the management of legal and compliance risk is approved by the Risk Management Committee as delegated by the Board. In addition, the Group's internal controls are also reviewed by its internal auditors. Regular training sessions are conducted and notices are issued to update the Group's staff members on any significant regulatory changes relevant to the operations of the Group.

BOARD OF DIRECTORS AND SENIOR MANAGEMENT

BOARD OF DIRECTORS

The Issuer is managed by its Board of Directors, which is responsible for setting objectives and formulating long term strategies as well as managing the Issuer's overall business. The Board of Directors comprises nine Directors with a variety of different experience and professionalism. Among them, four are Executive Directors, two are Non-executive Directors and three are Independent Non-executive Directors. Directors are appointed at any time either at a general meeting of shareholders or by the Board of Directors.

As at 31 March 2017, the Board of Directors of the Issuer comprised the following individuals:

Name	Age	Title
Mr. CHEN Xiaozhou (陳孝周)	54	Chairman and Managing Director
Mr. FANG Hongguang (方紅光)	60	Vice Chairman and Chief Executive
Mr. WU Songyun (吳松雲)	52	Non-executive Director
Mr. LIANG Qiang (梁強)	45	Non-executive Director
Mr. WANG Tong Sai (王滸世)	67	Executive Director
Mr. CHAN Sai Ming (陳細明)	56	Executive Director
Mr. LAU Hon Chuen (劉漢銓)	69	Independent Non-executive Director
Mr. LAN Hong Tsung David (藍鴻震)	76	Independent Non-executive Director
Mr. CHANG Hsin Kang (張信剛)	76	Independent Non-executive Director

Mr. CHEN Xiaozhou (陳孝周). Mr. Chen is an Executive Director and the Chairman of the Board of the Issuer. He concurrently acts as the Managing Director of the Issuer and is mainly responsible for decision making and ordinary management of the business planning, development and operation of the Issuer. He is also the Chairman of each of the Executive Committee as well as Strategy and Development Committee of the Issuer and is an Executive Director and the President of China Cinda, a Director of Cinda Financial and the Chairman of NCB (China). He had successively acted as Director of Projects Financing Division of International Business Department, Director of Correspondent Banking Division of International Business Department and Deputy General Manager of Business Department of Head Office from October 1994 to April 1999. Mr. Chen joined China Cinda in 1999 and had been the Director of Investment Banking Department. He successively acted as an Assistant to the President and a Vice President from September 2000 to December 2008, Member of the Party Committee of China Cinda from December 2008 to June 2013, Deputy Secretary of the Party Committee of China Cinda since June 2013, Chairman of the Board of Directors of China Cinda (HK) Holdings Company Limited from April 2011 to January 2015. Mr. Chen worked as the Chairman and Non-executive Director of Silver Grant International Industries Limited from September 2006 to January 2017 and acted as the Chairman and an Executive Director of China International Holdings Limited from December 2008 to January 2015. Mr. Chen graduated from Hangzhou University in 1983 with a bachelor's degree in economics, the Finance Research Institute of People's Bank of China in 1988 with a master's degree in economics and the University of New South Wales in Australia in 2002 with a master's degree in business. He is qualified as a senior economist.

Mr. FANG Hongguang (方紅光). Mr. Fang is the Vice Chairman and Chief Executive of the Issuer and is responsible for the business and operations of the Issuer. He is also a member of the Executive Committee, the Strategy and Development Committee and the Risk Management Committee of the Issuer. Mr. Fang is also a Director of Cinda Financial, NCB (China) and BOCHK Charitable Foundation, a Committee Member of The Hong Kong Chinese Enterprise Association and The China General Chamber of Commerce, the designated representative of the Issuer to the Hong Kong Association of Banks, a Vice President of The Hong Kong Institute of Bankers Council, a Director of The Chinese Banks' Association Limited, an Honorary President of Chinese Bankers Club, Hong Kong. Mr. Fang is well versed in the overall operations of commercial banking. He has extensive experience in financial business and has held a number of senior management positions. Graduated from the Nanjing University of Aeronautics and Astronautics, Mr. Fang joined Bank of China (“BOC”) in 1981 and served as Deputy Division Chief, Division Chief, Deputy Head and Head of Jiang Xi Branch of BOC. From 1989 to 1995, he was Assistant General Manager and Deputy General Manager of Yien Yieh Commercial Bank Hong Kong Branch. From 2008 to 2011, he was the Head of Guangdong Branch of BOC.

Mr. WU Songyun (吳松雲). Mr. Wu is a Non-executive Director, the Chairman of Risk Management Committee as well as a member of Nomination and Remuneration Committee of the Issuer. He is also the chairman of the board of Silver Grant International Industries Limited and a director of Cinda Financial. Mr. Wu was accredited as a senior economist by China Construction Bank in December 1997 and had held various positions successively in China Construction Bank, including Officer of the Construction and Economic Department from July 1986 to August 1994, Officer of the Second Credit Department from August 1994 to April 1996, and Deputy Director of the Credit Management Department and Deputy Director of Credit Risk Management Department from April 1996 to April 1999. Mr. Wu joined China Cinda in April 1999 and had served successively as Senior Manager and Deputy Director of the Creditors' Rights Management Department until February 2005, General Manager of the Asset Management Department from February 2005 to April 2009, General Manager of the Assets Operation Department from April 2009 to September 2011, Assistant to the President from February 2011 to June 2013 and Vice President from July 2013 to February 2017. Mr. Wu graduated from Tianjin University in July 1986 with a bachelor's degree in engineering and graduated from Tsinghua University in January 2012 with an executive master's degree of business administration. Mr. Wu has abundant experience in risk management and debt and assets management.

Mr. LIANG Qiang (梁強). Mr. Liang is a Non-executive Director, a member of each of the Audit Committee, the Risk Management Committee as well as the Nomination and Remuneration Committee of the Issuer. He is also an Assistant to the President of China Cinda and a Director of Cinda Financial. He served as an Officer, Director of the General Affairs Division, Assistant to the Director of the General Office and Deputy General Manager of the Retail Operation Department of the Shanxi Branch of China Construction Bank from July 1993 to September 1999. Mr. Liang joined China Cinda in September 1999 and successively served various positions as Assistant to General Manager and a Deputy General Manager of the Capital And Finance Department, Deputy General Manager, Deputy General Manager (general manager grade) of the Planning Finance Department as well as General Manager of the Integrated Planning Department and the Shanghai Branch. He has successively served as Deputy Head of the Reorganisation Leading Panel Office, the Strategic Investors Introduction Office and Listing Leading Panel Office of China Cinda and has been serving as the Head of Listing Leading Panel Office since February 2016. Mr. Liang has also been a standing member of All-China Financial Youth Federation since January 2014. He graduated from Shanxi Finance & Taxation College in 1993 majoring in investment and economic management and graduated from Shanghai University of Finance and Economics majoring in accountancy where he obtained a bachelor's degree in economics in 1999 and obtained an master's of business administration degree from Tsinghua University in 2005. Mr. Liang is qualified as a senior economist.

Mr. WANG Tong Sai (王滂世). Mr. Wang is an Executive Director, a member of the Executive Committee and the Strategy and Development Committee of the Issuer. He is also the Chief Strategy Officer of the Issuer and is responsible for the strategies deployment of the Issuer. Mr. Wang is currently also a Director of Cinda Financial, Asia Pacific Senior Advisor of McKinsey & Company and Honorary Advisor of Hong Kong Institute of Bankers. He has worked in the banking industry for more than 30 years. He joined The Hongkong and Shanghai Banking Corporation Limited (“HSBC”) in 1973, promoted to President of Asia Business in 1994 and acted as President of Asia Business of HSBC in West America. In 2006, Mr. Wang acted as an Executive Director and the President of China Minsheng Bank while he was the first Hongkonger as President of a commercial bank in the PRC. From 2010 to 2016, he was an Independent Non-executive Director of Royal Bank of Scotland (China) Limited and Habib Bank Zurich (Hong Kong) Limited. Mr. Wang graduated from The Chinese University of Hong Kong in 1972 with a bachelor’s degree in business administration.

Mr. CHAN Sai Ming (陳細明). Mr. Chan is an Executive Director and Alternate Chief Executive of the Issuer. He is also a member of the Executive Committee and the Connected Transaction Committee of the Issuer. Mr. Chan joined the Issuer in 2012 and is currently Deputy Chief Executive of the Issuer and is responsible for financial management, risk management and business support. Mr. Chan is also the Chairman of Hong Kong Internet Registration Corporation Limited, a Director of each of Cinda Financial, Hong Kong Interbank Clearing Limited and HKICL Services Limited. Before joining the Issuer, he was Deputy General Manager of Group Audit of Bank of China (Hong Kong) Limited. Mr. Chan is also President of ISACA China Hong Kong Chapter and Member of the Banking Industry Training Advisory Committee of the Education Bureau. He graduated from The Chinese University of Hong Kong with a bachelor’s degree in social science. He also obtained a master’s degree in Science and a master’s degree in commerce in accounting from the University of Ulster and The University of New South Wales respectively. He is a Certified Information Systems Auditor and Certified Internal Auditor.

Mr. LAU Hon Chuen (劉漢銓). Mr. Lau is an Independent Non-executive Director of the Issuer, the Chairman of the Audit Committee, a member of the Risk Management Committee, the Nomination & Remuneration Committee and the Connected Transaction Committee of the Issuer. He is the senior partner of Messrs. Chu & Lau, Solicitors & Notaries. He obtained bachelor’s degree in law from the University of London and is a solicitor of the High Court of the Hong Kong Special Administrative Region, a China-appointed attesting officer and a notary public. In 2001, Mr. Lau was awarded “Gold Bauhinia Star” by the Hong Kong government. He is also a standing committee member of the National Committee of the Chinese People’s Political Consultative Conference, a Non-executive Director of several listed companies and a Director of Cinda Financial.

Mr. LAN Hong Tsung David (藍鴻震). Mr. Lan is an Independent Non-executive Director, the Chairman of the Nomination and Remuneration Committee as well as the Connected Transaction Committee, a member of the Audit Committee and the Risk Management Committee of the Issuer. He is the Senior Advisor of Mitsui & Co (HK) Ltd and the Chairman of David H T Lan Consultants Limited. He is also the Supervisor of NCB (China), a Director of Cinda Financial as well as an Independent Non-executive Director of Cheung Kong Infrastructure Holdings Limited, Hutchison Telecommunications Hong Kong Holdings Limited, ARA Asset Management (Prosperity) Limited and SJM Holdings Limited. On 1 July 2000, Mr. Lan was awarded “Gold Bauhinia Star” by the Hong Kong government for his 39 year-long civil service when he retired as the Secretary for Home Affairs. He was appointed to the 10th and 11th sessions of the national committee member of the Chinese People’s Political Consultative Conference. He received his bachelor of arts degree from the University of London and completed the Advanced Management Program of the Harvard Business School, Boston. He was also a fellow at Queen Elizabeth House, University of Oxford. Mr. Lan was conferred with Doctor of Humanities, honoris causa by Don Honorio Ventura Technological State University, and holder of Visiting Professorship Awards of Bulacan State University and Tarlac State University. Mr. Lan is also the president of The International Institute of Management and a fellow member of the Institute of Chartered Secretaries & Administrators.

Mr. CHANG Hsin Kang (張信剛), Mr. Chang is an Independent Non-executive Director of the Issuer. He is also an independent non-executive director of HKT Limited, Brightoil Petroleum (Holdings) Limited and Hang Lung Properties Limited. In 2002, Mr. Chang was awarded “Gold Bauhinia Star” by the Hong Kong government in recognition of his contributions to education, culture, science and technology. Mr. Chang received his bachelor’s degree in civil engineering from National Taiwan University in 1962, his master’s degree in structural engineering from Stanford University in 1964, and his PhD in biomedical engineering from Northwestern University in 1969. As a world renowned biomedical engineering expert, Mr. Chang served in 1988-89 as president of the Biomedical Engineering Society (US) and is a founding fellow of the American Institute of Medical and Biological Engineering. He has also served as founding dean of School of Engineering at Hong Kong University of Science and Technology and dean of the School of Engineering at the University of Pittsburgh. He has published more than 100 scientific articles, is the editor of two research monographs and holds a Canadian patent. He is a foreign member of the Royal Academy of Engineering (UK) and International Eurasian Academy of Sciences, and is *Chévalier dans l’Ordre National de la Légion d’Honneur* and *Commandeur dans l’Ordre des Palmes académiques* of France. Mr. Chang had been the president of City University of Hong Kong for more than ten years and thus has rich experience in strategy formulation and management.

In order to focus its attention on strategic and material issues that have significant impact on the Group’s finances and long-term development, the Board of Directors currently has set up the following six committees to oversee the major areas of the Group. Details of the committees are given below:

Executive Committee

Under the authority given by the Board, the Executive Committee is responsible for the overall management of the Group, including overall operation and essential executive management, in order to facilitate the flow and effectiveness of the overall collaboration, businesses and management of the Group. Its main duties include:

- management of the overall operation and business of the Group;
- coordination and determination of all kinds of matters in the collaboration between the Issuer and its subsidiaries and between the Group and its holding company;
- formulation of the Group’s development strategies for the discussion and approval by the Strategy and Development Committee, and monitoring the execution and implementation of the Group’s development strategy after the approval by the Board;
- proposal of the Group’s annual business and capital plans, budgets and other strategic measures for the Board’s approval and monitor the execution and implementation of the aforesaid plans, budgets and strategies thereafter;
- establishment and maintenance of effective financial, operational and management control systems for the Group’s business operation and development with full compliance with relevant legal and regulatory requirements; and discussion and approval of the Group’s systems and rules of implementation in accordance with the policies of the regulatory authority and the holding company;
- discussion and review of other policies which may have material impact on the Group; and
- other than the duties as mentioned above, management, discussion, approval, suggestion and monitoring of other matters beyond the duties and authorities of other committees under the Board, including information technology management, human resource strategies, building up corporate culture, etc.

As at 31 March 2017, members of the Executive Committee included Mr. Chen Xiaozhou (Chairman), Mr. Fang Hongguang, Mr. Wang Tong Sai, Mr. Chan Sai Ming, Mr. Sun Jiandong, Mr. Qu Helei, Mr. Xiao Wogen, Mr. Luo Hanglu and Mr. Cheng Zeyu, of which Mr. Chen Xiaozhou, Mr. Fang Hongguang, Mr. Wang Tong Sai and Mr. Chan Sai Ming were the executive directors of the Issuer.

Strategy and Development Committee

The Strategy and Development Committee is responsible for the consideration and suggestion of the medium and long term development strategies of the Group. Its main duties include:

- preparation of the Group's medium and long term strategies for the Board's approval;
- examination, proposing, monitoring, review and update of the Group's medium and long strategies and recommend the Board on necessary adjustments of the strategies;
- examination of the formulation of the Group's medium and long term strategies and ensure all the potential plans in a certain selective scope have been adequately considered;
- monitoring the implementation of medium and long term strategies in accordance with established standards and provide directive guidance to the management on the implementation;
- examination of material merge and acquisition plans proposed by the management and advise the management on the plans; and
- advice to the Board on the Group's major investment, capital expenditure and strategic commitment and monitoring the implementation of the aforesaid.

As at 31 March 2017, members of the Strategy and Development Committee included Mr. Chen Xiaozhou (Chairman), Mr. Fang Hongguang and Mr. Wang Tong Sai. All of them were the executive directors of the Issuer.

Audit Committee

The Audit Committee assists the Board in fulfilling its oversight role over the Group in the following areas:

- integrity of financial statements and the financial reporting process;
- internal control system;
- performance of internal audit functions and internal auditors;
- appointment of external auditor and evaluation of external auditor's qualifications, independence and performance;
- periodic review and annual audit of the Group's financial statements;
- compliance with applicable accounting standards and legal and regulatory requirements on financial disclosures; and
- enhancement of the corporate governance framework.

As at 31 March 2017, members of the Audit Committee were Mr. Lau Hon Chuen (Chairman), Mr. Lan Hong Tsung David and Mr. Liang Qiang. All were Non-executive Directors of the Issuer. Among them, Mr. Lau Hon Chuen and Mr. Lan Hong Tsung David were Independent Non-executive Directors.

Risk Management Committee

The Risk Management Committee assists the Board in performing the duties in respect of the risk management of the Group in 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 the Group;
- the review and assessment of the adequacy of the Group's risk management policies, system and internal control, 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; and
- review and approval of significant or high risk exposures or transactions.

As at 31 March 2017, members of the Risk Management Committee were Mr. Wu Songyun (Chairman), Mr. Liang Qiang, Mr. Fang Hongguang, Mr. Lau Hon Chuen and Mr. Lan Hong Tsung David. All were Directors of the Issuer. Among them, Mr. Lau Hon Chuen and Mr. Lan Hong Tsung David were Independent Non-executive Directors.

Connected Transactions Committee

The Connected Transaction Committee assists the Board in performing the duties in respect of connected transaction of the Group in the following areas:

- review and approve the Group's connected transaction policy;
- regularly receives connected transactions information and fully understands the management of connected transactions of the Group and gives guidance; and
- in accordance with the provisions of laws and administrative regulations and fair and equitable business principles, timely approve the Group's major connected transactions.

As at 31 March 2017, members of the Connected Transaction Committee were Mr. Lan Hong Tsung David (Chairman), Mr. Lau Hon Chuen and Mr. Chan Sai Ming. All were Directors of the Issuer. Among them, Mr. Lan Hong Tsung David and Mr. Lau Hon Chuen were Independent Non-executive Directors.

Nomination and Remuneration Committee

The Nomination and Remuneration Committee assists the Board in performing the duties in respect of the Group in, among others, the following areas:

- human resources, remuneration strategy and incentive framework of the Group;
- selection and nomination of Directors, Board Committee members and certain senior executives as designated by the Board from time to time (defined as "**Senior Management**");
- structure, size and composition (including but not limited to gender, age, cultural and educational background, ethnicity, geographical location, professional experience, skills and knowledge etc.) of the Board and Board Committees;
- remuneration of Directors, Board Committee members, Senior Management and Key Personnel;

- effectiveness of the Board and Board Committees; and
- training and continuous professional development of Directors and Senior Management.

As at 31 March 2017, members of the Nomination and Remuneration Committee were Mr. Lan Hong Tsung David (Chairman), Mr. Wu Songyun, Mr. Liang Qiang, Mr. Chang Hsin Kang, and Mr. Lau Hon Chuen. All were Directors of the Issuer. Among them, Mr. Lan Hong Tsung David, Mr. Chang Hsin Kang and Mr. Lau Hon Chuen were Independent Non-executive Directors.

SENIOR MANAGEMENT

Name	Age	Title
Mr. CHEN Xiaozhou (陳孝周)	54	Managing Director
Mr. FANG Hongguang (方紅光)	60	Chief Executive
Mr. CHAN Sai Ming (陳細明)	56	Deputy Chief Executive
Mdm. MUI Yuet Sheung (梅月嫦)	56	Deputy Chief Executive
Mr. CHENG Kin Kong (鄭建崗)	54	Deputy Chief Executive
Mr. WANG Tong Sai (王滌世)	67	Chief Strategy Officer

Mr. CHEN Xiaozhou (陳孝周). — see “*Board of Directors and Senior Management — Board of Directors — Mr. CHEN Xiaozhou*”

Mr. FANG Hongguang (方紅光). — see “*Board of Directors and Senior Management — Board of Directors — Mr. FANG Hongguang*”

Mr. CHAN Sai Ming (陳細明). — see “*Board of Directors and Senior Management — Board of Directors — Mr. CHAN Sai Ming*”

Mdm. MUI Yuet Sheung (梅月嫦). Ms. Mui is a Deputy Chief Executive and an Alternate Chief Executive of the Issuer. She joined the Issuer in 2010 and is responsible for overseeing Personal Relationship Management, Channel Management and Product Management. Before joining the Issuer, she was the deputy general manager of personal banking & product management of BOCHK from 2009 to 2010 and the deputy general manager of general management office in charge of business planning & marketing department, merchant business development department, ATM services department and Macau office of BOC Credit Card (International) Co. Ltd. from 1995 to 2009. She graduated from the Chinese University of Hong Kong with an master’s degree in business administration and a bachelor’s degree in business administration.

Mr. CHENG Kin Kong (鄭建崗). Mr. Cheng is a Deputy Chief Executive of the Issuer. He joined the Issuer in 1989 and is responsible for overseeing for the Corporate Management Centre, Commercial and Trade Finance Management, Corporate Business Team and Institutional Business Team. He served different positions at the Issuer from 2004 to 2009 such as the Branch Head of Guangzhou Branch and Shenzhen Branch and the Assistant General Manager of the Corporate Relationship Management from 2010 to 2011. He graduated from the Jinan University with a bachelor’s degree in computer science.

Mr. WANG Tong Sai (王滌世). — see “*Board of Directors and Senior Management — Board of Directors — Mr. WANG Tong Sai*”

PRINCIPAL SHAREHOLDERS

CHINA CINDA ASSET MANAGEMENT CO., LTD.

China Cinda is the ultimate controlling shareholder of the Issuer. As at the date of this Offering Circular, Cinda Financial, the immediate holding company of the Issuer, was 100 per cent. owned by China Cinda.

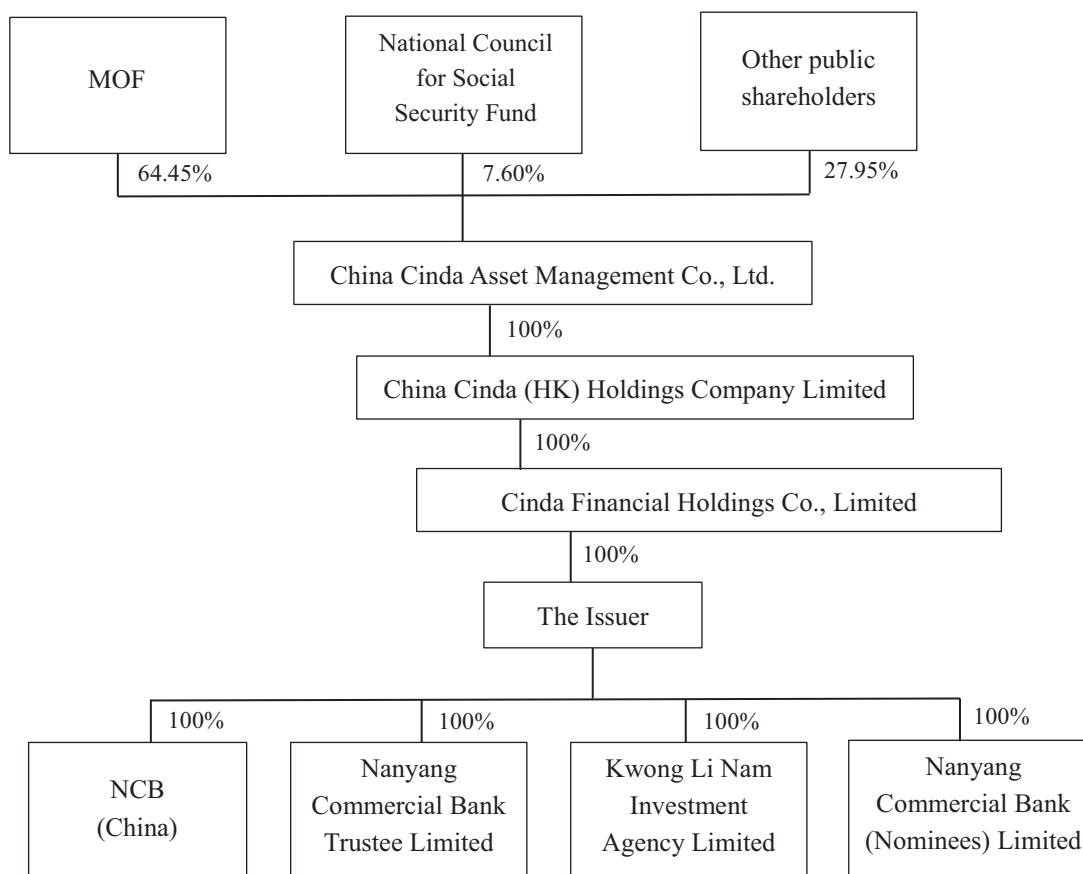
With the approval of the PRC's State Council, China Cinda Asset Management Corporation, the predecessor of China Cinda, was established in Beijing on 19 April 1999 with a registered capital of RMB10.0 billion contributed solely by the MOF. Cinda Corporation was established as a wholly state-owned non-bank financial institution with the aim of effectively mitigating financial risk, maintaining stability of the financial system and accelerating the reform and development of state-owned banks and enterprises. It was the first asset management company to acquire, manage and dispose non-performing loans of state-owned banks. With the approval of the PRC's State Council, Cinda Corporation was renamed "China Cinda Asset Management Co., Ltd." on 29 June 2010. China Cinda was established as a joint stock company with the MOF as its sole promoter, and assumed all of the assets, subsidiaries, branches, businesses, personnel and relevant policies of Cinda Corporation. As at 31 December 2016, 64.45 per cent. of China Cinda's issued share capital was held by the MOF, 7.60 per cent. was held National Counsel for Social Security Fund and 27.95 per cent. was held by other H share public shareholders.

Since its founding, China Cinda has received the support of the PRC government. Since then, China Cinda has grown into a leading asset management company that focuses on distressed asset management, financial investment and asset management and other financial services. China Cinda covers a wide range of financial services and owns full financial licences through itself and its subsidiaries in business segments of impaired asset management, property and casualty insurance, life insurance, financial leasing, trust, securities, futures, funds, investment and asset management. China Cinda currently has interests in the Issuer, its only commercial bank subsidiary, as an indirect sole shareholder. As at 31 December 2016, China Cinda's total assets stood at RMB1,174,480.9 million with a net profit of RMB15,982.0 million. The Chairman of China Cinda is Mr. Hou Jianhang.

China Cinda as the ultimate controlling shareholder of the Issuer and ultimately determines the strategy, management and operations of the Issuer. Subject to compliance with the regulations of the Monetary Authority, China Cinda, through Cinda Financial, is able to appoint the Issuer's Directors and vote to pursue corporate actions requiring shareholders' approval. The Chairman of the Issuer is currently an Executive Director and the President of China Cinda.

China Cinda owns or controls a number of companies which may compete directly or indirectly with the businesses of the Issuer, and have more experience, superior resources and a larger scale of operations in the PRC.

The following chart sets out the shareholding chain of China Cinda in the Issuer as at 31 December 2016:



CHINA CINDA (HK) HOLDINGS COMPANY LIMITED

The Issuer is a directly wholly-owned subsidiary of Cinda Financial, which is wholly-owned by China Cinda (HK) Holdings Company Limited (“**Cinda HK**”), a directly wholly-owned subsidiary of China Cinda outside the PRC. Cinda HK conducts distressed asset management, equity and fixed income investment, asset management and real estate finance. Cinda HK conducts investment banking and asset management businesses through (i) three Hong Kong-listed companies, namely its subsidiary Cinda International Holdings Ltd. (stock code: 00111), its associate company Silver Grant International Industries Ltd. (stock code: 00171) and China Fortune Financial Group Ltd. (stock code: 00290) in which it holds minority equity interests, and (ii) China Cinda’s associated company Sino Rock Investment Management Company Limited. Cinda HK serves as a bridge between China Cinda’s domestic and overseas businesses and functions as a primary platform for overseas investment and financing and asset management for the China Cinda group. The key businesses of Cinda HK are investment management business, investment banking business and asset management business. In addition, Cinda HK generates synergies within the China Cinda group by collaborating with China Cinda and other subsidiaries in cross-border investment, financing and merger and acquisition activities.

Principal Activities of the China Cinda group

China Cinda currently engages in a wide range of banking and non-bank financial businesses through the following entities:

The Group

retail banking (including home mortgage loans, consumer finance, credit cards, deposits, personal wealth management, distribution of insurance and investment products, hire purchase and leasing and small business loans), wholesale banking (including commercial mortgages, trade finance, corporate loans, syndicated loans, term loans and overdrafts, and structured finance) and treasury activities

China Cinda and its subsidiaries (excluding the Group)

distressed asset management, financial investment and asset management and other financial services including banking, securities, futures and fund management, insurance, financial leasing and trust

REGULATION AND SUPERVISION

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

Supervision of Authorised Institutions in Hong Kong

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

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

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

Exercise of Powers over Authorised Institution

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

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

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

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

Revocation and Suspension of Banking Licence

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

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

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

Principal Obligations of Authorised Institutions

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

Capital Adequacy

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

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

The risk-weighted exposure is determined by:

- (1) multiplying risk-weight factors to the book value of various categories of assets (including but not limited to notes and coins, Hong Kong government certificates of indebtedness and cash items in the course of collection);
- (2) multiplying the credit conversion factors to various off-balance sheet items (including but not limited to direct credit substitutes, transaction-related contingencies, repurchase contracts, note issuance facilities and exchange rate contracts) to determine their credit equivalent amount;
- (3) aggregating the amounts determined pursuant to (1) and (2); and
- (4) subtracting from the amount determined pursuant to (3) the value of general provisions not included in the capital base of the authorised institution.

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

In December 2010 and January 2011, the Basel Committee issued further capital requirements designed to raise the quality, consistency and transparency of banks' capital base and new global liquidity standards. These requirements are collectively known as Basel III. Among other things, Basel III will increase the minimum capital adequacy ratio requirements in relation to risk-weighted amounts, with the common equity requirement rising from 2 per cent. to 4.5 per cent. and the Tier 1 capital requirements rising from 4 per cent. to 6 per cent. The total minimum capital requirement remains unchanged at 8 per cent. (excluding buffers). The Basel Committee expects its member jurisdictions to begin the implementation of Basel III from 1 January 2013, with full implementation by 1 January 2019. The Monetary Authority has taken steps to implement Basel III in Hong Kong in accordance with the timetable of the Basel Committee and to effect the first phase of Basel III implementation starting January 2013.

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

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

The Banking (Capital) (Amendment) Rules 2012 came into effect on 1 January 2013, with the requirements being phased in over six years to achieve full implementation by 1 January 2019. These include:

- the imposition of three minimum risk-weighted capital ratios, namely CET1 capital ratio, Tier 1 capital ratio and total capital adequacy ratio, with gradual phasing in of the minimum capital requirements over three years commencing 1 January 2013;
- the introduction of two capital buffers, namely the capital conservation buffers and countercyclical capital buffer, to be phased in sequentially from 1 January 2016 to 1 January 2019;

- the introduction of capital requirement for counterparty risk effect from 1 January 2013; and
- capital instruments issued on or after 1 January 2013 must meet all of the Basel III criteria to qualify as regulatory capital. Capital instruments prior to this date that no longer qualify for inclusion in capital base will be phased out during the 10-year period commencing 1 January 2013.

With effect from 30 June 2013, the Banking (Disclosure) Rules have been amended to implement Basel III capital and disclosure standards. The Monetary Authority is currently conducting further consultation on implementing the Basel III liquidity standards.

The Hong Kong “Resolution Regime”

In early 2014, the Hong Kong government launched the initial stage of a public consultation on establishing a “resolution regime” for authorised institutions and other financial institutions in Hong Kong. A second consultation was launched in early 2015. The Response Paper published concluded the two consultations and summarised the key comments received and the authorities’ responses and proposals in relation to those comments. The Response Paper also discusses certain further issues which remain under development internationally. On 22 June 2016, the Financial Institutions (Resolution) Bill was passed by the Legislative Council of Hong Kong and enacted as the Financial Institutions (Resolution) Ordinance (No. 23 of 2016) on 30 June 2016 and will come into effect on 7 July 2017.

The resolution regime seeks to provide the relevant resolution authorities with administrative powers to bring about timely and orderly resolution in order to stabilise and secure continuity for a failing financial institution in Hong Kong. In particular, it has been envisaged that subject to certain safeguards, the relevant resolution authority would be provided with powers to affect contractual and property rights as well as payments (including in respect of any priority of payment) that creditors would receive in resolution. These may include but are not limited to, powers to write off or convert all or a part of the principal amount of, or interest on, the Capital Securities, which may inter alia be in addition to any write off pursuant to the contractual provisions relating to loss absorption of the Capital Securities, and powers to amend or alter the contractual provisions of the Capital Securities. Although the Financial Institutions (Resolution) Ordinance has not commenced operation as at the date of this Offering Circular, Holders will be subject to and bound by the Financial Institutions (Resolution) Ordinance once it comes into operation.

Liquidity

Authorised institutions must maintain at all times a liquidity ratio of not less than 25 per cent. in each calendar month, calculated as the ratio (expressed as a percentage) of the sum of the net weighted amount of its liquefiable assets to the sum of its qualifying liabilities for each working day of the calendar month concerned as calculated in accordance with the Fourth Schedule to the Banking Ordinance. In relation to an authorised institution with subsidiaries, the Monetary Authority may require that ratio to be calculated on a consolidated basis, or both on a consolidated basis and an unconsolidated basis, or on a consolidated basis only in respect of such subsidiaries of the authorised institution as may be specified by the Monetary Authority. An authorised institution has a duty to inform the Monetary Authority if the ratio requirement is not fulfilled and provide it with such particulars of that contravention as it may require, and it is an indictable offence not to do so; the Monetary Authority is entitled to prescribe remedial action. For the purpose of the liquidity ratio, in the case of an authorised institution which has places of business in Hong Kong and elsewhere, its places of business in Hong Kong are collectively treated as a separate authorised institution to which the liquidity ratio provisions would apply.

Liquefiable assets are, broadly speaking, assets held in the form of currency notes and coins, gold, loans due within one month from other banks (after deducting amounts payable to other banks within one month), certain export bills payable within one month, certain kinds of marketable debt securities or prescribed instruments (in some cases subject to a discount) and certain types of loan repayments due on fixed dates within one month on performing loans (subject to a discount).

Qualifying liabilities are, broadly speaking, liabilities which will or could or, in the case of contingent liabilities, in the opinion of the Monetary Authority, may, fall due within one month, except that liabilities to other banks are treated on a net basis.

Financial Exposure to Any One Customer

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

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

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

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

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

Other Restrictions on Lending

The Banking Ordinance also provides that:

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

Restrictions on Investments in Land

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

Shareholding in Other Companies

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

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

Other Restrictions on Investment

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

Charges

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

Restrictions on Overseas Activities

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

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

Shareholders, Chief Executives and Directors

Limitations on Shareholders

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

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

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

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

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

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

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

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

Limitations on Persons Becoming Chief Executives or Directors

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

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

Supervision of Securities Business

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

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

TERMS AND CONDITIONS OF THE CAPITAL SECURITIES

The following is the text of the Terms and Conditions of the Capital Securities which (subject to modification and excluding paragraphs in italics) will be endorsed on each definitive certificate evidencing the Capital Securities (if issued).

The U.S.\$1,200,000,000 5.00 per cent. non-cumulative subordinated additional Tier 1 capital securities (each, a “**Capital Security**” and, together, the “**Capital Securities**”) of Nanyang Commercial Bank, Limited (the “**Issuer**”) are constituted by, and have the benefit of, a trust deed (the “**Trust Deed**”) dated 2 June 2017 between the Issuer and The Bank of New York Mellon, London Branch (the “**Trustee**”, which expression shall include all persons for the time being the trustee or trustees under the Trust Deed) as trustee for the Holders (as defined below). The issue of the Capital Securities was authorised pursuant to resolutions of the Directors of the Issuer passed on 28 March 2017. The statements in these terms and conditions (the “**Conditions**”) include summaries of, and are subject to, the detailed provisions of the Trust Deed. Copies of (i) the Trust Deed and (ii) the agency agreement (the “**Agency Agreement**”) dated 2 June 2017 made among the Issuer, The Bank of New York Mellon, London Branch as principal paying agent (the “**Principal Paying Agent**”, which expression shall include any successor thereto), The Bank of New York Mellon SA/NV, Luxembourg Branch as registrar (the “**Registrar**”, which expression shall include any successor thereto) and as transfer agent (the “**Transfer Agent**”, which expression shall include any successors thereto), the paying agents named therein (together with the Principal Paying Agent, the “**Paying Agents**”, which expression shall include any successor thereto) and the Trustee are available for inspection with prior written notification and proof of holding during normal business hours by the Holders at the registered office of the Trustee, being at the date hereof at One Canada Square, London E14 5AL, United Kingdom and at the specified office of each of the Paying Agents and Transfer Agent set out in the Agency Agreement. The Holders are entitled to the benefit of, and are bound by, all the provisions of the Trust Deed and are deemed to have notice of all the provisions of the Agency Agreement applicable to them.

All capitalised terms that are not defined in these Conditions will have the meanings given to them in the Trust Deed. In these Conditions, the “**Holder**” of a Capital Security means the person in whose name such Capital Security is for the time being registered in the Register (or, in the case of a joint holding, the first named thereof).

1. Form and Denomination

The Capital Securities are issued in registered form in the denomination of U.S.\$200,000 and integral multiples of U.S.\$1,000 in excess thereof (each, a “**principal amount**” of a Capital Security). The principal amount of a Capital Security is subject to adjustment following the occurrence of a Non-Viability Event (as defined in Condition 4.3 (*Distribution — Non-Viability Loss Absorption*)) and references in the Conditions to the principal amount of a Capital Security shall mean the principal amount of a Capital Security as so adjusted.

2. Status and Subordination of the Capital Securities

(a) *Status of the Capital Securities*

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

(b) Subordination

Subject to the insolvency laws of Hong Kong and other applicable laws, in the event of a Winding-Up (as defined below) of the Issuer, the rights of the Holders to payment of principal and Distributions on the Capital Securities and any other obligations in respect of the Capital Securities shall rank (x) subordinate and junior in right of payment to, and of all claims of (i) all unsubordinated creditors of the Issuer (including its depositors), (ii) creditors in respect of Tier 2 Capital Securities of the Issuer, and (iii) all other Subordinated Creditors of the Issuer whose claims are stated to rank senior to the Capital Securities or rank senior to the Capital Securities by operation of law or contract; (y) *pari passu* in right of payment to and of all claims of the holders of Parity Obligations; and (z) senior in right of payment to and of all claims of the holders of Junior Obligations in the manner provided in the Trust Deed.

In the event of a Winding-Up that requires the Holders or the Trustee to provide evidence of their claim to principal or Distribution under the Capital Securities, such claims of the Holders will only be satisfied after all senior ranking obligations of the Issuer have been satisfied in whole. No amount may be claimed in respect of any Distribution that has been cancelled pursuant to a Mandatory Distribution Cancellation Event or an Optional Distribution Cancellation Event.

For the purposes of these Conditions:

“**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 the Shares, and any other class of the Issuer’s share capital and any instrument or other obligation (including without limitation any preference share) issued or guaranteed by the Issuer that ranks or is expressed to rank junior to the Capital Securities by operation of law or contract;

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

“**Parity Obligation**” means any instrument or other obligation issued or entered into by the Issuer that constitutes or qualifies as Additional Tier 1 Capital (or its equivalent) under applicable Capital Regulations or any instrument or other obligation issued, entered into, or guaranteed by the Issuer that ranks or is expressed to rank *pari passu* with the Capital Securities by operation of law or contract which, for the avoidance of doubt, excludes any Junior Obligation of the Issuer;

“**Shares**” means the ordinary share capital of the Issuer;

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

“**Tier 2 Capital Securities**” means instruments categorised as Tier 2 capital pursuant to the Capital Regulations that rank or are expressed to rank senior to the Capital Securities by operation of law or contract; and

“**Winding-Up**” means a final and effective order or resolution for the liquidation, winding-up or similar proceedings in respect of the Issuer (save for any solvent reconstruction, amalgamation, reorganisation, merger or consolidation whereby all or substantially all the business, undertaking or assets of the Issuer are transferred to a successor entity which assumes all the obligations of the Issuer under the Capital Securities).

(c) Set-off

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

In the event that any Holder nevertheless receives (whether by set-off or otherwise) directly in a Winding-Up Proceeding (as defined in Condition 9.1 (*Events of Default and Winding-up Proceedings*)) in respect of the Issuer any payment by, or distribution of assets of, the Issuer of any kind or character, whether in cash, property or securities, in respect of any amount owing to it by the Issuer arising under or in connection with the Capital Securities, other than in accordance with this Condition 2, such Holder 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 Holder, by virtue of becoming a Holder of any Capital Security, shall be deemed to have so agreed and undertaken with and to the Issuer and all depositors and other unsubordinated creditors of the Issuer for good consideration.

3. Registration, Title and Transfer

3.1 Registration

The Registrar will maintain a register (the “**Register**”) in respect of the Capital Securities outside of the United Kingdom in accordance with the provisions of the Agency Agreement. A certificate (each, a “**Certificate**”) will be issued to each Holder in respect of its registered holding. Each Certificate will be numbered serially with an identifying number which will be recorded in the Register.

*Upon issue, the Capital Securities will be represented by a Global Certificate (the “**Global Certificate**”) deposited with a nominee of a common depositary for Euroclear Bank SA/NV (“**Euroclear**”) and Clearstream Banking S.A. (“**Clearstream, Luxembourg**”). The Conditions are modified by certain provisions contained in the Global Certificate.*

3.2 Title

Title to the Capital Securities passes only by registration in the Register. The Holder of each Capital Security shall (except as otherwise required by law) be treated as the absolute owner of such Capital Security for all purposes (whether or not it is overdue and regardless of any notice of ownership, trust or any other interest therein, any writing on the Certificate relating thereto (other than the endorsed form of transfer) or any notice of any previous loss or theft of such Certificate) and no person shall be liable for so treating such Holder. No person shall have any right to enforce any term or condition of the Capital Securities or the Trust Deed under the Contracts (Rights of Third Parties) Act 1999 but this shall not affect any right or remedy which exists or is available apart from such Act.

3.3 Transfers

Subject to Condition 3.6 (*Closed periods*) and Condition 3.7 (*Regulations concerning transfers and registration*) below, a Capital Security may be transferred in whole or in part upon surrender of the relevant Certificate, with the endorsed form of transfer duly completed, at the specified office of the Registrar or any Transfer Agent, together with such evidence as the Registrar or (as the case may be) such Transfer Agent may require to prove the title of the transferor and the authority of the individuals who have executed the form of transfer; *provided, however, that* a Capital Security may not be transferred unless the principal amount of Capital Securities transferred and (where not all of the Capital Securities held by a Holder are being transferred) the principal amount of the balance of Capital Securities not transferred are (subject in each case to adjustment following the occurrence of

a Non-Viability Event (as defined in Condition 4.3 (*Non-Viability Loss Absorption*)) a principal amount. Where not all the Capital Securities represented by the surrendered Certificate are the subject of the transfer, a new Certificate in respect of the balance of the Capital Securities will be issued to the transferor.

3.4 Registration and delivery of Certificates

Within seven business days of the surrender of a Certificate in accordance with Condition 3.3 (*Transfers*), the Registrar will register the transfer in question and deliver a new Certificate of a like principal amount to the Capital Securities transferred to each relevant Holder at its specified office or (as the case may be) the specified office of any Transfer Agent or (at the request and risk of any such relevant Holder) by uninsured first class mail (airmail if overseas) to the address specified for the purpose by such relevant Holder.

In this Condition 3 “**business day**” means a day, excluding a Saturday and a Sunday, on which commercial banks are open for general business (including dealings in foreign currencies) in the city where the Registrar or (as the case may be) the relevant Transfer Agent has its specified office.

3.5 Formalities free of charge

The transfer of a Capital Security will be effected without charge by or on behalf of the Issuer, the Registrar or any Transfer Agent but against such indemnity as the Issuer, the Registrar or (as the case may be) such Transfer Agent may require in respect of any tax or other duty of whatsoever nature which may be levied or imposed in connection with such transfer.

3.6 Closed periods

No Holder may require the transfer of a Capital Security to be registered (i) during the period of 15 days prior to (and including) the due date of any payment of principal or Distributions in respect of the Capital Securities or (ii) during the period commencing on the date of a Non-Viability Event Notice (as defined in Condition 4.3 (*Distribution — Non-Viability Loss Absorption*) below) and ending on (and including) the close of business in Hong Kong on the effective date of the related Write-off (as defined in Condition 4.3 (*Distribution — Non-Viability Loss Absorption*) below).

So long as the Capital Securities are represented by a Global Certificate and such Global Certificate is held on behalf of Euroclear or Clearstream, Luxembourg or any other clearing system, no Holder may require the transfer of a Capital Security to be registered during the period of five Clearing System Business Days (as defined in Condition 5.5) (or such other period as the ICSDs shall determine in accordance with their rules and procedures) commencing on the Clearing System Business Day immediately following the date on which the Non-Viability Event Notice has been received by the ICSDs (as defined below) (the “Suspension Period”).

3.7 Regulations concerning transfers and registration

All transfers of Capital Securities and entries on the Register are subject to the detailed regulations concerning the transfer of Capital Securities scheduled to the Agency Agreement. The parties to the Agency Agreement may agree, without the consent of the Holders, to any modifications to any provisions thereof (including the regulations concerning the transfer of Capital Securities). A copy of the current regulations will be mailed (free of charge) by the Registrar to any Holder who requests in writing a copy of such regulations.

4. Distribution

4.1 Distribution Payments

(a) Non-Cumulative Distribution

Subject to Condition 4.2 (*Distribution — Distribution Restrictions*) below, the Capital Securities confer a right to receive distributions (each a “**Distribution**”) on their principal amount (subject to adjustments following the occurrence of a Non-Viability Event in accordance with Condition 4.3 (*Distribution — Non-Viability Loss Absorption*) from, and including, 2 June 2017 (the “**Issue Date**”) at the applicable Distribution Rate, payable semi-annually in arrear on 2 June and 2 December in each year (each a “**Distribution Payment Date**”).

Distributions will not be cumulative and Distributions which are not paid in accordance with these Conditions will not accumulate or compound and Holders will have no right to receive such Distributions at any time, even if subsequent Distributions are paid in the future, or be entitled to any claim in respect thereof against the Issuer. Unless otherwise provided in these Conditions, each Capital Security will cease to confer the right to receive any Distribution from the due date for redemption unless, upon surrender of the Certificate representing such Capital Security, payment of principal is improperly withheld or refused. In such event Distribution shall continue to accrue at such rate (both before and after judgment) until whichever is the earlier of (a) the date on which all amounts due in respect of such Capital Security have been paid; and (b) five days after the date on which the full amount of moneys payable in respect of such Capital Security has been received by the Principal Paying Agent and notice to that effect has been given to the Holders in accordance with Condition 12 (*Notices*).

No Holder shall have any claim in respect of any Distribution or part thereof cancelled and/or not due or payable pursuant to this Condition 4.1 and Condition 4.2 (*Distribution — Distribution Restrictions*) below. Accordingly, such Distribution shall not accumulate for the benefit of the Holders or entitle the Holders to any claim in respect thereof against the Issuer.

(b) Distribution Rate

The rate of distribution (the “**Distribution Rate**”) applicable to the Capital Securities shall be:

- (i) in respect of the period from, and including, the Issue Date to, but excluding, 2 June 2022 (the “**First Call Date**”), 5.00 per cent. per annum; and
- (ii) in respect of the period from, and including, the First Call Date and each Distribution Reset Date thereafter to, but excluding, the immediately following Distribution Reset Date, the Reset Distribution Rate.

For the purposes of these Conditions:

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

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

“**Calculation Date**” means, in relation to a Reset Distribution Period, the Calculation Business Day immediately preceding the Distribution Reset Date on which such Reset Distribution Period commences.

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

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

“**Directors**” means the directors of the Issuer.

“**Distribution Determination Date**” means the day falling two business days prior to a Distribution Payment Date.

“**Distributable Reserves**” means the amounts for the time being available to the Issuer for distribution as a distribution in compliance with section 297 of the Companies Ordinance (Cap. 622) of Hong Kong, as amended or modified from time to time, as at the date of the Issuer’s audited balance sheet last preceding the relevant Distribution Payment Date, and subject to the Monetary Authority’s then current capital conservation requirements as applicable to the Issuer on the relevant Distribution Payment Date (the “**Available Amount**”); *provided that* if the Issuer reasonably determines that the Available Amount as at any Distribution Determination Date is lower than the Available Amount as at the date of the Issuer’s audited balance sheet last preceding the relevant Distribution Payment Date and is insufficient to pay the Distributions and any payments due on Parity Obligations on the relevant Distribution Payment Date, then on certification by two Directors and the Auditors of such revised amount, the Distributable Reserves shall for the purposes of Distributions mean the Available Amount as set forth in such certificate.

As at the date hereof, pursuant to section 297(1) of the Companies Ordinance (Cap. 622), the Issuer may only make a distribution out of profits available for distribution. For the purposes of section 297 of the Companies Ordinance (Cap. 622), the Issuer’s profits available for distribution are its accumulated, realised profits, so far as not previously utilised by distribution or capitalisation, less its accumulated, realised losses, so far as not previously written off in a reduction or reorganisation of capital.

“**Distribution Reset Date**” means the First Call Date and each anniversary falling five years thereafter.

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

“**Reference Treasury Dealer Quotations**” means with respect to each Reference Treasury Dealer and any Calculation Date, the average, as determined by the Issuer, of the bid and asked prices for the Comparable Treasury Issue, expressed in each case as a percentage of its principal amount, quoted in writing to the Issuer by such Reference Treasury Dealer at 6:30 p.m. New York City time on the second Calculation Business Day preceding such Calculation Date.

“**Reset Distribution Period**” means the period from, and including, a Distribution Reset Date to, but excluding, the immediately following Distribution Reset Date.

“**Reset Distribution Rate**” means, in relation to a Reset Distribution Period, a fixed rate per annum (expressed as a percentage) equal to the aggregate of (a) Treasury Rate (as determined as set out below) with respect to the relevant Distribution Reset Date and (b) the Spread.

“**Spread**” means 3.205 per cent. per annum.

“**Treasury Rate**” means the rate in per cent. per annum notified by the Calculation Agent to the Issuer and the Holders equal to the yield, under the heading that represents the average for the week immediately prior to the relevant Calculation Date, appearing in the most recently published

statistical release designated “H.15(519)” (currently set out on the website <http://www.federalreserve.gov/releases/h15/current/default.htm>) or any successor publication that is published weekly by the Board of Governors of the Federal Reserve System and that establishes yields on actively traded U.S. Treasury securities adjusted to constant maturity under the caption “Treasury constant maturities” for the maturity of five years.

If such release (or any successor release) is not published during the week preceding the relevant Calculation Date or does not contain such yields, “Treasury Rate” means the rate in per cent. per annum, notified by the Issuer to the Calculation Agent, equal to the semi-annual equivalent yield to a maturity of five years, calculated using a price for a maturity of five years (expressed as a percentage of its principal amount) equal to the Comparable Treasury Price for the relevant Calculation Date.

If there is no Comparable Treasury Price for the relevant Calculation Date, “Treasury Rate” means the rate in per cent. per annum notified by the Calculation Agent to the Issuer and the Holders equal to the yield, under the heading that represents the average for the week that was last available prior to the relevant Calculation Date, appearing in the most recently published statistical release designated “H.15(519)” (currently set out on the website <http://www.federalreserve.gov/releases/h15/current/default.htm>) or any successor publication that is published weekly by the Board of Governors of the Federal Reserve System and that establishes yields on actively traded U.S. Treasury securities adjusted to constant maturity under the caption “Treasury constant maturities” for the maturity of five years.

(c) Calculation of Distribution and Relevant Reset Distribution Rate

The Calculation Agent will calculate the amount of Distribution in respect of any period by applying the applicable Distribution Rate to the Calculation Amount. If Distribution is required to be paid in respect of a Capital Security on any date other than the Distribution Payment Date, it shall be calculated by applying the applicable Distribution Rate to the Calculation Amount, multiplying the product by the relevant Day Count Fraction, rounding the resulting figure to the nearest cent (half a cent being rounded upwards) and multiplying such rounded figure by a fraction equal to the principal amount of such Capital Security divided by the Calculation Amount, where:

“**Calculation Amount**” means U.S.\$1,000 subject to adjustments following the occurrence of a Non-Viability Event in accordance with Condition 4.3 (*Distribution — Non-Viability Loss Absorption*); and

“**Day Count Fraction**” means, in respect of any period, the number of days in the relevant period divided by 360 (the number of days to be calculated on the basis of a year of 360 days with 12 30-day months).

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

All notifications, opinions, determinations, certificates, calculations, quotations and decisions given, expressed, made or obtained for the purposes of this Condition 4.1 by the Calculation Agent will (in the absence of manifest error) be binding on the Issuer, the Principal Paying Agent and the Holders and (subject as aforesaid) no liability to any such person will attach to the Calculation Agent in connection with the exercise or non-exercise by it of its powers, duties and discretions for such purposes.

(d) Publication of Relevant Reset Distribution Rate

The Issuer shall cause notice of the then applicable Reset Distribution Rate to be notified to the Holders as soon as practicable in accordance with Condition 12 (*Notices*) after determination thereof.

(e) Determination or Calculation by Successor Calculation Agent

If the Calculation Agent does not at any time for any reason so determine the applicable Reset Distribution Rate, the Issuer shall as soon as practicable appoint a reputable financial institution of good standing as a successor calculation agent to do so and such determination or calculation shall be deemed to have been made by the Calculation Agent. In doing so, the successor calculation agent shall apply the foregoing provisions of this Condition 4.1, with any necessary consequential amendments, to the extent that, in the opinion of the successor calculation agent, it can do so and, in all other respects it shall do so in such manner as it shall deem fair and reasonable in all the circumstances.

4.2 Distribution Restrictions

(a) Optional Distribution Cancellation Event

Unless a Distribution has already been cancelled in full pursuant to a Mandatory Distribution Cancellation Event, prior to any Distribution Payment Date the Issuer may, at its sole discretion, elect to cancel any payment of Distributions, in whole or in part, by the giving of a notice signed by two Directors of the Issuer, which shall be conclusive and binding on the Holders (such notice, a “**Distribution Cancellation Notice**”), of such election to the Holders in accordance with Condition 12 (*Notices*), the Trustee and the Agents at least 10 Business Days (as defined below) prior to the relevant Distribution Payment Date. The Issuer shall have no obligation to pay any Distribution on any Distribution Payment Date if it validly elects not to do so in accordance with this Condition 4.2 and any failure to pay such Distribution shall not constitute an Event of Default. Distributions are non-cumulative and any Distribution that is cancelled shall therefore not be payable at any time thereafter, whether in a Winding-Up or otherwise.

For the purposes of these Conditions:

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

(b) Mandatory Distribution Cancellation Event

Notwithstanding that a Distribution Cancellation Notice may not have been given, the Issuer shall not be obliged to pay, and shall not pay, any Distribution on the applicable Distribution Payment Date, in whole or in part, as applicable, if and to the extent that:

- (i) the Distribution scheduled to be paid together with any dividends, distributions or other payments scheduled to be paid or made during the Issuer’s then current fiscal year on any Parity Obligations or any instruments which rank or are expressed to rank *pari passu* with any Parity Obligations shall exceed Distributable Reserves as at such Distribution Determination Date; or
- (ii) the Monetary Authority directs the Issuer to cancel such Distribution (in whole or in part) or applicable Hong Kong banking regulations or other requirements of the Monetary Authority prevent the payment in full of dividends or other distributions when due on Parity Obligations

(each a “**Mandatory Distribution Cancellation Event**”).

The Issuer shall have no obligation to pay a Distribution on any Distribution Payment Date if such non-payment is in accordance with this Condition 4.2(b) and any failure to pay such Distribution shall not constitute an Event of Default. Distributions are non-cumulative and therefore any Distribution which is cancelled in accordance with these Conditions shall not be payable at any time thereafter whether in a Winding-Up or otherwise.

(c) Distributable Reserves

Any Distribution may only be paid out of Distributable Reserves.

(d) Dividend Stopper

If, on any Distribution Payment Date, payment of Distribution scheduled to be paid is not made in full by reason of this Condition 4.2, the Issuer shall not:

- (i) declare or pay in cash any distribution or dividend or make any other payment in cash on, and will procure that no distribution or dividend in cash or other payment in cash is made on, any Shares; or
- (ii) purchase, cancel or otherwise acquire any Shares or permit any of its subsidiaries to do so,

in each case, unless or until the earlier of: (A) the Distribution scheduled to be paid on any subsequent Distribution Payment Date (which, for the avoidance of doubt, shall exclude any Distribution that has been cancelled in accordance with these Conditions prior to and in respect of a Distribution Payment Date preceding such subsequent Distribution Payment Date) has been paid in full to Holders or a designated third party trust account for the benefit of the Holders, or (B) the redemption or purchase and cancellation of the Capital Securities in full, or reduction of the principal amount of the Capital Securities in accordance with these Conditions to zero, or (C) the Issuer is permitted to do so by an Extraordinary Resolution (as defined in the Trust Deed) of the Holders.

(e) No default

Notwithstanding any other provision in these Conditions, the cancellation or non-payment of any Distribution in accordance with this Condition 4.2 shall not constitute a default for any purpose (including, without limitation, pursuant to Condition 9.1 (*Events of Default and Enforcement — Events of Default and Winding-up Proceedings*)) on the part of the Issuer.

4.3 Non-Viability Loss Absorption

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

Concurrently with the giving of the notice of a Non-Viability Event, the Issuer shall procure, unless otherwise directed by the Monetary Authority that a similar notice be given in respect of other Subordinated Capital Securities in accordance with their terms.

For the avoidance of doubt, any Write-off pursuant to this provision will not constitute an Event of Default under the Capital Securities.

Any Series of Capital Securities may be subject to one or more Write-offs in part (as the case may be), except where such Series of Capital Securities has been Written-off in its entirety. Any references in the Conditions to principal in respect of the Capital Securities shall thereafter refer to the principal amount of the Capital Securities reduced by any applicable Write-off(s).

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

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

The Trustee and the Agents shall not be: (a) responsible or liable to any Holder for monitoring or determining whether a Non-Viability Event has occurred or not, (b) responsible for verifying or calculating any amount in connection with a Non-Viability Event or for any Write-off of Capital Securities made pursuant to the Issuer's directions, (c) not be responsible for preparing any Non-Viability Event Notice, (d) not be liable to the Holders or to any other person or the clearing systems (or its participants, members, broker-dealers or any other third parties) with respect to the notification and/or implementation of any Non-Viability Event by any of them in respect of such Capital Securities.

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

For the purposes of this Condition 4.3:

"Hong Kong Business Day" means a day (other than a Saturday or Sunday) on which commercial banks and foreign exchange markets are open for general business in Hong Kong.

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

"Non-Viability Event" means the earlier of:

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

"Non-Viability Event Notice" means the notice which shall be given by the Issuer not more than two Hong Kong Business Days after the occurrence of a Non-Viability Event, to the Holders, the Trustee and the Paying Agents, in accordance with the Conditions and which shall state:

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

Following the receipt of a Non-Viability Event Notice by Euroclear and/or Clearstream, Luxembourg and the commencement of the Suspension Period, Euroclear and/or Clearstream, Luxembourg shall suspend all clearance and settlement of the Capital Securities. As a result, Holders will not be able to settle the transfer of any Capital Securities from the commencement of the Suspension Period, and any sale or other transfer of the Capital Securities that a Holder may have initiated prior to the commencement of the Suspension Period that is scheduled to settle during the Suspension Period will be rejected by Euroclear and/or Clearstream, Luxembourg and will not be settled within Euroclear and/or Clearstream, Luxembourg. See “Risk Factors — Risk Factors Relating to the Capital Securities — Transfers scheduled to settle through Euroclear and Clearstream, Luxembourg (the “ICSDs”) are expected to be rejected if the scheduled settlement is after any suspension by the ICSDs of clearance and settlement of the Capital Securities in connection with a Non-Viability Event Notice. Furthermore, because of time zone differences and the delay between the time when a Non-Viability Event occurs and when the ICSDs receive and process the Non-Viability Event Notice, 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 (ii) are settled through the ICSDs even though such transfers were initiated after the Non-Viability Event” in the Offering Circular for further details.

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

“Subordinated Capital Security” means any Junior Obligations, Parity Obligation or Tier 2 Capital Securities which contains provisions relating to a write-down or conversion into ordinary shares in respect of its principal amount on the occurrence, or as a result, of a Non-Viability Event and in respect of which the conditions (if any) to the operation of such provisions are (or with the giving of any certificate or notice which is capable of being given by the Issuer, would be) satisfied.

4.4 Hong Kong Bail-in Power

Notwithstanding any other term of the Capital Securities, including without limitation Condition 4.3, or any other agreement or arrangement, each Holder and the Trustee shall be subject, and shall be deemed to agree and acknowledge that they are each subject, to the exercise of any Hong Kong Bail-in Power by the relevant Hong Kong Resolution Authority without prior notice and which may include (without limitation) and result in any of the following or some combination thereof:

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

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

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

Upon the exercise of any Hong Kong Bail-in Power by the relevant Hong Kong Resolution Authority with respect to the Capital Securities, the Issuer shall provide a written notice not more than two Hong Kong Business Days after the occurrence of such exercise regarding such exercise of the Hong Kong Bail-in Power to the Holders in accordance with Condition 12.

Neither the reduction or cancellation, in part or in full, of the principal amount of, or Distributions on the Capital Securities, the conversion thereof into another security or obligation of the Issuer or another person, or any other amendment or alteration of these Conditions as a result of the exercise of any Hong Kong Bail-in Power by the relevant Hong Kong Resolution Authority with respect to the Issuer nor the exercise of the Hong Kong Bail-in Power by the relevant Hong Kong Resolution Authority with respect to the Capital Securities shall constitute an Event of Default under Condition 9.1.

*The Financial Institutions (Resolution) Ordinance (the “**Ordinance**”) was passed by the Legislative Council of Hong Kong and published in the gazette of the Hong Kong Special Administrative Region Government (the “**HKSAR Government**”) in June 2016. The Ordinance has yet to become effective and will commence operation on 7 July 2017. It is expected that all licensed banks in Hong Kong will be subject to such legislation when it comes into effect.*

For the purposes of this Condition 4.4:

“**Group**” means the Issuer and its Subsidiaries taken as a whole.

“**Hong Kong Bail-in Power**” means any power which may exist from time to time under the Ordinance, or any other laws, regulations, rules or requirements relating to the resolution of financial institutions, including licensed banks, deposit-taking companies, restricted licence banks, banking group companies, insurance companies and/or investment firms incorporated in or authorised, designated, recognised or licensed to conduct regulated financial activities in Hong Kong in effect and applicable in Hong Kong to the Issuer or other members of the Group, 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.

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

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

“**Subsidiary**” means any company (i) in which the Issuer holds a majority of the voting rights, (ii) of which the Issuer is a member and has the right to appoint or remove a majority of the Directors or (iii) of which the Issuer is a member and controls a majority of the voting rights, and includes any company which is a Subsidiary of a Subsidiary of the Issuer.

5. Payments

5.1 Payment

Payment of principal and Distribution will be made by wire transfer in immediately available funds to the registered account of the Holders. Payments of principal and Distribution due on redemption or otherwise than on a Distribution Payment Date will only be made against surrender (or in the case of part payments only, endorsement) of the relevant Certificate at the specified office of any Paying Agent. Distribution on Capital Securities due on a Distribution Payment Date will be paid on the due date for payment thereof to the Holder shown on the Register on the Record Date (as defined in Condition 5.5 (*Payments — Record Date*)) before the relevant Distribution Payment Date without the need for surrender or presentation of the relevant Certificate.

For the purposes of this Condition, a Holder’s registered account means the U.S. dollar account maintained by or on behalf of it with a bank that processes payments in U.S. dollars, details of which appear on the Register at the close of business, in the case of payments of principal and payments of distribution due on redemption or otherwise than on a Distribution Payment Date, on the second Business Day before the due date for payment and, in the case of distribution due on a Distribution Payment Date, on the relevant record date, and a Holder’s registered address means its address appearing on the Register at that time.

Payments in U.S. dollars will be made by credit or transfer to an account in U.S. dollar maintained by the payee.

5.2 Payment on Business Days

Where payment is to be made by transfer to a U.S. dollar account, payment instructions (for value the due date, or, if the due date is not a business day, for value the next succeeding business day) will be initiated. A Holder of a Capital Security shall not be entitled to any Distribution or other payment in respect of any delay in payment resulting from the due date for a payment not being a business day. In this paragraph, “**business day**” means any day on which banks are open for general business (including dealings in foreign currencies) in London, New York City and Hong Kong and, in the case of surrender (or, in the case of part payment only, endorsement) of a Certificate, in the place in which the Certificate is surrendered (or, as the case may be, endorsed).

5.3 Partial Payments

If a Paying Agent makes a partial payment in respect of any Capital Security, the Issuer shall procure that the amount and date of such payment are noted on the Register and, in the case of partial payment upon presentation of a Certificate, that a statement indicating the amount and the date of such payment is endorsed on the relevant Certificate.

5.4 Payments Subject to Fiscal and Other Laws

Payments will be subject in all cases, to (i) any fiscal or other laws and regulations applicable thereto, but without prejudice to the provisions of Condition 9, in the place of payment, and (ii) any withholding or deduction required pursuant to an agreement described in Section 1471(b) of the U.S. Internal Revenue Code of 1986 (the “**Code**”) or otherwise imposed pursuant to Sections 1471 through 1474 of the Code, any regulations or agreements thereunder, any official interpretations thereof, or (without prejudice to the provisions of Condition 7 (*Taxation*)) any law implementing an intergovernmental approach thereto.

5.5 Record Date

Each payment in respect of a Capital Security will be made to the person shown as the Holder in the Register at the opening of business in the place of the Registrar's specified office on the fifteenth day before the due date for such payment (the "**Record Date**").

*Whilst the Capital Securities are evidenced by the Global Certificate, each payment in respect of the Global Certificate will be made to the person shown as the holder in the Register at the close of business (of the relevant clearing system) on the Clearing System Business Day before the due date for such payment, where "**Clearing System Business Day**" means a weekday (Monday to Friday, inclusive except 25 December and 1 January).*

6. Redemption and Purchase

6.1 No Fixed Redemption Date

The Capital Securities are perpetual securities in respect of which there is no fixed redemption date. The Capital Securities may not be redeemed at the option of the Issuer other than in accordance with this Condition.

6.2 Redemption for tax reasons

Subject to Condition 6.6 (*Redemption and Purchase — Conditions for Redemption and Purchase in respect of the Capital Securities*), the Capital Securities may be redeemed at the option of the Issuer in whole, but not in part, at any time, on giving not less than 30 nor more than 60 days' notice to the Trustee and the Principal Paying Agent and, in accordance with Condition 12 (*Notices*), the Holders (which notice shall be irrevocable and shall specify the date fixed for redemption), if the Issuer satisfies the Trustee immediately before the giving of such notice that (a) on the occasion of the next payment due under the Capital Securities, the Issuer has or will become obliged to pay additional amounts as provided or referred to in Condition 7 (*Taxation*) 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 25 May 2017 and (b) such obligation cannot be avoided by the Issuer taking reasonable measures available to it (a "**Withholding Tax Event**"); *provided that* no such notice of redemption shall be given earlier than 90 days prior to the earliest date on which the Issuer would be obliged to pay such additional amounts or give effect to such treatment, as the case may be, were a payment in respect of the Capital Securities then due.

Prior to giving any notice of redemption pursuant to this Condition, the Issuer shall deliver to the Trustee (i) a certificate signed by two Directors of the Issuer stating that the requirement referred to in (a) above will apply on the next Distribution Payment Date and cannot be avoided by the Issuer taking reasonable measures available to it and (ii) a copy of the written consent of the Monetary Authority as referred to in Condition 6.6 (*Redemption and Purchase — Conditions for Redemption and Purchase in respect of the Capital Securities*); and the Trustee shall be entitled to accept the certificate as sufficient evidence of the satisfaction of the conditions precedent set out above, in which event it shall be conclusive and binding on the Holders.

Capital Securities redeemed pursuant to this Condition 6.2 will be redeemed at their outstanding principal amount together (if appropriate) with Distributions accrued to (but excluding) the date of redemption, subject to adjustment following the occurrence of a Non-Viability Event in accordance with Condition 4.3 (*Distribution — Non-Viability Loss Absorption*).

6.3 Redemption for tax deduction reasons

Subject to Condition 6.6 (*Redemption and Purchase — Conditions for Redemption and Purchase in respect of the Capital Securities*), the Capital Securities may be redeemed at the option of the Issuer in whole, but not in part, at any time, on giving not less than 30 nor more than 60 days' notice to the Trustee, the Principal Paying Agent and the Registrar, and, in accordance with Condition 12 (*Notices*), the Holders (which notice shall be irrevocable, subject to Condition 4.3 (*Distribution — Non-Viability Loss Absorption*), and shall specify the date fixed for redemption), following the occurrence of a Tax Deduction Event.

For the purposes of this Condition 6.3, a “**Tax Deduction Event**” occurs if the Issuer satisfies the Trustee immediately before the giving of such notice that:

- (a) in respect of the Distributions payable on the Capital Securities, the Issuer is no longer, or will no longer be, entitled to claim a deduction in respect of computing its taxation liabilities in Hong Kong or any political subdivision or any authority thereof or therein having power to tax as a result of any change in, or amendment to, the laws or regulations of Hong Kong or any political subdivision or any authority thereof or therein or any change in the application or official interpretation of such laws or regulations, which change or amendment becomes effective on or after 25 May 2017 ; 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 6.6 (*Redemption and Purchase — Conditions for Redemption and Purchase in respect of the Capital Securities*) have been satisfied and (ii) no such notice of redemption shall be given earlier than 90 days prior to the earliest date on which the Issuer would cease to be able to claim a tax deduction in respect of the Distribution payable on the Capital Securities as provided in paragraph (a) above as a result of any change in, or amendment to, the laws or regulations of Hong Kong or any political subdivision or any authority thereof or therein or any change in the application or official interpretation of such laws or regulations, which change or amendment becomes effective on or after 25 May 2017.

Prior to the publication of any notice of redemption pursuant to this Condition 6.3, the Issuer shall deliver to the Trustee (i) a certificate signed by two Directors of the Issuer stating that the Issuer is entitled to effect such redemption and setting forth a statement of facts showing that: (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 6.6 (*Redemption and Purchase — Conditions for Redemption and Purchase in respect of the Capital Securities*) and the Trustee shall be entitled to accept the certificate as sufficient evidence of the satisfaction of the conditions precedent set out above, in which event it shall be conclusive and binding on the Holders.

Capital Securities redeemed pursuant to this Condition 6.3 will be redeemed at their outstanding principal amount together (if appropriate) with Distributions accrued to (but excluding) the date of redemption, subject to adjustment following the occurrence of a Non-Viability Event in accordance with Condition 4.3 (*Distribution — Non-Viability Loss Absorption*).

6.4 Redemption of the Capital Securities for regulatory reasons

Subject to Condition 6.6 (*Redemption and Purchase — Conditions for Redemption and Purchase in respect of the Capital Securities*), the Capital Securities may be redeemed at the option of the Issuer in whole, but not in part, at any time on giving not less than 30 nor more than 60 days' notice to the Trustee and the Principal Paying Agent and, in accordance with Condition 12 (*Notices*), the Holders (which notice shall be irrevocable and shall specify the date fixed for redemption) following the occurrence of a Capital Event.

For the purposes of this Condition 6.4, a “**Capital Event**” occurs if the Issuer satisfies the Trustee immediately before the giving of the notice of redemption referred in this Condition 6.4 that, for the purposes of the Banking Ordinance (Cap. 155) of Hong Kong or any successor legislation or regulations made thereunder, the Capital Securities, after having qualified as such, will no longer qualify (in whole or in part) as Additional Tier 1 Capital (or equivalent) of the Issuer, as a result of a change or amendment in (or any change in the application or official interpretation of) the relevant provisions of the Banking Ordinance (Cap. 155) of Hong Kong, Banking (Capital) Rules (Cap. 155L), or any supervisory guidance issued by the Monetary Authority in relation thereto, in each case, as amended or modified from time to time (other than as a result of any discounting or amortisation requirements as to the eligibility of the Capital Securities for such inclusion pursuant to the relevant legislation and relevant guidelines in force from time to time) *provided, however, that* no such notice of redemption shall be given earlier than 90 days prior to the earliest date on which it is determined that a Capital Event has occurred.

Prior to giving any notice of redemption pursuant to this Condition 6.4, the Issuer shall deliver to the Trustee (i) a certificate signed by two Directors of the Issuer stating that the Issuer is entitled to effect such redemption and setting forth a statement of facts showing that the conditions precedent to the right of the Issuer to redeem have occurred and (ii) a copy of the written consent of the Monetary Authority; and the Trustee shall be entitled to accept the certificate as sufficient evidence of the satisfaction of the conditions precedent set out above, in which event it shall be conclusive and binding on the Holders.

Capital Securities redeemed pursuant to this Condition 6.4 will be redeemed at their outstanding principal amount together (if appropriate) with Distributions accrued to (but excluding) the date of redemption, subject to adjustment following the occurrence of a Non-Viability Event in accordance with Condition 6.6 (*Redemption and Purchase — Conditions for Redemption and Purchase in respect of the Capital Securities*).

6.5 Redemption at the option of the Issuer (Issuer Call)

The Issuer may, having given:

- (a) not less than 15 nor more than 45 days’ notice to the Holders in accordance with Condition 12 (*Notices*); and
- (b) not less than 15 days before the giving of the notice referred to in (a) above, notice to the Trustee and the Principal Paying Agent and the Registrar;

(which notices shall be irrevocable and shall specify the date fixed for redemption), redeem all but not some only of the Capital Securities then outstanding on the First Call Date or any Distribution Payment Date thereafter, at their outstanding principal amount together (if appropriate) with Distributions accrued to (but excluding) the date of redemption, subject to adjustment following the occurrence of a Non-Viability Event in accordance with Condition 6.6 (*Redemption and Purchase — Conditions for Redemption and Purchase in respect of the Capital Securities*).

For the avoidance of doubt, the Issuer does not give any undertaking that it will redeem the Capital Securities at any time.

6.6 Conditions for Redemption and Purchase in respect of the Capital Securities

Notwithstanding any other provision in these Conditions, the Issuer shall not redeem any of the Capital Securities (other than pursuant to Condition 9.1 (*Events of Default and Enforcement — Events of Default and Winding-up Proceedings*)) and neither the Issuer nor any Restricted Person shall purchase any of the Capital Securities unless the prior written consent of the Monetary Authority thereto shall have been obtained, *provided however, that* if from time to time the consent of the Monetary Authority is not a requirement of any such Capital Securities to constitute Additional Tier

1 Capital (or equivalent) of the Issuer for the purposes of, and as defined in, the Banking Ordinance (Cap. 155) of Hong Kong, or any successor legislation, then the condition to the redemption or purchase and cancellation of the relevant Capital Securities set out in this Condition 6.6 shall not apply for so long as such consent is not required.

For the avoidance of doubt, this provision shall not apply to the Issuer or any Restricted Person holding the Capital Securities in a purely nominee capacity.

For the purposes of these Conditions, “**Restricted Person**” means any affiliate of the Issuer over which the Issuer exercises control or significant influence (excluding any holding company of the Issuer).

7. Taxation

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

- (a) to on behalf of, a holder who is liable to the Taxes in respect of such Capital Security by reason of his having some connection with Hong Kong other than the mere holding of such Capital Security; or
- (b) in respect of which the Certificate representing it is presented for payment more than 30 days after the Relevant Date except to the extent that a holder would have been entitled to additional amounts on presenting the same for payment on the last day of the period of 30 days assuming that day to have been a business day.

As used in these Conditions, “**Relevant Date**” means the date on which the payment first becomes due but, if the full amount of the money payable has not been received by the Principal Paying Agent, the Trustee or the Registrar, as the case may be, on or before the due date, it means the date on which, the full amount of the money having been so received, notice to that effect is duly given to the Holders by the Issuer in accordance with Condition 12 (*Notices*).

8. Prescription

Claims against the Issuer for payment in respect of the Capital Securities will become void unless made within a period of 10 years (in the case of principal) and five years (in the case of Distribution) after the Relevant Date (as defined in Condition 7 (*Taxation*)) therefor.

9. Events of Default and Enforcement

9.1 Events of Default and Winding-up Proceedings

If default is made in the payment of any amount of principal or Distributions in respect of the Capital Securities on the due date for payment thereof and such failure continues for a period of (i) seven days in the case of principal or (ii) 14 days in the case of Distributions after the due date thereof (each, an “**Event of Default**”) then in order to enforce the obligations of the Issuer, the Trustee at its sole discretion may and, if so requested in writing by holders of at least 25 per cent. in principal amount of the outstanding Capital Securities or if so directed by an Extraordinary Resolution (as defined in

the Trust Deed), shall (subject to the Trustee having been indemnified and/or provided with security and/or pre-funded to its satisfaction) institute a Winding-Up Proceeding against the Issuer. For the avoidance of doubt, no Distribution will be due and payable if such Distribution has been cancelled or is deemed cancelled (in each case, in whole or in part) in accordance with these Conditions. Accordingly, no default in payment under the Capital Securities will have occurred or be deemed to have occurred for the non-payment of any Distribution that has been so cancelled or deemed cancelled.

If an order is made or an effective resolution is passed for the Winding-Up of the Issuer (whether or not an Event of Default has occurred and is continuing) then the Trustee at its sole discretion may and, if so requested in writing by holders of at least 25 per cent. in principal amount of the outstanding Capital Securities or if so directed by an Extraordinary Resolution, shall (subject to the Trustee having been indemnified and/or provided with security and/or pre-funded to its satisfaction) give written notice to the Issuer declaring the Capital Securities to be immediately due and payable, whereupon they shall become immediately due and payable at their outstanding principal amount together (if appropriate) with Distributions accrued to (but excluding) the date of actual payment, subject to adjustment following the occurrence of a Non-Viability Event in accordance with Condition 6.6 (*Redemption and Purchase — Conditions for Redemption and Purchase in respect of the Capital Securities*), without further action or formality.

In these Conditions:

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

9.2 Enforcement

- (a) Without prejudice to Condition 9.1 (*Events of Default and Enforcement — Events of Default and Winding-up Proceedings*), the Trustee may at any time and if the Issuer fails to perform, observe or comply with any obligation, condition or provision relating to the Capital Securities binding on it under these Conditions or the Trust Deed (other than any obligation of the Issuer for the payment of any principal or Distributions in respect of the Capital Securities), subject as provided below, at its discretion and without further notice, institute such proceedings against the Issuer as it may think fit to enforce such obligation, condition or provision *provided that* the Issuer shall not as a consequence of such proceedings be obliged to pay any sum or sums representing or measured by reference to principal or Distributions in respect of the Capital Securities sooner than the same would otherwise have been payable by it.
- (b) The Trustee shall not be bound to take action as referred to in Conditions 9.1 (*Events of Default and Enforcement — Events of Default and Winding-up Proceedings*) and 9.2(a) or any other action under these Conditions or the Trust Deed unless (i) it shall have been so requested in writing by Holders holding at least 25 per cent. in principal amount of the Capital Securities then outstanding or if so directed by an Extraordinary Resolution of the Holders and (ii) it shall have been indemnified and/or secured and/or pre-funded to its satisfaction. No Holder shall be entitled to proceed directly against the Issuer unless the Trustee, having become bound so to proceed, fails to do so within a reasonable period and such failure is continuing.
- (c) Subject to applicable laws, no remedy (including the exercise of any right of set-off or analogous event) other than those provided for in Condition 9.1 (*Events of Default and Enforcement — Events of Default and Winding-up Proceedings*) and Conditions 9.2(a) and (b) above or submitting a claim in the Winding-Up of the Issuer will be available to the Trustee or the Holders.

- (d) No Holder 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 Holder 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.

10. Replacement of Capital Securities

If any Certificate is lost, stolen, mutilated, defaced or destroyed, it may be replaced at the specified office of the Registrar, subject to all applicable laws and stock exchange requirements, upon payment by the claimant of the costs and expenses incurred in connection with such replacement and on such terms as to evidence, security, indemnity and otherwise as the Issuer may reasonably require. Mutilated or defaced Certificates must be surrendered before replacements will be issued.

11. Principal Paying Agent, Registrar, Paying and Transfer Agents

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

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

- (a) there will at all times be a Principal Paying Agent and a Registrar; and
- (b) so long as the Capital Securities are listed on any stock exchange or admitted to trading by any other relevant authority, there will at all times be a Registrar and Transfer Agent with a specified office in such place as may be required by the rules and regulations of the relevant stock exchange or other relevant authority.

Any variation, termination, appointment or change shall only take effect (other than in the case of insolvency, when it shall be of immediate effect) after not less than 30 nor more than 45 days' prior notice thereof shall have been given to the Holders in accordance with Condition 12 (*Notices*).

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

12. Notices

Notices to the Holders will be sent to them by first class mail (or its equivalent) or (if posted to an overseas address) by airmail at their respective addresses on the Register. Any such notice shall be deemed to have been given on the fourth day after the date of mailing.

So long as the Capital Securities are represented by a Global Certificate and such Global Certificate is held on behalf of Euroclear or Clearstream, Luxembourg or any other clearing system, notices to the Holders 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 Certificate.

13. Meetings of Holders, Modifications and Consolidations

13.1 Meetings of Holders

The Trust Deed contains provisions for convening meetings of Holders to consider matters relating to the Capital Securities, including the modification of any provision of these Conditions or the Trust Deed. Any such modification may be made if sanctioned by an Extraordinary Resolution. Such a meeting may be convened by the Issuer or by the Trustee, and shall be convened by the Trustee upon the request in writing of Holders holding not less than 10 per cent. of the aggregate principal amount of the outstanding Capital Securities. The quorum at any meeting convened to vote on an Extraordinary Resolution will be two or more persons holding or representing more than 50 per cent. of the aggregate principal amount of the outstanding Capital Securities or, at any adjourned meeting, two or more persons being or representing a Holder or Holders whatever the principal amount of the Capital Securities held or represented; provided, however, that certain proposals (including any proposal to change any date for payment of Distribution in respect of the Capital Securities, to reduce the amount of principal or Distribution payable on any date in respect of the Capital Securities, to alter the method of calculating the amount of any payment in respect of the Capital Securities or the date for any such payment, to change the currency of payments under the Capital Securities, to amend the subordination or loss absorption provisions in the Trust Deed, or to change the quorum requirements relating to meetings or the majority required to pass an Extraordinary Resolution (each, a “**Reserved Matter**”)) may only be sanctioned by an Extraordinary Resolution passed at a meeting of Holders at which two or more persons holding or representing not less than two-thirds or, at any adjourned meeting, one-third of the aggregate principal amount of the outstanding Capital Securities shall form a quorum. Any Extraordinary Resolution duly passed at any such meeting shall be binding on all the Holders, whether present or not.

In addition, a resolution in writing signed by or on behalf of Holders of not less than 90 per cent. of the aggregate principal amount of Capital Securities for the time being outstanding and who are entitled to receive notice of a meeting of the Holders of the Capital Securities pursuant to the Trust Deed will take effect as if it were an Extraordinary Resolution. 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 Holders.

13.2 Modifications and Waivers

The Trustee may, without the consent of the Holders, agree to any modification of these Conditions or the Trust Deed (other than in respect of a Reserved Matter) which in the opinion of the Trustee will not be materially prejudicial to the interests of Holders and to any modification of the Capital Securities or the Trust Deed which is of a formal, minor or technical nature or is to correct a manifest error.

In addition, the Trustee may, without the consent of the Holders, authorise or waive any proposed breach or breach of the Capital Securities or the Trust Deed (other than a proposed breach or breach relating to the subject of a Reserved Matter) if, in the opinion of the Trustee, the interests of the Holders will not be materially prejudiced thereby.

Unless the Trustee agrees otherwise, any such authorisation, waiver or modification shall be notified by the Issuer to the Holders (in accordance with Condition 12 (*Notices*)) as soon as practicable thereafter.

13.3 Consolidation, Merger and Sale of Assets

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

- (a) the company or other entity formed by or surviving such consolidation or merger or the person, company or other entity which acquires by conveyance or transfer, or which leases, all or substantially all of the properties and assets of the Issuer shall expressly assume by way of supplemental trust deed the due and punctual payment of the principal of, and Distribution on, the Capital Securities and the performance of the Capital Securities, the Trust Deed and the Agency Agreement on the part of the Issuer to be performed or observed;
- (b) immediately after giving effect to such transaction, no Event of Default with respect to the Capital Securities, and no event, which after notice or lapse of time, or both, would become an Event of Default with respect to the Capital Securities, shall have happened and be continuing;
- (c) the Issuer has delivered to the Trustee (in form and substance satisfactory to the Trustee) (i) a certificate signed by two Directors of the Issuer and (ii) an opinion of independent legal advisers of recognised standing (acceptable to the Trustee) stating that such consolidation, merger, conveyance, transfer or lease and any such supplemental trust deed comply with this Condition 13.3(c) and that all conditions precedent relating to such transaction have been complied with; and
- (d) immediately after giving effect to such consolidation, amalgamation or merger of the Issuer, no internationally recognised rating agency has in respect of the Capital Securities, issued any notice downgrading its credit rating for such Capital Securities or indicating that it intends to downgrade its credit rating for such Capital Securities, in each case as a result of such consolidation, amalgamation or merger.

13.4 Exercise of Trustee's Powers etc.

In connection with the exercise by it of any of its trusts, powers, authorities and discretions (including, without limitation, any modification, waiver, authorisation, determination or substitution), the Trustee shall have regard to the general interests of the Holders as a class (but shall not have regard to any interests arising from circumstances particular to individual Holders whatever their number) and, in particular but without limitation, shall not have regard to the consequences of any such exercise for individual Holders (whatever their number) resulting from their being for any purpose domiciled or resident in, or otherwise connected with, or subject to the jurisdiction of, any particular territory or any political sub-division thereof and the Trustee shall not be entitled to require, nor shall any Holder be entitled to claim, from the Issuer, the Trustee or any other person any indemnification or payment in respect of any tax consequences of any such exercise upon individual Holders except to the extent already provided for in Condition 7 (*Taxation*) and/or any undertaking or covenant given in addition to, or in substitution for, Condition 7 (*Taxation*) pursuant to the Trust Deed.

14. The Trustee and the Trust Deed

The Trust Deed contains provisions for the indemnification of the Trustee and for its relief from responsibility, including provisions relieving it from taking any steps, actions or proceedings unless indemnified and/or provided with security and/or pre-funded to its satisfaction. The Trustee is entitled to enter into business transactions with the Issuer without accounting for any profit resulting therefrom.

The Trustee shall be entitled to rely without liability to Holders on any certificate signed by any Director or authorised signatory of the Issuer and delivered to it under the Trust Deed and accompanied by an opinion of an independent internationally recognised law firm, whether or not it is addressed to the Trustee. Such certificate or opinion shall, in the absence of manifest error, be conclusive and binding on both parties, and the Trustee shall not be responsible for any loss occasioned by acting or not acting on any such certificate or opinion. The Trustee shall be obliged to accept and be entitled to rely on any certificate or opinion where the Issuer procures the delivery of the same pursuant to its obligations to do so under the Conditions and/or the Trust Deed and such certificate or opinion shall be binding on the Issuer and the Holders in the absence of manifest or proven error.

The Issuer has given certain other undertakings in the Trust Deed for the protection of the Holders.

15. NOTIFICATION TO NDRC

The Issuer undertakes to file or cause to be filed with the National Development and Reform Commission of the PRC (the “**NDRC**”) the requisite information and documents within the prescribed timeframe after the Issue Date in accordance with the NDRC Circular and which came into effect on 14 September 2015, the NDRC Approval on the Administration and Reform of Pilot Enterprises’ (First Batch) Foreign Debt Scale of 2017 (Fa Gai Wai Zi [2017] No. 60) (國家發展改革委關於2017年度外債規模管理改革試點企業(第一批)的批復) (發改外資[2017]60號) promulgated by the NDRC on 8 January 2017, and any implementation rules as issued by the NDRC from time to time (the “**NDRC Post-issue Filing**”).

The Issuer shall complete the NDRC Post-issue Filing within the prescribed timeframe and shall comply with all applicable PRC laws and regulations in connection with the Capital Securities and shall within five (5) Registration Business Days after submission of such NDRC Post-issue Filing provide the Trustee with (i) a certificate in English signed by two Directors confirming the submission of the NDRC Post-issue Filing and (ii) copies of the relevant documents evidencing the NDRC Post-issue Filing. The Trustee shall have no duty to monitor or ensure the completion of the NDRC Post-issue Filing on or before the deadline referred to above or to verify the accuracy, validity and/or genuineness of any documents in relation to or in connection with the NDRC Post-issue Filing or any translation or certification thereof or to give notice to the Holders confirming the completion of the NDRC Post-issue Filing, and shall not be liable to any Holder or any other persons for any of the foregoing and for not doing so.

For the purposes of this Condition 15:

“**NDRC Circular**” means the Circular on Promoting the Reform of the Filing and Registration System on the Issuance by Enterprises of Foreign Debt (Fa Gai Wai Zi [2015] No. 2044) (國家發展改革委關於推進企業發行外債備案登記制管理改革的通知(發改外資[2015] 2044號)) issued by the NDRC;

“**PRC**” means the People’s Republic of China (for the purposes of this Condition 15, excludes Hong Kong, the Macau Special Administrative Region and Taiwan); and

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

16. Governing Law and Submission to Jurisdiction

16.1 Governing law

The Capital Securities and the Trust Deed and any non-contractual obligations arising out of or in connection with the Capital Securities and the Trust Deed are governed by, and shall be construed in accordance with, English law, except that the subordination provisions applicable to the Issuer set out in each of Condition 2 (*Status and Subordination of the Capital Securities*), Condition 4.3 (*Non-Viability Loss Absorption*) and clause 7.2 (*Ranking of claims in respect of the Securities*) of the Trust Deed shall be governed by, and construed in accordance with, the laws of Hong Kong.

16.2 Jurisdiction

The courts of England are to have exclusive jurisdiction to settle any disputes that may arise out of or in connection with the Capital Securities or the Trust Deed (including a dispute relating to any non-contractual obligations arising out of or in connection with the Capital Securities or the Trust Deed) and accordingly any legal action or proceedings arising out of or in connection with the Capital Securities (“**Proceedings**”) may be brought in such courts. Pursuant to the Trust Deed, the Issuer has irrevocably submitted to the jurisdiction of such courts. This submission is made for the benefit of each Holder and shall not limit the right of any of them to take Proceedings in any other court of competent jurisdiction nor shall the taking of Proceedings in one or more jurisdictions preclude the taking of Proceedings in any other jurisdiction (whether concurrently or not).

16.3 Agent for service of process

The Issuer has irrevocably appointed Hackwood Secretaries Limited at its registered office located at One Silk Street, London EC2Y 8HQ to receive service of process in any Proceedings in England. If for any reason such agent shall cease to be such agent for service of process, the Issuer shall forthwith appoint a new agent for service of process in England and notify the Holders in accordance with Condition 12 (*Notices*) of such appointment. Nothing herein shall affect the right to serve process in any other manner permitted by law.

THE GLOBAL CERTIFICATE

The Global Certificate contains the following provisions which apply to the Capital Securities whilst they are represented by the Global Certificate, some of which modify the effect of the Conditions. Terms defined in the Conditions have the same meaning in paragraphs 1 to 6 below.

1. **Accountholders**

For so long as all of the Capital Securities are represented by the Global Certificate and the Global Certificate is held on behalf of a clearing system, each person (other than another clearing system) who is for the time being shown in the records of Euroclear or Clearstream, Luxembourg (as the case may be) as the holder of a particular aggregate principal amount of such Capital Securities (each an “**Accountholder**”) (in which regard any certificate or other document issued by Euroclear or Clearstream, Luxembourg (as the case may be) as to the aggregate principal amount of such Capital Securities standing to the account of any person shall, in the absence of manifest error, be conclusive and binding for all purposes) shall be treated as the holder of such aggregate principal amount of such Capital Securities (and the expression “**Holders**” and references to “**holding Capital Securities**” and to “**holder of Capital Securities**” shall be construed accordingly) for all purposes other than with respect to payments on such Capital Securities, the right to which shall be vested, as against the Issuer and the Trustee, solely in the nominee for the relevant clearing system (the “**Relevant Nominee**”) in accordance with and subject to the terms of the Global Certificate. Each Accountholder must look solely to Euroclear or Clearstream, Luxembourg, as the case may be, for its share of each payment made to the Relevant Nominee.

2. **Cancellation**

Cancellation of any Capital Security following its redemption or purchase by the Issuer will be effected by reduction in the aggregate principal amount of the Capital Securities in the register of Holders and by the annotation of the appropriate schedule to the Global Certificate.

3. **Payments**

Payments of principal and distribution in respect of Capital Securities represented by the Global Certificate will be made upon presentation or, if no further payment falls to be made in respect of the Capital Securities, against presentation and surrender of the Global Certificate to or to the order of the Registrar or such other Agent as shall have been notified to the holder of the Global Certificate for such purpose.

Distributions of amounts with respect to book-entry interests in the Capital Securities held through Euroclear or Clearstream, Luxembourg will be credited, to the extent received by the Principal Paying Agent, to the cash accounts of Euroclear or Clearstream, Luxembourg participants in accordance with the relevant system’s rules and procedures.

A record of each payment made will be endorsed on the appropriate schedule to the Global Certificate by or on behalf of the Registrar and shall be prima facie evidence that payment has been made.

4. **Payment Record Date**

Each payment in respect of the Global Certificate will be made to the person shown as the Holder in the register of Holders at the close of business (in the relevant clearing system) on the Clearing System Business Day before the due date for such payment (the “**Record Date**”) where “**Clearing System Business Day**” means a weekday (Monday to Friday, inclusive, except 25 December and 1 January).

5. **Notices**

Notwithstanding Condition 12 (Notices), so long as all the Capital Securities are represented by the Global Certificate and the Global Certificate is held on behalf of a clearing system, notices to Holders may be given by delivery of the relevant notice to that clearing system for communication by it to entitled Accountholders in substitution for notification as required by the Conditions. The Issuer shall also ensure that notices are duly given in a manner which complies with the rules and regulations of any stock exchange on which the Capital Securities are for the time being listed.

6. **Transfers**

Transfers of book-entry interests in the Capital Securities will be effected through the records of Euroclear and Clearstream, Luxembourg and their respective participants in accordance with the rules and procedures of Euroclear and Clearstream, Luxembourg and their respective direct and indirect participants.

TAXATION

The statements herein regarding taxation are based on the laws in force as at the date of this Offering Circular and are subject to any changes in law occurring after such date, which changes could be made on a retroactive basis. The following summary does not purport to be a comprehensive description of all of the tax considerations that may be relevant to a decision to purchase, own or dispose of the Capital Securities and does not purport to deal with the tax consequences applicable to all categories of investors, some of which (such as dealers or certain professional investors) may be subject to special rules. Persons considering the purchase of the Capital Securities should consult their own tax advisers concerning the application of Hong Kong tax laws to their particular situations as well as any consequences of the purchase, ownership and disposition of the Capital Securities arising under the laws of any other taxing jurisdiction.

Hong Kong

Withholding Tax

No withholding tax is payable in Hong Kong on payments of principal or interest on the Capital Securities or in respect of any capital gains arising from the sale of the Capital Securities.

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).

Under the Inland Revenue Ordinance (Cap. 112) of the laws of Hong Kong (the “**Inland Revenue Ordinance**”) as it is currently applied by the Inland Revenue Department, interest on the Capital Securities may be deemed to be profits arising or derived from Hong Kong from a trade, profession or business carried on in Hong Kong in the following circumstances:

- (i) interest on the Capital Securities is derived from Hong Kong and is received by or accrues to a company (other than a financial institution) carrying on a trade, profession or business in Hong Kong; or
- (ii) interest on the Capital Securities is derived from Hong Kong and is received by or accrues to a person (other than a company), carrying on a trade, profession or business in Hong Kong and is in respect of the funds of that trade, profession or business; or
- (iii) interest on the Capital Securities is received by or accrues to a financial institution (as defined in the Inland Revenue Ordinance) and arises through or from the carrying on by the financial institution of its business in Hong Kong.

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, a financial institution in Hong Kong (within the meaning of section 2 of the Banking Ordinance (Cap. 155) of the Laws of Hong Kong) are exempt from the payment of Hong Kong profits tax. Provided no prospectus with respect to the issue of Capital Securities is registered under the Companies Ordinance (Cap. 32) of the laws of Hong Kong, the issue of Capital Securities by the Issuer is expected to constitute a deposit to which the above exemption from payment will apply.

Sums received by or accrued to a financial institution by way of gains or profits arising through or from the carrying on by the financial institution of its business in Hong Kong from the sale, disposal or redemption of Capital Securities will be subject to profits tax.

Sums derived from the sale, disposal or redemption of Capital Securities 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. The source of such sums will generally be determined by having regard to the manner in which the Capital Securities are acquired and disposed.

Stamp Duty

No Hong Kong stamp duty will be chargeable upon the issue or subsequent transfer of the Capital Securities.

The proposed European Union financial transactions tax (the “FTT”)

On 14 February 2013, the European Commission published a proposal (the “**Commission’s Proposal**”) for a Directive for a common FTT in Belgium, Germany, Estonia, Greece, Spain, France, Italy, Austria, Portugal, Slovenia and Slovakia (the “**participating Member States**”). However, Estonia has since stated that it will not participate.

The Commission’s Proposal has very broad scope and could, if introduced, apply to certain dealings in the Capital Securities (including secondary market transactions) in certain circumstances. The issuance and subscription of Capital Securities should, however, be exempt.

Under the Commission’s Proposal the FTT could apply in certain circumstances to persons both within and outside of the participating Member States. Generally, it would apply to certain dealings in the Capital Securities where at least one party is a financial institution, and at least one party is established in a participating Member State. A financial institution may be, or be deemed to be, “established” in a participating Member State in a broad range of circumstances, including (a) by transacting with a person established in a participating Member State or (b) where the financial instrument which is subject to the dealings is issued in a participating Member State.

However, the FTT proposal remains subject to negotiation between participating Member States. It may therefore be altered prior to any implementation, the timing of which remains unclear. Additional European Union Member States may decide to participate.

Prospective holders of the Capital Securities are advised to seek their own professional advice in relation to the FTT.

Foreign Account Tax Compliance Act

Pursuant to certain provisions of the U.S. Internal Revenue Code of 1986, commonly known as FATCA, a “foreign financial institution” (as defined by FATCA) may be required to withhold on certain payments it makes (“**foreign passthru payments**”) to persons that fail to meet certain certification, reporting or related requirements. The issuer is a foreign financial institution for these purposes. A number of jurisdictions (including Hong Kong) have entered into, or have agreed in substance to, intergovernmental agreements with the United States to implement FATCA (“**IGAs**”), which modify the way in which FATCA applies in their jurisdictions. Under the provisions of IGAs as currently in effect, a foreign financial institution in an IGA jurisdiction would generally not be required to withhold under FATCA or an IGA from payments that it makes. Certain aspects of the application of the FATCA provisions and IGAs to instruments such as the Capital Securities, including whether withholding would ever be required pursuant to FATCA or an IGA with respect to payments on instruments such as Capital Securities, are uncertain and may be subject to change. Even if withholding would be required pursuant to FATCA or an IGA with respect to payments on instruments such as the Capital Securities, such withholding would not apply prior to 1 January 2019 and the Capital Securities characterised as debt (or which are not otherwise characterised as equity and have a fixed term) for U.S. federal tax purposes that are issued on or prior to the date that is six months after the date on which final regulations defining foreign passthru payments are filed with the U.S. Federal Register generally would be grandfathered for purposes of FATCA withholding unless materially modified after such date. Holders should consult their own tax advisers regarding how these rules may apply to their investment in the Capital Securities.

SUBSCRIPTION AND SALE

Each of UBS AG Hong Kong Branch, BOCI Asia Limited, CLSA Limited, Credit Suisse (Hong Kong) Limited, Merrill Lynch International, Cinda International Capital Limited, Cinda International Securities Limited, CCB International Capital Limited, Australia and New Zealand Banking Group Limited, Morgan Stanley & Co. International plc, Wells Fargo Securities International Limited, China International Capital Corporation Hong Kong Securities Limited and Deutsche Bank AG, Hong Kong Branch (together the “**Joint Lead Managers**”) has, pursuant to a subscription agreement dated 25 May 2017 (the “**Subscription Agreement**”), severally agreed with the Issuer, subject to the satisfaction of certain conditions, to subscribe for the principal amount of the Capital Securities set out opposite its name below as its underwriting commitment. Each Joint Lead Manager’s underwriting commitment may not represent the amount of Capital Securities actually subscribed by each Joint Lead Manager.

Joint Lead Manager	Underwriting Commitment
UBS AG Hong Kong Branch	U.S.\$100,000,000
BOCI Asia Limited	U.S.\$100,000,000
CLSA Limited	U.S.\$100,000,000
Credit Suisse (Hong Kong) Limited	U.S.\$100,000,000
Merrill Lynch International	U.S.\$100,000,000
Cinda International Capital Limited	U.S.\$50,000,000
Cinda International Securities Limited	U.S.\$50,000,000
CCB International Capital Limited	U.S.\$100,000,000
Australia and New Zealand Banking Group Limited	U.S.\$100,000,000
Morgan Stanley & Co. International plc	U.S.\$100,000,000
Wells Fargo Securities International Limited	U.S.\$100,000,000
China International Capital Corporation Hong Kong Securities Limited	U.S.\$100,000,000
Deutsche Bank AG, Hong Kong Branch	U.S.\$100,000,000
	<u>U.S.\$1,200,000,000</u>

The Issuer has agreed to pay to the Joint Lead Managers a management and underwriting commission in connection with their underwriting commitments in accordance with the Subscription Agreement. The Issuer has also agreed to indemnify the Joint Lead Managers against certain liabilities incurred in connection with the issue of the Capital Securities. In addition, the Issuer has agreed to reimburse the Joint Lead Managers for certain of their expenses in connection with the issue of the Capital Securities. The Subscription Agreement provides that the obligations of the Joint Lead Managers are subject to certain conditions precedent, and entitles the Joint Lead Managers to terminate the Subscription Agreement in certain circumstances at any time up to the time when subscription moneys have been received and the Capital Securities issued.

The Issuer has agreed that, from the date of this Offering Circular until the date falling 30 days after the Issue Date, it will ensure that no other international offering of foreign currency denominated debt instruments or debt securities (other than certificates of deposit and for the avoidance of doubt, any financial products offered in the ordinary course of its business by the Issuer to its customers) issued or guaranteed by the Issuer are either placed or syndicated, directly or on its behalf, in any manner which might, in the opinion of the Joint Lead Managers (following consultation with the Issuer, if practicable), have a detrimental effect on the successful placement of the Capital Securities.

The Joint Lead Managers and certain of their affiliates may purchase the Capital Securities and be allocated the Capital Securities for asset management and/or proprietary purposes but not with a view to distribution. The Joint Lead Managers and their respective affiliates may also purchase the Capital Securities for their own accounts. In the ordinary course of their various business activities, the Joint Lead Managers and their affiliates may make or hold (on their own account, on behalf of clients or in their capacity as investment advisers) a broad array of investments and actively traded 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 and enter into other transactions, including credit derivatives (such as asset swaps, repackaging and credit default swaps) in relation thereto. Such transactions, investments and securities activities may involve securities and instruments of the Issuer or its subsidiaries, associates or associated companies, including the Capital Securities, may be entered into at the same time in the secondary market and be carried out with counterparties that are also purchasers, holders or sellers of the Capital Securities. In addition, the Issuer has agreed with the Joint Lead Managers that it will pay a concession to certain private banks in connection with the distribution of the Capital Securities to their clients. This concession will be based on the aggregate principal amount of the Capital Securities so distributed.

Other Relationships

The Joint Lead Managers and their affiliates are full service financial institutions engaged in various activities that may include securities trading, commercial and investment banking, financial advice, investment management, principal investment, hedging, financing and brokerage activities. Each of the Joint Lead Managers may have engaged in, and may in the future engage in, investment banking and other commercial dealings in the ordinary course of business with the Issuer or its subsidiaries, associates or associated companies from time to time.

United States

The Capital Securities have not been and will not be registered under the Securities Act and may not be offered, sold or delivered within the United States unless pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act.

Each Joint Lead Manager has represented, warranted and agreed that it has not offered, sold or delivered and will not offer, sell or deliver any Capital Securities within the United States, and will only offer or sell any Capital Securities outside of the United States in accordance with Rule 903 of Regulation S. Accordingly, neither it, its affiliates nor any persons acting on its behalf have engaged or will engage in any directed selling efforts with respect to the Capital Securities. Terms used in this paragraph have the meanings given to them by Regulation S under the Securities Act.

United Kingdom

Each Joint Lead Manager has represented, warranted and agreed that:

- (1) it has only communicated or caused to be communicated and will only communicate or cause to be communicated any invitation or inducement to engage in investment activity (within the meaning of section 21 of the Financial Services and Markets Act 2000 (the “FSMA”)) received by it in connection with the issue or sale of any Capital Securities in circumstances in which section 21(1) of the FSMA does not apply to the Bank; and
- (2) it has complied and will comply with all applicable provisions of the FSMA with respect to anything done by it in relation to the Capital Securities in, from or otherwise involving the United Kingdom.

European Economic Area

In relation to each Member State of the European Economic Area which has implemented the Prospectus Directive (each, a “**Relevant Member State**”), each Joint Lead Manager has represented and agreed that with effect from and including the date on which the Prospectus Directive is implemented in that Relevant Member State (the “**Relevant Implementation Date**”), it has not made and will not make an offer of Capital Securities which are the subject of the offering contemplated by this Offering Circular to the public in that Relevant Member State except that it may, with effect from and including the Relevant Implementation Date, make an offer of the Capital Securities to the public in that Relevant Member State:

- (1) at any time to any legal entity which is a qualified investor as defined in the Prospectus Directive;
- (2) at any time to fewer than 150 natural or legal persons (other than qualified investors as defined in the Prospectus Directive), as permitted under the Prospectus Directive; or
- (3) at any time in any other circumstances falling within Article 3(2) of the Prospectus Directive,

provided that no such offer of Capital Securities referred to in (a) to (c) above shall require the Issuer or the Joint Lead Managers to publish a prospectus pursuant to Article 3 of the Prospectus Directive or supplement a prospectus pursuant to Article 16 of the Prospectus Directive.

For the purposes of this provision, the expression “**an offer of Capital Securities to the public**” in relation to any Capital Securities in any Relevant Member State means the communication in any form and by any means of sufficient information on the terms of the offer and the Capital Securities to be offered so as to enable an investor to decide to purchase or subscribe the Capital Securities, as the same may be varied in that Member State by any measure implementing the Prospectus Directive in that Member State; and the expression “**Prospectus Directive**” means Directive 2003/71/EC (as amended, including by Directive 2010/73/EU), and includes any relevant implementing measure in the Relevant Member State.

Hong Kong

Each Joint Lead Manager has represented and agreed that:

- (1) it has not offered or sold and will not offer or sell in Hong Kong, by means of any document, any Capital Securities other than (a) to “professional investors” as defined in the SFO and any rules made under that Ordinance; 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 the laws of Hong Kong or which do not constitute an offer to the public within the meaning of that Ordinance; and
- (2) it has not issued or had in its possession for the purposes of issue, and will not issue or have in its possession for the purposes of issue, whether in Hong Kong or elsewhere, any advertisement, invitation or document relating to the Capital Securities, 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 Capital Securities which are or are intended to be disposed of only to persons outside of Hong Kong or only to “professional investors” as defined in the Securities and Futures Ordinance and any rules made under that Ordinance.

Singapore

Each Joint Lead Manager has acknowledged that this Offering Circular has not been registered as a prospectus with the Monetary Authority of Singapore. Accordingly, each Joint Lead Manager has

represented, warranted and agreed that it has not offered or sold any Capital Securities or caused the Capital Securities to be made the subject of an invitation for subscription or purchase and will not offer or sell any Capital Securities or cause the Capital Securities 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 Capital Securities, whether directly or indirectly, to persons in Singapore other than (i) to an institutional investor under Section 274 of the Securities and Futures Act, Chapter 289 of Singapore (the “SFA”), (ii) to a relevant person pursuant to Section 275(1), or any person pursuant to Section 275(1A), 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.

Each of the following persons specified in Section 275 of the Securities and Futures Act which has subscribed or purchased the Capital Securities, namely a person who is:

- (1) 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
- (2) 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, should note that shares, debentures and units of shares and debentures of that corporation or the beneficiaries’ rights and interest (howsoever described) in that trust shall not be transferred within 6 months after that corporation or that trust has acquired the Capital Securities pursuant to an offer made under Section 275 of the SFA except:
 - (1) to an institutional investor (for corporations, under Section 274 of the SFA) or to a relevant person defined in Section 275(2) of the SFA, or to any person pursuant to an offer that is made on terms that such shares, debentures and units of shares and debentures of that corporation or such rights and interest in that trust are acquired at a consideration of not less than S\$200,000 (or its equivalent in a foreign currency) for each transaction, whether such amount is to be paid for in cash or by exchange of securities or other assets, and further for corporations, in accordance with the conditions specified in Section 275 of the SFA;
 - (2) no consideration is or will be given for the transfer;
 - (3) where the transfer is by operation of law;
 - (4) pursuant to Section 276(7) of the SFA; or
 - (5) as specified in Regulation 32 of the Securities and Futures (Offers of Investments) (Shares and Debentures) Regulations 2005 of Singapore.

Taiwan

Each Joint Lead Manager understands that the Capital Securities have not been and will not be registered or filed with, or approved by, the Financial Supervisory Commission of Taiwan, the Republic of China (“**Taiwan**”) and/or other regulatory authority pursuant to relevant securities laws and regulations and, accordingly, each Joint Lead Manager has represented and undertaken that it will not offer, issue or sell the Capital Securities in Taiwan through a public offering or in circumstances which constitute an offer within the meaning of the Securities and Exchange Act of Taiwan or relevant laws and regulations that require a registration, filing or approval of the Financial Supervisory Commission and/or other regulatory authority of Taiwan.

Japan

The Capital Securities have not been and will not be registered under the Financial Instruments and Exchange Act of Japan (Act No. 25 of 1948, as amended) (the “**FIEA**”) and, accordingly, each Joint Lead Manager has represented, warranted and undertaken that it has not, directly or indirectly, offered or sold and will not, directly or indirectly, offer or sell any Capital Securities in Japan or to, or for the benefit of, any Japanese Person or to others for re-offering or resale, directly or indirectly, in Japan or to, any Japanese Person except pursuant to an exemption from the registration requirements of, and otherwise in compliance with, the FIEA and any other applicable laws, regulations and ministerial guidelines of Japan. For the purposes of this paragraph, “Japanese Person” shall mean any resident of Japan (as defined under Item 5, Paragraph 1, Article 6 of the Foreign Exchange and Foreign Trade Act (Act No 228 of 1949, as amended)).

General

None of the Issuer or the Joint Lead Managers makes any representation that any action will be taken in any jurisdiction by the Joint Lead Managers or the Issuer that would permit a public offering of the Capital Securities, or possession or distribution of this Offering Circular (in preliminary, proof or final form) or any other offering or publicity material relating to the Capital Securities, in any country or jurisdiction where action for that purpose is required. The Issuer will not have any responsibility for, and the Joint Lead Managers will obtain any consent, approval or permission required by them for, the acquisition, offer, sale or delivery by them of Capital Securities under the laws and regulations in force in any jurisdiction to which they are subject or in or from which they make any acquisition, offer, sale or delivery. The Joint Lead Managers are not authorised to make any representation or use any information in connection with the issue, subscription and sale of the Capital Securities other than as contained in, or which is consistent with, the Offering Circular or any amendment or supplement to it.

GENERAL INFORMATION

1. **Clearing Systems:** The Capital Securities have been accepted for clearance through Euroclear and Clearstream, Luxembourg with the Common Code of 161816345. The International Securities Identification Number (“ISIN”) for the Capital Securities is XS1618163452.
2. **Listing of Capital Securities:** Application has been made to the SEHK for the listing of, and permission to deal in, the Capital Securities. It is expected that dealing will, if permission is granted to deal in and for the listing of the Capital Securities on the SEHK, commence on or about 5 June 2017.
3. **Litigation:** Except as disclosed in this Offering Circular, neither the Issuer nor any of its subsidiaries is involved in any litigation or arbitration proceedings relating to claims or amounts which are material in the context of the issue of the Capital Securities, nor is the Issuer or any of its subsidiaries aware that any such proceedings are pending or threatened.
4. **Authorisations:** The Issuer has obtained all necessary consents, approvals and authorisations as may be required in connection with the issue and performance of the Capital Securities, including, but not limited to, approval by the Monetary Authority. The issue of the Capital Securities was authorised by a resolution of the Board of Directors of the Issuer passed on 28 March 2017. Listing of the Capital Securities on the SEHK is conditional upon satisfaction of the requirements of that exchange, including execution of the Trust Deed and the agency agreement relating to the Capital Securities (the “Agency Agreement”).
5. **No Material Adverse Change:** Except as disclosed in this Offering Circular, there has been no material adverse change in the financial or trading position of the Issuer or the Group since 31 December 2016 and no material adverse change in the financial position or prospects of the Issuer or the Group since 31 December 2016.
6. **Available Documents:** For so long as any of the Capital Securities is outstanding, copies of the following documents may be inspected at a specified office of the Principal Paying Agent at One Canada Square, London E14 5AL, United Kingdom:
 - (a) the Articles of Association of the Bank;
 - (b) a copy of the independent auditor’s reports of Ernst & Young, and the audited consolidated financial statements of the Group as at and for the years ended 31 December 2014, 2015 and 2016;
 - (c) a copy of the independent auditor’s review report from Ernst & Young, and the unaudited but reviewed condensed consolidated financial information of the Group as at and for the six months ended 30 June 2016;
 - (d) copies of the most recent annual and interim reports (including the financial statements) published by the Bank; and
 - (e) the Trust Deed and the Agency Agreement, each to be dated on or about 2 June 2017.

Copies of the auditor’s reports and the audited consolidated financial statements referred to above and the most recent annual audited consolidated financial statements of the Group and the independent auditor’s review reports and the unaudited but reviewed condensed consolidated interim financial information published by the Issuer, will be made available free of charge at the specified office of the Principal Paying Agent at One Canada Square, London E14 5AL, United Kingdom and at the specified office of the Paying Agent.

7. **Auditors:** The consolidated financial statements of the Group as at and for the years ended 31 December 2015 and 2016 included in this Offering Circular have been audited by Ernst & Young, Certified Public Accountants, as stated in the auditor's reports appearing in this Offering Circular in relation to such consolidated financial statements.

Ernst & Young has given and not withdrawn its written consent to the issue of this Offering Circular with references to its independent auditor's reports on the published audited consolidated financial statements of the Group for the years ended 31 December 2015 and 2016 in the form and context in which they appear.

The condensed consolidated financial statements of the Group as at and for the six months ended 30 June 2016 included in this Offering Circular have been reviewed by Ernst & Young, Certified Public Accountants, as stated in the auditor's review report appearing in this Offering Circular in relation to such condensed consolidated financial statements.

Ernst & Young has given and not withdrawn its written consent to the issue of this Offering Circular with references to its independent auditor's review report on the published unaudited but reviewed condensed consolidated financial statements of the Group for the six months ended 30 June 2016 in the form and context in which they appear.

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Independent Auditor's Report

To the members of Nanyang Commercial Bank, Limited
(Incorporated in Hong Kong with limited liability)

Opinion

We have audited the consolidated financial statements of Nanyang Commercial Bank, Limited (the "Bank") and its subsidiaries (the "Group") set out on pages 27 to 239, which comprise the consolidated balance sheet as at 31 December 2016, 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 consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2016, 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.

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 of the Bank 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 Bank 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.

Independent Auditor's Report (continued)

To the members of Nanyang Commercial Bank, Limited
(Incorporated in Hong Kong with limited liability)

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 HKSA's will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with HKSA's, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the Audit Committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Audit Committee with a statement that we have complied with relevant ethical requirements regarding independence and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

Ernst & Young
Certified Public Accountants
Hong Kong
28 March 2017

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	2016	2015
			港幣千元 HK\$'000	港幣千元 HK\$'000
利息收入	Interest income		7,550,115	8,746,484
利息支出	Interest expense		(3,015,306)	(4,026,334)
淨利息收入	Net interest income	6	4,534,809	4,720,150
服務費及佣金收入	Fee and commission income		1,633,666	1,446,527
服務費及佣金支出	Fee and commission expense		(61,595)	(89,577)
淨服務費及佣金收入	Net fee and commission income	7	1,572,071	1,356,950
淨交易性收益	Net trading gain	8	134,695	54,159
界定為以公允價值變化計入損益之 金融工具淨虧損	Net loss on financial instruments designated at fair value through profit or loss		(7,708)	(6,382)
其他金融資產之淨收益	Net gain on other financial assets	9	192,772	336,421
其他經營收入	Other operating income	10	27,059	42,408
提取減值準備前之淨經營收入	Net operating income before impairment allowances		6,453,698	6,503,706
減值準備淨撥備	Net charge of impairment allowances	11	(486,075)	(633,324)
淨經營收入	Net operating income		5,967,623	5,870,382
經營支出	Operating expenses	12	(2,656,577)	(2,632,162)
經營溢利	Operating profit		3,311,046	3,238,220
投資物業出售／公允價值調整之 淨收益	Net gain from disposal of/fair value adjustments on investment properties	13	29,340	121,046
出售／重估物業、器材及設備之 淨收益	Net gain from disposal/revaluation of properties, plant and equipment	14	4,136	19,246
除稅前溢利	Profit before taxation		3,344,522	3,378,512
稅項	Taxation	15	(597,145)	(481,735)
年度溢利	Profit for the year		2,747,377	2,896,777
股息	Dividends	16	-	542,500

第 27 至 239 頁之附註屬本綜合財務報表之組成部分。

The notes on pages 27 to 239 are an integral part of these consolidated 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	2016	2015
		港幣千元 HK\$'000	港幣千元 HK\$'000
年度溢利	Profit for the year	2,747,377	2,896,777
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	(64,385)	374,898
遞延稅項	Deferred tax	43,529	10,657
		(20,856)	385,555
界定利益福利計劃：	Defined benefit plan:		
重新計量精算虧損	Actuarial losses on remeasurement	(1,700)	-
遞延稅項	Deferred tax	280	-
		(1,420)	-
		(22,276)	385,555
其後可重新分類至收益表內的項目：	Items that may be reclassified subsequently to income statement:		
可供出售證券：	Available-for-sale securities:		
可供出售證券之公允值變化	Change in fair value of available-for-sale securities	(474,312)	280,066
因處置可供出售證券之轉撥重新分類至收益表	Release upon disposal of available-for-sale securities reclassified to income statement	(91,985)	(256,051)
由可供出售證券轉至持有至到期日證券產生之攤銷重新分類至收益表	Amortisation with respect to available-for-sale securities transferred to held-to-maturity securities reclassified to income statement	1,057	1,054
遞延稅項	Deferred tax	109,313	(15,548)
		(455,927)	9,521
現金流對沖：	Cash flow hedge:		
對沖工具之公允值變化	Change in fair value of hedging instruments	(64,130)	-
遞延稅項	Deferred tax	16,032	-
		(48,098)	-
淨投資對沖下對沖工具之公允值變化	Change in fair value of hedging instruments under net investment hedges	-	44,284
貨幣換算差額	Currency translation difference	(634,878)	(589,711)
		(1,138,903)	(535,906)
年度除稅後其他全面收益	Other comprehensive income for the year, net of tax	(1,161,179)	(150,351)
年度全面收益總額	Total comprehensive income for the year	1,586,198	2,746,426

第 27 至 239 頁之附註屬本綜合財務報表之組成部分。 The notes on pages 27 to 239 are an integral part of these consolidated financial statements.

綜合資產負債表
Consolidated Balance Sheet

於 12 月 31 日	As at 31 December	附註 Notes	2016	2015
			港幣千元 HK\$'000	港幣千元 HK\$'000
資產	ASSETS			
庫存現金及存放銀行及其他金融機構的結餘	Cash and balances with banks and other financial institutions	19	52,327,583	54,244,805
在銀行及其他金融機構一至十二個月內到期之定期存放	Placements with banks and other financial institutions maturing between one and twelve months		14,679,699	7,056,785
公允值變化計入損益之金融資產	Financial assets at fair value through profit or loss	20	3,680,401	6,963,572
衍生金融工具	Derivative financial instruments	21	896,476	696,266
貸款及其他賬項	Advances and other accounts	22	192,119,592	168,924,014
金融投資	Financial investments	24	76,935,082	55,407,983
投資物業	Investment properties	25	383,830	414,736
物業、器材及設備	Properties, plant and equipment	26	6,929,407	7,008,020
應收稅項資產	Current tax assets		-	46,690
遞延稅項資產	Deferred tax assets	32	100,652	5,962
其他資產	Other assets	27	879,987	4,295,231
待出售資產	Assets held for sale	33	-	132,729
資產總額	Total assets		348,932,709	305,196,793
負債	LIABILITIES			
銀行及其他金融機構之存款及結餘	Deposits and balances from banks and other financial institutions		30,450,210	30,961,174
公允值變化計入損益之金融負債	Financial liabilities at fair value through profit or loss	28	3,223,456	4,575,356
衍生金融工具	Derivative financial instruments	21	934,244	302,944
客戶存款	Deposits from customers	29	257,527,530	218,261,983
已發行債務證券及存款證	Debt securities and certificates of deposit in issue	30	1,095,937	-
其他賬項及準備	Other accounts and provisions	31	15,908,708	12,974,800
應付稅項負債	Current tax liabilities		371,981	187,530
遞延稅項負債	Deferred tax liabilities	32	735,675	812,352
待出售資產之相關負債	Liabilities associated with assets held for sale	33	-	21,884
負債總額	Total liabilities		310,247,741	268,098,023

綜合資產負債表 (續) Consolidated Balance Sheet (continued)

於 12 月 31 日	As at 31 December	附註 Notes	2016	2015
			港幣千元 HK\$'000	港幣千元 HK\$'000
資本	EQUITY			
股本	Share capital	34	3,144,517	3,144,517
儲備	Reserves		35,540,451	33,954,253
資本總額	Total equity		38,684,968	37,098,770
負債及資本總額	Total liabilities and equity		348,932,709	305,196,793

第 27 至 239 頁之附註屬本綜合財務報表之組成部分。

The notes on pages 27 to 239 are an integral part of these consolidated financial statements.

經董事會於 2017 年 3 月 28 日通過核准並由以下人士代表簽署：

Approved by the Board of Directors on 28 March 2017 and signed on behalf of the Board by:

方紅光 **Fang Hongguang**
董事 *Director*

陳細明 **Chan Sai Ming**
董事 *Director*

綜合權益變動表
Consolidated Statement of Changes in Equity

		儲備 Reserves								
		股本 Share capital	資本儲備 Capital reserve	房產 重估儲備 Premises revaluation reserve	可供出售 證券公允 價值 變動儲備 Reserve for fair value changes of available- for-sale securities	現金流 對沖儲備 Cash flow Hedges reserve	監管儲備* Regulatory reserve*	換算儲備 Translation reserve	留存盈利 Retained earnings	資本總計 Total equity
於 2015 年 1 月 1 日	At 1 January 2015	3,144,517	605	5,937,109	206,908	-	2,173,590	714,819	22,717,296	34,894,844
年度溢利	Profit for the year	-	-	-	-	-	-	-	2,896,777	2,896,777
其他全面收益：	Other comprehensive income:									
房產	Premises	-	-	385,555	-	-	-	-	-	385,555
可供出售證券	Available-for-sale securities	-	-	-	9,521	-	-	-	-	9,521
淨投資對沖下對沖 工具之公允價值變化	Change in fair value of hedging instruments under net investment hedges	-	-	-	-	-	-	44,284	-	44,284
貨幣換算差額	Currency translation difference	-	-	(8,455)	(2,675)	-	-	(578,581)	-	(589,711)
全面收益總額	Total comprehensive income	-	-	377,100	6,846	-	-	(534,297)	2,896,777	2,746,426
因房產出售之轉撥	Release upon disposal of premises	-	-	(459,399)	-	-	-	-	459,399	-
轉撥自留存盈利	Transfer from retained earnings	-	-	-	-	-	82,083	-	(82,083)	-
股息（附註 16）	Dividends (Note 16)	-	-	-	-	-	-	-	(542,500)	(542,500)
於 2015 年 12 月 31 日	At 31 December 2015	<u>3,144,517</u>	<u>605</u>	<u>5,854,810</u>	<u>213,754</u>	<u>-</u>	<u>2,255,673</u>	<u>180,522</u>	<u>25,448,889</u>	<u>37,098,770</u>
於 2016 年 1 月 1 日	At 1 January 2016	3,144,517	605	5,854,810	213,754	-	2,255,673	180,522	25,448,889	37,098,770
年度溢利	Profit for the year	-	-	-	-	-	-	-	2,747,377	2,747,377
其他全面收益：	Other comprehensive income:									
房產	Premises	-	-	(20,856)	-	-	-	-	-	(20,856)
界定利益福利計劃 之精算虧損	Actuarial losses on defined benefit plan	-	-	-	-	-	-	-	(1,420)	(1,420)
可供出售證券	Available-for-sale securities	-	-	-	(455,927)	-	-	-	-	(455,927)
現金流對沖下對沖 工具之公允價值變化	Change in fair value of hedging instruments under cash flow hedges	-	-	-	-	(48,098)	-	-	-	(48,098)
貨幣換算差額	Currency translation difference	-	-	(10,321)	(4,692)	-	-	(619,865)	-	(634,878)
全面收益總額	Total comprehensive income	-	-	(31,177)	(460,619)	(48,098)	-	(619,865)	2,745,957	1,586,198
因房產出售之轉撥	Release upon disposal of premises	-	-	(161,352)	-	-	-	-	161,352	-
轉撥至留存盈利	Transfer to retained earnings	-	-	-	-	-	(244,450)	-	244,450	-
於 2016 年 12 月 31 日	At 31 December 2016	<u>3,144,517</u>	<u>605</u>	<u>5,662,281</u>	<u>(246,865)</u>	<u>(48,098)</u>	<u>2,011,223</u>	<u>(439,343)</u>	<u>28,600,648</u>	<u>38,684,968</u>

* 除按香港會計準則第 39 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 HKAS 39.

第 27 至 239 頁之附註屬本綜合財務報表之組成部分。 The notes on pages 27 to 239 are an integral part of these consolidated 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	2016	2015
			港幣千元 HK\$'000	港幣千元 HK\$'000
經營業務之現金流量	Cash flows from operating activities			
除稅前經營現金之(流出)/流入	Operating cash (outflow)/inflow before taxation	35(a)	(5,651,317)	3,079,357
支付香港利得稅	Hong Kong profits tax paid		(394,116)	(464,589)
退回/(支付)海外利得稅	Overseas profits tax refund/(paid)		3,898	(112,701)
經營業務之現金(流出)/流入淨額	Net cash (outflow)/inflow from operating activities		(6,041,535)	2,502,067
投資業務之現金流量	Cash flows from investing activities			
購入物業、器材及設備	Purchase of properties, plant and equipment	26	(211,821)	(74,240)
購入投資物業	Purchase of investment properties	25	-	(2,903)
出售物業、器材及設備所得款項	Proceeds from disposal of properties, plant and equipment		187,047	398,673
出售投資物業所得款項	Proceeds from disposal of investment properties		-	986,800
投資業務之現金(流出)/流入淨額	Net cash (outflow)/inflow from investing activities		(24,774)	1,308,330
融資業務之現金流量	Cash flows from financing activities			
發行債務證券及存款證	Issue of debt securities and certificates of deposit		1,095,937	-
支付股息	Dividend paid		-	(542,500)
融資業務之現金流入/(流出)淨額	Net cash inflow/(outflow) from financing activities		1,095,937	(542,500)
現金及等同現金項目(減少)/增加	(Decrease)/increase in cash and cash equivalents		(4,970,372)	3,267,897
於 1 月 1 日之現金及等同現金項目	Cash and cash equivalents at 1 January		53,822,409	52,301,071
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		(1,283,309)	(1,746,559)
於 12 月 31 日之現金及等同現金項目	Cash and cash equivalents at 31 December	35(b)	47,568,728	53,822,409

第 27 至 239 頁之附註屬本綜合財務報表之組成部分。 The notes on pages 27 to 239 are an integral part of these consolidated financial statements.

財務報表附註**Notes to the Financial Statements****1. 主要業務****1. Principal activities**

南洋商業銀行有限公司於香港註冊成立（下稱「本銀行」）及其附屬公司於香港或上海成立（以下連同本銀行統稱「本集團」）。本銀行為根據香港銀行業條例所規定獲認可之持牌銀行。

本銀行主要從事銀行及相關之金融服務。本銀行之附屬公司的主要業務載於「附錄—本銀行之附屬公司」內。本銀行之公司註冊地址為香港中環德輔道中151號。

自2016年5月30日，本集團直接控股公司為信達金融控股有限公司（「信達金控」）。本集團前直接控股公司中國銀行（香港）有限公司（「中銀香港」）將持有本集團的全部股權出售，並已於2016年5月30日進行交割，本集團股權轉讓自該日起正式生效。

Nanyang Commercial Bank, Limited was incorporated in Hong Kong (hereinafter as the “Bank”) and its subsidiaries were incorporated in Hong Kong or Shanghai (together with the Bank hereinafter as the “Group”). The Bank is a licensed bank authorised under the Hong Kong Banking Ordinance.

The principal activities of the Bank are the provision of banking and related financial services. The principal activities of the Bank’s subsidiaries are shown in “Appendix – Subsidiaries of the Bank”. The address of the Bank’s registered office is 151 Des Voeux Road Central, Hong Kong.

The immediate holding company of the Bank is Cinda Financial Holdings Co. Limited (“Cinda Financial Holdings”) since 30 May 2016. Bank of China (Hong Kong) Limited (“BOCHK”), the Group’s former immediate holding company, disposed all its interests in the Group. The transaction was completed and the share transfer of the Group effected on 30 May 2016.

財務報表附註（續） **Notes to the Financial Statements (continued)****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 significant 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, Hong Kong Accounting Standards (“HKASs”) and Interpretations) issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”) and the Hong Kong Companies Ordinance.

本綜合財務報表乃按歷史成本法編製，惟就重估可供出售證券、以公允價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）、以公允價值列賬之貴金屬、以公允價值列賬之投資物業及以公允價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。收回資產及待出售資產會以其賬面值及公允價值扣除出售成本之較低者列賬，並已分別列載於附註 2.23 及 2.26。

The consolidated financial statements have been prepared under the historical cost convention, as modified by the revaluation of available-for-sale securities, 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. Repossessed assets and 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 2.23 and 2.26 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.

除已於 2016 年 1 月 1 日起開始的年度強制性生效之完善香港財務報告準則條文外，於 2016 年本集團未有採用其他準則或修訂。採用該等完善香港財務報告準則對本集團之財務報表沒有重大影響。

Except for the annual improvements to HKFRSs that are already mandatorily effective for accounting period beginning on 1 January 2016, there is no other standard or amendment adopted by the Group in 2016. The impact of the adoption of these annual improvements is not material to 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)

(a) 已於2016年1月1日起開始的會計年度強制性生效的準則及修訂

(a) Standards and amendments that are already mandatorily effective for accounting period beginning on 1 January 2016

準則/ 修訂 Standards/ Amendments	內容 Content	起始適用之年度 Applicable for financial years beginning on	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) HKAS 1 (Amendments)	披露的自主性 Disclosure Initiative	2016年1月1日 1 January 2016	是 Yes
香港會計準則第16號、香港會計準則第41號(經修訂) HKAS 16 and HKAS 41 (Amendments)	農業：生產性植物 Agriculture: Bearer Plants	2016年1月1日 1 January 2016	否 No
香港會計準則第16號、香港會計準則第38號(經修訂) HKAS 16 and HKAS 38 (Amendments)	澄清折舊及攤銷之可接納方法 Clarification of Acceptable Methods of Depreciation and Amortisation	2016年1月1日 1 January 2016	否 No
香港會計準則第27號(2011)(經修訂) HKAS 27 (2011) (Amendments)	獨立財務報表內的權益法 Equity Method in Separate Financial Statements	2016年1月1日 1 January 2016	是 Yes
香港會計準則第28號(2011)、香港財務報告準則第10號及香港財務報告準則第12號(經修訂) HKAS 28 (2011), HKFRS 10 and HKFRS 12 (Amendments)	投資實體：綜合併賬例外處理的應用 Investment entities: Applying the Consolidation Exception	2016年1月1日 1 January 2016	否 No
香港財務報告準則第11號(經修訂) HKFRS 11 (Amendments)	收購合資業務權益之會計處理 Accounting for Acquisitions of Interests in Joint Operations	2016年1月1日 1 January 2016	否 No
香港財務報告準則第14號 HKFRS 14	監管遲延賬目 Regulatory Deferral Accounts	2016年1月1日 1 January 2016	否 No

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) 已於2016年1月1日起
開始的會計年度強制性
生效的準則及修訂(續)

(a) Standards and amendments that are already mandatorily effective for
accounting period beginning on 1 January 2016 (continued)

- 香港會計準則第1號(經修訂)「披露的自主性」。香港會計準則第1號的修訂旨在進一步鼓勵企業運用專業判斷去決定在其財務報表中需披露的資料。例如，此修訂明確指出重大性需應用於整個財務報表，而包含不重要的資料會減低財務披露的效益。此外，此修訂闡明企業應運用專業判斷去決定在何處及以什麼次序把資料呈列在財務披露內。該項修訂對本集團的財務報表沒有重大影響。

HKAS 1 (Amendment), “Disclosure Initiative”. The amendments to HKAS 1 are designed to further encourage companies to apply professional judgement in determining what information to disclose in their financial statements. For example, the amendments make clear that materiality applies to the whole of financial statements and that the inclusion of immaterial information can inhibit the usefulness of financial disclosures. Furthermore, the amendments clarify that companies should use professional judgement in determining where and in what order information is presented in the financial disclosures. This amendment does not have material impact on the Group’s financial statements.

- 香港會計準則第27號(2011)(經修訂)「獨立財務報表內的權益法」。該項修訂重新允許企業在單獨財務報表中對其子公司、聯營公司、合資企業之投資採用權益法列賬的選項。改用權益法的企業需要在單獨財務報表中，對每項作出此選項的投資分類採用一致的會計處理及作出追溯性修訂。該項修訂對本集團的財務報表沒有重大影響。

HKAS 27 (2011) (Amendment), “Equity Method in Separate Financial Statements”. The amendment restores the option to allow an entity to apply the equity method to account for its investments in subsidiaries, joint ventures and associates in its separate financial statements. Entities electing to change to the equity method in its separate financial statements shall have to apply the same accounting for each category of investments so elected and are required to apply this change retrospectively. This amendment does not have any 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未被本集團於2016年提前採納之準則及修訂

以下已頒佈之準則及修訂於2017年1月1日起或以後開始的會計年度始強制性生效。

2.1 Basis of preparation (continued)

(b) Standards and amendments issued that are not yet mandatorily effective and have not been early adopted by the Group in 2016

The following standards and amendments have been issued and are mandatory for accounting periods beginning on or after 1 January 2017:

準則/ 修訂 Standards/ 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7號 (經修訂) Amendments to HKAS 7	披露的自主性 Disclosure Initiative	2017年1月1日 1 January 2017	是 Yes
香港會計準則第12號 (經修訂) Amendments to HKAS 12	對未實現損失確認遞延所得稅資產 Recognition of Deferred Tax Assets for Unrealised Losses	2017年1月1日 1 January 2017	否 No
香港財務報告準則第10號及香港會計 準則第28號 (經修訂) Amendments to HKFRS 10 and HKAS 28 (2011)	投資者與其聯營或合營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	否 No
香港財務報告準則第2號 (經修訂) Amendments to HKFRS 2	以股份為基本的支付交易的分類和計量 Classification and Measurement of Share-based Payment Transactions	2018年1月1日 1 January 2018	否 No
香港財務報告準則第4號 (經修訂) Amendments to HKFRS 4	結合香港財務報告準則第4號「保險合同」應用 香港財務報告準則第9號「金融工具」 Applying HKFRS 9 Financial Instruments with HKFRS 4 Insurance Contracts	2018年1月1日 1 January 2018	否 No
香港財務報告準則第9號 HKFRS 9	金融工具 Financial Instruments	2018年1月1日 1 January 2018	是 Yes
香港財務報告準則第15號 HKFRS 15	源於客戶合同的收入 Revenue from Contracts with Customers	2018年1月1日 1 January 2018	是 Yes
香港財務報告準則第15號 (經修訂) Amendments to HKFRS 15	對香港財務報告準則第15號源於客戶合同的收 入的澄清 Clarifications to HKFRS 15 Revenue from Contracts with Customers	2018年1月1日 1 January 2018	是 Yes
香港財務報告準則第16號 HKFRS 16	租賃 Leases	2019年1月1日 1 January 2019	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未被本集團於2016年提前採納之準則及修訂（續）

- 對《香港會計準則第7號》的修訂旨在提供相關資訊以協助投資者更好地瞭解主體債務變動，包括現金流量和非現金變動引起的變動。該修訂要求在財務報表中提供有關融資活動引起的負債變動的額外披露。本集團正在評估應用該準則的財務影響及其應用時間。

2.1 Basis of preparation (continued)

(b) Standards and amendments issued that are not yet mandatorily effective and have not been early adopted by the Group in 2016 (continued)

- Amendments to HKAS 7 require an entity to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes. The amendments will result in additional disclosure to be provided in the financial statements. The Group is considering the financial impact of the standard and the timing of its application.

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未被本集團於2016年提前採納之準則及修訂 (續)

(b) Standards and amendments issued that are not yet mandatorily effective and have not been early adopted by the Group in 2016 (continued)

- 香港財務報告準則第9號「金融工具」。國際財務報告準則第9號「金融工具」的頒佈完成了國際會計準則委員會對金融危機的全面回應。香港財務報告準則第9號，即香港財務報告準則之下對應國際財務報告準則第9號的會計準則，包含具邏輯的分類及計量模型，單一且具前瞻性的「預期損失」減值模型，及與風險管理更緊密連繫的對沖會計方法。對香港財務報告準則第9號的修訂詳細闡述如下：

- HKFRS 9, "Financial Instruments". The issuance of IFRS 9 "Financial Instruments" completes the International Accounting Standards Board's comprehensive response to the financial crisis. HKFRS 9, the equivalent standard of IFRS 9 under HKFRS, includes a logical model for classification and measurement, a single, forward-looking "expected loss" impairment model and a tighter linkage of risk management to hedge accounting. The changes introduced in HKFRS 9 are highlighted as follows:

(i) 分類及計量

(i) Classification and Measurement

金融資產

Financial assets

金融資產被要求分類為以下其中之一種計量類別：(1)以攤餘成本作後續計量，(2)以公允值變化計入其他全面收益作後續計量(除了利息的計提和攤銷，及減值外，所有公允值變動皆計入其他全面收益)，或(3)以公允值變化計入損益作後續計量。金融資產的分類應在過渡時確定，之後則在初始確認時確定。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。

Financial assets are required to be classified into one of the following measurement categories: (1) measured subsequently at amortised cost, (2) measured subsequently at fair value through other comprehensive income (all fair value changes other than interest accrual, amortisation and impairment will be recognised in other comprehensive income) or (3) measured subsequently at fair value through profit or loss. Classification is to be made on transition, and subsequently on initial recognition. The classification depends on the entity's business model for managing its financial instruments and the contractual cash flow characteristics of the instruments.

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未被本集團於2016年提前採納之準則及修訂 (續)

(b) Standards and amendments issued that are not yet mandatorily effective and have not been early adopted by the Group in 2016 (continued)

(i) 分類及計量 (續)

(i) Classification and Measurement (continued)

金融資產 (續)

Financial assets (continued)

如以攤餘成本對一項金融工具進行後續計量，其必須是一項債務工具，及企業的業務模型是持有該資產以收取合約現金流為目的，以及該資產的合約現金流特徵只代表沒有槓桿的本金及利息支付。如持有債務工具的業務模型旨在同時收取合約現金流及出售金融資產，而該工具本身符合合約現金流特徵，則該債務工具會以公允價值變化計入其他全面收益進行後續計量。所有其他債務工具需以公允價值變化計入損益計量。

A financial instrument is subsequently measured at amortised cost only if it is a debt instrument, and the objective of the entity's business model is to hold the asset to collect the contractual cash flows, and the asset's contractual cash flows characteristics represent only unleveraged payments of principal and interest. A debt instrument is subsequently measured at fair value through other comprehensive income if it is held in a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets and the instrument fulfils the contractual cash flows characteristics. All other debt instruments are to be measured at fair value through profit or loss.

股份權益工具一般以公允價值作後續計量，除非在罕有的情況下成本乃是合適的估計公允價值。持有作交易用途之股份權益工具將以公允價值變化計入損益計量。對於所有的權益性投資，可於初始確認時作出不可撤回的選擇，將未實現及已實現的公允價值收益或虧損確認於其他全面收益。而日後即使出售投資，公允價值收益及虧損亦不可轉回收益表內。當收取派息的權利確立，股息將於收益表內確認。

Equity instruments are generally measured subsequently at fair value with limited circumstances that cost may be an appropriate estimate of fair value. Equity instruments that are held for trading will be measured at fair value through profit or loss. For all other equity investments, an irrevocable election can be made at initial recognition to recognise unrealised and realised fair value gains and losses in other comprehensive income without subsequent reclassification of fair value gains and losses to the income statement even upon disposal. Dividend income is recognised in the income statement when the right to receive payment is established.

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未被本集團於2016年提前採納之準則及修訂 (續)

(i) 分類及計量 (續)

金融負債

除下述兩項主要變化外，金融負債的分類及計量基本上保留了香港會計準則第39號的要求，沒有太多修訂。

為應對自有信貸風險，準則內有關金融負債的公允值選擇權的處理已被修訂。凡金融負債因其信貸風險的改變而導致的公允值變動，需列示於其他全面收益。收益或虧損總額的剩餘部分則包括於收益表內。若此要求會產生或擴大損益的會計錯配，則整項公允值變動需列示於收益表內。對釐定有否存在錯配情況，需在初始確認個別負債時確定，且不能被重新評估。列示於其他全面收益的金額其後不可重新分類至收益表內，但可於權益內撥轉。此做法可消除經選擇以公允值計量的負債因信貸風險變動而產生的損益波動。亦代表因負債的自有信貸風險轉差而引致的收益將不再於損益反映。

2.1 Basis of preparation (continued)

(b) Standards and amendments issued that are not yet mandatorily effective and have not been early adopted by the Group in 2016 (continued)

(i) Classification and Measurement (continued)

Financial liabilities

Except for the two substantial changes described below, the classification and measurement requirements of financial liabilities have been basically carried forward with minimal amendments from HKAS 39.

The accounting for fair value option of financial liabilities were changed to address own credit risk. The amount of change in fair value attributable to changes in the credit risk of the financial liabilities will be presented in other comprehensive income. The remaining amount of the total gain or loss is included in the income statement. If this creates or enlarges an accounting mismatch in profit or loss, then the whole fair value change is presented in the income statement. The determination of whether there will be a mismatch will need to be made at initial recognition of individual liabilities and will not be re-assessed. Amounts presented in other comprehensive income are not subsequently reclassified to the income statement but may be transferred within equity. This removes the volatility in profit or loss that was caused by changes in the credit risk of liabilities elected to be measured at fair value. It also means that gains caused by the deterioration of an entity's own credit risk on such liabilities will no longer be recognised in 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)
2.1 編製基準 (續)

(b) 已頒佈但尚未強制性生效及未被本集團於2016年提前採納之準則及修訂 (續)

(i) 分類及計量 (續)

金融負債 (續)

如該準則亦取消了載於香港會計準則第39號有關與非上市股份權益工具掛鈎及交收的衍生金融工具可豁免以公允值計量的要求。

(ii) 減值

該準則引入需要更為及時確認預計信用損失的嶄新預期信用損失減值模型。具體而言，該準則要求企業在初始確認金融工具時，需核算12個月的預期信用損失。當金融工具在初始確認後出現信用風險顯著增加的情況，則需要及時地針對金融工具的整体年期確認預期信用損失。該準則亦規範以攤餘成本作後續計量的金融工具、以公允值變化計入其他全面收益作後續計量的債務工具、貸款承諾及財務擔保合同的減值處理。

2.1 Basis of preparation (continued)

(b) Standards and amendments issued that are not yet mandatorily effective and have not been early adopted by the Group in 2016 (continued)

(i) Classification and Measurement (continued)

Financial liabilities (continued)

The standard also eliminates the exception from fair value measurement contained in HKAS 39 for derivative financial instruments that are linked to and must be settled by delivery of an unquoted equity instrument.

(ii) Impairment

The standard introduces a new, expected-loss impairment model that will require more timely recognition of expected credit losses. Specifically, it requires entities to account for 12 months expected credit losses from inception when financial instruments are first recognised and to recognise full lifetime expected credit losses on a more timely basis when there have been significant increases in credit risk since initial recognition. The impairment for financial instruments that are subsequently measured at amortised cost, fair value through other comprehensive income (debt instruments), loan commitments and financial guarantees will be governed by this standard.

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未被本集團於2016年提前採納之準則及修訂（續）

(b) Standards and amendments issued that are not yet mandatorily effective and have not been early adopted by the Group in 2016 (continued)

(iii) 對沖會計

(iii) *Hedge accounting*

有關對沖會計的規定將令會計處理與風險管理活動更趨一致，財務報表更能反映該等活動的情況。有關規定放寬對沖有效性評估的要求，使對沖會計或會適用於更多的風險管理策略，並將對沖工具的可使用範圍擴闊至非衍生金融工具，以及提高可被對沖項目的彈性。用家將能從財務報表獲取更多有關風險管理的資訊，及掌握對沖會計對財務報表的影響。

The requirements related to hedge accounting would better align the accounting treatments with risk management activities and enable entities to better reflect these activities in their financial statements. It relaxes the requirements for assessing hedge effectiveness which more risk management strategies may be eligible for hedge accounting. It also relaxes the rules on using non-derivative financial instruments as hedging instruments and allows greater flexibility on hedged items. Users of the financial statements will be provided with more relevant information about risk management and the effect of hedge accounting on the financial statements.

香港財務報告準則第9號允許提前採納但必須整份同時一併實施。自有信貸風險的部分則可選擇獨立提前採納。本集團已成立集團性的項目組以評估香港財務報告準則第9號的影響，釐定工作計劃及落實準則。項目組已在分析集團的金融工具、建立模型及設計新的工作流程方面做了大量的工作。由於項目的複雜性，現時仍未有確實之潛在影響的量化信息。

Early application of HKFRS 9 in its entirety at the same time is permitted. Only the part related to own credit risk can be elected to be early applied in isolation. The Group has already formed a group-wide project team to assess the impact of HKFRS 9, formulate the work plan and implement the standard. Significant works has been done on analysing our financial instruments, building models and designing new workflows. Due to the complication of the project, no quantitative information of the potential effect is concluded yet.

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未被本集團於2016年提前採納之準則及修訂（續）

(b) Standards and amendments issued that are not yet mandatorily effective and have not been early adopted by the Group in 2016 (continued)

- 香港財務報告準則第15號「源於客戶合同的收入」。香港財務報告準則第15號應用單一模型並明確所有源於客戶合同收入的會計處理。該新準則的核心原則乃是對經承諾的商品或服務在控制權轉移至客戶時，會被確認為收入以反映預期取得之作價。其亦適用於確認及計量出售部分非金融資產，例如物業、設備等非經常性活動所產生的盈虧。香港財務報告準則第15號亦包括一套有關源於客戶合同收入的披露要求。該新準則將取代現有香港財務報告準則下不同準則對於商品、服務和建造合同的各自模型。該新準則允許企業提前採納。本集團正在評估應用該準則的財務影響及其應用時間。
- 於2016年6月，香港會計師公會頒佈對《香港財務報告準則第15號—對香港財務報告準則第15號源於客戶合同的收入的澄清》的修訂旨在解決收入確認聯合過渡資源小組討論的若干實施問題。本集團正在評估應用該準則的財務影響及其應用時間。

- HKFRS 15, “Revenue from Contracts with Customers”. HKFRS 15 applies a single model and specifies the accounting treatment for all revenue arising from contracts with customers. The new standard is based on the core principle that revenue is recognised to reflect the consideration expected to be entitled when control of promised good or service transfers to customer. It is also applicable to the recognition and measurement of gains or losses on the sale of some non-financial assets such as properties or equipment that are not an output of ordinary activities. HKFRS 15 also includes a set of disclosure requirements about revenue from customer contracts. The new standard will replace the separate models for goods, services and construction contracts stipulated in different standards under the current HKFRS. Early application is permitted. The Group is considering the financial impact of the standard and the timing of its application.
- In June 2016, HKICPA has issued amendment to HKFRS 15, “Clarifications to HKFRS 15 Revenue from Contracts with Customers”. The amendments are intended to address several implementation issues discussed by the Joint Transition Resource Group for Revenue Recognition. The Group is considering the financial impact of the standard and the timing of its application.

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未被本集團於2016年提前採納之準則及修訂 (續)

- 香港財務報告準則第16號「租賃」。香港財務報告準則第16號將取代現有與租賃相關之會計準則及詮釋。當中將採用單一控制模型以識別及區別租賃及服務合同。承租人的會計處理將引入重大的改變，以消除經營租賃與融資租賃之間的區分。除短期及低值租賃外，需要確認資產使用權及租賃負債。對出租人的會計處理要求則沒有重大改動。本準則將會追溯性實施，企業若已採納香港財務報告準則第15號「源於客戶合同的收入」，可提前採納此準則。本集團正在評估該準則的財務影響及其應用時間。

2.1 Basis of preparation (continued)

(b) Standards and amendments issued that are not yet mandatorily effective and have not been early adopted by the Group in 2016 (continued)

- HKFRS 16, "Leases". HKFRS 16 supersedes the existing standard and interpretations related to leases. It applies a single control model to identify leases and distinguish between leases and service contracts. Significant changes to lessee accounting are introduced, with the distinction between operating and finance leases removed and the right-of-use assets and lease liabilities recognised except under short term and low value leases. There are no significant changes to the lessor accounting requirements. The standard is applied retrospectively. Early application is permitted for entities that have also adopted HKFRS 15 "Revenue from Contracts with Customers". The Group is considering the financial impact of the standard and the timing of its application.

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)

(c) 完善香港財務報告準則

(c) Improvements to HKFRSs

- 「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。該等修訂已於2016年1月1日起開始的會計年度生效。採納有關修訂對本集團的財務報表沒有重大影響。

“Improvements to HKFRSs” contains numerous 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. The amendments are already effective for annual periods beginning on or after 1 January 2016. The adoption of these improvements 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)****2.2 綜合財務報表**

綜合財務報表包含本公司及其所有其附屬公司截至 12 月 31 日的財務報表。

附屬公司

附屬公司是指由本集團控制的企業。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）。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。

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。

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。

2.2 Consolidation

The consolidated financial statements include the financial statements of the Bank and all of its subsidiaries for the year ended 31 December.

Subsidiaries

Subsidiaries are entities 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). 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.

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.

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.

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)****2.3 分類報告**

分類的經營業績與呈報予管理層的內部報告方式一致，管理層乃本集團的總體營運決策核心，負責資源分配及對營運分類的表現評估。在釐定經營分類表現時，將會包括與各分類直接相關的收入及支出。

2.4 外幣換算

本集團各企業的財務報表所載項目均按各企業於主要經濟環境營運的貨幣計量（「功能貨幣」）。本綜合財務報表以港幣列示，即本銀行之功能及呈列貨幣。

外幣交易均按交易或重新計量項目之估值當日的即期匯率換算為功能貨幣。外幣交易以交易日之匯率結算所引致的匯兌損益，以及以外幣為本位的貨幣性資產及負債按會計結算日的匯率換算的匯兌損益，均直接於收益表確認，惟於其他全面收益內遞延作為合資格現金流對沖或合資格淨投資對沖除外。

以公允值變化計入損益的貨幣性證券的兌換差額會列作公允值收益或虧損的一部分。對於被分類為可供出售，以外幣為本位的貨幣性證券，其公允值變動可分為源自證券攤餘成本變動的其他兌換變動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其他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。

2.3 Segmental reporting

The operating result of segments are reported in a manner consistent with the internal reporting provided to the Management, which is the chief operating decision maker of the Group, that allocates resources and assesses the performance of operating segments. Income and expenses directly associated with each segment are included in determining operating segment performance.

2.4 Foreign currency translation

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The consolidated financial statements are presented in Hong Kong dollars, which is the Bank's functional and presentation currency.

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or exchange rates at the end of the reporting period for items that are re-measured. Foreign exchange gains and losses resulting from the settlement of foreign currency transactions using the exchange rates prevailing at the dates of the transactions and monetary assets and liabilities denominated in foreign currencies translated at the exchange rate at the end of the reporting period are recognised directly in the income statement, except when deferred in other comprehensive income as qualifying cash flow hedge or qualifying net investment hedges.

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 available for sale 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.

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)****2.4 Foreign currency translation (continued)**

對於非貨幣性項目，其兌換差額會列作公允價值收益或虧損的一部分。而非貨幣性金融資產(例如可供出售股權投資)的兌換差額會包含在其他全面收益內。

Translation differences on non-monetary items are reported as part of the fair value gain or loss. Translation differences on non-monetary financial assets such as equities classified as available for sale are included in other comprehensive income.

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：

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:

- 資產及負債按會計結算日之收市匯率換算；
- 收入及支出按平均匯率換算；及
- 所有產生之換算差額通過其他全面收益於權益項目下之貨幣換算儲備內確認。

- assets and liabilities are translated at the closing rates at the end of the reporting period;
- income and expenses are translated at average exchange rates; and
- all resulting exchange differences are recognised in the currency translation reserve in equity through other comprehensive income.

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。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，並確認於收益表內。

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. When a foreign entity is sold, such exchange differences are recognised in the income statement, as part of the gain or loss on sale.

2.5 衍生金融工具及對沖會計**2.5 Derivative financial instruments and hedge accounting**

衍生金融工具以衍生交易合同簽訂當日的公允價值進行初始確認，並以公允價值進行後續計量。公允價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)。當公允價值為正值時，衍生金融工具將被列為資產；當公允價值為負值時，則被列為負債。

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.

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)**

若干衍生金融工具會嵌藏在其他的金融工具中，當其經濟特徵和風險與主合同沒有緊密關聯，而主合同並非以公允值變化計入損益時，這些嵌藏式衍生金融工具需要單獨以公允值計量，並且其公允值變動計入收益表。

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，其公允值變動即時於收益表內確認。

對於被界定為對沖工具，並有效地對沖的衍生金融工具，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如下：

- (a) 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）。

被界定為此類對沖之衍生金融工具，會採用對沖會計入賬。

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所採取之策略。本集團並於對沖活動發生時及期間，評估有關衍生金融工具能否高度有效地抵銷相關被對沖項目之公允值或現金流變動，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。

2.5 Derivative financial instruments and hedge accounting (continued)

Certain derivatives embedded in other financial instruments 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.

For derivative instruments designated as hedging instrument and are effectively hedged, 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 follows:

- (a) Hedges of a particular risk associated with a highly probable future cash flow attributable to a recognised asset or liability, or a highly probable forecasted transaction (cash flow hedge).

Hedge accounting is used for derivatives designated in this way.

The Group documents at inception the relationship between hedging instruments and hedged items, as well as its risk management objective and strategy for undertaking various hedge transactions. The Group also documents its assessment, both at the hedge inception and on an ongoing basis, of whether the derivatives that are used in hedging transactions are highly effective in offsetting changes in fair values or cash flow of hedged items. These criteria should be met before a hedge can be qualified to be accounted for under hedge accounting.

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) 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，其公允價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。

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。

(b) 淨投資對沖

對沖工具有效對沖部分的收益或虧損，會於其他全面收益內確認及於權益內累計；無效部分的收益或虧損即時於收益表內確認。之前於其他全面收益中累計的收益或虧損金額會列作出售收益或虧損的一部分，並於出售海外運作時被重新分類至收益表內。

2.6 金融工具之抵銷

若存在法律上可行使的權利，可對已確認入賬之項目進行抵銷，且有意以淨額方式結算，或將資產變現並同時清償債務，則金融資產及負債可予抵銷，並把淨額於資產負債表內列賬。

2.5 Derivative financial instruments and hedge accounting (continued)**(a) 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.

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.

(b) Net investment hedge

A gain or loss on the effective portion of the hedging instrument is recognised in other comprehensive income and accumulated in equity; a gain or loss on the ineffective portion is recognised immediately in the income statement. Accumulated gains and losses previously recognised in other comprehensive income are reclassified to the income statement upon disposal of the foreign operation as part of the gain or loss on disposal.

2.6 Offsetting financial instruments

Financial assets and liabilities are offset and the net amount reported in the 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 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。

當一項金融資產或一組類似的金融資產確認減值損失後，會按照計量減值損失時對未來現金流進行貼現時使用的利率，按折減後之價值確認利息收入。而日後釋出之貼現準備亦將確認為利息收入。

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.

Once a financial asset or a group of similar financial assets has been written down as a result of an impairment loss, interest income is recognised on the written down value using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. Subsequent unwinding of the discount allowance is recognised as interest income.

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

本集團將金融資產分為四類：以公允價值變化計入損益之金融資產、貸款及應收款、持有至到期日證券和可供出售金融資產。管理層在初始確認時即對金融資產進行分類。金融資產是按持有目的作分類，並以公允價值作初始確認。除以公允價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。

(1) 以公允價值變化計入損益之金融資產

這類金融資產包括兩個細項：持作交易用途的金融資產，以及購入時即界定為以公允價值變化計入損益之金融資產。

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。

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 the following four categories: financial assets at fair value through profit or loss, loans and receivables, held-to-maturity securities and available for sale financial assets. The Management determines the classification of investments at initial recognition. The classification depends on the purpose for which the financial assets are held. All financial assets are recognised initially at fair value. Except for financial assets carried at fair value through profit or loss, all transaction costs of financial assets are included in their initial carrying amounts.

(1) Financial assets at fair value through profit or loss

This category has two sub-categories: financial assets held for trading, and those designated at fair value through profit or loss at inception.

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 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)
2.8 金融資產 (續)
(1) 以公允價值變化計入損益之金融資產 (續)

除持作交易用途的金融資產外，如能滿足以下其中之一項條件，金融資產會被管理層界定為以公允價值變化計入損益之金融資產：

- 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」）；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，其表現是按公允價值為基礎來衡量，並按此基礎將該組金融工具的資訊向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資產相關，且這些嵌藏式衍生金融工具對該等金融資產的現金流產生重大影響。

這些資產以公允價值進行初始確認，交易費用直接計入收益表，並以公允價值進行後續計量。

該等資產的公允價值變化所產生的損益（不包括利息部分）計入淨交易性收益／虧損或界定為以公允價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。

2.8 Financial assets (continued)
(1) Financial assets at fair value through profit or loss (continued)

A financial asset, other than one held for trading, will be designated as a financial asset at fair value through profit or loss, if it meets one of the criteria set out below, and is so designated by the Management:

- eliminates or significantly reduces a measurement or recognition inconsistency (sometimes referred to as "an accounting mismatch") that would otherwise arise from measuring the financial assets or recognising the gains and losses on them on different bases; or
- 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 Management; or
- relates to financial assets containing one or more embedded derivative that significantly modifies the cash flow resulting from those financial assets.

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.

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 fair value through profit or loss. The interest component is reported as part of interest income.

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)****(2) 貸款及應收款**

貸款及應收款是指具有固定或可確定支付金額且不在活躍市場報價的非衍生金融資產，主要包括銀行及其他金融機構結餘及存款、沒有活躍市場的債券投資和客戶貸款及應收款。當本集團直接向債務人提供資金、貨品或服務，而沒有出售應收款的意圖時，本集團將其確認為貸款及應收款。貸款及應收款以公允值加上直接相關的交易費用進行初始入賬，並以採用實際利息法計算的攤餘成本扣除減值損失準備進行後續計量。

(2) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market, including placements with and advances to banks and other financial institutions, investment debt securities without an active market and loans and advances to customers. They arise when the Group provides money, goods or services directly to a debtor with no intention of trading the receivable. They are initially recorded 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.

(3) 持有至到期日金融投資

分類為持有至到期日投資類別是指能於活躍市場中買賣，並擁有固定或可確定之還款額及還款期，以及本集團管理層有意向及能力持有至到期日之金融資產。如本集團所出售的持有至到期日投資(i)並非因不受本集團控制、非經常性及本集團不能合理預期的個別事件而出售，例如發行人信用狀況嚴重變壞，法定或監管要求重大改變；或(ii)佔持有至到期日資產中多於不重大部分，則整個資產類別將受到影響，需要重新分類至可供出售金融資產。持有至到期日投資以公允值加上直接相關的交易費用進行初始入賬，並以實際利息法計算的攤餘成本扣除減值損失準備進行後續計量。

(3) Held-to-maturity financial investments

Financial assets classified as held-to-maturity are those traded in active markets, with fixed or determinable payments and fixed maturities that the Group's Management has both the positive intention and the ability to hold to maturity. Where the Group sold held-to-maturity assets (i) other than due to an isolated event beyond the Group's control, non-recurring and could not have been reasonably anticipated by the Group, such as a significant deterioration in the issuer's creditworthiness, significant change in statutory or regulatory requirement; or (ii) other than an insignificant amount of held-to-maturity assets, the entire category would be tainted and reclassified as available-for-sale. They are initially recorded 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.

(4) 可供出售金融投資

可供出售金融資產包括界定為此類的金融資產以及不屬於以上分類的金融資產。此等金融資產的持有期限不確定，但有可能依據流動資金需求或利率、匯率及權益價格的變動而被出售。

(4) Available-for-sale financial investments

Financial assets classified as available-for-sale are those that are either designated as such or are not classified in any of the other categories. They are intended to be held for an indefinite period of time but may be sold in response to needs for liquidity or changes in interest rates, exchange rates or equity prices.

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)****(4) 可供出售金融投資
(續)****(4) Available-for-sale financial investments (continued)**

可供出售金融資產以公允價值加上直接相關的交易費用進行初始入賬，並以公允價值進行後續計量。因該等投資之公允價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，之前確認於權益儲備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。分類為可供出售之股份權益工具，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。

Available-for-sale financial assets are initially recorded at fair value plus any directly attributable transaction costs, and are subsequently measured at fair value. Unrealised gains and losses arising from changes in the fair value of investments 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. Dividends on equity instruments classified as available-for-sale are recognised in other operating income when the Group's right to receive payment is established.

若一項金融資產由可供出售類別重新分類，重新分類日的公允價值將成為新分類項下的攤餘成本。而之前在可供出售分類項下已記入其他全面收益之盈虧，則於相關投資的剩餘年內以實際利息法攤銷至損益。新攤餘成本與到期當日之餘額的差額，亦在該金融資產的剩餘年內，以實際利息法攤銷。若該金融資產隨後發生減值時，原已記入其他全面收益的相關金額即時重新分類至損益。

For a financial asset reclassified from the available-for-sale category, the fair value carrying amount at the date of reclassification becomes its new amortised cost and any previous gain or loss on that asset that has been recognised in other comprehensive income is amortised to profit or loss over the remaining life of the investment using the effective interest method. Any difference between the new amortised cost and the maturity amount is also amortised over the remaining life of the financial asset using the effective interest method. If the financial asset is subsequently determined to be impaired, the amount recorded in other comprehensive income is reclassified to profit or loss immediately.

可供出售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 available-for-sale 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：公允價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允價值進行初始確認。

The Group classifies its financial liabilities under the following categories: financial liabilities at fair value through profit or loss, deposits, debt securities and certificate of deposit in issue, and other liabilities. All financial liabilities are classified at inception and recognised initially 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)****2.9 金融負債 (續)****2.9 Financial liabilities (continued)****(1) 公允價值變化計入損益之金融負債**

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。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。交易性負債以公允價值列賬，公允價值之變動所產生的收益或虧損確認於收益表內。

(1) Financial liabilities at fair value through profit or loss

A financial liability is classified as held for trading if it is incurred principally for the purpose of repurchasing in the short term. Derivatives are also classified as held for trading unless they are designated as effective hedges. It is measured at fair value and any gains and losses from changes in fair value are recognised in the income statement.

(2) 存款、已發行債務證券及存款證及其他負債

除被分類為交易性負債外，存款、已發行債務證券及存款證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) Deposit, debt securities and certificates of deposit in issue, and other liabilities

Deposits, debt securities and certificates of deposit in issue and other liabilities, other than those classified as trading liabilities 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 財務擔保合約**2.10 Financial guarantee contracts**

財務擔保合約是指簽發人在指定的債務人未能根據持有人與債務人之間的債務合約條款而履行還款責任時，需向持有人償付由此而產生之損失的指定付款。

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.

財務擔保合約以合約簽發當日的公允價值初始確認為金融負債，並列示於財務報表內的「其他賬項及準備」項下。及後，本集團之責任按以下兩者之較高者計量：(i)根據香港會計準則第37號「準備、或然負債及或然資產」釐定之金額；及(ii)初始確認之金額減按直線法於擔保有效期內確認之累計攤銷（如適用）。財務擔保合約負債的變動則於收益表中確認。

Financial guarantee contracts are initially recognised as financial liabilities and reported under "Other accounts and provisions" in the financial statements at fair value on the date the guarantee was given. Subsequent to initial recognition, the Group's liabilities under such guarantees are measured at the higher of (i) the amount determined in accordance with HKAS 37 "Provisions, Contingent Liabilities and Contingent Assets" and (ii) the amount initially recognised less, where appropriate, accumulated amortisation recognised over the life of the guarantee on a straight-line basis. Any changes in the liability relating to financial guarantee contracts are taken to the income statement.

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**

以公允價值變化計入損益、可供出售及持有至到期日之金融資產，其買賣會於交易當日（即本集團購入或出售資產當日）確認。貸款及應收款（沒有活躍市場的投資證券除外）於付出現金予借款人時確認。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。

交易性負債於交易當日確認。交易性負債以外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。只有當合約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。

售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」。

2.11 Recognition and derecognition of financial instruments

Purchases and sales of financial assets at fair value through profit or loss, available-for-sale and held-to-maturity are recognised on the trade date, the date on which the Group purchases or sells the assets. Loans and receivables (except investment securities without an active market) are recognised when cash is advanced to the borrowers. 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 are recognised on the trade date. Deposits that are not trading liabilities 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.

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.

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)**

「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，列賬於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，並仍列為金融投資或以公允值變化計入損益之金融資產。「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，於資產負債表內列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期內分期確認為利息收入或利息支出。

2.12 公允值計量

本集團於每個會計結算日以公允值計量房產及投資物業、貴金屬及部分金融工具。公允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。

計量資產或負債公允值運用的假設為市場參與者在其最佳經濟利益的情況下，所採用的資產或負債計價。

非金融資產之公允值計量為考慮市場參與者使用該資產所產生的最高及最佳經濟利益，或出售予另一市場參與者而該參與者可產生的最高及最佳經濟利益。

2.11 Recognition and derecognition of financial instruments (continued)

Repos or securities lending are initially recorded 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 financial investments or financial assets at fair value through profit or loss. Reverse repos or securities borrowing are initially recorded 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 sale and 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.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

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 公允值計量 (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允值，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。

2.12 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。貴金屬以其公允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. Precious metals are initially recognised and subsequently re-measured at fair value. Mark-to-market gains or losses on precious metals are included in net trading gain/loss.

2.14 金融資產減值

本集團於每個會計結算日對個別或一組金融資產是否存在減值的客觀證據進行評估。當有客觀減值證據表明金融資產在初始確認後因發生一項或多項事件（「損失事件」），且該損失事件對可靠估計該項金融資產或該組金融資產的預計未來現金流產生影響時，則該項或該組金融資產被認為已發生減值並出現減值損失。顯示個別或一組金融資產可能出現減值之客觀證據包括本集團已注意到關於以下可能出現損失事件之可供觀察資料：

2.14 Impairment of financial assets

The Group assesses as at the end of each reporting period whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is impaired and impairment losses are incurred if, and only if, there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a "loss event") and that loss event (or events) has an impact on the reliably estimated future cash flows of the financial asset or group of financial assets. Objective evidence that a financial asset or group of financial assets may be impaired includes observable data that comes to the attention of the Group about the following probable loss events:

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)
2.14 Impairment of financial assets (continued)

- (i) 發行人或欠債人遇到嚴重財政困難；
- (ii) 違約，例如逾期或拖欠利息或本金還款；
- (iii) 因應與借款人之財政困難相關之經濟或法律原因，本集團給予借款人在一般情況下放款人不予考慮之優惠條件；
- (iv) 借款人有可能破產或進行其他財務重組；
- (v) 因財政困難致使該金融資產之活躍市場消失或其投資評級被降至投資級別以下；或
- (vi) 可察覺的資料顯示某一金融資產組合所產生之未來預計現金流量將較初始確認時有可量度之下降，雖然有關下降並未能明確為該組合內之個別金融資產。資料包括：
 - 該組合之供款人之還款狀況有不利轉變；或
 - 與該組合資產之逾期還款相關之全國性或本地經濟狀況。

- (i) significant financial difficulty of the issuer or obligor;
- (ii) a breach of contract, such as a default or delinquency in interest or principal payment;
- (iii) the Group granting to the borrower, for economic or legal reasons relating to the borrower's financial difficulty, a concession that the lender would not otherwise consider;
- (iv) it becoming probable that the borrower will enter into bankruptcy or other financial reorganisation;
- (v) the disappearance of an active market or downgrading below investment grade level for that financial asset because of financial difficulties; or
- (vi) observable data indicating that there is a measurable decrease in the estimated future cash flows from a group of financial assets since the initial recognition of those assets, although the decrease cannot yet be identified with the individual financial assets in the group, including:
 - adverse changes in the payment status of borrowers in the group; or
 - national or local economic conditions that correlate with defaults on the assets in the group.

(1) 以攤餘成本計量的金融資產

本集團首先對單項金額重大的金融資產是否存在減值的客觀證據進行個別評估。如果本集團沒有發現客觀證據表明進行個別評估的金融資產存在減值情況，本集團將其連同其他單項金額不重大的金融資產或尚未識別減值的金融資產包括在具有類似信貸風險特徵的金融資產組別中，進行組合減值評估。經個別進行減值評估並且已確認或繼續確認減值損失的資產，不再納入組合減值評估的範圍。

(1) Financial assets carried at amortised cost

The Group first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant. If the Group determines that no objective evidence of impairment exists for an individually assessed financial asset, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment together with all other financial assets that are not individually significant or for which impairment has not yet been identified. Assets that are individually assessed for impairment and for which an impairment loss is or continues to be recognised are not included in a collective assessment of impairment.

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)****2.14 Impairment of financial assets (continued)****(1) 以攤餘成本計量的金融資產 (續)**

如果有客觀證據表明貸款及應收款或持有至到期日證券已發生減值損失，則其減值損失將按照該資產的賬面金額與該金融資產按原來實際利率貼現後的預計未來現金流(不包括尚未發生的未來信用損失)的現值之間的差額進行計量。減值損失通過使用準備金來減少該資產的賬面金額，並確認於收益表內。如果貸款或持有至到期日證券為浮動利率，用於計量減值損失的貼現率為按合約確定的當前實際利率。實務上，本集團亦可以採用觀察到的市場價值確定某項金融工具的公允值，並以此作為基準計算減值。

附有抵押品的金融資產之預計未來現金流的現值包含按照止贖抵押品的價值扣除獲取和出售該抵押品之成本後的現金流。

本集團在進行組合減值評估時，將根據信貸風險特徵的相似性和相關性對金融資產進行分組。此等特徵與預計該等資產組合之未來現金流相關，可以反映債務人按照該等被評估資產的合約條款償還所有到期金額的能力。

對一組金融資產進行組合減值評估測算時，其預計未來現金流乃按該組資產的合約現金流以及於本集團內與該組金融資產具有類似信貸風險特徵的資產的歷史損失經驗為基準。以上歷史損失經驗將根據當期可觀察數據進行調整，以反映並不會影響該段歷史損失期間的當前情況，及從歷史損失經驗數據中移除那些當期已不存在的影響事項。

(1) Financial assets carried at amortised cost (continued)

If there is objective evidence that an impairment loss on loans and receivables or held-to-maturity securities has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred), discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account and the amount of the loss is recognised in the income statement. If a loan or held-to-maturity security has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract. As a practical expedient, the Group may measure impairment on the basis of an instrument's fair value using an observable market price.

The calculation of the present value of the estimated future cash flows of a collateralised financial asset reflects the cash flows that may result from foreclosure less costs for obtaining and selling the collateral.

For the purposes of a collective assessment of impairment, financial assets are grouped on the basis of similar and relevant credit risk characteristics. Those characteristics are relevant to the estimation of future cash flows for groups of such assets by being indicative of the debtors' ability to pay all amounts due according to the contractual terms of the assets being evaluated.

Future cash flows in a group of financial assets that are collectively evaluated for impairment are estimated on the basis of the contractual cash flows of the assets in the group and historical loss experience for assets with credit risk characteristics similar to those in the group. Historical loss experience is adjusted on the basis of current observable data to reflect the effects of current conditions that did not affect the period on which the historical loss experience is based and to remove the effects of conditions in the historical period that do not exist currently.

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)****2.14 Impairment of financial assets (continued)****(1) 以攤餘成本計量的金融資產 (續)**

當貸款無法收回時，在完成所有必要程序及確定損失金額後，本集團對該等貸款進行撇銷，沖減相應的貸款損失減值準備。撇銷後收回的貸款金額沖減在收益表中的貸款減值損失。

如果在以後的會計報表期間，減值損失的金額減少，且該等減少與確認減值後發生的事件有客觀關聯（例如債務人信用評級的改善），則之前已確認的減值損失可按不多於該之前已減值之金額，通過調整準備金予以回撥，回撥的金額於收益表內確認。

當貸款條款經重新商訂後與原來出現重大差異時，該貸款不再被視為逾期貸款，而作為新貸款處理。

(2) 被分類為可供出售的金融資產

如可供出售金融資產存在減值證據時，其累計虧損—即其購入成本或攤餘成本與現時公允值之差額，扣除該金融資產之前已記入收益表內之累計減值損失—需從權益儲備撥轉至收益表內。對於被界定為可供出售的股權投資，在決定其是否出現減值時，會考慮其公允值是否嚴重地或長期地低於其成本。如日後被分類為可供出售金融資產之債務工具之公允值增加，並與收益表確認減值後發生之事項有客觀關聯，有關之減值損失可按不多於該之前已減值之金額於收益表內回撥。至於股份權益工具方面，之後的公允值變化會透過其他全面收益確認於可供出售證券公允值變動儲備，減值損失不會通過收益表回撥。

(1) Financial assets carried at amortised cost (continued)

When a loan is uncollectible, it is written off against the related allowance for impairment losses. Such loans are written off after all the necessary procedures have been completed and the amount of the loss has been determined. Subsequent recoveries of amounts previously written off decrease the amount of impairment losses in the income statement.

If, in a subsequent period, the amount of allowance for impairment losses decreases and the decrease can be related objectively to an event occurring after the impairment loss was recognised (such as an improvement in the debtor's credit rating), the previously recognised impairment loss to the extent of its decrease is reversed by adjusting the allowance account. The amount of the reversal is recognised in the income statement.

Loans whose terms have been renegotiated with substantial difference in the terms are no longer considered to be past due but are treated as new loans.

(2) Financial assets classified as available-for-sale

If evidence of impairment exists for available-for-sale financial assets, the accumulated losses, measured as the difference between the acquisition cost or amortised cost and the current fair value, less any impairment loss on that financial asset previously recognised in the income statement, is removed from equity and recognised in the income statement. In the case of equity investments classified as available-for-sale, a significant or prolonged decline in the fair value of the security below its cost is considered in determining whether the assets are impaired. If, in a subsequent period, the fair value of a debt instrument classified as available-for-sale increases and the increase can be objectively related to an event occurring after the impairment loss was recognised in the income statement, the impairment loss to the extent of its decrease is reversed through the income statement. With respect to equity instruments, further fair value changes are recognised in the reserve for fair value change of available-for-sale securities through other comprehensive income, impairment losses are not reversed through 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」是以公允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允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。

2.16 投資物業

持作賺取長期租金收益或資本增值或兩者兼備者，且並非集團旗下各公司所佔用之物業，均列作投資物業。出租予本集團內公司之物業，於個別公司之財務報表中分類為投資物業，及於綜合財務報表中分類為房產。若經營租賃之土地符合投資物業之其他定義，則會列作為投資物業。有關之經營租賃會作為融資租賃處理。

2.15 Impairment of investment in subsidiaries and non-financial assets

Assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. Potential indications of impairment may include significant adverse changes in the technological, market, economic or legal environment in which the assets operate or whether there has been a significant or prolonged decline in value below their cost. "Significant" is evaluated against the original cost of the investment and "prolonged" against the period in which the fair value has been below its original cost.

An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash generating units). Assets that suffered impairment are reviewed for possible reversal of the impairment at each reporting date.

In the Bank's balance sheet, impairment testing of the investment in a subsidiary is also required upon receiving dividend from that entity if the dividend exceeds the total comprehensive income of that entity concerned in the period the dividend is declared or if the carrying amount of that entity in the Bank's balance sheet exceeds the carrying amount of that entity's net assets including goodwill in its consolidated balance sheet.

2.16 Investment properties

Properties that are held for long-term rental yields or for capital appreciation or both, and that are not occupied by the companies in the Group, are classified as investment properties. Properties leased out within Group companies are classified as investment properties in individual companies' financial statements and as premises in consolidated financial statements. Land held under operating lease is classified and accounted for as investment property when the rest of the definition of investment property is met. The operating lease is accounted for as if it is a finance lease.

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)**

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,投資物業按公允值計量。

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,則以公允值計量。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。

任何公允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允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允值之間的差額作為房產重估,確認於其他全面收益內。惟若公允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 (continued)

Investment properties are recognised initially at cost, including related transaction costs. After initial recognition, investment properties are measured at fair value.

Subsequent expenditure is charged to the asset's carrying amount only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The item is stated at cost less impairment and is included in the carrying amount of investment properties. Once the item begins to generate economic benefits, it is then measured at fair value. All other repairs and maintenance costs are expensed in the income statement during the financial period in which they are incurred.

Any changes in fair value are recognised directly in the income statement.

If an investment property becomes owner-occupied, it is reclassified as premises, and its fair value at the date of reclassification becomes its cost for accounting purposes. If an item of premises becomes an investment property because its use has changed, any difference resulting between the carrying amount and the fair value of this item at the date of transfer is recognised in other comprehensive income as a revaluation of premises under HKAS 16 "Property, Plant and Equipment". However, if a fair value gain reverses a previous revaluation loss or impairment loss, the gain is recognised in the income statement up to the amount previously debited.

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允值扣除隨後發生之累計折舊列示。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。

所有器材及設備均以歷史成本扣除累計折舊列賬。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。

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 are mainly branches and office premises. Premises are shown at fair value based on periodic, at least annual, valuations by external independent valuers less subsequent accumulated depreciation. 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.

All plant and equipment are stated at historical cost less accumulated depreciation. 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 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.

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)

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

本集團在每個會計結算日重檢資產的可用年限，並已按適當情況作出調整。

在每個會計結算日，源自內部及外界之資料均會被用作評定物業、器材及設備是否出現減值之跡象。如該跡象存在，則估算資產之可收回價值，及在合適情況下將減值損失確認以將資產減至其可收回價值。該等減值損失在收益表內確認，但假若某資產乃按估值列賬，而減值損失又不超過同一資產之重估盈餘，此等損失則當作重估減值。可收回價值指該資產之公允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。

出售之收益及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，並於收益表內確認。

分類至待出售資產的物業、器材及設備不會進行折舊並根據香港財務報告準則第 5 號「持作出售用途之非流動資產及終止經營業務」計量。

2.17 Properties, plant and equipment (continued)

Depreciation is calculated on the straight-line method to write down the cost or revalued amount of such assets over their estimated useful lives as follows:

- Properties
Over the life of government land leases
- Plant and equipment
2 to 15 years

The useful lives of assets are reviewed, and adjusted if appropriate, as at the end of each reporting period.

At the end of each reporting period, both internal and external sources of information are considered to determine whether there is any indication that properties, plant and equipment, are impaired. If any such indication exists, the recoverable amount of the asset is estimated and where relevant, an impairment loss is recognised to reduce the asset to its recoverable amount. Such an impairment loss is recognised in the income statement except where the asset is carried at valuation and the impairment loss does not exceed the revaluation surplus for that same asset, in which case it is treated as a revaluation decrease. The recoverable amount is the higher of the asset's fair value less costs to sell and value in use. Impairment loss is reversed through the premises revaluation reserve or the income statement as appropriate.

Gains and losses on disposals are determined by comparing proceeds with carrying amount, relevant taxes and expenses. These are recognised in the income statement.

Properties, plant and equipment classified as held for sale is not depreciated and is accounted for in accordance with HKFRS 5 "Non-current Assets Held for Sale and Discontinued Operations".

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****2.18 Leases****(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。

若經營租賃於租約到期前已結束，任何需繳付予出租人之罰款將於結束發生當月於收益表內確認為支出。經營租賃之租金收入在租約期內以直線法確認。

(2) 融資租賃

如承租人已實質上獲得了所有風險及回報，該資產的租賃應歸類為融資租賃。由於位於香港之土地的最低租約付款的現值(即成交價)已實質上等同於土地的公平價值，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，按租賃資產之公允值與其最低租約付款的現值之較低者予以資產化。每期租金均會分配於負債及財務費用，以達至一個固定息率於融資餘額上。相應的租賃責任，在扣除財務費用後，會計入其他負債。按融資租賃方法購入的投資物業以公允值列賬。

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。

(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.

When an operating lease is terminated before the lease period has expired, any payment required to be made to the lessor by way of penalty is recognised as an expense in the period in which termination takes place. Rental income from operating leases is recognised on a straight-line basis over the lease term.

(2) Finance leases

Leases of assets where lessee have obtained substantially all the risks and rewards of ownership are classified as finance leases. Government land leases in Hong Kong are classified as finance leases as the present value of the minimum lease payments (i.e. transaction price) of the land amounted to substantially all of the fair value of the land as if it were freehold.

Finance leases are capitalised at the lease's commencement at the lower of the fair value of the leased asset and the present value of the minimum lease payments. Each lease payment is allocated between the liability and finance charges so as to achieve a constant rate on the finance balance outstanding. The corresponding rental obligations, net of finance charges, are included in other liabilities. Investment properties acquired under finance leases are carried at their fair value.

When assets are leased out under a finance lease, the present value of the lease payments is recognised as a receivable. Lease income is recognised over the term of the lease using net investment method, which reflects a constant periodic rate of return.

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 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。

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) 有償缺勤

僱員獲享之年度休假及病假在累積時確認，本集團會對僱員服務至會計結算日所累積，但尚未使用之年度休假及預計所需支付之病假作出估算及撥備。

2.19 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.

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.

(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.

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)****2.21 Employee benefits (continued)****(2) 有償缺勤 (續)**

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。

(2) Leave entitlements (continued)

Compensated absences other than sick leave and special approved annual leaves are non-accumulating; they lapse if the current period's entitlement is not used in full. Except for unexpired annual leaves, they do not entitle employees to a cash payment for unused entitlement on leaving the Group.

(3) 獎金計劃

若因僱員提供之服務而令集團產生法律性或推定性之現有責任，而該責任之金額亦能可靠地作出估算，集團需確認該預期之獎金支出並以負債列賬。如獎金計劃之負債金額重大，且預期會於 12 個月後才被償付，會以貼現處理。

(3) Bonus plans

The expected cost of bonus payments are recognised as a liability when the Group has a present legal or constructive obligation as a result of services rendered by employees and a reliable estimate of the obligation can be made. Liabilities for bonus plans that are expected to be settled longer than twelve months will be discounted if the amounts are significant.

(4) 界定利益福利計劃

本集團設置了一項非存置基金的界定利益福利計劃，此界定利益福利計劃所提供福利之成本是以預期累計福利單位精算估值方法計算。

(4) Defined benefit plan

The Group operates a defined benefit plan which is unfunded. The cost of providing benefits under the defined benefit plan is determined using the projected unit credit actuarial valuation method.

重新計量界定利益福利計劃之精算盈虧會在發生期內即時確認於綜合資產負債表內，並同時透過借記或貸記其他全面收益列入留存溢利。重新計量之盈虧不會在往後年度重分類至損益。

Remeasurements arising from actuarial gains and losses of the defined benefit plan, is recognised immediately in the consolidated balance sheet with a corresponding debit or credit to retained profits through other comprehensive income in the period in which they occur. Remeasurements are not reclassified to profit or loss in subsequent periods.

往年服務成本在以下情況之較早者確認於損益：

- 界定利益福利計劃作出修訂或削減之日；及
- 本集團確認重組相關費用之日。

Past service costs are recognised in profit or loss at the earlier of:

- the date of the plan amendment or curtailment; and
- the date that the Group recognises restructuring-related costs.

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)****2.21 Employee benefits (continued)****(4) 界定利益福利計劃 (續)****(4) Defined benefit plan (continued)**

淨利息是以折現率與界定利益福利計劃淨資產或淨負債計算所得，本集團就以下界定利益福利計劃承擔之變動按其性質確認於綜合收益表內之利息支出或經營支出：

Net interest is calculated by applying the discount rate to the net defined benefit liability or asset. The Group recognises the following changes in the net defined benefit obligation under “interest expenses” and “operating expenses” in the consolidated income statement by function:

- 服務成本包括當期及以往的服務成本、削減福利之盈虧及非經常性之結算。
- 淨利息支出或收入。

- service costs comprising current service costs, past service costs, gains and losses on curtailments and non-routine settlements
- net interest expense or income

2.22 本期及遞延所得稅項**2.22 Current and deferred income taxes**

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。

Tax expenses for the period comprises current and deferred tax. Tax is recognised in the income statement, except to the extent that it relates to items recognised directly in other comprehensive income. In this case, the tax is also recognised in other comprehensive income.

基於溢利而需支付之所得稅，是根據本銀行及附屬公司在營運及產生應課稅收入之司法管轄地區於會計結算日已執行或實際會執行之適用稅法計算，並於溢利產生當期確認為本期所得稅項支出。

Income tax payable on profits, based on the applicable tax law enacted or substantially enacted at the end of the reporting period in each jurisdiction where the Bank and the subsidiaries operate and generate taxable income, is recognised as a current income tax expense in the period in which profits arise.

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。

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.

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)**

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，包括可供出售證券及房產。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全部被確認。

遞延所得稅項乃記於收益表內。但因可供出售證券的公允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。

2.22 Current and deferred income taxes (continued)

The principal temporary differences arise from asset impairment provisions, depreciation of premises and equipment, and revaluation of certain assets including available-for-sale securities and premises. However, the deferred income tax is not recognised if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss.

Deferred income tax liabilities are provided in full on all taxable temporary differences. Deferred income tax assets are recognised on all deductible temporary differences, the carry forward of any unused tax credits and unused tax losses to the extent that it is probable that future taxable profit will be available against which the deductible temporary differences, the carry forward of unused tax credits and unused tax losses can be utilised.

Deferred income tax is charged or credited in the income statement except for deferred income tax relating to fair value re-measurement of available-for-sale securities and revaluation of premises which are charged or credited to other comprehensive income, in which case the deferred income tax is also credited or charged to other comprehensive income and is subsequently recognised in the income statement together with the realisation of the deferred gain and loss.

Deferred tax liability or deferred tax asset arising from investment property is determined based on the presumption that the revaluation amount of such investment property will be recovered through sale with the relevant tax rate applied.

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 收回資產**

收回資產按其收回日之公允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允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。

2.25 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。

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.

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.

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(續)**

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 待出售資產

倘若非流動資產的賬面值將主要經出售變現，可在現況下供出售及出售的可能性甚高，則會歸類為待出售資產。待出售用途之非流動資產乃根據香港財務報告準則第 5 號「持作出售用途之非流動資產及終止經營業務」，按賬面值與公平價值減去出售成本，以兩者中之較低額計量。

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。

2.25 Contingent liabilities and contingent assets (continued)

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 Assets held for sale

Non-current assets are classified as held for sale when their carrying amounts will be recovered principally through sale, they are available for sale in their present condition and their sale is highly probable. Non-current assets held for sale are measured at the lower of their carrying amount and fair value less costs to sell, in accordance with HKFRS 5 "Non-current Assets Held for Sale and Discontinued Operations".

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. 應用會計政策時的重大會計估計及判斷**

本集團作出的會計估計和假設通常會影響下一會計年度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 貸款及應收款減值準備

本集團至少每季對貸款組合的減值損失情況進行一次評估。於決定是否確認減值損失於收益表時，本集團於識別某一貸款組合內個別貸款之減值損失前，會首先判斷是否有可觀察數據顯示該貸款組合所產生之未來預計現金流量將出現有可量度之下降。該證據包括能顯示該組合內借款人之還款狀況有不利轉變的可觀察資料（如拖欠或逾期還款）或與組合內貸款資產違約有關的經濟狀況。管理層於估計未來現金流量時，將根據具有與該組合類似之信貸風險特徵及客觀減值證據之資產之過往損失經驗作為估計基準。用作估計未來現金流量金額及時間之方法及假設會被定期檢討。

截至 2016 年 12 月 31 日的貸款及應收款賬面價值已列示於附註 22。

3. Critical accounting estimates and judgements in applying accounting policies

The Group makes estimates and assumptions that affect the carrying amounts of assets and liabilities within the next financial year. Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Areas susceptible to changes in essential estimates and judgements, which affect the carrying amount of assets and liabilities, are set out below. The effect of changes to either the key assumptions or other estimation uncertainties will be 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 allowances on loans and advances

The Group reviews its loan portfolios to assess impairment at least on a quarterly basis. In determining whether an impairment loss should be recorded in the income statement, the Group makes judgements as to whether there is any observable data indicating that there is a measurable decrease in the estimated future cash flows from a portfolio of loans and advances before the decrease can be identified with an individual loan in that portfolio. This evidence may include observable data indicating that there has been an adverse change in the payment status of borrowers in a group (e.g. payment delinquency or default), or economic conditions that correlate with defaults on assets in the group. The Management uses estimates based on historical loss experience for assets with credit risk characteristics and objective evidence of impairment similar to those in the portfolio when estimating expected future cash flows. The methodology and assumptions used for estimating both the amount and timing of future cash flows are reviewed regularly.

Carrying amounts of loans and advances as at 31 December 2016 are shown in Note 22.

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 金融投資減值

3.2 Impairment of financial investments

本集團至少每季對其投資組合的減值損失情況進行一次評估。於決定該等投資是否出現減值時，會評估其風險特徵和表現，例如外部信用評級及市場價值。本集團會參照該等組合的市場表現、發行人的目前付款情況、相關資產表現、與抵押資產違約直接相關的經濟情況，而對每一項投資的違約率和損失嚴重性作出估計。減值評估中所使用的方法和假設會被定期檢討。

The Group reviews its investment portfolios to assess impairment at least on a quarterly basis. In determining whether any of these investments is impaired, risk characteristics and performance such as external credit rating and market price will be assessed. The Group makes estimates on the default rate and loss severity of each investment with reference to market performance of the portfolios, current payment status of the issuers or performance of the underlying assets, or economic conditions that correlate with defaults on the collateralised assets. The methodology and assumptions used for impairment assessments are reviewed regularly.

截至2016年12月31日的金融投資賬面值已列示於附註24。

Carrying amounts of financial investments as at 31 December 2016 are shown in Note 24.

3.3 衍生金融工具的公允值

3.3 Fair values of derivative financial instruments

沒有活躍市場報價之衍生金融工具，其公允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。

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.

截至2016年12月31日的衍生金融工具賬面值已列示於附註21。

Carrying amounts of derivative financial instruments as at 31 December 2016 are shown in Note 21.

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 持有至到期日證券分類

本集團跟循香港會計準則第39號之指引，將具有固定或確定付款額及還款期的若干非衍生金融資產分類為持有至到期日證券。此分類需運用重大判斷。於使用該判斷時，本集團會考慮其持有之意向及能持有該資產至到期日之能力。除香港會計準則第39號所列出的特定情況外（例如出售之金額不重大；於接近到期日出售；或因信貸顯著轉差而出售），若本集團未能持有該等投資至到期日，則整個類別需被重新分類為可供出售證券，而該投資將以公允值計量，而不能以攤餘成本計量。

截至2016年12月31日的持有至到期日證券賬面值已列示於附註24。

3.5 遞延稅項資產

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，需要管理層作出重大判斷，包括基於未來最有可能產生應課稅溢利的時間及其金額。

按未使用的稅務抵免確認遞延稅項資產。在釐定需確認之遞延稅項資產的金額時，需根據對可運用的稅務抵免之估算及收回此等已確認之遞延稅項資產的可能性而作出重大的會計判斷。

3.4 Classification of held-to-maturity securities

The Group follows the guidance of HKAS 39 in classifying certain non-derivative financial assets with fixed or determinable payments and fixed maturity as held-to-maturity securities. This classification requires significant management judgement to evaluate the Group's intention and ability to hold such investments to maturity. If the Group fails to hold these investments to maturity other than for specific circumstances defined in HKAS 39, such as selling an insignificant amount, selling close to maturity or due to significant credit deterioration of such investments, it will be required to reclassify the entire portfolio of financial assets as available-for-sale securities. The investments would then be measured at fair value and not amortised cost.

Carrying amounts of held-to-maturity securities as at 31 December 2016 are shown in Note 24.

3.5 Deferred tax assets

Deferred tax assets 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. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of future taxable profits.

Deferred tax assets on unused tax credits are recognised. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the estimation of available tax credits and the possibility to recover such deferred tax assets recognised.

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，負責制定本集團的風險管理策略，並確保本集團具備有效的風險管理系統以落實執行有關策略。

風險管理委員會是董事會成立的常設委員會，負責監察本集團的各類風險；批准高層次的風險管理政策，並監督其執行；向董事會建議風險管理高層架構，包括行政總裁最高信貸審批權限及信貸審批委員會的信貸審批範圍。如風險管理委員會認為交易過於重大而應由董事會批准，可把該筆交易申請提交董事會。稽核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 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 and ensuring that the Group has an effective risk management system to implement these strategies.

The Risk Management Committee, a standing committee established by the Board of Directors, is responsible for overseeing the Group's various types of risks, approving high-level risk management policies and monitoring their implementation, recommending senior risk management organisational structure to the Board, including credit approval authority for the Chief Executive and scope of credit approval for the Credit Approval Committee. The Risk Management Committee would refer any specific transaction to the Board if it is deemed so significant that Board approval is desirable. 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）**

信貸審批委員會負責在董事會授權範圍內審批信貸業務。行政總裁負責組織落實董事會所確立的風險管理策略及目標，管理各類風險，在董事會授權範圍內審批重大風險承擔或交易。

本集團的不同單位具有其相應的風險管理責任。業務單位是風險管理的第一道防線，而風險管理單位則獨立於業務單位，負責各類風險的日常管理，以及草擬、檢查和更新各類風險管理政策和程序。

本集團建立了合適的內部控制程序，包括設立權責分立清晰的組織架構，以監察業務運作是否符合既定政策、程序及限額。適當的匯報機制也充分地使監控職能獨立於業務範疇，同時促成機構內適當的職責分工，有助營造適當的內部控制環境。

Financial risk management framework (continued)

The Credit Approval Committee is responsible for credit approval within the authorization granted by the Board of Directors. The Chief Executive is responsible for organising and implementing the risk management strategies and objectives established by the Board of Directors, managing various risks and approving significant risk exposures or transactions within the authorization granted by the Board of Directors.

Various units of the Group have their respective risk management responsibilities. Business units act as the first line of defence while risk management units, which are independent from the business units, are responsible for the day-to-day management of different kinds of risks. Risk management units have the primary responsibilities for drafting, reviewing and updating various risk management policies and procedures.

The Group has put in place appropriate internal control systems, including establishment of an organisational 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。策略發展單位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單位負責對風險評估結果進行審核。

除負責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單位共同負責識別和評估項目所涉及的各項風險。風險評估單位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，只有在風險評估單位滿意盡職審查結果，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 strategic development unit shall ensure the plans are aligned with the Group's overall strategies. Units that are responsible for risk management, legal, compliance and finance, etc. are accountable for risk assessment and review.

Apart from product development, respective product management units work closely with relevant risk evaluating units to identify and assess the risks of new products. Risk evaluating units 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 units.

A prudent approach is adopted in offering treasury products to our customers. All new treasury products require approval from a specialised 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。

信貸管理委員會是由行政總裁授權設立的管理委員會，負責落實信貸風險管理策略及審議信貸政策，同時監察本集團信貸組合、信貸資產質素、風險集中程度。本集團的不同單位具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。風險管理單位獨立於業務單位，負責信貸風險的日常管理，對信貸風險的識別、量度、監督和控制進行獨立的盡職調查，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，並向信貸管理委員會、行政總裁、信貸審批委員會及風險管理委員會報告。

南洋商業銀行（中國）有限公司（「南商（中國）」）設有獨立的風險監控團隊，監控信貸風險相關情況，並定期向本銀行提交管理信息和報告。

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 organisational structure establishes a clear set of authority and responsibility for monitoring compliance with policies, procedures and limits.

The Credit and Loans Management Committee, a management committee authorised by the Chief Executive, is responsible for the implementation of the credit risk management strategies as well as the approval of credit policies. It also monitors the Group's loan portfolio, quality of credit asset and risk concentration level. Different units of the Group have their respective credit risk management responsibilities. Business units act as the first line of defence. The risk management units, which are independent from the business units, are responsible for the day-to-day management of credit risks and have the primary responsibilities 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. They report directly to the Credit and Loans Management Committee, Chief Executive, Credit Approval Committee and Risk Management Committee.

Nanyang Commercial Bank (China), Limited ("NCB (China)") sets up independent risk monitoring teams to monitor credit risk, and submits management information and reports to the Bank 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)**

董事會是最終的信貸權力來源，董事會授權信貸審批委員會及行政總裁審批信貸業務。行政總裁在董事會授予之權限內按管理需要轉授權予信貸業務相關人員。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。所有授信申請須經風險評估及適當審批。除一些符合指定條件的授信外，一般情況下大部份授信須經獨立的風險管理單位人員進行貸前審核。該些指定授信會由獨立於前線業務單位的指定單位作貸後檢（抽）查。非零售風險承擔授信申請需確定債務人評級（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；零售授信交易包括零售小企業貸款、住宅按揭貸款、私人貸款等採取零售內部評級系統進行信貸風險評估。本集團會應用貸款分類級別、債務人評級、授信等級和損失預測結果（如適用）於支持信貸審批。

4.1 Credit risk (continued)**Credit risk management framework (continued)**

The Board of Directors is the ultimate source of credit authority. The Board of Directors delegates credit approval authority to the Credit Approval Committee and the Chief Executive. Based on management needs, the Chief Executive can further delegate to the credit-related subordinates within the 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 size of the credit exposure.

Credit risk measurement and control

In view of the rapidly changing market conditions, the Group has been continuously revising 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. All credit applications are subject to thorough risk assessment and proper approval. In general, most of the credit applications will be reviewed and assessed by independent officer(s) of risk management unit(s) before approval, with exceptions given to designated advances which satisfy certain conditions. After funding being drawn, these designated advances will be (randomly) reviewed by designated unit(s) which is(are) independent from the front line business units. Obligor ratings (in terms of probability of default) and facility ratings (in terms of loss given default) are assigned to credit applications for non-retail exposures 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, 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。

信貸風險管理報告會定期或不定期提供予管理層、信貸審批委員會、執行委員會、風險管理委員會及董事會，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 monitoring, reporting and analysis of credit risk. 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.

Regular or ad hoc credit risk management information reports are provided to the Management, Credit Approval Committee, Executive Committee, Risk Management Committee and the 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 in counterparty credit risk, quality of the credit portfolio and credit risk concentrations, and reports regularly to the Group's Management.

The Group adopts loan grading criteria which divides credit assets into five categories with reference to the HKMA's guidelines, as below:

"Pass" represents loans where the borrower is in current 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的信貸風險；對於衍生產品，本集團會採用客戶限額及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 derivatives transactions in any situation where a payment in cash, securities or equities is made in the failure of a corresponding receipt in cash, securities or equities. Daily settlement limits are established for each counterparty or customer to cover all settlement risk arising from the Group's market transactions on any single day.

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。物業是本集團主要押品，本集團已建立機制利用指數以組合形式對物業進行估值。抵押品須購買保險並以本集團作為第一受益人。

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 2016 年 12 月 31 日，本集團並無持有任何允許於借款人未違約情況下出售或再抵押之抵押品 (2015 年：無)。

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, real estate properties, with the use of public indices on a portfolio basis. Collateral is insured with the Group as the primary beneficiary.

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 2016, the Group did not hold any collateral that it was permitted to sell or re-pledge in the absence of default by the borrower (2015: 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)

(A) 信貸風險承擔

(A) Credit exposures

本集團之最高信貸風險承擔是未考慮任何抵押品或其他改善信貸條件的最大風險承擔。對於資產負債表內資產，最高信貸風險承擔相等於其賬面值。對於開出擔保函，最高信貸風險承擔是被擔保人要求本集團代為償付債務的最高金額。對於貸款承擔及其他信貸有關負債，最高信貸風險承擔為授信承諾的全額。

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.

以下為所持抵押品及其他改善信貸條件的性質及其對本集團各類金融資產的覆蓋程度。

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.

在銀行及其他金融機構的結餘及定期存放

Balances and placements with banks and other financial institutions

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。

These exposures are generally considered to be low risk due to the nature of the counterparties. Collateral is generally not sought on these assets.

公允值變化計入損益之金融資產及金融投資

Financial assets at fair value through profit or loss and financial investments

一般不會就債務證券尋求抵押品。

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)****4.1 Credit risk (continued)****(A) 信貸風險承擔 (續)****(A) Credit exposures (continued)**衍生金融工具Derivative financial instruments

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。根據信用支持附件,抵押品會按情況由交易一方轉交另一方,以減少風險承擔。

The Master Agreement published by the International Swaps and Derivatives Association, Inc. ("ISDA Master Agreement") is the preferred agreement for documenting derivatives activities of the Group. It provides the contractual framework under which dealing activities of over-the-counter ("OTC") derivative transactions are conducted, and sets out close-out netting provisions upon termination following the occurrence of an event of default or a termination event. In addition, if deemed necessary, Credit Support Annex ("CSA") will be included to form part of the Schedule to the ISDA Master Agreement. Under a CSA, collateral is passed from one counterparty to another, as appropriate, to mitigate the exposures.

貸款及其他賬項、或然負債及承擔Advances and other accounts, contingent liabilities and commitments

一般抵押品種類已載於第 86 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 100 至 101 頁。或然負債及承擔之主要組合及性質已載於附註 36,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 2016 年 12 月 31 日,有抵押品覆蓋之或然負債及承擔為 14.05 % (2015 年 : 15.74%)。

The general types of collateral are disclosed on page 86. 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 100 to 101. The components and nature of contingent liabilities and commitments are disclosed in Note 36. 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, 14.05% (2015: 15.74%) was covered by collateral as at 31 December 2016.

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) 總貸款及其他賬項

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
4.1 Credit risk (continued)
(B) Gross 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

	2016	2015
	港幣千元	港幣千元
	HK\$'000	HK\$'000
	26,219,040	23,956,056
	441,046	732,148
	11,549,920	9,827,384
	141,974,726	115,579,409
	7,596,230	6,141,777
	187,780,962	156,236,774
	5,665,154	14,072,143
	193,446,116	170,308,917

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。

當有客觀證據反映貸款出現一項或多項損失事件，經過評估有關損失事件已影響其預期可靠的未來現金流，則該貸款已出現減值損失。

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 continuously exceeded the approved limit that was advised to the borrower.

Advances are impaired and impairment losses are incurred if, and only if, there is objective evidence of impairment as a result of one or more events that occurred and that loss event(s) has an impact on the estimated future cash flows of the advances that can be reliably estimated.

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) 總貸款及其他賬項
(續)**

如有客觀證據反映貸款已出現減值損失，有關損失按該貸款賬面值與未來現金流折現值兩者間之差額計量；貸款已出現減值損失的客觀證據包括那些已有明顯訊息令本集團知悉的損失事件。

本集團根據以下客觀證據來決定是否已出現減值損失：

- 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) Gross advances and other accounts (continued)

If there is objective evidence that an impairment loss on advances has been incurred, the amount of loss is measured as the difference between the carrying amount and the present value of estimated future cash flows generated by the advances. Objective evidence that advances are impaired includes observable data that comes to the attention of the Group about the loss events.

The criteria that the Group uses to determine that there is objective evidence of an impairment loss include:

- 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)
4.1 Credit risk (continued)
(B) 總貸款及其他賬項 (續)
(B) Gross advances and other accounts (continued)
(a) 非減值未逾期貸款
(a) Advances neither overdue nor impaired

非減值未逾期貸款按內部信貸級別分析如下：

Advances that were neither overdue nor impaired are analysed by internal credit grade as follows:

		2016			
		合格 Pass	需要關注 Special mention	次級或以下 Substandard or below	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
客戶貸款	Advances to customers				
個人	Personal				
- 按揭	- Mortgages	25,885,478	40,898	987	25,927,363
- 信用卡	- Credit cards	410,212	19	-	410,231
- 其他	- Others	11,492,203	18,074	-	11,510,277
公司	Corporate				
- 商業貸款	- Commercial loans	139,339,502	1,844,628	2,556	141,186,686
- 貿易融資	- Trade finance	7,453,678	61,053	-	7,514,731
		184,581,073	1,964,672	3,543	186,549,288
貿易票據	Trade bills	5,665,154	-	-	5,665,154
		190,246,227	1,964,672	3,543	192,214,442

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) 總貸款及其他賬項 (續)
(B) Gross advances and other accounts (continued)
(a) 非減值未逾期貸款 (續)
(a) Advances neither overdue nor impaired (continued)

		2015			
		合格 Pass	需要關注 Special mention	次級或以下 Substandard or below	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
客戶貸款	Advances to customers				
個人	Personal				
- 按揭	- Mortgages	23,676,398	23,002	1,265	23,700,665
- 信用卡	- Credit cards	653,134	87	-	653,221
- 其他	- Others	9,740,662	17,864	72	9,758,598
公司	Corporate				
- 商業貸款	- Commercial loans	113,588,886	1,407,580	285	114,996,751
- 貿易融資	- Trade finance	5,959,307	99,892	-	6,059,199
		153,618,387	1,548,425	1,622	155,168,434
貿易票據	Trade bills	14,072,143	-	-	14,072,143
		<u>167,690,530</u>	<u>1,548,425</u>	<u>1,622</u>	<u>169,240,577</u>

當貸款受全數抵押擔保，即使發生損失事件亦未必導致減值損失，當此等貸款被評為「次級」或以下，亦可視為非減值貸款於上表中列示。

The occurrence of loss event(s) may not necessarily result in impairment loss where the advances are fully collateralised. While such advances are of "substandard" or lower grades, they are regarded as not being impaired and have been included in the above tables.

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) 總貸款及其他賬項
(續)**
(B) Gross advances and other accounts (continued)
(b) 逾期未減值貸款
(b) Advances overdue but not impaired

總逾期未減值貸款分析如下：

The gross amount of advances overdue but not impaired is analysed as follows:

		2016				
		逾期超過 3 個月 但不超過 6 個月 逾期 3 個月 或以下 Overdue for three months or less	逾期超過 6 個月 Overdue six months or less but over three months	逾期超過 6 個月 但不超過 1 年 Overdue for one year or less but over six months	逾期 超過 1 年 Overdue for over one year	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
客戶貸款	Advances to customers					
個人	Personal					
- 按揭	- Mortgages	214,590	4,298	1,478	30,167	250,533
- 信用卡	- Credit cards	16,847	-	-	-	16,847
- 其他	- Others	32,829	664	559	517	34,569
公司	Corporate					
- 商業貸款	- Commercial loans	246,822	1,743	4,998	-	253,563
- 貿易融資	- Trade finance	6,722	1,225	-	-	7,947
		517,810	7,930	7,035	30,684	563,459

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) 總貸款及其他賬項
(續)**
(B) Gross advances and other accounts (continued)
**(b) 逾期未減值貸款
(續)**
(b) Advances overdue but not impaired (continued)

		2015				
		逾期超過 3 個月 但不超過 6 個月 逾期 3 個月 或以下 Overdue for three months or less	逾期超過 6 個月 但不超過 1 年 Overdue six months or less but over three months	逾期超過 6 個月 但不超過 1 年 Overdue for one year or less but over six months	逾期 超過 1 年 Overdue for over one year	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
客戶貸款	Advances to customers					
個人	Personal					
- 按揭	- Mortgages	191,087	20	1,635	292	193,034
- 信用卡	- Credit cards	51,944	-	-	-	51,944
- 其他	- Others	56,076	3,983	-	2,892	62,951
公司	Corporate					
- 商業貸款	- Commercial loans	77,734	-	-	17,384	95,118
- 貿易融資	- Trade finance	18,863	6,201	-	1,207	26,271
		<u>395,704</u>	<u>10,204</u>	<u>1,635</u>	<u>21,775</u>	<u>429,318</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) 總貸款及其他賬項
(續)**
(B) Gross advances and other accounts (continued)
(c) 減值貸款
(c) Impaired advances

已個別識別減值
貸款按產品類別
分析如下：

Advances individually identified to be impaired are analysed by product type as follows:

	2016		2015	
	總貸款 Gross advances 港幣千元 HK\$'000	抵押品 市值 Market value of collateral 港幣千元 HK\$'000	總貸款 Gross advances 港幣千元 HK\$'000	抵押品 市值 Market value of collateral 港幣千元 HK\$'000
客戶貸款	Advances to customers			
個人	Personal			
- 按揭	41,144	36,522	62,357	77,392
- 信用卡	13,968	-	26,983	-
- 其他	5,074	12,021	5,835	1,147
公司	Corporate			
- 商業貸款	534,477	236,903	487,540	231,164
- 貿易融資	73,552	1,920	56,307	1,071
	668,215	287,366	639,022	310,774
就上述貸款作出 之減值準備			434,377	
			474,566	
			2016	2015
			港幣千元	港幣千元
			HK\$'000	HK\$'000
就上述有抵押品覆 蓋的客戶貸款之 抵押品市值			287,366	310,774
上述有抵押品覆蓋 之客戶貸款			113,048	230,073
上述沒有抵押品覆 蓋之客戶貸款			555,167	408,949

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) 總貸款及其他賬項
(續)**
(B) Gross advances and other accounts (continued)
(c) 減值貸款 (續)
(c) Impaired advances (continued)

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 such advances.

於 2016 年 12 月
31 日，沒有減值
之 貿 易 票 據
(2015 年：
無)。

As at 31 December 2016, there were no impaired trade bills (2015: Nil).

特定分類或減值
之客戶貸款分析
如下：

Classified or impaired advances to customers are analysed as follows:

	<u>2016</u>	<u>2015</u>
	港幣千元	港幣千元
	HK\$'000	HK\$'000
特定分類或減值之 客戶貸款總額	<u>740,215</u>	<u>684,698</u>
特定分類或減值之 客戶貸款總額對 客戶貸款總額比 率	<u>0.39%</u>	<u>0.44%</u>
就上述貸款作個別 評估之減值準備	<u>474,147</u>	<u>433,567</u>

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」貸款或個
別評估為減值的
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 individually assessed to be impaired.

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) 總貸款及其他賬項
(續)**
**(d) 逾期超過 3 個月
之貸款**

逾期超過 3 個月之
貸款總額分析如
下：

4.1 Credit risk (continued)
(B) Gross advances and other accounts (continued)
(d) Advances overdue for more than three months

The gross amount of advances overdue for more than three months is analysed as follows:

	2016		2015	
	金額 Amount 港幣千元 HK\$'000	佔客戶貸款總額 百分比 % of gross advances to customers	金額 Amount 港幣千元 HK\$'000	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	205,766	0.11%	102,053	0.06%
- 超過 6 個月 但不超過 1 年	121,647	0.07%	320,702	0.21%
- 超過 1 年	339,655	0.18%	203,026	0.13%
逾期超過 3 個月 之貸款	667,068	0.36%	625,781	0.40%
就上述貸款作個別 評估之減值準備	421,834		412,534	

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) 總貸款及其他賬項
(續)**
**(d) 逾期超過 3 個月
之貸款 (續)**
4.1 Credit risk (continued)
(B) Gross advances and other accounts (continued)
(d) Advances overdue for more than three months (continued)

	<u>2016</u>	<u>2015</u>
	港幣千元	港幣千元
	HK\$'000	HK\$'000
就上述有抵押品覆蓋的客戶貸款之抵押品市值	<u>320,355</u>	<u>313,983</u>
上述有抵押品覆蓋之客戶貸款	<u>136,249</u>	<u>228,914</u>
上述沒有抵押品覆蓋之客戶貸款	<u>530,819</u>	<u>396,867</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及住宅樓宇、個人授信戶項下的住宅按揭物業。

於 2016 年 12 月 31 日，沒有逾期超過 3 個月之貿易票據 (2015 年：無)。

Collateral held against overdue or impaired loans is principally represented by charges over business assets such as commercial and residential premises for corporate loans and mortgages over residential properties for personal loans.

As at 31 December 2016, there were no trade bills overdue for more than three months (2015: 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) 總貸款及其他賬項
(續)**
(B) Gross advances and other accounts (continued)
(e) 經重組貸款
(e) Rescheduled advances

	2016		2015	
	金額 Amount 港幣千元 HK\$'000	佔客戶貸款總額 百分比 % of gross advances to customers	金額 Amount 港幣千元 HK\$'000	佔客戶貸款總額 百分比 % of gross advances to customers
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"	2,292	0.00%	1,329	0.00%

經重組貸款乃指借款人因為財政困難或無能力如期還款而經雙方同意達成重整還款計劃之貸款。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 or renegotiated because of deterioration in the financial position of the borrower or of the inability of the borrower to meet the original repayment schedule. 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) 總貸款及其他賬項
(續)**
(B) Gross advances and other accounts (continued)
(f) 客戶貸款集中度
(f) 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.

		2016					
		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	個別評估之 減值準備 Individually assessed impairment allowances	組合評估之 減值準備 Collectively assessed impairment allowances
		港幣千元 HK\$'000		港幣千元 HK\$'000	港幣千元 HK\$'000	港幣千元 HK\$'000	港幣千元 HK\$'000
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	9,395,050	6.41%	-	-	-	21,917
- 物業投資	- Property investment	10,775,101	84.72%	29,680	26,154	762	94,939
- 金融業	- Financial concerns	11,037,686	3.70%	-	-	-	23,910
- 批發及零售業	- Wholesale and retail trade	8,029,810	43.50%	75,789	102,065	52,168	53,357
- 製造業	- Manufacturing	8,334,113	20.75%	35,676	33,786	15,582	31,662
- 運輸及運輸設備	- Transport and transport equipment	5,973,029	11.14%	-	360	-	39,465
- 休閒活動	- Recreational activities	3,437	29.82%	-	-	-	18
- 資訊科技	- Information technology	2,272,628	1.14%	-	-	-	4,733
- 其他	- Others	12,915,062	56.98%	10,631	47,460	5,528	71,099
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	293,571	99.79%	751	9,536	-	210
- 購買其他住宅物業之貸款	- Loans for purchase of other residential properties	13,105,671	99.93%	6,995	84,233	-	6,049
- 其他	- Others	8,782,704	71.29%	1,864	28,094	186	5,058
在香港使用之貸款總額	Total loans for use in Hong Kong	90,917,862	47.37%	161,386	331,688	74,226	352,417
貿易融資	Trade finance	7,596,230	23.78%	75,083	81,499	58,242	42,275
在香港以外使用之貸款	Loans for use outside Hong Kong	89,266,870	37.67%	503,746	795,102	341,679	457,685
客戶貸款總額	Gross advances to customers	187,780,962	41.81%	740,215	1,208,289	474,147	852,377

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) 總貸款及其他賬項
(續)**
(B) Gross advances and other accounts (continued)
**(f) 客戶貸款集中度
(續)**
(f) 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)

		2015					
		客戶貸款總額	抵押品或 其他抵押 覆蓋之百分比	特定分類 或減值	逾期	個別評估之 減值準備	組合評估之 減值準備
		Gross advances to customers	% covered by collateral or other security	Classified or impaired	Overdue	Individually assessed impairment allowances	Collectively assessed impairment allowances
		港幣千元 HK\$'000		港幣千元 HK\$'000	港幣千元 HK\$'000	港幣千元 HK\$'000	港幣千元 HK\$'000
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	5,448,761	15.36%	-	-	-	14,435
- 物業投資	- Property investment	10,849,282	92.84%	29,794	24,466	-	110,979
- 金融業	- Financial concerns	4,497,199	9.53%	-	-	-	9,638
- 股票經紀	- Stockbrokers	480	100.00%	-	-	-	4
- 批發及零售業	- Wholesale and retail trade	9,251,574	30.74%	87,956	103,927	65,156	69,887
- 製造業	- Manufacturing	8,523,132	23.30%	30,691	34,384	19,210	36,657
- 運輸及運輸設備	- Transport and transport equipment	4,316,243	7.66%	-	360	-	13,381
- 休閒活動	- Recreational activities	141,637	0.76%	-	-	-	294
- 資訊科技	- Information technology	741,295	2.40%	2,634	4,839	1,309	1,803
- 其他	- Others	14,315,090	42.23%	19,729	25,474	16,498	71,945
個人	Individuals						
- 購買居者有其屋計劃、私人機構參建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	364,199	99.88%	1,501	8,736	-	241
- 購買其他住宅物業之貸款	- Loans for purchase of other residential properties	12,304,337	99.86%	648	53,917	-	5,401
- 其他	- Others	7,338,950	56.81%	2,461	27,195	1,410	4,712
在香港使用之貸款總額	Total loans for use in Hong Kong	78,092,179	50.43%	175,414	283,298	103,583	339,377
貿易融資	Trade finance	6,141,777	33.44%	68,558	78,781	49,162	46,830
在香港以外使用之貸款	Loans for use outside Hong Kong	72,002,818	39.30%	440,726	667,966	280,822	565,129
客戶貸款總額	Gross advances to customers	156,236,774	44.63%	684,698	1,030,045	433,567	951,336

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) 總貸款及其他賬項
(續)**
(B) Gross advances and other accounts (continued)
**(f) 客戶貸款集中度
(續)**
(f) 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)

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：

The amounts of new impairment allowances charged to the income statement, and classified or impaired loans written off during the year are shown below:

		2016		2015	
		新提 減值準備 New impairment allowances	撇銷特定 分類或 減值貸款 Classified or impaired loans written off	新提 減值準備 New impairment allowances	撇銷特定 分類或 減值貸款 Classified or impaired loans written off
		港幣千元 HK\$'000	港幣千元 HK\$'000	港幣千元 HK\$'000	港幣千元 HK\$'000
在香港使用之貸款	Loans for use in Hong Kong				
工商金融業	Industrial, commercial and financial				
- 物業發展	- Property development	3,334	2,497	-	-
- 物業投資	- Property investment	2,629	1,351	1,201	2,279
- 金融業	- Financial concerns	-	-	1,116	-
- 批發及零售業	- Wholesale and retail trade	8,723	8,891	58,030	8,634
- 製造業	- Manufacturing	1,885	409	8,405	12,015
- 運輸及運輸設備	- Transport and transport equipment	1,307	236	-	-
- 休閒活動	- Recreational activities	-	-	55	-
- 資訊科技	- Information technology	246	1,386	415	-
- 其他	- Others	175	833	36,413	25,400
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	-	-	-	-
- 購買其他住宅物業之貸款	- Loans for purchase of other residential properties	-	-	223	-
- 其他	- Others	12,829	13,658	14,413	16,002
在香港使用之貸款總額	Total loans for use in Hong Kong	31,128	29,261	120,271	64,330
貿易融資	Trade finance	38,946	8,132	85,798	91,386
在香港以外使用之貸款	Loans for use outside Hong Kong	620,538	464,549	935,173	992,314
客戶貸款總額	Gross advances to customers	690,612	501,942	1,141,242	1,148,030

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) 總貸款及其他賬項
(續)**
**(f) 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
額作組合評
估之減值準
備**

香港
中國內地
其他

4.1 Credit risk (continued)
(B) Gross advances and other accounts (continued)
(f) 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 country different from the customer, the risk will be transferred to the country of the guarantor.

Gross advances to customers

	2016	2015
	港幣千元	港幣千元
	HK\$'000	HK\$'000
Hong Kong	99,595,734	88,083,058
Mainland of China	78,467,343	61,013,223
Others	9,717,885	7,140,493
	187,780,962	156,236,774

**Collectively assessed impairment
allowances in respect of the gross
advances to customers**

Hong Kong	399,995	426,019
Mainland of China	414,707	452,571
Others	37,675	72,746
	852,377	951,336

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) 總貸款及其他賬項
(續)**
(B) Gross advances and other accounts (continued)
**(f) 客戶貸款集中度
(續)**
(f) 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>2016</u>	<u>2015</u>
		港幣千元 HK\$'000	港幣千元 HK\$'000
香港	Hong Kong	303,149	276,118
中國內地	Mainland of China	895,663	739,435
其他	Others	9,477	14,492
		<u>1,208,289</u>	<u>1,030,045</u>

**就逾期貸款作
個別評估之
減值準備**
**Individually assessed impairment
allowances in respect of the overdue
advances**

香港	Hong Kong	36,869	51,497
中國內地	Mainland of China	412,222	368,279
其他	Others	301	436
		<u>449,392</u>	<u>420,212</u>

**就逾期貸款作
組合評估之
減值準備**
**Collectively assessed impairment
allowances in respect of the overdue
advances**

香港	Hong Kong	3,105	3,741
中國內地	Mainland of China	12,749	3,183
其他	Others	134	56
		<u>15,988</u>	<u>6,980</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) 總貸款及其他賬項
(續)**
(B) Gross advances and other accounts (continued)
**(f) 客戶貸款集中度
(續)**
(f) 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
Mainland of China
Others

2016
港幣千元
HK\$'000
2015
港幣千元
HK\$'000
121,649
617,750
816

 131,490
552,753
455

740,215
684,698
**就特定分類或
減值貸款作
個別評估之
減值準備**
**Individually assessed impairment
allowances in respect of the
classified or impaired advances**

 香港
中國內地
其他

 Hong Kong
Mainland of China
Others

37,167
436,679
301

 59,480
373,651
436

474,147
433,567
**就特定分類或
減值貸款作
組合評估之
減值準備**
**Collectively assessed impairment
allowances in respect of the
classified or impaired advances**

 香港
中國內地

 Hong Kong
Mainland of China

705
731

 1,043
1,187

1,436
2,230

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：

商業物業
工業物業
住宅物業

本集團於2016年12月31日持有的收回資產之估值為港幣109,837,000元（2015年：港幣122,509,000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:

	<u>2016</u>	<u>2015</u>
	港幣千元	港幣千元
	HK\$'000	HK\$'000
Commercial properties	592	4,251
Industrial properties	-	80,250
Residential properties	<u>1,031</u>	<u>13,968</u>
	<u>1,623</u>	<u>98,469</u>

The estimated market value of repossessed assets held by the Group as at 31 December 2016 amounted to HK\$109,837,000 (2015: HK\$122,509,000). 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的結餘及存款

下表為在銀行及其他金融機構的非逾期或減值之結餘及存款於12月31日按評級機構之評級分析。

4.1 Credit risk (continued)
(D) Balances and placements with banks and other financial institutions

The following tables present an analysis of balances and placements with banks and other financial institutions that are neither overdue nor impaired as at 31 December by rating agency designation.

		2016			
		Aaa 至 A3 Aaa to A3	A3 以下 Lower than A3	無評級 Unrated	總計 Total
		港幣千元 HK\$'000	港幣千元 HK\$'000	港幣千元 HK\$'000	港幣千元 HK\$'000
中央銀行	Central banks	18,761,393	-	-	18,761,393
銀行及其他金融機構	Banks and other financial institutions	23,417,390	11,734,600	12,532,312	47,684,302
		42,178,783	11,734,600	12,532,312	66,445,695
		2015			
		Aaa 至 A3 Aaa to A3	A3 以下 Lower than A3	無評級 Unrated	總計 Total
		港幣千元 HK\$'000	港幣千元 HK\$'000	港幣千元 HK\$'000	港幣千元 HK\$'000
中央銀行	Central banks	16,038,647	-	-	16,038,647
銀行及其他金融機構	Banks and other financial institutions	23,767,541	17,650,869	3,250,385	44,668,795
		39,806,188	17,650,869	3,250,385	60,707,442

於2016年12月31日，沒有逾期或減值之銀行及其他金融機構結餘及存款(2015年：無)。

As at 31 December 2016, there were no overdue or impaired balances and placements with banks and other financial institutions (2015: 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 values of debt securities and certificates of deposit by issue rating. In the absence of such issue ratings, the ratings designated for the issuers are reported.

		2016					
		Aaa	Aa1 至 Aa3	A1 至 A3	A3 以下 Lower than A3	無評級 Unrated	總計 Total
		港幣千元 HK\$'000	港幣千元 HK\$'000	港幣千元 HK\$'000	港幣千元 HK\$'000	港幣千元 HK\$'000	港幣千元 HK\$'000
可供出售證券	Available-for-sale securities	13,616,860	23,809,336	15,150,997	7,729,268	9,791,483	70,097,944
持有至到期日證券	Held-to-maturity securities	207,630	1,856,312	-	-	-	2,063,942
貸款及應收款	Loans and receivables	-	842,909	397,410	-	3,519,496	4,759,815
公允值變化計入損益之金融資產	Financial assets at fair value through profit or loss	3,233,647	205,116	241,638	-	-	3,680,401
		17,058,137	26,713,673	15,790,045	7,729,268	13,310,979	80,602,102
		2015					
		Aaa	Aa1 至 Aa3	A1 至 A3	A3 以下 Lower than A3	無評級 Unrated	總計 Total
		港幣千元 HK\$'000	港幣千元 HK\$'000	港幣千元 HK\$'000	港幣千元 HK\$'000	港幣千元 HK\$'000	港幣千元 HK\$'000
可供出售證券	Available-for-sale securities	3,814,391	27,409,836	16,575,057	1,781,530	2,298,167	51,878,981
持有至到期日證券	Held-to-maturity securities	208,732	2,257,798	-	-	-	2,466,530
貸款及應收款	Loans and receivables	-	-	585,792	-	-	585,792
公允值變化計入損益之金融資產	Financial assets at fair value through profit or loss	-	6,714,292	249,280	-	-	6,963,572
		4,023,123	36,381,926	17,410,129	1,781,530	2,298,167	61,894,875

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)

下表為非逾期或減值之債務證券及存款證於 12 月 31 日按發行評級之分析。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 debt securities and certificates of deposit neither overdue nor impaired as at 31 December by issue rating. In the absence of such issue ratings, the ratings designated for the issuers are reported.

		2016					
		Aaa	Aa1 至 Aa3	A1 至 A3	A3 以下	無評級	總計
		港幣千元	港幣千元	港幣千元	Lower than A3	Unrated	Total
		HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
可供出售證券	Available-for-sale securities	13,616,860	23,809,336	15,150,997	7,729,268	9,791,483	70,097,944
持有至到期日證券	Held-to-maturity securities	207,630	1,856,312	-	-	-	2,063,942
貸款及應收款	Loans and receivables	-	842,909	397,410	-	-	1,240,319
公允值變化計入損益之金融資產	Financial assets at fair value through profit or loss	3,233,647	205,116	241,638	-	-	3,680,401
		17,058,137	26,713,673	15,790,045	7,729,268	9,791,483	77,082,606
		2015					
		Aaa	Aa1 至 Aa3	A1 至 A3	A3 以下	無評級	總計
		港幣千元	港幣千元	港幣千元	Lower than A3	Unrated	Total
		HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
可供出售證券	Available-for-sale securities	3,814,391	27,409,836	16,575,057	1,781,530	2,298,167	51,878,981
持有至到期日證券	Held-to-maturity securities	208,732	2,257,798	-	-	-	2,466,530
貸款及應收款	Loans and receivables	-	-	585,792	-	-	585,792
公允值變化計入損益之金融資產	Financial assets at fair value through profit or loss	-	6,714,292	249,280	-	-	6,963,572
		4,023,123	36,381,926	17,410,129	1,781,530	2,298,167	61,894,875

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)

下表為減值債務證券之發行評級分析。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 impaired debt securities by issue rating. In the absence of such issue ratings, the ratings designated for the issuers are reported.

		2016						
		賬面值 Carrying values					其中： 累計減值準備	
		Aa1 至 Aa3	A1 至 A3	A3 以下 Lower	無評級 Unrated	總計 Total	Of which accumulated impairment allowances	
		Aaa	Aa1 to Aa3	A1 to A3	than A3	Unrated	Total	
		港幣千元 HK\$'000	港幣千元 HK\$'000	港幣千元 HK\$'000	港幣千元 HK\$'000	港幣千元 HK\$'000	港幣千元 HK\$'000	
貸款及應收款	Loans and receivables	-	-	-	-	3,519,496	3,519,496	15,424
其中：累計減值準備	Of which accumulated impairment allowances	-	-	-	-	15,424	15,424	

於 2016 年 12 月 31 日，沒有減值之存款證及沒有逾期之債務證券及存款證。

As at 31 December 2016, there were no impaired certificates of deposit and no overdue debt securities and certificates of deposit.

於 2015 年 12 月 31 日，沒有減值或逾期之債務證券及存款證。

As at 31 December 2015, there were no impaired or overdue debt securities or certificates of deposit

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）波動導致整體的外匯、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，有效管理資金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，董事會以及其屬下的風險管理委員會、高層管理人員和市場風險職能單位，各司其職，各負其責。風險管理單位是負責協助高層管理人員履行日常管理職責，獨立監察本集團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。風險暴露情況，每日由獨立單位負責根據已設定的風險限額進行監控，並定期連同損益報告向高層管理人員提交，若持倉超越風險限額，需即時向高層管理人員報告。南商（中國）設有獨立的風險監控團隊，監控每日的市場風險及限額執行情況，並定期向本銀行提交管理信息和報告。

4.2 Market risk

Market risk refers to the risk of loss arising from movements in the value of foreign exchange, interest rate, equity and commodity positions held by the Group due to the volatility of financial market price (foreign exchange rate, interest rate, equity price, commodity price). The Group adopts a moderate market risk appetite to achieve a balance between risk and return.

The Group's objective in managing market risk is to secure healthy growth of the treasury business, by effective management of potential market risk in the Group's business, according to the Group's overall risk appetite and strategy of treasury business on the basis of a well-established risk management regime and related management measures.

In accordance with the Group's corporate governance principles in respect of risk management, the Board and Risk Management Committee, Senior Management and functional units perform their duties and responsibilities to manage the Group's market risk. The risk management units are responsible for 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, to ensure that the aggregate and individual market risks are within acceptable levels. Independent units are assigned to monitor the risk exposure against risk limits on a daily basis, together with profit and loss reports submitted to Senior Management on a regular basis, while limit excess will be reported to Senior Management at once when it occurs. NCB (China) sets up independent risk monitoring teams to monitor daily market risk and limit compliance, and submit management information and reports to the Bank 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)****4.2 市場風險（續）****4.2 Market risk (continued)**

本集團設定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）等。主要風險指標和限額視管理需要劃分為四個層級，分別由風險管理委員會、資產負責管理委員會或高層管理人員批准，各單位必須在批核的市場風險指標和限額範圍內開展業務。

The Group sets up market risk indicators and limits to identify, measure, monitor and control market risk. Major risk indicators and limits include but not limited to VAR (Value-at-Risk), Stop Loss, Open Position, Stress Testing and Sensitivity Analysis (Basis Point Value). To meet management requirements, major risk indicators and limits are classified into four levels, and are approved by the Risk Management Committee, Asset and Liability Management Committee or Senior Management respectively. Treasury business units are required to conduct their business within approved market risk indicators and limits.

(A) 風險值**(A) VAR**

本集團採用風險值量度一般市場風險，並定期向風險管理委員會和高層管理人員報告。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天持有期內本集團層面及本銀行的風險值，並設定本集團和本銀行的風險值限額。

The Group uses the VAR to measure and report general market risks to the Risk Management Committee 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 the Bank over one-day holding period with a 99% confidence level, and sets up the VAR limit of the Group and 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)
4.2 市場風險 (續)
4.2 Market risk (continued)
(A) 風險值 (續)
(A) VAR (continued)

下表詳述本集團一般市場風險持倉的風險值¹。

The following table sets out the VAR for all general market risk exposure¹ of the Group.

		年份	於 12 月 31 日	全年 最低數值	全年 最高數值	全年 平均數值
		Year	At 31 December	Minimum for the year	Maximum for the year	Average for the year
			港幣千元 HK\$'000	港幣千元 HK\$'000	港幣千元 HK\$'000	港幣千元 HK\$'000
全部市場風險之風險值	VAR for all market risk	2016	2,008	466	2,670	1,615
		2015	939	559	1,387	861
匯率風險之風險值	VAR for foreign exchange risk	2016	1,998	354	2,675	1,535
		2015	714	463	1,398	820
利率風險之風險值	VAR for interest rate risk	2016	215	145	723	348
		2015	225	53	301	176
商品風險之風險值 ²	VAR for commodity risk ²	2016	-	-	128	44
		2015	-	-	-	-

註：

1. 不包括外匯結構性敞口的風險值。
2. 商品業務及敞口始於 2016 年 11 月

Note:

1. Structural FX positions have been excluded.
2. Position in commodity since Nov-2016.

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；
- 一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，可能未及在一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 VAR is a valuable guide to risk, it 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)****4.2 Market risk (continued)****(A) 風險值 (續)****(A) VAR (continued)**

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1997亞洲金融風暴以及2008金融海嘯等。

The Group recognises these limitations by formulating stress test indicators and limits to assess and manage the market risk not covered by VAR. The market risk stress testing includes sensitivity testing on changes in risk factors with various degrees of severity, as well as scenario analysis on historical events including the 1997 Asian Financial Crisis and 2008 Financial Tsunami, etc.

(B) 外匯風險**(B) Currency risk**

本集團的資產及負債集中在港元、美元及人民幣等主要貨幣。為確保外匯風險承擔保持在可接受水平，本集團利用風險限額（例如頭盤及風險值限額）作為監控工具。此外，本集團致力於減少同一貨幣的資產與負債錯配，並通常利用外匯合約（例如外匯掉期）管理由外幣資產負債所產生的外匯風險。

The Group's assets and liabilities are denominated in major currencies, particularly the HK dollar, the US dollar and Renminbi. To ensure the currency risk exposure of the Group is managed at 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)
4.2 Market risk (continued)
(B) 外匯風險 (續)
(B) Currency risk (continued)

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。

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.

		2016			
		港幣千元等值			
		Equivalent in thousand of HK\$			
		美元		其他外幣	外幣總額
		US	人民幣	Other	Total
		Dollars	Renminbi	foreign	foreign
		currencies			
		currencies			
現貨資產	Spot assets	89,820,749	116,285,504	8,951,419	215,057,672
現貨負債	Spot liabilities	(73,408,148)	(114,083,563)	(6,962,887)	(194,454,598)
遠期買入	Forward purchases	24,235,532	18,169,822	2,851,778	45,257,132
遠期賣出	Forward sales	(38,954,759)	(20,994,854)	(4,819,645)	(64,769,258)
長 / (短) 盤淨額	Net long/(short) position	1,693,374	(623,091)	20,665	1,090,948
結構性倉盤淨額	Net structural position	121,810	8,554,006	-	8,675,816
		2015			
		港幣千元等值			
		Equivalent in thousand of HK\$			
		美元		其他外幣	外幣總額
		US	人民幣	Other	Total
		Dollars	Renminbi	foreign	foreign
		currencies			
		currencies			
現貨資產	Spot assets	62,789,261	105,966,748	14,036,470	182,792,479
現貨負債	Spot liabilities	(56,280,126)	(96,346,613)	(10,103,847)	(162,730,586)
遠期買入	Forward purchases	23,762,419	7,770,358	2,767,918	34,300,695
遠期賣出	Forward sales	(28,585,949)	(17,344,597)	(6,688,061)	(52,618,607)
長盤淨額	Net long position	1,685,605	45,896	12,480	1,743,981
結構性倉盤淨額	Net structural position	293,056	8,431,220	-	8,724,276

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。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；
- 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；
- 收益率曲線風險：由於收益率曲線非平行式移動而對淨利息收入或經濟價值產生負面影響；及
- 客戶擇權風險：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:

- Repricing risk: mismatches in the maturity or repricing periods of assets and liabilities that may affect net interest income;
- 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;
- Yield curve risk: non-parallel shifts in the yield curve that may have an adverse impact on net interest income or economic value; 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。根據風險管理委員會批准的《銀行賬利率風險管理政策》，資產負債管理委員會具體履行管理集團利率風險的職責。財務管理處主責利率風險管理，在資金處的配合下，財務管理處協助資產負債管理委員會開展日常的利率風險管理工作，包括但不限於起草管理政策，選擇管理方法，設立風險指標和限額，評估目標資產負債平衡表，監督利率風險管理政策與限額執行情況，向管理層以及風險管理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 exercises its oversight of interest rate risk in accordance with the "Banking Book Interest Rate Risk Management Policy" approved by Risk Management Committee. Financial Management Division is responsible for interest rate risk management. With the cooperation of the Treasury Division, Financial Management Division assists the Asset and Liability Management Committee to perform day-to-day interest rate risk management. Its roles include, but are not limited to, the formulation of management policies, selection of methodologies, setting of risk indicators and limits, assessment of target balance sheet, monitoring of the compliance with policies and limits, and submission of interest rate risk management reports to the Management and Risk Management Committee.

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，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三個層級，分別由風險管理委員會、資產負債管理委員會及中台副總批准。承擔利率風險的各業務單位必須在利率風險指標限額範圍內開展相關業務。本集團推出銀行賬新產品或新業務前，相關單位須先執行風險評估程序，包括評估其潛在的利率風險，並考慮現行的利率風險監控機制是否足夠。如擬推出的新產品或新業務對銀行利率風險造成重大影響，須報風險管理委員會批准。

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. 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"). The indicators and limits are classified into three levels, which are approved by the Risk Management Committee, Asset and Liability Management Committee and Deputy General Manager of Middle-office respectively. 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 Risk Management Committee 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）的影響佔最新資本基礎的比率。風險管理委員會為這兩項指標設定限額，用來監測和控制本集團銀行賬利率風險。

本集團採用情景分析和壓力測試方法，評估不利市況下銀行賬可能承受的利率風險。情景分析和壓力測試同時用於測試儲蓄存款客戶擇權及按揭客戶提早還款對銀行淨利息收入的影響。

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 market interest rate) as a percentage to the latest capital base. Limits are set by the Risk Management Committee 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 arising from the optionality of savings deposits and the prepayment of mortgage loans.

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)

本集團主要面對港元、美元及人民幣利率風險。截至 2016 年 12 月 31 日，若港元、美元及人民幣的收益率曲線平行上移 100 個基點，其他因素不變情況下，對集團未來 12 個月的淨利息收入及對儲備的敏感度如下：

4.2 Market risk (continued)
(C) Interest rate risk (continued)

The Group is principally exposed to HK Dollar, US Dollar and Renminbi in terms of interest rate risk. As at 31 December 2016, if HK Dollar, US Dollar and Renminbi market interest rates had a 100 basis point parallel upward shift of the yield curve in relevant currency 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	
		2016	2015	2016	2015
		港幣千元 HK\$'000	港幣千元 HK\$'000	港幣千元 HK\$'000	港幣千元 HK\$'000
港元	HK Dollar	344,852	298,266	(145,477)	(79,004)
美元	US Dollar	(65,468)	(74,762)	(239,489)	(114,872)
人民幣	Renminbi	(109,140)	(39,332)	(283,703)	(301,279)

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)

上述貨幣對淨利息收入的整體正面影響較2015年減少主要由於人民幣貨幣的短期檔利率敏感負缺口擴闊所致。同時，可供出售證券會因收益率曲線平行上移 100 個基點，預計出現估值減少而令集團儲備減少。儲備減少幅度較2015年增加乃由於港元及美元資本市場之可供出售證券規模增加。

上述敏感度計算僅供說明用途，當中包括（但不限於）下列假設，如相關貨幣息口的相關性變化、利率平行移動、未計及為減低利率風險可能採取的緩釋風險行動、對沖會計的有效性、所有持倉均計至到期日為止、實際重訂息日與合約重訂息日有差異或沒有到期日之產品的習性假設。上述風險水平只為本集團整體利率風險的一部分。

4.2 Market risk (continued)

(C) Interest rate risk (continued)

The overall positive impact on net interest income of the above currencies has decreased when compared with 2015 and is mainly because of the widened short term negative gaps in Renminbi. Reserves would have been reduced because of the expected reduction in valuation of available-for-sale securities due to a parallel shift up of 100 basis points in the yield curve. The reduction of reserves is increased compared with 2015 because the sizes of HK Dollar and US Dollar available-for-sale securities in capital market are increased.

The sensitivities above are for illustration only and are based on several assumptions, including but not limited to the change in the correlation between interest rates of relevant currencies, parallel movement of interest rates, the absence of actions that would be taken to mitigate the impact of interest rate risk, the effectiveness of hedge accounting, all positions being assumed to run to maturity, behavioural assumptions of products in which actual repricing date differs from contractual repricing date or products without contractual maturity. The above exposures form only a part of the Group's overall interest rate risk exposures.

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.

		2016						
		一至 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
		港幣千元 HK\$'000	港幣千元 HK\$'000	港幣千元 HK\$'000	港幣千元 HK\$'000	港幣千元 HK\$'000	港幣千元 HK\$'000	港幣千元 HK\$'000
資產	Assets							
庫存現金及存放銀行及其他 金融機構的結餘	Cash and balances with banks and other financial institutions	50,470,449	-	-	-	-	1,857,134	52,327,583
在銀行及其他金融機構一至 十二個月內到期之定期存 放	Placements with banks and other financial institutions maturing between one and twelve months	-	4,552,714	10,126,985	-	-	-	14,679,699
公允值變化計入損益之金融 資產	Financial assets at fair value through profit or loss	210,443	2,217,212	1,252,746	-	-	-	3,680,401
衍生金融工具	Derivative financial instruments	-	-	-	-	-	896,476	896,476
貸款及其他賬項	Advances and other accounts	126,655,688	26,491,174	34,357,922	4,455,523	157,070	2,215	192,119,592
金融投資	Financial investments							
- 可供出售	- Available-for-sale	11,387,979	15,290,801	20,667,974	22,009,605	741,585	13,381	70,111,325
- 持有至到期日	- Held-to-maturity	-	475,559	426,416	1,161,967	-	-	2,063,942
- 貸款及應收款	- Loans and receivables	115,373	-	1,461,965	3,182,477	-	-	4,759,815
投資物業	Investment properties	-	-	-	-	-	383,830	383,830
物業、器材及設備	Properties, plant and equipment	-	-	-	-	-	6,929,407	6,929,407
其他資產（包括遞延稅項資 產）	Other assets (including deferred tax assets)	-	-	-	-	-	980,639	980,639
資產總額	Total assets	188,839,932	49,027,460	68,294,008	30,809,572	898,655	11,063,082	348,932,709

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)

		2016						
		一至	三至			不計息		
		一個月內	三個月	十二個月	一至五年	五年以上	Non-	
		Up to	1 to 3	3 to 12	1 to 5	Over	interest-	
		1 month	months	months	years	5 years	bearing	
		港幣千元	港幣千元	港幣千元	港幣千元	港幣千元	港幣千元	
		HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	
							總計	
							Total	
							港幣千元	
							HK\$'000	
負債	Liabilities							
銀行及其他金融機構之存款及結餘	Deposits and balances from banks and other financial institutions	12,774,352	5,311,595	11,947,531	-	-	416,732	30,450,210
公允值變化計入損益之金融負債	Financial liabilities at fair value through profit or loss	1,880,498	816,180	526,778	-	-	-	3,223,456
衍生金融工具	Derivative financial instruments	-	-	-	-	-	934,244	934,244
客戶存款	Deposits from customers	143,254,320	48,321,171	46,879,361	1,631,983	-	17,440,695	257,527,530
已發行債務證券及存款證	Debt securities and certificates of deposit in issue	-	-	541,378	554,559	-	-	1,095,937
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)	8,046,649	804,515	1,839,269	22,513	5,615	6,297,803	17,016,364
負債總額	Total liabilities	165,955,819	55,253,461	61,734,317	2,209,055	5,615	25,089,474	310,247,741
利率敏感度缺口	Interest sensitivity gap	22,884,113	(6,226,001)	6,559,691	28,600,517	893,040	(14,026,392)	38,684,968

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)

		2015						
		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	
		Up to 1 month	1 to 3 months	3 to 12 months	1 to 5 years	Over 5 years	Non-interest-bearing	總計
		港幣千元	港幣千元	港幣千元	港幣千元	港幣千元	港幣千元	港幣千元
		HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
資產	Assets							
庫存現金及存放銀行及其他金融機構的結餘	Cash and balances with banks and other financial institutions	50,565,792	-	-	-	-	3,679,013	54,244,805
在銀行及其他金融機構一至十二個月內到期之定期存放	Placements with banks and other financial institutions maturing between one and twelve months	-	3,157,041	3,899,744	-	-	-	7,056,785
公允值變化計入損益之金融資產	Financial assets at fair value through profit or loss	1,762,994	2,479,360	2,471,938	249,280	-	-	6,963,572
衍生金融工具	Derivative financial instruments	-	-	-	-	-	696,266	696,266
貸款及其他賬項	Advances and other accounts	107,765,185	28,446,478	27,748,294	4,792,519	171,538	-	168,924,014
金融投資	Financial investments							
- 可供出售	- Available-for-sale	8,601,020	10,455,974	14,442,944	18,494,300	356,810	4,613	52,355,661
- 持有至到期日	- Held-to-maturity	-	-	298,771	2,167,759	-	-	2,466,530
- 貸款及應收款	- Loans and receivables	182,257	48,142	355,393	-	-	-	585,792
投資物業	Investment properties	-	-	-	-	-	414,736	414,736
物業、器材及設備	Properties, plant and equipment	-	-	-	-	-	7,008,020	7,008,020
其他資產 (包括應收及遞延稅項資產)	Other assets (including current and deferred tax assets)	31	-	-	-	-	4,347,852	4,347,883
待出售資產	Assets held for sale	-	-	-	-	-	132,729	132,729
資產總額	Total assets	168,877,279	44,586,995	49,217,084	25,703,858	528,348	16,283,229	305,196,793

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)

		2015					
		一至	三至			不計息	
		一個月內	三個月	十二個月	一至五年	五年以上	Non-
		Up to	1 to 3	3 to 12	1 to 5	Over	interest-
		1 month	months	months	years	5 years	bearing
		港幣千元	港幣千元	港幣千元	港幣千元	港幣千元	港幣千元
		HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
							總計
							Total
負債	Liabilities						
銀行及其他金融機構之存款及結餘	Deposits and balances from banks and other financial institutions	19,054,571	2,501,295	6,689,467	-	-	2,715,841 30,961,174
公允值變化計入損益之金融負債	Financial liabilities at fair value through profit or loss	1,084,486	1,907,861	1,583,009	-	-	- 4,575,356
衍生金融工具	Derivative financial instruments	-	-	-	-	-	302,944 302,944
客戶存款	Deposits from customers	135,919,721	34,269,925	30,101,149	5,512,157	-	12,459,031 218,261,983
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)	1,666,422	2,713,701	6,158,633	454,913	19,427	2,961,586 13,974,682
待出售資產之相關負債	Liabilities associated with assets held for sale	-	-	-	-	-	21,884 21,884
負債總額	Total liabilities	157,725,200	41,392,782	44,532,258	5,967,070	19,427	18,461,286 268,098,023
利率敏感度缺口	Interest sensitivity gap	11,152,079	3,194,213	4,684,826	19,736,788	508,921	(2,178,057) 37,098,770

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

流動資金風險是指銀行因無法提供充裕資金以應對資產增加或履行到期義務，而可能要承受的不欲接受的損失。本集團遵循穩健的流動資金風險偏好，確保在正常情況或壓力情景下均有能力提供穩定、可靠和足夠的現金來源，滿足流動資金需求；在極端情景下無需借助金管局的流動性支持，累積的淨現金流為正值，可以保證基本生存期內的流動資金需要。

4.3 Liquidity risk

Liquidity risk is the risk that banks fail to provide sufficient funds to grow assets or pay due obligations, and need to bear an unacceptable loss. The Group maintains sound liquidity risk appetite to provide stable, reliable and adequate sources of cash to meet liquidity needs under normal circumstances or stressed scenarios; and to survive with net positive cumulative cash flow in extreme scenarios, without requesting the HKMA to act as the lender of last resort.

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，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，安排資產組合的結構（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。本集團制訂了集團內部流動資金風險管理指引，管理集團內各成員之間的流動資金，避免相互間在資金上過度依賴。本集團亦注重管理表外業務，如貸款承諾和衍生工具可能產生的流動資金風險。本集團的流動資金風險管理策略涵蓋了外幣資產負債流動管理、抵押品、即日流動性、集團內流動性以及其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。

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 reasonable cost based on the liquidity risk appetite to achieve sound operation and sustainable profitability. Deposits from customers are the Group's primary source of funds. To ensure stable and sufficient source of funds are in place, the Group actively attracts new deposits, keeps the core deposit and obtains supplementary funding from the interbank market. According to different term maturities and the results of funding needs estimated from stressed scenarios, the Group adjusts its asset structure (including loans, bonds investment, interbank placement, etc.) to maintain sufficient liquid assets which provides adequate funds in support of normal business needs and ensure its ability to raise funds at a reasonable cost to serve external claims in case of emergency. The Group is committed to diversify the source of funds and the use of funds to avoid excessive concentration of assets and liabilities and prevent triggering liquidity risk due to the break of funding strand when problem occurred in one concentrated funding source. The Group has established intra-group liquidity risk management guideline to manage the liquidity funding among different entities within the Group, and to restrict their reliance of funding on each other. The Group also pays attention to manage liquidity risk created by off-balance sheet activities, such as loan commitments and derivatives. 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.

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)**

風險管理委員會是流動資金風險管理決策機構，並對流動資金風險承擔最終管理責任。風險管理委員會授權資產負債管理委員會管理日常的流動資金風險，確保本集團的業務經營符合風險委員會設定的流動資金風險偏好和政策規定。財務管理處主責本集團流動資金風險管理，它與資金處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。

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、貸存比率、最大累計現金流出、以及流動性緩衝資產組合等。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），評估本集團抵禦各種嚴峻流動資金危機的能力。本集團亦建立了資產負債管理系統，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)

Risk Management Committee (RMC) is the decision-making authority of liquidity risk management, and assumes the ultimate responsibility of liquidity risk management. As authorised by RMC, the Asset and Liability Management Committee (ALCO) exercises its oversight of liquidity risk and ensures the daily operations of the Group are in accordance with risk appetite and policies as set by RMC. Financial Management Division is responsible for overseeing the Group's liquidity risk. It cooperates with Treasury Division to assist the ALCO to perform liquidity management functions according to their specific responsibilities.

The Group established liquidity risk management indicators and limits to identify, measure, monitor and control liquidity risk on daily basis. These indicators and limits include, but are not limited to liquidity coverage ratio ("LCR"), loan-to-deposit ratio, Maximum Cumulative Cash Outflow ("MCO") and liquidity buffer asset portfolio. The Group applies cash flow analysis to assess the Group's liquidity condition under normal conditions and also performs a liquidity stress test (including institution specific, general market crisis and combined crisis) at least on monthly basis to assess the Group's capability to withstand various severe liquidity crises. Also, the Assets and Liabilities Management System is developed to provide data and the preparation 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)**

本集團根據金管局於 2011 年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（如客戶存款）及表外（如貸款承諾）項目作出假設。因應不同資產、負債及表外項目的特性，根據合約到期日、客戶習性假設及資產負債規模變化假設，以預測本集團的未來現金流量狀況。本集團設定「最大累計現金流出」指標，根據以上假設預測在日常情況下的未來 30 日之最大累計現金淨流出，以評估本集團的融資能力是否足以應付該現金流缺口，以達到持續經營的目的。於 2016 年 12 月 31 日，在沒有考慮出售未到期有價證券的現金流入之情況下，本銀行之 30 日累計現金流是淨流入，為港幣 457,877,000 元（2015 年：港幣 9,723,236,000 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 in 2011, the Group has implemented behaviour model and assumptions of cash flow analysis and stress test to enhance the Group's cash flow analysis under both normal and stressed conditions. In cash flow analysis under normal circumstances, assumptions have been made relating to on-balance sheet items (such as deposits from customers) and off-balance sheet items (such as loan commitments). According to various characteristics of the assets, liabilities and off-balance sheet items, the Group forecasts the future cash flow based on contractual maturity date and the assumptions of customer behaviour and balance sheet changes. The Group establishes MCO indicator which predicts the future 30 day maximum cumulative net cash outflow in normal situations based on the above assumptions, to assess if the Group has sufficient financing capacity to meet the cash flow gap in order to achieve the objective of continuing operation. As at 31 December 2016, before taking the cash inflow through the sale of outstanding marketable securities into consideration, the Bank's 30 day cumulative cash flow was a net cash inflow amounting to HK\$457,877,000 (2015: HK\$9,723,236,000) 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，貸款承擔及與貿易相關的或然負債之提取率，貸款逾期比例及滾動發放比率，同業拆出及有價證券的折扣率等。於2016年12月31日，本集團在以上三種壓力情景下都能維持正現金流，表示本集團有能力應付壓力情景下的融資需要。此外，本集團的管理政策要求本集團維持流動資金緩衝，當中包括的高質素或質素相若的有價證券為由官方實體、中央銀行、公營單位或多邊發展銀行發行或擔保，而其風險權重為0%或20%，或由非金融企業發行或擔保，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2016年12月31日，本銀行流動資金緩衝（折扣前）為港幣28,653,565,000元（2015年：港幣29,189,795,000元）。應急計劃明確了需根據壓力測試結果和預警指標結果為啟動方案的條件，並詳述了相關行動計劃、程序以及各相關部門的職責。

4.3 Liquidity risk (continued)

In the liquidity stress test, institution specific, general market crisis and combined crisis scenario has been set up, combined crisis scenario is a combination of institution specific and general market crisis to assess the Group's capability to withstand a more severe liquidity crisis, with a more stringent set of assumptions being adopted. Stress test assumptions include the run-off rate of retail, wholesale and interbank deposits; drawdown rate of loan commitments and trade-related contingent liabilities; delinquency ratio and rollover rate of customer loans; and haircut of interbank placement and marketable securities. As at 31 December 2016, the Group was able to maintain a positive cash flow 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 or guaranteed 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 2016, the Bank's liquidity cushion (before haircut) was HK\$28,653,565,000 (2015: HK\$29,189,795,000). A contingency plan is being established which details the conditions to trigger the plan based on stress test results and early warning indicators, the action plans and relevant procedures and responsibility of various departments.

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）**

流動性覆蓋比率是根據由2015年1月1日起生效的《銀行業（流動性）規則》計算，本集團被金管局指定為第一類認可機構，並需要以綜合基礎計算。於2016年度，本集團須維持流動性覆蓋比率不少於70%。

在部分衍生工具合約中，交易對手有權基於對集團的信用狀況的關注而向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，相關單位必須首先履行風險評估程序，包括評估潛在的流動資金風險，並考慮現行管理措施是否足夠控制相關風險。如果新產品或新業務可能對銀行流動資金風險形成重大影響，須上報風險管理委員會審批。

本集團制訂統一的流動資金風險管理政策，附屬銀行根據集團的統一政策，結合自身特點制訂具體的管理辦法，並承擔管理本機構流動資金風險的責任。主要附屬銀行獨立地履行日常風險管理職能，並定期向本集團管理層匯報。

4.3 Liquidity risk (continued)

The LCR is calculated in accordance with the Banking (Liquidity) Rules effective from 1 January 2015, the Group, being classified as category 1 authorised institution by the HKMA, is required to calculate LCR on consolidated basis. During the year of 2016, the Group is required to maintain a LCR not less than 70%.

In certain derivative contracts, the counterparties have 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 Risk Management Committee for approval.

The Group has established a set of uniform liquidity risk management policies. On the basis of the Group's uniform policy, the principal banking subsidiary develops its own liquidity management policies according to its own characteristics, and assumes its own liquidity risk management responsibility, executes its daily risk management processes independently, and 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)
4.3 流動資金風險 (續) 4.3 Liquidity risk (continued)
(A) 流動性覆蓋比率 (A) Liquidity coverage ratio

		2016 年季度結算至 2016 quarter ended			
		12月31日 31 December	9月30日 30 September	6月30日 30 June	3月31日 31 March
流動性覆蓋比率的平均值	Average value of liquidity coverage ratio	141.78%	165.40%	145.26%	130.84%
		2015 年季度結算至 2015 quarter ended			
		12月31日 31 December	9月30日 30 September	6月30日 30 June	3月31日 31 March
流動性覆蓋比率的平均值	Average value of liquidity coverage ratio	120.02%	114.10%	163.68%	123.70%

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。

流動性覆蓋比率是以綜合基礎計算，並根據《銀行業（流動性）規則》由本銀行及金管局指定之附屬公司組成。

有關流動性覆蓋比率披露的補充資料可於本銀行網頁 www.ncb.com.hk 中「監管披露」一節瀏覽。

The 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.

The liquidity coverage ratio is computed on the consolidated basis which comprises the positions of the Bank and the subsidiaries specified by the HKMA in accordance with the Banking (Liquidity) Rules.

The additional information of liquidity coverage ratio disclosures is available under section "Regulatory Disclosures" on the Bank's website at www.ncb.com.hk.

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.

		2016							
		即期	一至	三至	一至五年	五年以上	不確定	總計	
		On	一個月內	三個月	十二個月	一至五年	Over	日期	
		demand	Up to	1 to 3	3 to 12	1 to 5	5 years	Indefinite	
		港幣	港幣	港幣	港幣	港幣	港幣	港幣	
		千元	千元	千元	千元	千元	千元	千元	
		HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	
資產	Assets								
庫存現金及存放銀行及其他金融機構的結餘	Cash and balances with banks and other financial institutions	22,715,971	29,611,612	-	-	-	-	52,327,583	
在銀行及其他金融機構一至十二個月內到期之定期存放	Placements with banks and other financial institutions maturing between one and twelve months	-	-	4,552,714	10,126,985	-	-	14,679,699	
公允價值變化計入損益之金融資產	Financial assets at fair value through profit or loss								
- 交易性	- Held for trading								
- 債務證券	- Debt securities	-	210,443	2,217,212	1,011,108	-	-	3,438,763	
- 界定為以公允價值變化計入損益	- Designated at fair value through profit or loss								
- 債務證券	- Debt securities	-	-	-	241,638	-	-	241,638	
衍生金融工具	Derivative financial instruments	336,361	62,105	150,734	347,276	-	-	896,476	
貸款及其他賬項	Advances and other accounts								
- 客戶貸款	- Advances to customers	6,757,582	6,710,603	10,567,311	36,092,176	85,944,627	39,903,860	478,279	
- 貿易票據	- Trade bills	1,780	1,427,406	1,967,532	2,268,436	-	-	5,665,154	
金融投資	Financial investments								
- 可供出售	- Available-for-sale								
- 債務證券	- Debt securities	-	3,884,572	10,733,506	9,178,135	22,886,731	739,120	47,422,064	
- 存款證	- Certificates of deposit	-	4,504,881	11,055	7,612,342	2,778,873	-	14,907,151	
- 其他	- Others	-	1,673,061	1,679,707	4,415,961	-	-	7,768,729	
- 持有至到期日	- Held-to-maturity								
- 債務證券	- Debt securities	-	-	348,456	553,519	1,161,967	-	2,063,942	
- 貸款及應收款	- Loans and receivables								
- 債務證券	- Debt securities	-	-	-	1,240,319	-	-	1,240,319	
- 其他	- Others	-	115,373	-	221,646	3,182,477	-	3,519,496	
- 股份證券	- Equity securities	-	-	-	-	-	13,381	13,381	
投資物業	Investment properties	-	-	-	-	-	383,830	383,830	
物業、器材及設備	Properties, plant and equipment	-	-	-	-	-	6,929,407	6,929,407	
其他資產(包括應收及遞延稅項資產)	Other assets (including current and deferred tax assets)	357,748	328,403	157,587	85,150	(41,271)	93,022	980,639	
資產總額	Total assets	30,169,442	48,528,459	32,385,814	73,394,691	115,913,404	40,642,980	7,897,919	348,932,709

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)

		2016							
		即期	一個月內	一至三個月	三至十二個月	一至五年	五年以上	不確定日期	總計
		On demand	Up to 1 month	1 to 3 months	3 to 12 months	1 to 5 years	Over 5 years	Indefinite	Total
		港幣千元	港幣千元	港幣千元	港幣千元	港幣千元	港幣千元	港幣千元	港幣千元
		HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
負債	Liabilities								
銀行及其他金融機構之存款及結餘	Deposits and balances from banks and other financial institutions	1,331,420	10,457,704	4,835,461	11,125,398	2,700,227	-	-	30,450,210
公允價值變化計入損益之金融負債	Financial liabilities at fair value through profit or loss	-	1,880,498	816,180	526,778	-	-	-	3,223,456
衍生金融工具	Derivative financial instruments	110,954	25,609	138,511	535,864	123,306	-	-	934,244
客戶存款	Deposits from customers	102,970,686	55,417,442	50,119,358	47,365,113	1,654,931	-	-	257,527,530
已發行債券證券及存款證	Debt securities and certificates of deposit in issue	-	-	-	541,378	554,559	-	-	1,095,937
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)	8,633,899	1,373,150	1,181,545	4,878,344	948,759	667	-	17,016,364
負債總額	Total liabilities	113,046,959	69,154,403	57,091,055	64,972,875	5,981,782	667	-	310,247,741
流動資金缺口	Net liquidity gap	(82,877,517)	(20,625,944)	(24,705,241)	8,421,816	109,931,622	40,642,313	7,897,919	38,684,968

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)

		2015							
		即期	一個月內	一至三個月	三至十二個月	一至五年	五年以上	不確定日期	總計
		On demand	Up to 1 month	1 to 3 months	3 to 12 months	1 to 5 years	Over 5 years	Indefinite	Total
		港幣千元	港幣千元	港幣千元	港幣千元	港幣千元	港幣千元	港幣千元	港幣千元
		HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
資產	Assets								
庫存現金及存放銀行及其他金融機構的結餘	Cash and balances with banks and other financial institutions	13,738,576	31,379,966	-	-	-	-	9,126,263	54,244,805
在銀行及其他金融機構一至十二個月內到期之定期存放	Placements with banks and other financial institutions maturing between one and twelve months	-	-	3,157,041	3,899,744	-	-	-	7,056,785
公允價值變化計入損益之金融資產	Financial assets at fair value through profit or loss								
- 交易性	- Held for trading								
- 債務證券	- Debt securities	-	1,762,994	2,479,360	2,471,938	-	-	-	6,714,292
- 界定為以公允價值變化計入損益	- Designated at fair value through profit or loss								
- 債務證券	- Debt securities	-	-	-	2,168	247,112	-	-	249,280
衍生金融工具	Derivative financial instruments	320,134	96,765	21,483	255,610	2,274	-	-	696,266
貸款及其他賬項	Advances and other accounts								
- 客戶貸款	- Advances to customers	5,500,045	7,436,513	14,184,098	36,000,440	61,815,074	29,138,201	777,500	154,851,871
- 貿易票據	- Trade bills	7	3,372,536	4,090,506	6,609,094	-	-	-	14,072,143
金融投資	Financial investments								
- 可供出售	- Available-for-sale								
- 債務證券	- Debt securities	-	7,295,867	6,428,028	8,657,828	18,096,760	356,810	-	40,835,293
- 存款證	- Certificates of deposit	-	216,318	1,404,198	6,404,497	3,018,675	-	-	11,043,688
- 其他	- Others	-	472,067	-	-	-	-	-	472,067
- 持有至到期日	- Held-to-maturity								
- 債務證券	- Debt securities	-	-	1,237	299,330	2,165,963	-	-	2,466,530
- 貸款及應收款	- Loans and receivables								
- 債務證券	- Debt securities	-	182,257	48,142	355,393	-	-	-	585,792
- 股份證券	- Equity securities	-	-	-	-	-	-	4,613	4,613
投資物業	Investment properties	-	-	-	-	-	-	414,736	414,736
物業、器材及設備	Properties, plant and equipment	-	-	-	-	-	-	7,008,020	7,008,020
其他資產 (包括遞延稅項資產)	Other assets (including deferred tax assets)	164,183	3,936,533	13,518	134,702	(7,648)	-	106,595	4,347,883
待出售資產	Assets held for sale	-	132,729	-	-	-	-	-	132,729
資產總額	Total assets	19,722,945	56,284,545	31,827,611	65,090,744	85,338,210	29,495,011	17,437,727	305,196,793

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)

		2015							
		即期	一個月內	一至三個月	三至十二個月	一至五年	五年以上	不確定日期	總計
		On demand	Up to 1 month	1 to 3 months	3 to 12 months	1 to 5 years	Over 5 years	Indefinite	Total
		港幣千元	港幣千元	港幣千元	港幣千元	港幣千元	港幣千元	港幣千元	港幣千元
		HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
負債	Liabilities								
銀行及其他金融機構之存款及結餘	Deposits and balances from banks and other financial institutions	3,648,010	18,122,402	2,501,295	6,689,467	-	-	-	30,961,174
公允值變化計入損益之金融負債	Financial liabilities at fair value through profit or loss	-	1,084,486	1,907,861	1,583,009	-	-	-	4,575,356
衍生金融工具	Derivative financial instruments	103,804	76,539	29,472	73,219	19,910	-	-	302,944
客戶存款	Deposits from customers	90,852,158	55,539,932	34,371,019	31,798,000	5,700,874	-	-	218,261,983
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)	1,998,248	1,315,194	2,943,651	6,315,257	1,376,345	25,987	-	13,974,682
待出售資產之相關負債	Liabilities associated with assets held for sale	-	21,884	-	-	-	-	-	21,884
負債總額	Total liabilities	96,602,220	76,160,437	41,753,298	46,458,952	7,097,129	25,987	-	268,098,023
流動資金缺口	Net liquidity gap	(76,879,275)	(19,875,892)	(9,925,687)	18,631,792	78,241,081	29,469,024	17,437,727	37,098,770

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)

(B) 到期日分析 (續)

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為遵循《銀行業(披露)規則》之相關條文而披露的。所作披露不代表此等證券將持有至到期日。

4.3 Liquidity risk (continued)

(B) Maturity analysis (continued)

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 disclosed in order to comply with relevant provisions under the Banking (Disclosure) Rules. 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
(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允值列示外，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)

		2016					
		一個月內	一至三個月	三至十二個月	一至五年	五年以上	總計
		Up to 1 month	1 to 3 months	3 to 12 months	1 to 5 years	Over 5 years	Total
		港幣千元	港幣千元	港幣千元	港幣千元	港幣千元	港幣千元
		HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
按淨額基準結算之衍生金融負債	Derivative financial liabilities settled on a net basis	220,874	-	(8,499)	-	-	212,375
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	22,242,268	11,910,851	18,004,474	-	-	52,157,593
總流出	Total outflow	(22,210,298)	(13,025,286)	(19,871,987)	-	-	(55,107,571)

		2015					
		一個月內	一至三個月	三至十二個月	一至五年	五年以上	總計
		Up to 1 month	1 to 3 months	3 to 12 months	1 to 5 years	Over 5 years	Total
		港幣千元	港幣千元	港幣千元	港幣千元	港幣千元	港幣千元
		HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
按淨額基準結算之衍生金融負債	Derivative financial liabilities settled on a net basis	(104,510)	(2,043)	(17,962)	(8,160)	-	(132,675)
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	22,039,048	7,838,682	13,446,442	75,357	-	43,399,529
總流出	Total outflow	(22,024,752)	(7,850,203)	(13,357,472)	(75,249)	-	(43,307,676)

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)**
**(c) 資產負債表外
項目**
貸款承擔

有關本集團於
2016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
91,641,576,000
元 (2015年：港
幣
86,380,519,000
元)，此等貸款承
擔可於一年內提
取。

**財務擔保及其他
財務融資**

本集團於2016年
12月31日之財務
擔保及其他財務
融資金額為港幣
35,050,400,000
元 (2015年：港
幣
36,313,017,000
元)，其到期日少
於一年。

4.3 Liquidity risk (continued)
(C) Analysis of undiscounted cash flows by contractual maturities (continued)
(c) Off-balance sheet items
Loan commitments

The contractual amounts of the Group's off-balance sheet financial instruments as at 31 December 2016 that the Group commits to extend credit to customers and other facilities totalled HK\$91,641,576,000 (2015: HK\$86,380,519,000). Those loan commitments can be drawn within one year.

Financial guarantees and other financial facilities

Financial guarantees and other financial facilities of the Group as at 31 December 2016 totalled HK\$35,050,400,000 (2015: HK\$36,313,017,000) 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。

本集團已經建立並維持一套有效的資本管理政策和調控機制。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，並使用內部評級基準（證券化）計算法計算證券化類別風險承擔的信貸風險資本要求。小部分信貸風險承擔則繼續按標準（信貸風險）計算法計算。本集團採用標準信貸估值調整方法，計算具有信貸估值調整風險的交易對手資本要求。

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 and the internal ratings-based (securitisation) approach to calculate the credit risk capital charge for its securitisation exposures. A small residual credit exposures are remained under the standardised (credit risk) ("STC") approach. The Group has adopted the standardised credit valuation adjustment ("CVA") method to calculate the capital charge for the CVA risk of the counterparty.

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，並根據《銀行業(資本)規則》第 317C 條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 2016 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 pursuant to section 317C of the Banking (Capital) Rules in the calculation of the market risk capital charge. The Group continues to adopt the standardised (market risk) ("STM") approach to calculate the market risk capital charge for the remaining exposures.

The Group continues to adopt standardised (operational risk) ("STO") approach to calculate the operational risk capital charge.

The Group has continued to adopt an internal capital adequacy assessment process ("ICAAP") to comply with the HKMA's requirements in the Supervisory Policy Manual "Supervisory Review Process" in 2016. 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、監控要求等多維度評估對資本充足性的影響，從而預測未來資本需求及資本來源，以保障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》由本銀行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 the Bank 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	2016		2015	
		資產總額	資本總額	資產總額	資本總額
		Total assets	Total equity	Total assets	Total equity
		港幣千元	港幣千元	港幣千元	港幣千元
		HK\$'000	HK\$'000	HK\$'000	HK\$'000
南洋商業銀行信託有限公司	Nanyang Commercial Bank Trustee Limited	16,450	16,341	16,355	16,246
廣利南投資管理有限公司	Kwong Li Nam Investment Agency Limited	4,137	4,026	4,248	4,026
南洋商業銀行 (代理人) 有限公司	Nanyang Commercial Bank (Nominees) Limited	1,469	1,469	1,472	1,472

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)

以上附屬公司的主要業務載於「附錄一本銀行之附屬公司」。

The principal activities of the above subsidiaries are set out in "Appendix – Subsidiaries of the Bank".

於2016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（2015年：無）。

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 2016 (2015: Nil).

於2016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（2015年：無）。

Neither were there any 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 2016 (2015: Nil).

(B) 資本比率
(B) Capital ratio

		<u>2016</u>	<u>2015</u>
普通股權一級資本比率	CET1 capital ratio	<u>14.31%</u>	<u>16.20%</u>
一級資本比率	Tier 1 capital ratio	<u>14.31%</u>	<u>16.20%</u>
總資本比率	Total capital ratio	<u>16.19%</u>	<u>18.41%</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:

		2016	2015
		港幣千元	港幣千元
		HK\$'000	HK\$'000
普通股權一級資本：票據及儲備	CET1 capital: instruments and reserves		
直接發行的合資格普通股權一級資本票據	Directly issued qualifying CET1 capital instruments	3,144,517	3,144,517
保留溢利	Retained earnings	28,648,761	25,495,966
已披露的儲備	Disclosed reserves	6,885,557	8,451,135
		38,678,835	37,091,618
監管扣減之前的普通股權一級資本	CET1 capital before regulatory deductions		
普通股權一級資本：監管扣減	CET1 capital: regulatory deductions		
估值調整	Valuation adjustments	(18,800)	(8,617)
已扣除遞延稅項負債的遞延稅項資產	Deferred tax assets net of deferred tax liabilities	(100,652)	(5,962)
現金流對沖儲備	Cash flow hedge reserve	48,098	-
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	(2,983)	(537)
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)	(6,026,176)	(6,190,605)
一般銀行業務風險監管儲備	Regulatory reserve for general banking risks	(2,011,223)	(2,255,673)
		(8,111,736)	(8,461,394)
對普通股權一級資本的監管扣減總額	Total regulatory deductions to CET1 capital		
普通股權一級資本	CET1 capital	30,567,099	28,630,224

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)

		<u>2016</u>	<u>2015</u>
		港幣千元 HK\$'000	港幣千元 HK\$'000
一級資本	Tier 1 capital	<u>30,567,099</u>	<u>28,630,224</u>
二級資本：票據及準備金 合資格計入二級資本的 集體減值備抵及一般 銀行風險監管儲備	Tier 2 capital: instruments and provisions Collective impairment allowances and regulatory reserve for general banking risks eligible for inclusion in Tier 2 capital	<u>1,304,611</u>	<u>1,109,458</u>
監管扣減之前的二級資本	Tier 2 capital before regulatory deductions	<u>1,304,611</u>	<u>1,109,458</u>
二級資本：監管扣減 加回合資格計入二級資本的 因對土地及建築物（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>2,711,779</u>	<u>2,785,772</u>
對二級資本的監管扣減 總額	Total regulatory deductions to Tier 2 capital	<u>2,711,779</u>	<u>2,785,772</u>
二級資本	Tier 2 capital	<u>4,016,390</u>	<u>3,895,230</u>
總資本	Total capital	<u>34,583,489</u>	<u>32,525,454</u>
防護緩衝資本比率分析如 下：	The capital buffer ratios are analysed as follows:	於 2016 年 12 月 31 日 At 31 December <u>2016</u>	於 2015 年 12 月 31 日 At 31 December <u>2015</u>
防護緩衝資本比率	Capital conservation buffer ratio	<u>0.625%</u>	<u>0.000%</u>
逆周期緩衝資本比率	Countercyclical capital buffer ratio	<u>0.34%</u>	<u>0.00%</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)

根據《銀行業 (資本) 規則》，於 2016 至 2019 年間分階段引入防護緩衝資本 (「CCB 比率」)，目的是確保銀行在受壓期外，建立風險加權資產之 2.5% 之資本。逆周期緩衝資本 (「CCyB 比率」) 則是由個別司法管轄區設置，用以在信貸增長過度時期抵禦未來的損失。香港金融管理局公佈香港地區適用的逆周期緩衝資本，由 2016 年 1 月 1 日及 2017 年 1 月 1 日起分別為風險加權資產之 0.625% 及 1.25%，而當《巴塞爾協定三》全面實施時則為風險加權資產之 2.5%。

有關資本披露的補充資料可於本銀行網頁 www.ncb.com.hk 中「監管披露」一節瀏覽。

4.4 Capital management (continued)

(B) Capital ratio (continued)

In accordance with the Banking (Capital) Rules, the phase-in from 2016 to 2019 of the Capital Conservation Buffer ("CCB") is designed to ensure banks build up capital outside periods of stress of 2.5% of risk-weighted assets ("RWAs"). The Countercyclical Capital Buffer ("CCyB") which is set on an individual country basis and is built up during periods of excess credit growth to protect against future losses. The HKMA announced a CCyB for Hong Kong of 0.625% and 1.25% of RWAs from 1 January 2016 and 1 January 2017 respectively under the phase in arrangements of Basel III, equivalent to 2.5% once fully phased in.

The additional information of capital disclosures is available under section "Regulatory Disclosures" on the Bank's website at www.ncb.com.hk.

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)
(C) 槓桿比率
(C) Leverage ratio

		<u>2016</u>	<u>2015</u>
		港幣千元 HK\$'000	港幣千元 HK\$'000
一級資本	Tier 1 capital	<u>30,567,099</u>	<u>28,630,224</u>
槓桿比率風險承擔	Leverage ratio exposure	<u>379,536,120</u>	<u>339,678,093</u>
槓桿比率	Leverage ratio	<u>8.05%</u>	<u>8.43%</u>

有關槓桿比率披露的補充資料可於本銀行網頁 www.ncb.com.hk 中「監管披露」一節瀏覽。

The additional information of leverage ratio disclosures is available under section "Regulatory Disclosures" on the Bank's website at www.ncb.com.hk.

財務報表附註（續） Notes to the Financial Statements (continued)**5. 資產和負債的公允值 5. Fair values of assets and liabilities**

所有以公允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「公允值計量」的定義，於公允值層級表內分類。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，並基於對整體公允值計量有重大影響之最低層級因素來釐定：

- 第一層級：相同資產或負債在活躍市場中的報價（未經調整）。此層級包括部分政府發行的債務工具、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（同時需對整體公允值計量有重大影響）可被直接或間接地觀察。此層級包括大部分場外交易的衍生合約、從估值服務供應商獲取價格的債務證券及存款證。同時亦包括對可觀察的市場因素進行了不重大調整的貴金屬及物業。
- 第三層級：乃基於估值技術所採用的最低層級因素（同時需對整體公允值計量有重大影響）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、衍生工具及債務工具。同時亦包括對可觀察的市場因素進行了重大調整的物業。

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy as defined in HKFRS 13, "Fair value measurement". The categorisation are determined with reference to the observability and significance of the inputs used in the valuation methods and based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1: based on quoted prices (unadjusted) in active markets for identical assets or liabilities. This category includes debt instruments issued by certain governments, 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. 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, derivatives and debt instruments 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. 資產和負債的公允值 (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（基於對整體公允值計量有重大影響之最低層級因素），以確定有否在公允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 以公允值計量的金融工具

本集團建立了完善的公允值管治及控制架構，公允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允值數據。其他特定控制程序包括核實可觀察的估值參數。重大估值事項將向管理層匯報。

5.1 Financial instruments measured at fair value

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. Significant valuation issues are reported to the Management.

財務報表附註（續） Notes to the Financial Statements (continued)**5. 資產和負債的公允值 (續) 5. Fair values of assets and liabilities (continued)****5.1 以公允值計量的金融工具 (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允值。

對於本集團所持有的金融工具，其估值技術使用的主要參數包括債券價格、利率、匯率、權益及股票價格、波幅、交易對手信貸利差及其他等，主要為可從公開市場觀察及獲取的參數。

用以釐定以下金融工具公允值的估值方法如下：

債務工具及存款證

此類工具的公允值由交易所、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。

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, volatilities, 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 instruments and certificates of deposit

The fair value of these instruments is determined by obtaining quoted market prices from exchange, dealer or independent pricing service vendors or using discounted cash flow technique. Discounted cash flow model is a valuation technique that measures present value using estimated expected future cash flows from the instruments and then discounts these flows using a discount rate or discount margin that reflects the credit spreads required by the market for instruments with similar risk. These inputs are observable or can be corroborated by observable or unobservable market data.

財務報表附註（續） Notes to the Financial Statements (continued)

5. 資產和負債的公允值 (續) 5. Fair values of assets and liabilities (continued)

5.1 以公允值計量的金融工具 (續)

衍生工具

場外交易的衍生工具合約包括外匯、利率或商品的遠期、掉期及期權合約。衍生工具合約的價格主要由貼現現金流模型及期權計價模型等估值技術釐定。所使用的參數為可觀察或不可觀察市場數據。可觀察的參數包括利率、匯率、商品價格及波幅。不可觀察的參數如波幅平面可用於嵌藏於結構性存款中非交易頻繁的期權類產品。對一些複雜的衍生工具合約，公平值將按經紀／交易商之報價為基礎。

本集團對場外交易的衍生工具作出了信貸估值調整及債務估值調整。調整分別反映對市場因素變化、交易對手信譽及集團自身信貸息差的期望。有關調整主要是按每一交易對手，以未來預期敞口、違約率及收回率釐定。

5.1 Financial instruments measured at fair value (continued)

Derivatives

OTC derivative contracts include forward, swap and option contracts on foreign exchange, interest rate or commodity. The fair values of these contracts are mainly measured using valuation techniques such as discounted cash flow models and option pricing models. The inputs can be observable or unobservable market data. Observable inputs include interest rate, foreign exchange rates, commodity prices and volatilities. Unobservable inputs such as volatility surface may be used for less commonly traded option products which are embedded in structured deposits. For certain complex derivative contracts, the fair values are determined based on broker/dealer price quotations.

Credit valuation adjustments (“CVA”) and debit valuation adjustments (“DVA”) are applied to the Group’s OTC derivatives. These adjustments reflect market factors movement, expectations of counterparty creditworthiness and the Group’s own credit spread respectively. They are mainly determined for each counterparty and are dependent on expected future values of exposures, default probabilities and recovery rates.

財務報表附註 (續) Notes to the Financial Statements (continued)
5. 資產和負債的公允值 (續) 5. Fair values of assets and liabilities (continued)
5.1 以公允值計量的金融工具 (續) 5.1 Financial instruments measured at fair value (continued)
(A) 公允值的等級
(A) Fair value hierarchy

		2016			
		第一層級 Level 1	第二層級 Level 2	第三層級 Level 3	總計 Total
		港幣千元 HK\$'000	港幣千元 HK\$'000	港幣千元 HK\$'000	港幣千元 HK\$'000
金融資產	Financial assets				
公允值變化計入損益之金融資產 (附註 20)	Financial assets at fair value through profit or loss (Note 20)				
- 交易性資產	- Trading assets				
- 債務證券	- Debt securities	-	3,438,763	-	3,438,763
- 界定為以公允值變化計入損益之金融資產	- Financial assets designated at fair value through profit or loss				
- 債務證券	- Debt securities	-	241,638	-	241,638
衍生金融工具 (附註 21)	Derivative financial instruments (Note 21)	344,483	551,908	85	896,476
可供出售金融資產 (附註 24)	Available-for-sale financial assets (Note 24)				
- 債務證券及存款證	- Debt securities and certificates of deposit	-	62,329,215	-	62,329,215
- 股份證券	- Equity securities	-	-	13,381	13,381
- 其他	- Others	-	-	7,768,729	7,768,729
		<u>344,483</u>	<u>551,908</u>	<u>85</u>	<u>896,476</u>
金融負債	Financial liabilities				
公允值變化計入損益之金融負債 (附註 28)	Financial liabilities at fair value through profit or loss (Note 28)				
- 交易性負債	- Trading liabilities	-	3,223,456	-	3,223,456
衍生金融工具 (附註 21)	Derivative financial instruments (Note 21)	123,638	810,606	-	934,244
		<u>123,638</u>	<u>810,606</u>	<u>-</u>	<u>934,244</u>

財務報表附註 (續) Notes to the Financial Statements (continued)
5. 資產和負債的公允值 (續) 5. Fair values of assets and liabilities (continued)
5.1 以公允值計量的金融工具 (續)
5.1 Financial instruments measured at fair value (continued)
(A) 公允值的等級 (續)
(A) Fair value hierarchy (continued)

		2015			
		第一層級 Level 1	第二層級 Level 2	第三層級 Level 3	總計 Total
		港幣千元 HK\$'000	港幣千元 HK\$'000	港幣千元 HK\$'000	港幣千元 HK\$'000
金融資產	Financial assets				
公允值變化計入損益之金融資產 (附註 20)	Financial assets at fair value through profit or loss (Note 20)				
- 交易性資產	- Trading assets				
- 債務證券	- Debt securities	-	6,714,292	-	6,714,292
- 界定為以公允值變化計入損益之金融資產	- Financial assets designated at fair value through profit or loss				
- 債務證券	- Debt securities	-	249,280	-	249,280
衍生金融工具 (附註 21)	Derivative financial instruments (Note 21)	320,134	376,132	-	696,266
可供出售金融資產 (附註 24)	Available-for-sale financial assets (Note 24)				
- 債務證券及存款證	- Debt securities and certificates of deposit	2,814,257	49,064,724	-	51,878,981
- 股份證券	- Equity securities	-	-	4,613	4,613
- 其他	- Others	-	-	472,067	472,067
金融負債	Financial liabilities				
公允值變化計入損益之金融負債 (附註 28)	Financial liabilities at fair value through profit or loss (Note 28)				
- 交易性負債	- Trading liabilities	-	4,575,356	-	4,575,356
衍生金融工具 (附註 21)	Derivative financial instruments (Note 21)	103,804	199,140	-	302,944

本集團之金融資產及負債於年內均沒有第一層級及第二層級之間的轉移 (2015 年：無)。

There were no financial asset and liability transfers between level 1 and level 2 for the Group during the year (2015: Nil).

財務報表附註 (續) Notes to the Financial Statements (continued)
5. 資產和負債的公允值 (續) 5. Fair values of assets and liabilities (continued)
5.1 以公允值計量的金融工具 (續)
5.1 Financial instruments measured at fair value (continued)
(B) 第三層級的项目變動
(B) Reconciliation of level 3 items

		2016 金融資產		
		Financial assets		
	衍生金融工具 (淨額) Derivative Financial Instruments (net)	可供出售金融資產 Available-for-sale financial assets		
		股份證券 Equity securities	其他 Others	
	港幣千元 HK\$'000	港幣千元 HK\$'000	港幣千元 HK\$'000	
於 2016 年 1 月 1 日	At 1 January 2016	-	4,613	472,067
收益	Gains			
- 收益表	- Income statement	85	-	(26,305)
- 其他全面收益	- Other comprehensive income			
- 可供出售證券之公允值變化	- Change in fair value of available-for-sale securities	-	(516)	-
減值準備	Impairment allowance	-	-	-
買入	Purchases	-	9,284	12,229,735
賣出	Sales	-	-	(4,906,768)
結算	Settlements	-	-	-
於 2016 年 12 月 31 日	At 31 December 2016	85	13,381	7,768,729
於 2016 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 2016	-	-	-

財務報表附註 (續) Notes to the Financial Statements (continued)
5. 資產和負債的公允價值 (續) 5. Fair values of assets and liabilities (continued)
5.1 以公允價值計量的金融工具 (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)

		2015		
		金融資產		
		Financial assets		
		衍生金融工具 (淨額) Derivative Financial Instruments (net)	可供出售金融資產 Available-for-sale financial assets	其他 Others
		港幣千元 HK\$'000	港幣千元 HK\$'000	港幣千元 HK\$'000
於 2015 年 1 月 1 日	At 1 January 2015	4	75,766	-
收益	Gains			
- 其他全面收益	- Other comprehensive income			
- 可供出售證券之公允價值變化	- Change in fair value of available-for-sale securities	-	11,679	-
買入	Purchases	-	-	472,067
賣出	Sales	-	(82,832)	-
結算	Settlements	(4)	-	-
於 2015 年 12 月 31 日	At 31 December 2015	-	4,613	472,067
於 2015 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 2015	-	-	-

財務報表附註（續） Notes to the Financial Statements (continued)

5. 資產和負債的公允值 (續) 5. Fair values of assets and liabilities (continued)

5.1 以公允值計量的金融工具 (續)

(B) 第三層級的項目變動 (續)

於 2016 年 12 月 31 日及 2015 年 12 月 31 日，分類為第三層級的金融工具主要為非上市股權。

非上市可供出售股權的公允值乃參考可供比較的上市公司之平均市價／盈利倍數，或若沒有合適可供比較的公司，則按其資產淨值釐定。公允值與適合採用之可比較倍數比率或資產淨值存在正向關係。若股權投資的企業資產淨值增長／減少 5%，則本集團其他全面收益將增加／減少港幣 669,000 元（2015 年：港幣 231,000 元）。

對於某些低流動性其他可供出售金融資產，本集團從交易對手處詢價；其公允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，因此本集團將這些金融工具劃分至第三層級。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。

5.1 Financial instruments measured at fair value (continued)

(B) Reconciliation of level 3 items (continued)

As at 31 December 2016 and 2015, financial instruments categorised as level 3 are mainly comprised of unlisted equity shares.

The fair values of unlisted available-for-sale equity shares are determined with reference to multiples of comparable listed companies, such as average of the price/earning ratios of comparables, or net asset value, if appropriate comparables are not available. The fair value is positively correlated to the price/earning ratios of appropriate comparables or net asset values. Had the net asset value of the underlying equity investments increased/decreased by 5%, the Group's other comprehensive income would have increased/decreased by HK\$669,000 (2015: HK\$231,000).

For certain illiquid others financial assets classified as available-for-sale, the Group obtains valuation quotations from counterparties which may be based on unobservable inputs with significant impact on the valuation. Therefore, these instruments have been classified by the Group as level 3. 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. 資產和負債的公允價值 (續) 5. Fair values of assets and liabilities (continued)

5.2 非以公允價值計量的金融工具

公允價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允價值。

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，其賬面值與公允價值相若。

客戶貸款

大部分之客戶貸款是浮動利率，按市場息率計算利息，其賬面值與公允價值相若。

持有至到期日證券

持有至到期日證券之公允價值釐定與附註 5.1 內以公允價值計量的債務工具及存款證採用之方法相同。

貸款及應收款

貸款及應收款之公允價值釐定與附註 5.1 內以公允價值計量的債務工具及存款證採用之方法相同。

客戶存款

大部分之客戶存款將於結算日後一年內到期，其賬面值與公允價值相若。

已發行債務證券及存款證

此類工具之公允價值釐定與附註 5.1 內以公允價值計量的債務工具及存款證採用之方法相同。

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

Substantially all the advances to customers are on floating rate terms, bear interest at prevailing market interest rates and their carrying value approximates fair value.

Held-to-maturity securities

The fair value of held-to-maturity securities is determined by using the same approach as those debt instruments and certificates of deposit measured at fair value as described in Note 5.1.

Loans and receivables

The fair value of loans and receivables is determined by using the same approach as those debt instruments and certificates of deposit measured at fair value as described in Note 5.1.

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 instruments and certificates of deposit measured at fair value as described in Note 5.1.

財務報表附註 (續) Notes to the Financial Statements (continued)
5. 資產和負債的公允值 (續) 5. Fair values of assets and liabilities (continued)
5.2 非以公允值計量的金融工具 (續)

除以上其賬面值與公允值相若的金融工具外，下表為非以公允值計量的金融工具之賬面值和公允值。

5.2 Financial instruments not measured at fair value (continued)

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.

	2016		2015	
	Carrying value 賬面值	Fair value 公允值	Carrying value 賬面值	Fair value 公允值
	港幣千元 HK\$'000	港幣千元 HK\$'000	港幣千元 HK\$'000	港幣千元 HK\$'000
金融資產	Financial assets			
持有至到期日證券	2,063,942	2,109,576	2,466,530	2,557,828
貸款及應收款	4,759,815	4,773,057	585,792	586,376
金融負債	Financial liabilities			
已發行債務證券及存款證	1,095,937	1,104,033	-	-

下表列示已披露其公允值的金融工具之公允值等級。

The following tables show the fair value hierarchy for financial instruments with fair values disclosed.

	2016			
	第一層級 Level 1	第二層級 Level 2	第三層級 Level 3	總計 Total
	港幣千元 HK\$'000	港幣千元 HK\$'000	港幣千元 HK\$'000	港幣千元 HK\$'000
金融資產	Financial assets			
持有至到期日證券	-	2,109,576	-	2,109,576
貸款及應收款	-	1,238,137	3,534,920	4,773,057
金融負債	Financial liabilities			
已發行債務證券及存款證	-	1,104,033	-	1,104,033
	2015			
	第一層級 Level 1	第二層級 Level 2	第三層級 Level 3	總計 Total
	港幣千元 HK\$'000	港幣千元 HK\$'000	港幣千元 HK\$'000	港幣千元 HK\$'000
金融資產	Financial assets			
持有至到期日證券	-	2,557,828	-	2,557,828
貸款及應收款	-	586,376	-	586,376

財務報表附註（續） Notes to the Financial Statements (continued)**5. 資產和負債的公允值 (續) 5. Fair values of assets and liabilities (continued)****5.3 以公允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允值。

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。估值由獨立特許測量師萊坊測計師行有限公司進行，其擁有具備香港測量師學會資深專業會員及專業會員資格之人員，並在估值物業所處地區及種類上擁有經驗。當估值於每半年末及年末進行時，本集團管理層會跟測量師討論估值方法、估值假設及估值結果。估值方法於年內沒有改變。

(i) 第二層級公允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允值，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。

本集團之物業均位於香港及內地之主要城市，被認為是活躍及透明的物業市場。可比較物業之出售價、市場租金及資本化率一般均可在此等市場上被直接或間接觀察得到。

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. The valuations were carried out by an independent firm of chartered surveyors, Knight Frank Petty Limited, who have among their staff Fellow and Members of The Hong Kong Institute of Surveyors with recent experience in the locations and categories of properties being valued. The Group's Management had discussions with the surveyors on the valuation methods, valuation assumptions and valuation results when the valuation is performed at each interim and annual reporting date. There has been no change in valuation methods during the year.

(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.

The Group's properties are located in Hong Kong and major cities in the PRC where the property markets are considered active and transparent. Sales price, market rent and capitalisation rate of comparable properties are generally observable either directly or indirectly in these markets.

財務報表附註 (續) Notes to the Financial Statements (continued)
5. 資產和負債的公允值 (續) 5. Fair values of assets and liabilities (continued)
5.3 以公允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) 有關第三層級公允值計量的資料

(ii) Information about Level 3 fair value measurements

被分類為第三層級的本集團物業之公允值均採用市場比較法或收入資本法，再按本集團物業相對於可比較物業之性質作折溢價調整來釐定。

The fair value of all of the Group's properties classified as Level 3 is determined using either the market comparison approach or the income capitalisation approach, adjusted for a premium or a discount specific to the features of the Group's properties compared to the comparable properties.

以下為在公允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	不可觀察因素與公允值的關係 Relationship of unobservable inputs to 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	-20% (2015: -8%)	溢價越高，公允值越高。 The higher the premium, the higher the fair value. 折價越高，公允值越低。 The higher the discount, the lower the fair value.

物業相對可比較物業在性質上之溢價／(折價)乃參考與可比較物業在不同因素上的差異，例如成交後之市場變動、位置、便達性、樓齡／狀況、樓層、面積、佈局等而釐定。

Premium/(discount) on features of 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, with reference to the differences in features with comparable properties.

財務報表附註 (續) Notes to the Financial Statements (continued)
5. 資產和負債的公允價值 (續) 5. Fair values of assets and liabilities (continued)
5.3 以公允價值計量的非金融工具 (續)
5.3 Non-financial instruments measured at fair value (continued)
(B) 第三層級的项目變動
(B) Reconciliation of level 3 items

		2016	
		非金融資產	
		Non-financial assets	
		物業、器材及 設備	投資物業
		Properties, plant and equipment	Investment properties
		房產	Premises
		港幣千元	港幣千元
		HK\$'000	HK\$'000
於 2016 年 1 月 1 日	At 1 January 2016	414,736	6,462,986
收益	Gains		
- 收益表	- Income statement		
- 投資物業公允價值調整之 淨收益	- Net gain from fair value adjustments on investment properties	29,340	-
- 重估房產之淨收益	- Net gain from revaluation of premises	-	5,271
- 其他全面收益	- Other comprehensive income		
- 房產重估	- Revaluation of premises	-	(66,680)
折舊	Depreciation	-	(116,962)
增置	Additions	-	96,419
出售	Disposals	-	-
轉入第三層級	Transfer into level 3	-	217,000
轉出第三層級	Transfer out of level 3	-	(251,400)
重新分類	Reclassification	(59,082)	59,082
匯兌差額	Exchange difference	(1,164)	(26,861)
		383,830	6,378,855
於 2016 年 12 月 31 日	At 31 December 2016		
於 2016 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 2016		
- 投資物業公允價值調整之淨 收益	- Net gain from fair value adjustments on investment properties	29,340	-
- 重估房產之淨收益	- Net gain from revaluation of premises	-	5,271
		29,340	5,271

財務報表附註 (續) Notes to the Financial Statements (continued)
5. 資產和負債的公允值 (續) 5. Fair values of assets and liabilities (continued)
5.3 以公允值計量的非金融工具 (續)
5.3 Non-financial instruments measured at fair value (continued)
(B) 第三層級的项目變動 (續)
(B) Reconciliation of level 3 items (continued)

		2015	
		非金融資產	
		Non-financial assets	
		物業、器材及 設備	投資物業 房產
		Properties, plant and equipment	Investment properties Premises
		港幣千元 HK\$'000	港幣千元 HK\$'000
於 2015 年 1 月 1 日	At 1 January 2015	1,280,271	6,821,340
收益	Gains		
- 收益表	- Income statement		
- 投資物業公允值調整之 淨收益	- Net gain from fair value adjustments on investment properties	35,446	-
- 重估房產之淨收益	- Net gain from revaluation of premises	-	2,321
- 其他全面收益	- Other comprehensive income		
- 房產重估	- Revaluation of premises	-	353,940
折舊	Depreciation	-	(123,176)
增置	Additions	2,903	26,099
出售	Disposals	(901,200)	(376,178)
轉出第三層級	Transfer out of level 3	-	(217,000)
重新分類	Reclassification	(1,498)	1,498
匯兌差額	Exchange difference	(1,186)	(25,858)
於 2015 年 12 月 31 日	At 31 December 2015	<u>414,736</u>	<u>6,462,986</u>
於 2015 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 2015		
- 投資物業公允值調整之淨 收益	- Net gain from fair value adjustments on investment properties	35,446	-
- 重估房產之淨收益	- Net gain from revaluation of premises	-	2,321
		<u>35,446</u>	<u>2,321</u>

財務報表附註（續） Notes to the Financial Statements (continued)

5. 資產和負債的公允值 (續) 5. Fair values of assets and liabilities (continued)

5.3 以公允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

	2016	2015
	港幣千元	港幣千元
	HK\$'000	HK\$'000
利息收入		
存放於同業及其他金融機構的款項	1,133,134	1,956,071
客戶貸款	5,160,921	5,343,647
證券投資及公允值變化計入損益之金融資產	1,244,987	1,429,710
其他	11,073	17,056
	7,550,115	8,746,484
利息支出		
同業及其他金融機構存放的款項	(401,536)	(711,066)
客戶存款	(2,373,115)	(3,024,093)
已發行債務證券及存款證	(3,736)	-
其他	(236,919)	(291,175)
	(3,015,306)	(4,026,334)
淨利息收入	4,534,809	4,720,150

截至2016年12月31日止年度之利息收入包括被界定為減值貸款的應計利息收入港幣4,680,000元(2015年: 港幣1,150,000元)。

Included within interest income is HK\$4,680,000 (2015: HK\$1,150,000) of interest with respect to income accrued on advances classified as impaired for the year ended 31 December 2016.

非以公允值變化計入損益之金融資產與金融負債所產生的利息收入及利息支出(未計算對沖影響)分別為港幣7,526,553,000元(2015年: 港幣8,730,926,000元)及港幣3,006,737,000元(2015年: 港幣4,024,530,000元)。

Included within interest income and interest expense are HK\$7,526,553,000 (2015: HK\$8,730,926,000) and HK\$3,006,737,000 (2015: HK\$4,024,530,000), before hedging effect, for financial assets and financial liabilities that are not recognised at fair value through profit or loss respectively.

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

		2016	2015
		港幣千元 HK\$'000	港幣千元 HK\$'000
服務費及佣金收入	Fee and commission income		
貸款佣金	Loan commissions	471,698	288,530
保險	Insurance	271,640	145,102
匯票佣金	Bills commissions	162,975	198,530
證券經紀	Securities brokerage	158,426	298,548
基金分銷	Funds distribution	131,180	162,948
信用卡業務	Credit card business	87,045	109,915
繳款服務	Payment services	56,266	65,442
保管箱	Safe deposit box	30,636	26,005
信託及託管服務	Trust and custody services	23,075	7,689
買賣貨幣	Currency exchange	502	555
其他	Others	240,223	143,263
		1,633,666	1,446,527
服務費及佣金支出	Fee and commission expense		
證券經紀	Securities brokerage	(22,785)	(40,636)
信用卡業務	Credit card business	(8,646)	(11,336)
保險	Insurance	(227)	(144)
繳款服務	Payment services	(18)	(22)
其他	Others	(29,919)	(37,439)
		(61,595)	(89,577)
淨服務費及佣金收入	Net fee and commission income	1,572,071	1,356,950
其中源自	Of which arise from		
- 非以公允價值變化計入損益 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	452,128	268,307
- 服務費及佣金支出	- Fee and commission expense	(3,677)	(3,800)
		448,451	264,507
- 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	35,463	19,897
- 服務費及佣金支出	- Fee and commission expense	(1,388)	(1,208)
		34,075	18,689

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>2016</u>	<u>2015</u>
		港幣千元	港幣千元
		HK\$'000	HK\$'000
淨收益／(虧損) 源自	Net gain/(loss) from		
- 外匯交易及外匯交易產品	- foreign exchange and foreign exchange products	146,678	37,696
- 利率工具	- interest rate instruments	17,092	17,171
- 商品	- commodities	(29,075)	(666)
- 股份權益	- equity	-	(42)
		<u>134,695</u>	<u>54,159</u>

9. 其他金融資產之淨收益
9. Net gain on other financial assets

		<u>2016</u>	<u>2015</u>
		港幣千元	港幣千元
		HK\$'000	HK\$'000
可供出售證券之淨收益	Net gain on available-for-sale securities	91,985	256,051
貸款及應收款之淨收益	Net gain on loans and receivables	17	839
其他	Others	100,770	79,531
		<u>192,772</u>	<u>336,421</u>

財務報表附註 (續) Notes to the Financial Statements (continued)
10. 其他經營收入
10. Other operating income

	2016	2015
	港幣千元 HK\$'000	港幣千元 HK\$'000
證券投資股息收入		
- 非上市證券投資	2,338	7,236
投資物業之租金總收入	13,311	31,843
減：有關投資物業之支出	(1,507)	(3,208)
其他	12,917	6,537
	27,059	42,408

「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 146,000 元 (2015 年：港幣 212,000 元)。

Included in the "Outgoings in respect of investment properties" is HK\$146,000 (2015: HK\$212,000) of direct operating expenses related to investment properties that were not let during the year.

「投資物業之租金總收入」包括年內或然租金港幣 456,000 元 (2015 年：港幣 446,000 元)。

Contingent rent included in the "Gross rental income from investment properties" amounted to HK\$456,000 (2015: HK\$446,000).

財務報表附註 (續) Notes to the Financial Statements (continued)
11. 減值準備淨撥備
11. Net charge of impairment allowances

		<u>2016</u>	<u>2015</u>
		港幣千元 HK\$'000	港幣千元 HK\$'000
客戶貸款	Advances to customers		
個別評估	Individually assessed		
- 新提準備	- New allowances	(585,698)	(1,050,285)
- 撥回	- Releases	120,001	256,042
- 收回已撇銷賬項	- Recoveries	43,851	19,453
		<hr/>	<hr/>
按個別評估貸款減值準備淨撥備	Net charge of individually assessed loan impairment allowances	(421,846)	(774,790)
		<hr/>	<hr/>
組合評估	Collectively assessed		
- 新提準備	- New allowances	(104,915)	(90,957)
- 撥回	- Releases	54,823	231,987
- 收回已撇銷賬項	- Recoveries	1,490	785
		<hr/>	<hr/>
按組合評估貸款減值準備淨(撥備)/撥回	Net (charge)/reversal of collectively assessed loan impairment allowances	(48,602)	141,815
		<hr/>	<hr/>
貸款減值準備淨撥備	Net charge of loan impairment allowances	(470,448)	(632,975)
		<hr/>	<hr/>
貸款及應收款金融投資淨撥備	Net charge of impairment allowance on loans and receivables financial investments	(15,627)	-
其他	Others	-	(349)
		<hr/>	<hr/>
減值準備淨撥備	Net charge of impairment allowances	(486,075)	(633,324)
		<hr/>	<hr/>

財務報表附註 (續) Notes to the Financial Statements (continued)
12. 經營支出
12. Operating expenses

		<u>2016</u>	<u>2015</u>
		港幣千元 HK\$'000	港幣千元 HK\$'000
人事費用 (包括董事酬金)	Staff costs (including directors' emoluments)		
- 薪酬及其他費用	- Salaries and other costs	1,256,081	1,151,425
- 退休成本	- Pension cost	150,768	152,819
- 補充退休福利	- Supplementary retirement benefits	5,190	102,330
		1,412,039	1,406,574
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	256,994	256,906
- 資訊科技	- Information technology	157,545	169,431
- 其他	- Others	59,717	57,699
		474,256	484,036
折舊	Depreciation	199,917	222,817
核數師酬金	Auditor's remuneration		
- 審計服務	- Audit services	7,084	6,195
- 非審計服務	- Non-audit services	4,504	219
其他經營支出	Other operating expenses		
- 業務外包費	- Outsourcing activities fee	219,621	110,765
- 其他	- Others	339,156	401,556
		2,656,577	2,632,162

財務報表附註 (續) Notes to the Financial Statements (continued)
**13. 投資物業出售／公允
值調整之淨收益 13. Net gain from disposal of/fair value adjustments on investment
properties**

		<u>2016</u>	<u>2015</u>
		港幣千元 HK\$'000	港幣千元 HK\$'000
出售投資物業之淨收益	Net gain from disposal of investment properties	-	85,600
投資物業公允值調整之 淨收益	Net gain from fair value adjustments on investment properties	<u>29,340</u>	<u>35,446</u>
		<u>29,340</u>	<u>121,046</u>

**14. 出售／重估物業、器材
及設備之淨收益 14. Net gain from disposal/revaluation of properties, plant and
equipment**

		<u>2016</u>	<u>2015</u>
		港幣千元 HK\$'000	港幣千元 HK\$'000
出售房產之淨收益	Net gain from disposal of premises	1,758	17,468
出售設備、固定設施及裝備 之淨虧損	Net loss from disposal of equipment, fixtures and fittings	(2,893)	(543)
重估房產之淨收益	Net gain from revaluation of premises	<u>5,271</u>	<u>2,321</u>
		<u>4,136</u>	<u>19,246</u>

財務報表附註 (續) Notes to the Financial Statements (continued)
15. 稅項
15. Taxation

收益表內之稅項組成如下：

Taxation in the income statement represents:

	2016	2015
	港幣千元	港幣千元
	HK\$'000	HK\$'000
本期稅項		
香港利得稅		
- 年內計入稅項	430,978	446,508
- 往年超額撥備	(8,498)	(5,168)
	422,480	441,340
海外稅項		
- 年內計入稅項	198,822	59,758
- 往年不足／(超額)撥備	57	(5,193)
	621,359	495,905
遞延稅項		
暫時性差額之產生及撥回及未使用稅項抵免	(24,214)	(14,170)
	597,145	481,735

香港利得稅乃按照本年度估計應課稅溢利依稅率 16.5% (2015 年：16.5%) 提撥。海外溢利之稅款按照本年度估計應課稅溢利依本集團經營業務所在國家之現行稅率計算。

Hong Kong profits tax has been provided at the rate of 16.5% (2015: 16.5%) on the estimated assessable profits arising in Hong Kong during the year. Taxation on overseas profits has been calculated on the estimated assessable profits for the year at the rates of taxation prevailing in the countries in which the Group operates.

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:

	2016	2015
	港幣千元	港幣千元
	HK\$'000	HK\$'000
除稅前溢利	3,344,522	3,378,512
按稅率 16.5% (2015 年：16.5%) 計算的稅項	551,846	557,454
其他國家稅率差異的影響	55,331	28,680
無需課稅之收入	(29,401)	(88,297)
稅務上不可扣減之開支	27,465	48,460
未確認的稅務虧損	1	1
使用往年未確認的稅務虧損	(15)	(9)
往年超額撥備	(8,441)	(10,361)
海外預提稅	359	(54,193)
計入稅項	597,145	481,735
實際稅率	17.85%	14.26%

財務報表附註（續） Notes to the Financial Statements (continued)
16. 股息
16. Dividends

	2016		2015	
	每股 港幣 Per share HK\$	總額 港幣千元 Total HK\$'000	每股 港幣 Per share HK\$	總額 港幣千元 Total HK\$'000
中期股息	-	-	77.5	542,500

2016 年並無宣派股息(2015 年：港幣 542,500,000 元)

No dividend has been declared for the year ended 31 December 2016 (2015: HK\$542,500,000).

財務報表附註 (續)**Notes to the Financial Statements (continued)****17. 退休福利成本****17. Retirement benefit costs****(a) 界定供款計劃**

本集團給予本集團員工的界定供款計劃主要為獲《強積金條例》豁免之職業退休計劃及中銀保誠簡易強積金計劃。根據職業退休計劃，僱員須向職業退休計劃之每月供款為其基本薪金之 5%，而僱主之每月供款為僱員基本月薪之 5% 至 15% 不等（視乎僱員之服務年期）。僱員有權於退休、提前退休或僱用期終止且服務年資滿 10 年或以上等情況下收取 100% 之僱主供款。服務滿 3 年至 9 年的員工，因其他原因而終止僱用期（被即時解僱除外），可收取 30% 至 90% 之僱主供款。僱員收取的僱主供款，須受《強制性公積金計劃條例》所限。

隨著《強積金條例》於 2000 年 12 月 1 日實施，本集團亦參與中銀保誠簡易強積金計劃，該計劃之受託人為中銀國際英國保誠信託有限公司，投資管理人為中銀國際英國保誠資產管理有限公司。

截至 2016 年 12 月 31 日，在扣除約港幣 502,000 元（2015 年：約港幣 887,000 元）之沒收供款後，職業退休計劃之供款總額約為港幣 43,695,000 元（2015 年：約港幣 39,917,000 元），而本集團向強積金計劃之供款總額則約為港幣 9,313,000 元（2015 年：約港幣 8,184,000 元）。

(a) Defined contribution schemes

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 participates in the BOC-Prudential Easy Choice MPF Scheme, of which the trustee is BOCI-Prudential Trustee and the investment manager is BOCI-Prudential Manager.

The Group's total contributions made to the ORSO schemes for the year ended 31 December 2016 amounting to approximately HK\$43,695,000 (2015: approximately HK\$39,917,000), after a deduction of forfeited contributions of approximately HK\$502,000 (2015: approximately HK\$887,000). For the MPF Scheme, the Group contributed approximately HK\$9,313,000 (2015: approximately HK\$8,184,000) for the year ended 31 December 2016.

財務報表附註 (續) Notes to the Financial Statements (continued)
17. 退休福利成本 (續) 17. Retirement benefit costs (continued)
(b) 界定利益計劃

本集團設置了一項非存置基金的界定利益福利計劃予所有已退休員工。在該計劃下，員工獲得之退休福利包括免費之醫療、房屋津貼及其他退休福利。

本計劃面對利率風險及退休員工之預計生命週期改變風險。

界定利益福利承擔現值之最新一期精算估值於 2016 年 12 月 31 日以預期累計福利單位精算估值方法計算。

在本報告期末所使用之主要精算假設如下：

(b) Defined benefit schemes

The Group operates an unfunded defined benefit plan for all its retired employees. Under the plan, the employees are entitled to retirement benefits which included fully redeemed medical care, housing allowance and other retirement benefits.

The plan is exposed to interest rate risk and the risk of changes in the life expectancy for pensioners.

The most recent actuarial valuations of the present value of the defined benefit obligations were carried out at 31 December 2016 by using the projected unit credit actuarial valuation method.

The principal actuarial assumptions used as at the end of the reporting period are as follows:

		2016	2015
折現率	Discount rate (%)	2.2	2.0
預期醫療保險開支增長率(%)	Expected rate of medical insurance cost increases (%)	6.0	6.0
預期聯誼活動經費增長率(%)	Expected rate of social entertainment cost increases (%)	0.0	0.0
預期退休紀念品開支增長率(%)	Expected rate of retirement souvenir cost increases (%)	0.0	0.0
預期租金增長率(%)	Expected rate of rental increases (%)	3.0	3.0
預期離職率(%)	Expected rate of withdrawal (%)	3.0-18.0	3.0-18.0
預期死亡率	Expected death rate	香港人口生命表 Hong Kong Life Tables 2012	香港人口生命表 Hong Kong Life Tables 2012

財務報表附註 (續) Notes to the Financial Statements (continued)
17. 退休福利成本 (續) 17. Retirement benefit costs (continued)
(b) 界定利益計劃 (續)

在本報告期末對主要精算假設之敏感性分析如下：

(b) Defined benefit schemes (continued)

A quantitative sensitivity analysis for significant assumptions as at the end of the reporting period is shown below:

		2016			
		界定利益福利 承擔之增加/ (減少) Increase/ (decrease) in defined benefit obligations	比率增加 Increase in rate	比率減少 Decrease in rate	界定利益福利 承擔之增加/ (減少) Increase/ (decrease) in defined benefit obligations
		港幣千元 HK\$'000	%	%	港幣千元 HK\$'000
折現率	Discount rate	0.1	(1,850)	0.1	2,450
預期醫療保險開支增長率	Expected rate of medical insurance cost	0.5	10,990	0.5	(9,050)
		2015			
		界定利益福利 承擔之增加/ (減少) Increase/ (decrease) in defined benefit obligations	比率增加 Increase in rate	比率減少 Decrease in rate	界定利益福利 承擔之增加/ (減少) Increase/ (decrease) in defined benefit obligations
		港幣千元 HK\$'000	%	%	港幣千元 HK\$'000
折現率	Discount rate	0.1	(2,010)	0.1	2,070
預期醫療保險開支增長率	Expected rate of medical insurance cost	0.5	10,540	0.5	(9,140)

財務報表附註 (續) Notes to the Financial Statements (continued)
17. 退休福利成本 (續) 17. Retirement benefit costs (continued)
(b) 界定利益計劃 (續)

上述敏感性分析是根據期末主要假設之合理變動推算對界定利益福利承擔之影響。

在綜合收益表內確認本計劃的總開支如下：

		<u>2016</u>	<u>2015</u>
		港幣千元 HK\$'000	港幣千元 HK\$'000
界定利益計劃	Defined benefit schemes		
- 當期服務成本	- Current service cost	2,510	-
- 過去服務成本	- Past service cost		
- 計劃引進	- plan introduction	-	102,330
- 計劃改變	- plan amendment	660	-
- 淨利息費用	- Net interest cost	<u>2,020</u>	<u>-</u>
總支出	Total expenses	<u>5,190</u>	<u>102,330</u>

在綜合全面收益表內確認本計劃的總開支如下：

		<u>2016</u>	<u>2015</u>
		港幣千元 HK\$'000	港幣千元 HK\$'000
界定利益計劃	Defined benefit schemes		
- 假設變動產生的精算收益	- Actuarial gains arising from changes in assumptions	(4,700)	-
- 經驗調整產生的精算虧損	- Actuarial losses arising from experience adjustments	<u>6,400</u>	<u>-</u>
於全面收益表確認的界定福利成本部分	Components of defined benefit costs recognised in comprehensive income	<u>1,700</u>	<u>-</u>

財務報表附註 (續) Notes to the Financial Statements (continued)
17. 退休福利成本 (續) 17. Retirement benefit costs (continued)
(b) 界定利益計劃 (續) (b) Defined benefit schemes (continued)

本計劃的現值變動如下：

The movement in respect of the plan is as follows:

		<u>2016</u>	<u>2015</u>
		港幣千元 HK\$'000	港幣千元 HK\$'000
福利負債	Benefit liability		
於 1 月 1 日	At 1 January	102,330	-
當期服務成本	Current service cost	2,510	-
過去服務成本	Past service cost		
- 計劃引進	- plan introduction	-	102,330
- 計劃改變	- plan amendment	660	-
淨利息費用	Net interest cost	2,020	-
重新計量精算虧損	Actuarial losses on remeasurement	1,700	-
福利支付額	Benefit paid	<u>(2,660)</u>	<u>-</u>
於 12 月 31 日	At 31 December	<u>106,560</u>	<u>102,330</u>

本界定利益福利計劃在未來之預期開支如下：

Expected payment to the defined benefit plan in future years are as follows:

		<u>2016</u>	<u>2015</u>
		港幣千元 HK\$'000	港幣千元 HK\$'000
未來 12 個月以內	Within the next 12 months	2,920	2,550
2 年至 5 年	Between 2 and 5 years	12,140	10,620
6 年至 10 年	Between 6 and 10 years	16,960	15,230
10 年以上	Over 10 years	<u>231,140</u>	<u>216,660</u>
預期總開支	Total expected payments	<u>263,160</u>	<u>245,060</u>

界定利益福利承擔在報告期末之平均久期為 20 年。

The average duration of the defined benefit obligations at the end of the reporting period is 20 years.

財務報表附註（續） Notes to the Financial Statements (continued)
18. 董事、高層管理人員及主要人員酬金 18. Directors', senior management's and key personnel's emoluments
(a) 董事酬金

本年度本集團就本銀行董事為本銀行及管理附屬公司提供之服務而已付及其應收未收之酬金詳情如下：

(a) Directors' emoluments

Details of the emoluments paid to or receivable by the directors of the Bank in respect of their services rendered for the Bank and managing the subsidiaries within the Group during the year are as follows:

		<u>2016</u>	<u>2015</u>
		港幣千元 HK\$'000	港幣千元 HK\$'000
袍金	Fees	1,269	1,184
其他酬金	Other emoluments	<u>12,272</u>	<u>9,119</u>
		<u>13,541</u>	<u>10,303</u>

財務報表附註 (續) Notes to the Financial Statements (continued)
18. 董事、高層管理人員及主要人員酬金 (續) 18. 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

按金管局發出之 CG-5 《穩健的薪酬制度指引》，本年度本集團之高級管理人員及主要人員的薪酬詳情如下：

(i) 於年內授予的薪酬
(b) Remuneration for Senior Management and Key Personnel under CG-5

Pursuant to CG-5 Guideline on a Sound Remuneration System issued by the HKMA, details of the remuneration for Senior Management and Key Personnel of the Group during the year are as follows:

(i) Remuneration awarded during the year

		2016					
		高級管理人員 Senior Management			主要人員 Key Personnel		
		非遞延 Non- deferred	遞延 Deferred	總計 Total	非遞延 Non- deferred	遞延 Deferred	總計 Total
		港幣千元 HK\$'000	港幣千元 HK\$'000	港幣千元 HK\$'000	港幣千元 HK\$'000	港幣千元 HK\$'000	港幣千元 HK\$'000
固定薪酬	Fixed remuneration						
現金	Cash	20,972	-	20,972	9,406	-	9,406
浮動薪酬	Variable remuneration						
現金	Cash	6,046	928	6,974	3,487	-	3,487
		27,018	928	27,946	12,893	-	12,893
		2015					
		高級管理人員 Senior Management			主要人員 Key Personnel		
		非遞延 Non- deferred	遞延 Deferred	總計 Total	非遞延 Non- deferred	遞延 Deferred	總計 Total
		港幣千元 HK\$'000	港幣千元 HK\$'000	港幣千元 HK\$'000	港幣千元 HK\$'000	港幣千元 HK\$'000	港幣千元 HK\$'000
固定薪酬	Fixed remuneration						
現金	Cash	10,688	-	10,688	6,107	-	6,107
浮動薪酬	Variable remuneration						
現金	Cash	4,391	838	5,229	2,171	-	2,171
		15,079	838	15,917	8,278	-	8,278

以上薪酬包括 13 名 (2015 年：4 名) 高級管理人員及 7 名 (2015 年：5 名) 主要人員。

The remuneration above includes 13 (2015: 4) members of Senior Management and 7 (2015: 5) members of Key Personnel.

財務報表附註 (續) Notes to the Financial Statements (continued)
18. 董事、高級管理人員及主要人員酬金 (續) 18. 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) 遞延薪酬
(ii) Deferred remuneration

		2016		2015	
		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
遞延薪酬	Deferred remuneration				
已歸屬	Vested	637	-	521	-
未歸屬	Unvested	1,668	-	1,377	-
		2,305	-	1,898	-
於 1 月 1 日	At 1 January	1,377	-	1,060	-
已授予	Awarded	928	-	838	-
已發放	Paid out	(637)	-	(521)	-
調整按績效評估 而扣減部分	Reduced through performance adjustments	-	-	-	-
於 12 月 31 日	At 31 December	1,668	-	1,377	-

就披露用途，本部分提及的高級管理人員及主要人員乃根據金管局《穩健的薪酬制度指引》定義。

For the purpose of disclosure, Senior Management and Key Personnel mentioned in this section are defined according to the HKMA's Guideline on a Sound Remuneration System.

- 高級管理人員：董事會直接管理的高級管理人員，負責總體策略或重要業務，包括管理董事、總裁、副總裁、執委會委員、執委會各小組負責人、首席策略官、財務總監、風險總監、技術總監、董事會秘書、稽核部主管及其他指定崗位人員。

- Senior Management: The senior executives directly managed by the Board who are responsible for oversight of the firm-wide strategy or material business lines, including Managing Director, Chief Executive, Deputy Chief Executives, Executive Committee Members, Heads of Executive Committee Working Group, Chief Strategy Officer, Chief Financial Officer, Chief Risk Officer, Chief Technology Officer, Board Secretary, Head of Audit Department and other particular personnel.

- 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、資金處主管及風險管理部主管。

- 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, Head of Treasury, as well as Head of Risk Management Department.

財務報表附註 (續) Notes to the Financial Statements (continued)
19. 庫存現金及存放銀行及其他金融機構的結餘

		<u>2016</u>	<u>2015</u>
		港幣千元 HK\$'000	港幣千元 HK\$'000
庫存現金	Cash	561,587	594,148
存放中央銀行的結餘	Balances with central banks	18,761,393	16,038,647
存放銀行及其他金融機構的結餘	Balances with banks and other financial institutions	3,392,991	6,232,044
在銀行及其他金融機構一個月內到期之定期存放	Placements with banks and other financial institutions maturing within one month	<u>29,611,612</u>	<u>31,379,966</u>
		<u>52,327,583</u>	<u>54,244,805</u>

20. 公允值變化計入損益之金融資產

		界定為以公允值變化計入損益之金融資產 Financial assets designated at fair value through profit or loss				總計 Total	
		交易性資產 Trading assets					
		2016	2015	2016	2015	2016	2015
		港幣千元 HK\$'000	港幣千元 HK\$'000	港幣千元 HK\$'000	港幣千元 HK\$'000	港幣千元 HK\$'000	港幣千元 HK\$'000
按公允值列賬	At fair value						
庫券	Treasury bills	3,438,763	6,714,292	-	-	3,438,763	6,714,292
其他債務證券	Other debt securities	-	-	241,638	249,280	241,638	249,280
		<u>3,438,763</u>	<u>6,714,292</u>	<u>241,638</u>	<u>249,280</u>	<u>3,680,401</u>	<u>6,963,572</u>

財務報表附註 (續) Notes to the Financial Statements (continued)
20. 公允值變化計入損益之金融資產 (續) 20. 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:

	交易性資產		界定為以公允值變化計入損益之金融資產	
	Trading assets		Financial assets designated at fair value through profit or loss	
	2016	2015	2016	2015
	港幣千元	港幣千元	港幣千元	港幣千元
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
債務證券	Debt securities			
- 於香港上市	-	-	241,638	249,280
- 非上市	3,438,763	6,714,292	-	-
證券總額	3,438,763	6,714,292	241,638	249,280

證券總額按發行機構之分類如下：

Total securities are analysed by type of issuer as follows:

	交易性資產		界定為以公允值變化計入損益之金融資產	
	Trading assets		Financial assets designated at fair value through profit or loss	
	2016	2015	2016	2015
	港幣千元	港幣千元	港幣千元	港幣千元
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
官方實體	3,438,763	6,714,292	-	-
公司企業	-	-	241,638	249,280
證券總額	3,438,763	6,714,292	241,638	249,280

財務報表附註（續） Notes to the Financial Statements (continued)**21. 衍生金融工具及對沖會計**

集團訂立下列匯率、利率、商品及股份權益相關的衍生金融工具合約作買賣及風險管理之用：

貨幣遠期是指於未來某一日期買或賣外幣的承諾。

貨幣、利率及貴金屬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、貴金屬及股份權益期權是指期權的賣方（出讓方）為買方（持有方）提供在未來某一特定日期或未來一定時期內按約定的價格買進（認購期權）或賣出（認沽期權）一定數量的金融工具的權利（而非承諾）的一種協議。考慮到外匯和利率風險，期權的賣方從購買方收取一定的期權費。本集團期權合約是與對手方在場外協商達成或透過交易所進行（如於交易所進行買賣之期權）。

21. Derivative financial instruments and hedge accounting

The Group enters into the following exchange rate, interest rate, commodity and equity related derivative financial instrument contracts for trading and risk management purposes:

Currency forwards represent commitments to purchase and sell foreign currency on a future date.

Currency, interest rate and precious metal 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)**21. 衍生金融工具及對沖會計 (續) 21. Derivative financial instruments and hedge accounting (continued)**

本集團之衍生金融工具合約／名義數額及其公允值詳列於下表。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公允值資產或負債的對比基礎。但是，這並不反映所涉及的未來的現金流或當前的公允值，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、貴金屬價格或股份權益價格的波動，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 fair value 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, metal 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 OTC derivative products mainly for customer business. The Group strictly follows risk management policies and requirement in providing derivative products to our customers and in trading of derivative products in the interbank market.

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)
21. 衍生金融工具及對沖會計 (續) 21. Derivative financial instruments and hedge accounting (continued)
(a) 衍生金融工具 (續) (a) Derivative financial instruments (continued)

下表概述各類衍生金融工具於 12 月 31 日之合約/名義數額：

The following tables summarise the contract/notional amounts of each class of derivative financial instrument as at 31 December:

		2016			
		買賣 Trading	風險對沖 Hedging	不符合採用 對沖會計法 Not qualified for hedge accounting	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
匯率合約	Exchange rate contracts				
即期及遠期	Spot and forwards	14,183,037	-	-	14,183,037
掉期	Swaps	33,099,594	6,983,272	-	40,082,866
外匯交易期權	Foreign currency options				
- 買入期權	- Options purchased	13,885	-	-	13,885
- 賣出期權	- Options written	13,885	-	-	13,885
		<u>47,310,401</u>	<u>6,983,272</u>	<u>-</u>	<u>54,293,673</u>
利率合約	Interest rate contracts				
掉期	Swaps	37,943,200	-	231,866	38,175,066
商品合約	Commodity contracts	3,464,165	-	-	3,464,165
		<u>88,717,766</u>	<u>6,983,272</u>	<u>231,866</u>	<u>95,932,904</u>

財務報表附註 (續) Notes to the Financial Statements (continued)
21. 衍生金融工具及對沖會計 (續) 21. Derivative financial instruments and hedge accounting (continued)
(a) 衍生金融工具 (續)
(a) Derivative financial instruments (continued)

		2015		
		不符合採用 對沖會計法 Not qualified for hedge accounting		
		買賣 Trading	for hedge accounting	總計 Total
		港幣千元 HK\$'000	港幣千元 HK\$'000	港幣千元 HK\$'000
匯率合約	Exchange rate contracts			
即期及遠期	Spot and forwards	8,420,500	-	8,420,500
掉期	Swaps	37,601,988	-	37,601,988
外匯交易期權	Foreign currency options			
- 買入期權	- Options purchased	9,135	-	9,135
- 賣出期權	- Options written	9,135	-	9,135
		<u>46,040,758</u>	<u>-</u>	<u>46,040,758</u>
利率合約	Interest rate contracts			
掉期	Swaps	<u>33,758,773</u>	<u>231,725</u>	<u>33,990,498</u>
商品合約	Commodity contracts	<u>26,438</u>	<u>-</u>	<u>26,438</u>
		<u>79,825,969</u>	<u>231,725</u>	<u>80,057,694</u>

不符合採用對沖會計法：為遵循《銀行業（披露）規則》要求，需獨立披露不符合採用對沖會計法資格，但與指定以公平價值經收益表入賬的金融工具一併管理的衍生工具合約。

Not qualified for hedge accounting: derivative contracts which do not qualify as hedges for accounting purposes but are managed in conjunction with the financial instruments designated at fair value through profit or loss are separately disclosed in compliance with the requirements set out in the Banking (Disclosure) Rules.

財務報表附註 (續) Notes to the Financial Statements (continued)
21. 衍生金融工具及對沖會計 (續) 21. Derivative financial instruments and hedge accounting (continued)
(a) 衍生金融工具 (續)
(a) Derivative financial instruments (continued)

下表概述各類衍生金融工具於12月31日之公允值：

The following tables summarise the fair values of each class of derivative financial instrument as at 31 December:

		2016							
		公允值資產 Fair value assets				公允值負債 Fair value liabilities			
		不符合採用 對沖會計法 Not qualified			總計	不符合採用 對沖會計法 Not qualified			總計
		買賣 Trading	風險對沖 Hedging	for hedge accounting	Total	買賣 Trading	風險對沖 Hedging	for hedge accounting	Total
		港幣千元 HK\$'000	港幣千元 HK\$'000	港幣千元 HK\$'000	港幣千元 HK\$'000	港幣千元 HK\$'000	港幣千元 HK\$'000	港幣千元 HK\$'000	港幣千元 HK\$'000
匯率合約	Exchange rate contracts								
即期及期貨	Spot and forwards	595,124	-	-	595,124	(350,145)	-	-	(350,145)
掉期	Swaps	184,153	95,101	-	279,254	(126,540)	(202,040)	-	(328,580)
外匯交易期權	Foreign currency options								
- 買入期權	- Options purchased	499	-	-	499	-	-	-	-
- 賣出期權	- Options written	-	-	-	-	(499)	-	-	(499)
		779,776	95,101	-	874,877	(477,184)	(202,040)	-	(679,224)
利率合約	Interest rate contracts								
掉期	Swaps	9,210	-	-	9,210	(9,208)	-	(8,431)	(17,639)
商品合約	Commodity contracts	12,389	-	-	12,389	(237,381)	-	-	(237,381)
		801,375	95,101	-	896,476	(723,773)	(202,040)	(8,431)	(934,244)

財務報表附註 (續) Notes to the Financial Statements (continued)
21. 衍生金融工具及對沖會計 (續) 21. Derivative financial instruments and hedge accounting (continued)
(a) 衍生金融工具 (續) (a) Derivative financial instruments (continued)

		2015					
		公允值資產 Fair value assets			公允值負債 Fair value liabilities		
		買賣 Trading	不符合採用 對沖會計法 Not qualified for hedge accounting	總計 Total	買賣 Trading	不符合採用 對沖會計法 Not qualified for hedge accounting	總計 Total
		港幣千元 HK\$'000	港幣千元 HK\$'000	港幣千元 HK\$'000	港幣千元 HK\$'000	港幣千元 HK\$'000	港幣千元 HK\$'000
匯率合約	Exchange rate contracts						
即期及遠期	Spot and forwards	373,801	-	373,801	(207,309)	-	(207,309)
掉期	Swaps	311,226	-	311,226	(65,690)	-	(65,690)
外匯交易期權	Foreign currency options						
- 買入期權	- Options purchased	15	-	15	-	-	-
- 賣出期權	- Options written	-	-	-	(15)	-	(15)
		<u>685,042</u>	<u>-</u>	<u>685,042</u>	<u>(273,014)</u>	<u>-</u>	<u>(273,014)</u>
利率合約	Interest rate contracts						
掉期	Swaps	11,135	-	11,135	(12,296)	(17,516)	(29,812)
商品合約	Commodity contracts	89	-	89	(118)	-	(118)
		<u>696,266</u>	<u>-</u>	<u>696,266</u>	<u>(285,428)</u>	<u>(17,516)</u>	<u>(302,944)</u>

財務報表附註 (續) Notes to the Financial Statements (continued)
21. 衍生金融工具及對沖會計 (續) 21. Derivative financial instruments and hedge accounting (continued)
(a) 衍生金融工具 (續)

下表列出衍生金融工具之信貸風險加權數額，並參照有關資本充足比率之金管局報表的填報指示而編製。

匯率合約
遠期
掉期
外匯交易期權
- 買入期權

利率合約
掉期

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。

本集團與有效雙邊淨額結算協議有關的衍生交易公允價值總額為港幣 450,268,000 元(2015年：港幣 190,872,000 元)，有效雙邊淨額結算協議的效果為港幣 126,038,000 元(2015年：港幣 19,879,000 元)。

(a) Derivative financial instruments (continued)

The table below gives the credit risk-weighted amounts of the derivative financial instruments and is prepared with reference to the completion instructions for the HKMA return of capital adequacy ratio.

Exchange rate contracts
Forwards
Swaps
Foreign currency options
- Options purchased

Interest rate contracts
Swaps

The credit risk-weighted amounts are calculated in accordance with the Banking (Capital) Rules. The amounts are dependent upon the status of the counterparty and the maturity characteristics of each type of contract.

The total fair values of derivatives subject to valid bilateral netting agreements for the Group amounted to HK\$450,268,000 (2015: HK\$190,872,000) and the effect of valid bilateral netting agreements amounted to HK\$126,038,000 (2015: HK\$19,879,000).

	2016	2015
	港幣千元	港幣千元
	HK\$'000	HK\$'000
Exchange rate contracts		
Forwards	236,167	60,422
Swaps	213,873	190,122
Foreign currency options		
- Options purchased	124	23
	<u>450,164</u>	<u>250,567</u>
Interest rate contracts		
Swaps	37	10,111
	<u>450,201</u>	<u>260,678</u>

財務報表附註 (續) Notes to the Financial Statements (continued)
21. 衍生金融工具及對沖會計 (續) 21. Derivative financial instruments and hedge accounting (continued)
(b) 對沖會計

界定為對沖工具之衍生金融工具於 12 月 31 日的公允值如下：

現金流對沖

現金流對沖

本集團利用交叉貨幣利率互換業務對匯率和利率風險導致的現金流量波動進行套期保值。被套期項目為資金拆借。

年內沒有無效部分之收益或虧損於收益表內確認 (2015 年：無)。

(b) Hedge accounting

The fair values of derivative financial instruments designated as hedging instruments as at 31 December are as follows:

Cash flow hedges

Cash flow hedges

The group used cross-currency interest rate swap to minimise the cash flow fluctuation of interbank borrowing triggered by foreign exchange risks and interest rate risk.

There were no gains or losses on ineffective portion recognised in the income statement during the year (2015: Nil).

2016		2015	
資產 Assets	負債 Liabilities	資產 Assets	負債 Liabilities
港幣千元 HK\$'000	港幣千元 HK\$'000	港幣千元 HK\$'000	港幣千元 HK\$'000
95,101	(202,040)	-	-

財務報表附註 (續) Notes to the Financial Statements (continued)
22. 貸款及其他賬項
22. Advances and other accounts

		2016	2015
		港幣千元	港幣千元
		HK\$'000	HK\$'000
個人貸款	Personal loans and advances	38,210,006	34,515,588
公司貸款	Corporate loans and advances	149,570,956	121,721,186
客戶貸款	Advances to customers	187,780,962	156,236,774
貸款減值準備 (附註 23)	Loan impairment allowances (Note 23)		
- 按個別評估	- Individually assessed	(474,147)	(433,567)
- 按組合評估	- Collectively assessed	(852,377)	(951,336)
		186,454,438	154,851,871
貿易票據	Trade bills	5,665,154	14,072,143
		192,119,592	168,924,014

於 2016 年 12 月 31 日，客戶貸款包括應計利息港幣 601,123,000 元 (2015 年：港幣 396,489,000 元)。

As at 31 December 2016, advances to customers included accrued interest of HK\$601,123,000 (2015: HK\$396,489,000).

於 2016 年 12 月 31 日，沒有對貿易票據作出任何減值準備 (2015 年：無)。

As at 31 December 2016, no impairment allowance was made in respect of trade bills (2015: Nil).

財務報表附註 (續) Notes to the Financial Statements (continued)
23. 貸款減值準備
23. Loan impairment allowances

		2016		
		按個別評估		
		Individually assessed		
		個人 Personal	公司 Corporate	總計 Total
		港幣千元 HK\$'000	港幣千元 HK\$'000	港幣千元 HK\$'000
於 2016 年 1 月 1 日	At 1 January 2016	18,167	415,400	433,567
於收益表撥備 / (回撥)	Charged/(credited) to income statement	(4,248)	426,094	421,846
年內撇銷之未收回貸款	Loans written off during the year as uncollectible	(1,461)	(384,313)	(385,774)
收回已撇銷賬項	Recoveries	3,464	40,387	43,851
折現減值準備回撥	Unwind of discount on impairment allowances	-	(4,680)	(4,680)
匯兌差額	Exchange difference	(1,217)	(33,446)	(34,663)
於 2016 年 12 月 31 日	At 31 December 2016	<u>14,705</u>	<u>459,442</u>	<u>474,147</u>
		2016		
		按組合評估		
		Collectively assessed		
		個人 Personal	公司 Corporate	總計 Total
		港幣千元 HK\$'000	港幣千元 HK\$'000	港幣千元 HK\$'000
於 2016 年 1 月 1 日	At 1 January 2016	63,965	887,371	951,336
於收益表撥備 / (回撥)	Charged/(credited) to income statement	103,425	(54,823)	48,602
年內撇銷之未收回貸款	Loans written off during the year as uncollectible	(116,169)	-	(116,169)
收回已撇銷賬項	Recoveries	1,490	-	1,490
匯兌差額	Exchange difference	(2,796)	(30,086)	(32,882)
於 2016 年 12 月 31 日	At 31 December 2016	<u>49,915</u>	<u>802,462</u>	<u>852,377</u>

財務報表附註 (續) Notes to the Financial Statements (continued)
23. 貸款減值準備 (續) 23. Loan impairment allowances (continued)

		2015		
		按個別評估		
		Individually assessed		
		個人	公司	總計
		Personal	Corporate	Total
		港幣千元	港幣千元	港幣千元
		HK\$'000	HK\$'000	HK\$'000
於 2015 年 1 月 1 日	At 1 January 2015	17,298	714,300	731,598
於收益表撥備	Charged to income statement	16,063	758,727	774,790
年內撇銷之未收回貸款	Loans written off during the year as uncollectible	(14,983)	(1,015,305)	(1,030,288)
收回已撇銷賬項	Recoveries	1,762	17,691	19,453
折現減值準備回撥	Unwind of discount on impairment allowances	-	(1,150)	(1,150)
匯兌差額	Exchange difference	(1,973)	(58,863)	(60,836)
於 2015 年 12 月 31 日	At 31 December 2015	<u>18,167</u>	<u>415,400</u>	<u>433,567</u>
		2015		
		按組合評估		
		Collectively assessed		
		個人	公司	總計
		Personal	Corporate	Total
		港幣千元	港幣千元	港幣千元
		HK\$'000	HK\$'000	HK\$'000
於 2015 年 1 月 1 日	At 1 January 2015	98,864	1,139,658	1,238,522
於收益表撥備	Charged to income statement	90,172	(231,987)	(141,815)
年內撇銷之未收回貸款	Loans written off during the year as uncollectible	(117,742)	-	(117,742)
收回已撇銷賬項	Recoveries	785	-	785
匯兌差額	Exchange difference	(8,114)	(20,300)	(28,414)
於 2015 年 12 月 31 日	At 31 December 2015	<u>63,965</u>	<u>887,371</u>	<u>951,336</u>

財務報表附註 (續) Notes to the Financial Statements (continued)
24. 金融投資
24. Financial investments

		2016			
		按公允值列賬	按攤銷成本列賬		
		At fair value	At amortised cost		
		可供出售 金融資產	持有至 到期日證券		貸款及應收款
		Available- for-sale financial assets	Held-to- maturity securities	Loans and receivables	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
庫券	Treasury bills	27,295,389	1,856,312	-	29,151,701
其他債務證券	Other debt securities	20,126,675	207,630	1,240,319	21,574,624
		<u>47,422,064</u>	<u>2,063,942</u>	<u>1,240,319</u>	<u>50,726,325</u>
存款證	Certificates of deposit	14,907,151	-	-	14,907,151
債務證券及存款證總額	Total debt securities and certificates of deposit	62,329,215	2,063,942	1,240,319	65,633,476
股份證券	Equity securities	13,381	-	-	13,381
其他	Others	7,768,729	-	3,519,496	11,288,225
		<u>70,111,325</u>	<u>2,063,942</u>	<u>4,759,815</u>	<u>76,935,082</u>
		2015			
		按公允值列賬	按攤銷成本列賬		
		At fair value	At amortised cost		
		可供出售 金融資產	持有至 到期日證券		貸款及應收款
		Available- for-sale financial assets	Held-to- maturity securities	Loans and receivables	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
庫券	Treasury bills	18,118,392	2,257,798	-	20,376,190
其他債務證券	Other debt securities	22,716,901	208,732	585,792	23,511,425
		<u>40,835,293</u>	<u>2,466,530</u>	<u>585,792</u>	<u>43,887,615</u>
存款證	Certificates of deposit	11,043,688	-	-	11,043,688
債務證券及存款證總額	Total debt securities and certificates of deposit	51,878,981	2,466,530	585,792	54,931,303
股份證券	Equity securities	4,613	-	-	4,613
其他	Others	472,067	-	-	472,067
		<u>52,355,661</u>	<u>2,466,530</u>	<u>585,792</u>	<u>55,407,983</u>

財務報表附註 (續) Notes to the Financial Statements (continued)
24. 金融投資 (續) 24. Financial investments (continued)

金融投資按上市地之分類如下：

Financial investments is analysed by place of listing as follows:

		2016		
		可供出售 金融資產 Available- for-sale financial assets	持有至 到期日證券 Held-to- maturity securities	貸款及應收款 Loans and receivables
		港幣千元 HK\$'000	港幣千元 HK\$'000	港幣千元 HK\$'000
債務證券及存款證	Debt securities and certificates of deposit			
- 於香港上市	- Listed in Hong Kong	5,538,663	-	-
- 於香港以外上市	- Listed outside Hong Kong	7,456,152	97,678	-
		12,994,815	97,678	-
- 非上市	- Unlisted	49,334,400	1,966,264	1,240,319
		62,329,215	2,063,942	1,240,319
股份證券	Equity securities			
- 非上市	- Unlisted	13,381	-	-
其他	Others			
- 非上市	- Unlisted	7,768,729	-	3,519,496
		70,111,325	2,063,942	4,759,815
持有至到期日之上市證券 市值	Market value of listed held-to-maturity securities		99,043	
		2015		
		可供出售 金融資產 Available- for-sale financial assets	持有至 到期日證券 Held-to- maturity securities	貸款及應收款 Loans and receivables
		港幣千元 HK\$'000	港幣千元 HK\$'000	港幣千元 HK\$'000
債務證券及存款證	Debt securities and certificates of deposit			
- 於香港上市	- Listed in Hong Kong	3,219,469	-	-
- 於香港以外上市	- Listed outside Hong Kong	6,265,404	42,543	-
		9,484,873	42,543	-
- 非上市	- Unlisted	42,394,108	2,423,987	585,792
		51,878,981	2,466,530	585,792
股份證券	Equity securities			
- 非上市	- Unlisted	4,613	-	-
其他	Others			
- 非上市	- Unlisted	472,067	-	-
		52,355,661	2,466,530	585,792
持有至到期日之上市證券 市值	Market value of listed held-to-maturity securities		43,286	

財務報表附註 (續) Notes to the Financial Statements (continued)
24. 金融投資 (續) 24. Financial investments (continued)

金融投資按發行機構之分類如下：

Financial investments is analysed by type of issuer as follows:

		2016		
		可供出售 金融資產 Available- for-sale financial assets	持有至 到期日證券 Held-to- maturity securities	貸款及應收款 Loans and receivables
		港幣千元 HK\$'000	港幣千元 HK\$'000	港幣千元 HK\$'000
官方實體	Sovereigns	15,847,705	1,375,850	-
公營單位*	Public sector entities*	2,486,182	109,953	-
銀行及其他金融機構	Banks and other financial institutions	43,820,989	480,461	4,759,815
公司企業	Corporate entities	7,956,449	97,678	-
		70,111,325	2,063,942	4,759,815
		2015		
		可供出售 金融資產 Available- for-sale financial assets	持有至 到期日證券 Held-to- maturity securities	貸款及應收款 Loans and receivables
		港幣千元 HK\$'000	港幣千元 HK\$'000	港幣千元 HK\$'000
官方實體	Sovereigns	17,267,770	1,690,727	-
公營單位*	Public sector entities*	1,397,813	111,195	-
銀行及其他金融機構	Banks and other financial institutions	27,633,868	567,071	355,393
公司企業	Corporate entities	6,056,210	97,537	230,399
		52,355,661	2,466,530	585,792

* 包括在《銀行業(資本)規則》內分類為認可公營單位的可供出售金融資產港幣2,486,182,000元(2015年:港幣1,397,813,000元)及持有至到期日證券港幣109,953,000元(2015年:港幣111,195,000元)。

* Included available-for-sale financial assets of HK\$2,486,182,000 (2015: HK\$1,397,813,000) and held-to-maturity securities of HK\$109,953,000 (2015: HK\$111,195,000) which are eligible to be classified as public sector entities under the Banking (Capital) Rules.

財務報表附註 (續) Notes to the Financial Statements (continued)
24. 金融投資 (續) 24. Financial investments (continued)

金融投資之變動概述如下：

The movements in financial investments are summarised as follows:

		2016		
		可供出售 金融資產 Available- for-sale financial assets	持有至 到期日證券 Held-to- maturity securities	貸款及應收款 Loans and receivables
		港幣千元 HK\$'000	港幣千元 HK\$'000	港幣千元 HK\$'000
於 2016 年 1 月 1 日	At 1 January 2016	52,355,661	2,466,530	585,792
增加	Additions	101,143,245	-	4,760,501
處置、贖回及到期	Disposals, redemptions and maturity	(82,239,818)	(278,026)	(581,015)
攤銷	Amortisation	(21,407)	3,088	9,611
公允值變化	Change in fair value	(474,313)	-	-
匯兌差額	Exchange difference	(652,043)	(127,650)	553
年內減值準備	Impairment during the year	-	-	(15,627)
於 2016 年 12 月 31 日	At 31 December 2016	70,111,325	2,063,942	4,759,815
		2015		
		可供出售 金融資產 Available- for-sale financial assets	持有至 到期日證券 Held-to- maturity securities	貸款及應收款 Loans and receivables
		港幣千元 HK\$'000	港幣千元 HK\$'000	港幣千元 HK\$'000
於 2015 年 1 月 1 日	At 1 January 2015	42,475,340	2,618,390	2,074,594
增加	Additions	64,175,644	-	1,800,033
處置、贖回及到期	Disposals, redemptions and maturity	(52,574,718)	-	(3,193,198)
攤銷	Amortisation	(80,925)	6,900	(46,354)
公允值變化	Change in fair value	280,066	-	-
匯兌差額	Exchange difference	(1,919,746)	(158,760)	(49,283)
於 2015 年 12 月 31 日	At 31 December 2015	52,355,661	2,466,530	585,792

財務報表附註（續） Notes to the Financial Statements (continued)
24. 金融投資（續） 24. Financial investments (continued)

貸款及應收款之減值準備變動概述如下：

The movements in impairment allowances on loans and receivables are summarised as follows:

		<u>2016</u>	<u>2015</u>
		港幣千元	港幣千元
		HK\$'000	HK\$'000
於 1 月 1 日	At 1 January	-	-
年內減值準備	Impairment during the year	15,627	-
匯兌差額	Exchange difference	(203)	-
		<u>15,424</u>	<u>-</u>
於 12 月 31 日	At 31 December		

財務報表附註 (續) Notes to the Financial Statements (continued)
25. 投資物業
25. Investment properties

		2016	2015
		港幣千元	港幣千元
		HK\$'000	HK\$'000
於 1 月 1 日	At 1 January	414,736	1,280,271
增置	Additions	-	2,903
出售	Disposals	-	(901,200)
公允值收益	Fair value gains	29,340	35,446
重新分類轉至物業、器材 及設備 (附註 26)	Reclassification to properties, plant and equipment (Note 26)	(59,082)	(1,498)
匯兌差額	Exchange difference	(1,164)	(1,186)
於 12 月 31 日	At 31 December	383,830	414,736

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:

		2016	2015
		港幣千元	港幣千元
		HK\$'000	HK\$'000
在香港持有	Held in Hong Kong		
長期租約 (超過 50 年)	On long-term lease (over 50 years)	244,290	248,590
中期租約 (10 年至 50 年)	On medium-term lease (10 to 50 years)	139,540	145,820
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)	-	20,326
		383,830	414,736

於 2016 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計師行有限公司於 2016 年 12 月 31 日以公允值為基準所進行之專業估值。公允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 2016, investment properties were included in the balance sheet at valuation carried out at 31 December 2016 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)
26. 物業、器材及設備 26. Properties, plant and equipment

		房產 Premises	設備、固定設施 及裝備 Equipment, fixtures and fittings	總計 Total
		港幣千元 HK\$'000	港幣千元 HK\$'000	港幣千元 HK\$'000
於 2016 年 1 月 1 日之 賬面淨值	Net book value at 1 January 2016	6,773,252	234,768	7,008,020
增置	Additions	131,175	80,646	211,821
出售	Disposals	(50,810)	(4,643)	(55,453)
重估	Revaluation	(59,114)	-	(59,114)
年度折舊	Depreciation for the year	(119,939)	(79,978)	(199,917)
重新分類轉自投資物業 (附註 25)	Reclassification from investment properties (Note 25)	59,082	-	59,082
匯兌差額	Exchange difference	(28,035)	(6,997)	(35,032)
於 2016 年 12 月 31 日之 賬面淨值	Net book value at 31 December 2016	<u>6,705,611</u>	<u>223,796</u>	<u>6,929,407</u>
於 2016 年 12 月 31 日 成本值或估值	At 31 December 2016 Cost or valuation	6,705,611	836,637	7,542,248
累計折舊	Accumulated depreciation	-	(612,841)	(612,841)
於 2016 年 12 月 31 日之 賬面淨值	Net book value at 31 December 2016	<u>6,705,611</u>	<u>223,796</u>	<u>6,929,407</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 2016 年 12 月 31 日	At 31 December 2016			
按成本值	At cost	-	836,637	836,637
按估值	At valuation	6,705,611	-	6,705,611
		<u>6,705,611</u>	<u>836,637</u>	<u>7,542,248</u>

財務報表附註 (續) Notes to the Financial Statements (continued)
26. 物業、器材及設備 (續) 26. Properties, plant and equipment (continued)

		房產 Premises	設備、固定設施 及裝備 Equipment, fixtures and fittings	總計 Total
		港幣千元 HK\$'000	港幣千元 HK\$'000	港幣千元 HK\$'000
於 2015 年 1 月 1 日之 賬面淨值	Net book value at 1 January 2015	7,035,310	293,187	7,328,497
增置	Additions	27,237	47,003	74,240
出售	Disposals	(381,098)	(650)	(381,748)
重估	Revaluation	377,219	-	377,219
年度折舊	Depreciation for the year	(127,328)	(95,489)	(222,817)
重新分類轉自投資物業 (附註 25)	Reclassification from investment properties (Note 25)	1,498	-	1,498
匯兌差額	Exchange difference	(26,857)	(9,283)	(36,140)
分類為待出售資產	Classified as assets held for sale	(132,729)	-	(132,729)
於 2015 年 12 月 31 日之 賬面淨值	Net book value at 31 December 2015	<u>6,773,252</u>	<u>234,768</u>	<u>7,008,020</u>
於 2015 年 12 月 31 日 成本值或估值	At 31 December 2015 Cost or valuation	6,773,252	820,038	7,593,290
累計折舊	Accumulated depreciation	-	(585,270)	(585,270)
於 2015 年 12 月 31 日之 賬面淨值	Net book value at 31 December 2015	<u>6,773,252</u>	<u>234,768</u>	<u>7,008,020</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 2015 年 12 月 31 日	At 31 December 2015			
按成本值	At cost	-	820,038	820,038
按估值	At valuation	<u>6,773,252</u>	-	<u>6,773,252</u>
		<u>6,773,252</u>	<u>820,038</u>	<u>7,593,290</u>

財務報表附註 (續) Notes to the Financial Statements (continued)
26. 物業、器材及設備 (續) 26. 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:

		2016	2015
		港幣千元 HK\$'000	港幣千元 HK\$'000
在香港持有	Held in Hong Kong		
長期租約 (超過 50 年)	On long-term lease (over 50 years)	3,951,487	4,602,693
中期租約 (10 年至 50 年)	On medium-term lease (10 to 50 years)	2,155,234	1,666,127
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)	576,025	485,875
短期租約 (少於 10 年)	On short-term lease (less than 10 years)	22,865	18,557
		6,705,611	6,773,252

於 2016 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計師行有限公司於 2016 年 12 月 31 日以公允值為基準所進行之專業估值。公允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 2016, premises were included in the balance sheet at valuation carried out at 31 December 2016 on the basis of their fair value by an independent firm of chartered surveyors, Knight Frank Petty Limited. The fair value represents the price that would be received to sell each premises in an orderly transaction with market participants at the measurement date.

根據上述之重估結果，房產估值變動已於房產重估儲備及收益表確認如下：

As a result of the above-mentioned revaluations, changes in value of the premises were recognised in the premises revaluation reserve and the income statement as follows:

		2016	2015
		港幣千元 HK\$'000	港幣千元 HK\$'000
貸記房產重估儲備之重估 (減值)/增值	(Decrease)/increase in valuation credited to premises revaluation reserve	(64,385)	374,898
貸記收益表之重估增值	Increase in valuation credited to income statement	5,271	2,321
		(59,114)	377,219

於 2016 年 12 月 31 日，假若房產按成本值扣減累計折舊列賬，本集團之資產負債表內之房產賬面淨值應為港幣 728,077,000 元 (2015 年：港幣 607,766,000 元)。

As at 31 December 2016, 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 was HK\$728,077,000 (2015: HK\$607,766,000).

財務報表附註 (續) Notes to the Financial Statements (continued)
27. 其他資產
27. Other assets

		<u>2016</u>	<u>2015</u>
		港幣千元	港幣千元
		HK\$'000	HK\$'000
收回資產	Reposessed assets	84,952	98,469
貴金屬	Precious metals	230,611	53,393
應收賬項及預付費用	Accounts receivable and prepayments	564,424	4,143,369
		<u>879,987</u>	<u>4,295,231</u>

28. 公允值變化計入損益之金融負債
28. Financial liabilities at fair value through profit or loss

		<u>2016</u>	<u>2015</u>
		港幣千元	港幣千元
		HK\$'000	HK\$'000
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	3,223,456	4,575,356

於2016年12月31日沒有界定為以公允值變化計入損益之金融負債(2015年12月31日:無)。

At 31 December 2016, there was no financial liabilities designated at fair value through profit or loss (2015: Nil).

財務報表附註 (續) Notes to the Financial Statements (continued)
29. 客戶存款及對沖會計 29. Deposits from customers and hedge accounting
(a) 客戶存款
(a) Deposits from customers

		2016	2015
		港幣千元 HK\$'000	港幣千元 HK\$'000
即期存款及往來存款	Demand deposits and current accounts		
- 公司	- Corporate	38,043,836	26,763,884
- 個人	- Personal	2,984,973	2,767,262
		41,028,809	29,531,146
儲蓄存款	Savings deposits		
- 公司	- Corporate	21,191,418	19,930,314
- 個人	- Personal	40,575,220	39,071,432
		61,766,638	59,001,746
定期、短期及通知存款	Time, call and notice deposits		
- 公司	- Corporate	103,954,603	81,285,911
- 個人	- Personal	50,777,480	48,443,180
		154,732,083	129,729,091
		257,527,530	218,261,983

(b) 對沖會計
(b) Hedge accounting
海外運作淨投資對沖
Hedges of net investments in foreign operations

於 2016 年 12 月 31 日，沒有人民幣計值的客戶存款被界定為對沖工具，用以對沖海外運作淨投資（2015 年：港幣 元）。

As at 31 December 2016, there was no RMB-denominated deposits from customers designated as a hedging instrument to hedge against the net investments in foreign operations (2015: Nil).

年內沒有無效部分之收益或虧損於收益表內確認（2015 年：無）。

There were no gains or losses on ineffective portion recognised in the income statement during the year (2015: Nil).

財務報表附註 (續) Notes to the Financial Statements (continued)
30. 已發行債務證券及存款證 30. Debt securities and certificates of deposit in issue

		2016	2015
		港幣千元	港幣千元
		HK\$'000	HK\$'000
債務證券及存款證，按攤銷	Debt securities and certificates of deposit, at		
成本列賬	amortised cost		
- 存款證	- Certificates of deposit	541,378	-
- 其他債務證券	- Other debt securities	554,559	-
		1,095,937	-

31. 其他賬項及準備 31. Other accounts and provisions

		2016	2015
		港幣千元	港幣千元
		HK\$'000	HK\$'000
其他應付賬項	Other accounts payable	15,836,284	12,901,186
準備	Provisions	72,424	73,614
		15,908,708	12,974,800

財務報表附註 (續) Notes to the Financial Statements (continued)
32. 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，以及其在年度內之變動如下：

32. 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:

		2016					
		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
		港幣千元 HK\$'000	港幣千元 HK\$'000	港幣千元 HK\$'000	港幣千元 HK\$'000	港幣千元 HK\$'000	港幣千元 HK\$'000
於 2016 年 1 月 1 日	At 1 January 2016	18,156	1,054,384	(33,609)	(136,641)	(95,900)	806,390
借記／(貸記) 收益表	Charged/(credited) to income statement	8,036	5,592	31,511	22,458	(91,811)	(24,214)
貸記其他全面 收益	Credited to other comprehensive income	-	(21,645)	-	-	(125,625)	(147,270)
匯兌差額	Exchange difference	-	(3,752)	2,098	3,128	(1,357)	117
於 2016 年 12 月 31 日	At 31 December 2016	<u>26,192</u>	<u>1,034,579</u>	<u>-</u>	<u>(111,055)</u>	<u>(314,693)</u>	<u>635,023</u>
		2015					
		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
		港幣千元 HK\$'000	港幣千元 HK\$'000	港幣千元 HK\$'000	港幣千元 HK\$'000	港幣千元 HK\$'000	港幣千元 HK\$'000
於 2015 年 1 月 1 日	At 1 January 2015	30,906	1,090,064	-	(258,170)	(28,498)	834,302
(貸記)／借記 收益表	(Credited)/charged to income statement	(12,750)	(11)	(34,976)	116,781	(83,214)	(14,170)
(貸記)／借記其 他全面 收益	(Credited)/charged to other comprehensive income	-	(10,657)	-	-	15,548	4,891
匯兌差額	Exchange difference	-	(3,128)	1,367	4,748	264	3,251
分類為待出售資 產之相關負債	Classified as liabilities associated with assets held for sale	-	(21,884)	-	-	-	(21,884)
於 2015 年 12 月 31 日	At 31 December 2015	<u>18,156</u>	<u>1,054,384</u>	<u>(33,609)</u>	<u>(136,641)</u>	<u>(95,900)</u>	<u>806,390</u>

財務報表附註 (續) Notes to the Financial Statements (continued)
32. 遞延稅項 (續)

當有法定權利可將現有稅項資產與現有稅項負債抵銷，而遞延稅項涉及同一財政機關，則可將個別法人的遞延稅項資產與遞延稅項負債互相抵銷。下列在資產負債表內列賬之金額，已計入適當抵銷：

32. Deferred taxation (continued)

Deferred tax assets and liabilities are offset on an individual entity basis when there is a legal right to set off current tax assets against current tax liabilities and when the deferred taxation relates to the same authority. The following amounts, determined after appropriate offsetting, are shown in the balance sheet:

		2016	2015
		港幣千元	港幣千元
		HK\$'000	HK\$'000
遞延稅項資產	Deferred tax assets	(100,652)	(5,962)
遞延稅項負債	Deferred tax liabilities	735,675	812,352
		635,023	806,390
		2016	2015
		港幣千元	港幣千元
		HK\$'000	HK\$'000
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	-	-
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	928,224	914,145
		928,224	914,145

於 2016 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 2,417,000 元 (2015 年：港幣 2,503,000 元)。按照現行稅例，有關稅務虧損沒有作廢期限。

As at 31 December 2016, the Group has not recognised deferred tax assets in respect of tax losses amounting to HK\$2,417,000 (2015: HK\$2,503,000). These tax losses do not expire under the current tax legislation.

財務報表附註（續） Notes to the Financial Statements (continued)
33. 待出售資產

2016年並無非流動資產歸類為待出售資產。

根據2015年11月11日董事會書面決議，本銀行同意出售若干房產予中銀香港。

待出售資產及待出售資產之相關負債之主要類別如下：

33. Assets held for sale

No non-current assets are classified as assets held for sale for the year ended 31 December 2016.

According to the Board's written resolution dated 11 November 2015, the Bank agreed to sell certain premises to BOCHK.

The major classes of assets held for sale and liabilities associated with assets held for sale are as follows:

		<u>2016</u>	<u>2015</u>
		港幣千元 HK\$'000	港幣千元 HK\$'000
資產	ASSETS		
物業、器材及設備	Properties, plant and equipment	-	132,729
負債	LIABILITIES		
遞延稅項負債	Deferred tax liabilities	-	21,884
		<u>-</u>	<u>110,845</u>

34. 股本

已發行及繳足：
7,000,000 股普通股

34. Share capital

Issued and fully paid:
7,000,000 ordinary shares

	<u>2016</u>	<u>2015</u>
	港幣千元 HK\$'000	港幣千元 HK\$'000
	<u>3,144,517</u>	<u>3,144,517</u>

財務報表附註 (續) Notes to the Financial Statements (continued)
35. 綜合現金流量表附註 35. Notes to consolidated cash flow statement

(a) 經營溢利與除稅前 經營現金之流入對 賬	(a) Reconciliation of operating profit to operating cash inflow before taxation	2016	2015
		港幣千元 HK\$'000	港幣千元 HK\$'000
經營溢利	Operating profit	3,311,046	3,238,220
折舊	Depreciation	199,917	222,817
減值準備淨撥備	Net charge of impairment allowances	486,075	633,324
折現減值準備回撥	Unwind of discount on impairment allowances	(4,680)	(1,150)
已撤銷之貸款 (扣除 收回款額)	Advances written off net of recoveries	(456,602)	(1,127,792)
原到期日超過 3 個月 之存放銀行及其他 金融機構的結餘之 變動	Change in balances with banks and other financial institutions with original maturity over three months	(5,576,552)	2,430,211
原到期日超過 3 個月 之在銀行及其他金 融機構之定期存放 之變動	Change in placements with banks and other financial institutions with original maturity over three months	(7,236,680)	8,865,231
公允值變化計入損益 之金融資產之變動	Change in financial assets at fair value through profit or loss	2,486,261	163,628
衍生金融工具之變動	Change in derivative financial instruments	366,960	(232,756)
貸款及其他賬項之變動	Change in advances and other accounts	(23,137,199)	(4,435,098)
金融投資之變動	Change in financial investments	(20,456,994)	(3,798,709)
其他資產之變動	Change in other assets	3,415,244	(3,282,136)
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	(510,964)	(6,774,437)
公允值變化計入損益 之金融負債之變動	Change in financial liabilities at fair value through profit or loss	(1,351,900)	(395,337)
客戶存款之變動	Change in deposits from customers	39,265,547	8,628,048
其他賬項及準備之變動	Change in other accounts and provisions	2,932,208	(2,207,166)
匯率變動之影響	Effect of changes in exchange rates	616,996	1,152,459
除稅前經營現金之 (流出) / 流入	Operating cash (outflow)/inflow before taxation	<u>(5,651,317)</u>	<u>3,079,357</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	7,329,518	9,337,866
- 已付利息	- Interest paid	(3,188,492)	(4,468,941)
- 已收股息	- Dividend received	2,338	7,236

財務報表附註 (續) Notes to the Financial Statements (continued)
35. 綜合現金流量表附註 (續) 35. Notes to consolidated cash flow statement (continued)
(b) 現金及等同現金項目結存分析
(b) Analysis of the balances of cash and cash equivalents

	<u>2016</u>	<u>2015</u>
	港幣千元 HK\$'000	港幣千元 HK\$'000
庫存現金及原到期日 在 3 個月內之存放 銀行及其他金融機 構的結餘	36,566,396	44,060,170
原到期日在 3 個月內 之在銀行及其他金 融機構之定期存放	1,592,218	1,205,984
原到期日在 3 個月內 之庫券	4,908,283	8,556,255
原到期日在 3 個月內 之存款證	4,501,831	-
	<u>47,568,728</u>	<u>53,822,409</u>

36. 或然負債及承擔
36. 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.

	<u>2016</u>	<u>2015</u>
	港幣千元 HK\$'000	港幣千元 HK\$'000
直接信貸替代項目	16,555,219	21,262,146
與交易有關之或然負債	1,540,154	1,830,203
與貿易有關之或然負債	12,158,792	7,801,271
有追索權的資產出售	4,796,235	5,419,397
不需事先通知的無條件撤銷之承諾	81,546,051	75,313,331
其他承擔，原到期日為		
- 1 年或以下	1,210,783	1,983,255
- 1 年以上	8,884,742	9,083,933
	<u>126,691,976</u>	<u>122,693,536</u>
信貸風險加權數額	<u>21,302,109</u>	<u>21,148,878</u>

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)
37. 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：

37. Capital commitments

The Group has the following outstanding capital commitments not provided for in the financial statements:

		<u>2016</u>	<u>2015</u>
		港幣千元	港幣千元
		HK\$'000	HK\$'000
已批准及簽約但未撥備	Authorised and contracted for but not provided for	9,230	8,571
已批准但未簽約	Authorised but not contracted for	<u>1,069</u>	<u>232</u>
		<u>10,299</u>	<u>8,803</u>

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.

38. 經營租賃承擔
(a) 作為承租人

根據不可撤銷之經營租賃合約，下列為本集團未來有關租賃承擔所須支付之最低租金：

38. Operating lease commitments
(a) As lessee

The Group has commitments to make the following future minimum lease payments under non-cancellable operating leases:

		<u>2016</u>	<u>2015</u>
		港幣千元	港幣千元
		HK\$'000	HK\$'000
土地及樓宇	Land and buildings		
- 不超過 1 年	- Not later than one year	249,064	244,631
- 1 年以上至 5 年內	- Later than one year but not later than five years	541,158	604,033
- 5 年後	- Later than five years	<u>41,999</u>	<u>92,977</u>
		<u>832,221</u>	<u>941,641</u>
其他承擔	Other commitments		
- 不超過 1 年	- Not later than one year	555	877
- 1 年以上至 5 年內	- Later than one year but not later than five years	<u>147</u>	<u>96</u>
		<u>832,923</u>	<u>942,614</u>

財務報表附註 (續) Notes to the Financial Statements (continued)
38. 經營租賃承擔 (續) 38. Operating lease commitments (continued)
(b) 作為出租人

根據不可撤銷之經營租賃合約，下列為本集團與租客簽訂合約之未來有關租賃之最低應收租金：

土地及樓宇
- 不超過 1 年
- 1 年以上至 5 年內

本集團以經營租賃形式租出投資物業；租賃年期通常由 1 年至 3 年。租約條款一般要求租客提交保證金。

(b) 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
- Later than one year but not later than 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.

	2016	2015
	港幣千元	港幣千元
	HK\$'000	HK\$'000
	12,351	14,911
	7,377	17,315
	19,728	32,226

39. 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。

39. 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)**40. 分類報告****(a) 按營運分類**

本集團業務拆分為四個主要分類，分別為個人銀行、企業銀行、財資業務及投資。

個人銀行和企業銀行業務線均會提供全面的銀行服務，個人銀行業務線是服務個人客戶，而企業銀行業務線是服務非個人客戶。至於財資業務線，除了自營買賣外，還負責管理本集團的資本、流動資金、利率和外匯敞口。財資業務部門管理本集團的融資活動和資本，為其他業務線提供資金，並接收從個人銀行和企業銀行業務線的吸收存款活動中所取得的資金。這些業務線之間的資金交易主要按集團內部資金轉移價格機制釐定。在本附註呈列的財資業務損益資料，已包括上述業務線之間的收支交易，但其資產負債資料並未反映業務線之間的借貸（換言之，不可以把財資業務的損益資料與其資產負債資料比較）。

投資包括本集團的房地產和支援單位所使用的設備。對於佔用本集團的物業，其他業務線需要按照每平方呎的市場價格向投資業務線支付費用。由本集團附屬公司—南商（中國）之資本金所產生及已於其收益賬確認的貨幣換算差額，已包括於此業務分類內。

「其他」為集團其他營運及主要包括有關本集團整體但與其餘四個業務線無關的項目。

一個業務線的收入及支出，主要包括直接歸屬於該業務線的項目。至於管理費用，會根據合理基準攤分。

40. Segmental reporting**(a) By operating segment**

The Group divides its business into four major segments, Personal Banking, Corporate Banking, Treasury and Investment.

Both Personal Banking and Corporate Banking provide general banking services. Personal Banking serves individual customers while Corporate Banking deals with non-individual customers. The Treasury segment is responsible for managing the capital, liquidity, and the interest rate and foreign exchange positions of the Group in addition to proprietary trades. It provides funds to other business segments and receives funds from deposit taking activities of Personal Banking and Corporate Banking. These inter-segment funding is charged according to the internal funds transfer pricing mechanism of the Group. The assets and liabilities of Treasury have not been adjusted to reflect the effect of inter-segment borrowing and lending (i.e. the profit and loss information in relation to Treasury is not comparable to the assets and liabilities information about Treasury).

Investment includes bank premises and equipment used by supporting units. Charges are paid to this segment from other business segments based on market rates per square foot for their occupation of the Group's premises. The exchange difference arising from capital of our subsidiary, NCB (China), which is recognised in its income statement, is also included in this class.

“Others” refers to other group operations and mainly comprises of items related to the Group as a whole and totally independent of the other four business segments.

Revenues and expenses of any business segment mainly include items directly attributable to the segment. For management overheads, allocations are made on reasonable bases.

財務報表附註 (續) Notes to the Financial Statements (continued)
40. 分類報告 (續)
40. Segmental reporting (continued)
(a) 按營運分類 (續)
(a) By operating segment (continued)

		個人銀行 Personal Banking	企業銀行 Corporate Banking	財資業務 Treasury	投資 Investment	其他 Others	小計 Subtotal	合併抵銷 Eliminations	綜合 Consolidated
		港幣千元 HK\$'000	港幣千元 HK\$'000	港幣千元 HK\$'000	港幣千元 HK\$'000	港幣千元 HK\$'000	港幣千元 HK\$'000	港幣千元 HK\$'000	港幣千元 HK\$'000
截至 2016 年 12 月 31 日	Year ended 31 December 2016								
淨利息收入／(支出)	Net interest income/(expense)								
- 外來	- External	307,501	3,009,601	1,217,707	-	-	4,534,809	-	4,534,809
- 跨業務	- Inter-segment	558,112	173,881	(731,993)	-	-	-	-	-
		865,613	3,183,482	485,714	-	-	4,534,809	-	4,534,809
淨服務費及佣金收入／(支出)	Net fee and commission income/(expense)	774,215	784,771	14,072	98	(1,085)	1,572,071	-	1,572,071
淨交易性收益／(虧損)	Net trading gain/(loss)	37,113	50,907	15,899	32,097	(1,321)	134,695	-	134,695
界定為以公允價值變化計入損益之金融工具淨虧損	Net loss on financial instruments designated at fair value through profit or loss	-	-	(7,708)	-	-	(7,708)	-	(7,708)
其他金融資產之淨收益	Net gain on other financial assets	-	100,770	92,002	-	-	192,772	-	192,772
其他經營收入	Other operating income	128	3	-	138,393	12,785	151,309	(124,250)	27,059
提取減值準備前之淨經營收入	Net operating income before impairment allowances	1,677,069	4,119,933	599,979	170,588	10,379	6,577,948	(124,250)	6,453,698
減值準備淨撥備	Net charge of impairment allowances	(99,177)	(371,271)	(15,627)	-	-	(486,075)	-	(486,075)
淨經營收入	Net operating income	1,577,892	3,748,662	584,352	170,588	10,379	6,091,873	(124,250)	5,967,623
經營支出	Operating expenses	(1,013,932)	(1,140,060)	(279,794)	(184,470)	(162,571)	(2,780,827)	124,250	(2,656,577)
經營溢利／(虧損)	Operating profit/(loss)	563,960	2,608,602	304,558	(13,882)	(152,192)	3,311,046	-	3,311,046
投資物業公允價值調整之淨收益	Net gain from fair value adjustments on investment properties	-	-	-	29,340	-	29,340	-	29,340
出售／重估物業、器材及設備之淨收益	Net gain from disposal/ revaluation of properties, plant and equipment	-	-	-	4,136	-	4,136	-	4,136
除稅前溢利／(虧損)	Profit/(loss) before taxation	563,960	2,608,602	304,558	19,594	(152,192)	3,344,522	-	3,344,522
於 2016 年 12 月 31 日	At 31 December 2016								
資產	ASSETS								
分部資產	Segment assets	39,800,947	153,986,068	147,613,051	7,353,037	179,606	348,932,709	-	348,932,709
負債	LIABILITIES								
分部負債	Segment liabilities	96,078,909	173,305,873	38,952,505	4,123	1,906,331	310,247,741	-	310,247,741
截至 2016 年 12 月 31 日	Year ended 31 December 2016								
其他資料	Other information								
資本性支出	Capital expenditure	-	-	-	211,821	-	211,821	-	211,821
折舊	Depreciation	11,848	6,016	390	184,466	(2,803)	199,917	-	199,917
證券攤銷	Amortisation of securities	-	-	(8,708)	-	-	(8,708)	-	(8,708)

財務報表附註 (續) Notes to the Financial Statements (continued)

40. 分類報告 (續)

40. Segmental reporting (continued)

(a) 按營運分類 (續)

(a) By operating segment (continued)

		個人銀行 Personal Banking	企業銀行 Corporate Banking	財資業務 Treasury	投資 Investment	其他 Others	小計 Subtotal	合併抵銷 Eliminations	綜合 Consolidated
		港幣千元 HK\$'000	港幣千元 HK\$'000	港幣千元 HK\$'000	港幣千元 HK\$'000	港幣千元 HK\$'000	港幣千元 HK\$'000	港幣千元 HK\$'000	港幣千元 HK\$'000
截至 2015 年 12 月 31 日	Year ended 31 December 2015								
淨利息收入 / (支出)	Net interest income/(expense)								
- 外來	- External	(66,016)	2,397,178	2,388,988	-	-	4,720,150	-	4,720,150
- 跨業務	- Inter-segment	980,296	235,717	(1,216,013)	-	-	-	-	-
		914,280	2,632,895	1,172,975	-	-	4,720,150	-	4,720,150
淨服務費及佣金收入 / (支出)	Net fee and commission income/(expenses)	695,053	596,096	67,101	65	(1,365)	1,356,950	-	1,356,950
淨交易性收益 / (虧損)	Net trading gain/(loss)	43,272	(31,466)	3,345	39,025	(17)	54,159	-	54,159
界定為以公允價值變化計入損益之金融工具淨虧損	Net loss on financial instruments designated at fair value through profit or loss	-	-	(6,382)	-	-	(6,382)	-	(6,382)
其他金融資產之淨收益	Net gain on other financial assets	-	79,531	184,998	-	71,892	336,421	-	336,421
其他經營收入	Other operating income	185	-	-	149,052	6,278	155,515	(113,107)	42,408
提取減值準備前之淨經營收入	Net operating income before impairment allowances	1,652,790	3,277,056	1,422,037	188,142	76,788	6,616,813	(113,107)	6,503,706
減值準備淨撥備	Net charge of impairment allowances	(106,584)	(526,740)	-	-	-	(633,324)	-	(633,324)
淨經營收入	Net operating income	1,546,206	2,750,316	1,422,037	188,142	76,788	5,983,489	(113,107)	5,870,382
經營支出	Operating expenses	(953,955)	(1,121,281)	(275,988)	(205,721)	(188,324)	(2,745,269)	113,107	(2,632,162)
經營溢利 / (虧損)	Operating profit/(loss)	592,251	1,629,035	1,146,049	(17,579)	(111,536)	3,238,220	-	3,238,220
投資物業公允價值調整之淨收益	Net gain from fair value adjustments on investment properties	-	-	-	121,046	-	121,046	-	121,046
出售 / 重估物業、器材及設備之淨虧損	Net loss from disposal/ revaluation of properties, plant and equipment	-	-	-	19,246	-	19,246	-	19,246
除稅前溢利 / (虧損)	Profit/(loss) before taxation	592,251	1,629,035	1,146,049	122,713	(111,536)	3,378,512	-	3,378,512
於 2015 年 12 月 31 日	At 31 December 2015								
資產	ASSETS								
分部資產	Segment assets	39,504,331	134,505,455	123,466,694	7,458,268	129,316	305,064,064	-	305,064,064
待出售資產	Assets held for sale	-	-	-	132,729	-	132,729	-	132,729
資產總額	Total assets	39,504,331	134,505,455	123,466,694	7,590,997	129,316	305,196,793	-	305,196,793
負債	LIABILITIES								
分部負債	Segment liabilities	91,688,294	138,648,224	36,023,296	4,335	1,711,990	268,076,139	-	268,076,139
待出售資產之相關負債	Liabilities associated with assets held for sale	-	-	-	-	21,884	21,884	-	21,884
負債總額	Total liabilities	91,688,294	138,648,224	36,023,296	4,335	1,733,874	268,098,023	-	268,098,023
截至 2015 年 12 月 31 日	Year ended 31 December 2015								
其他資料	Other information								
資本性支出	Capital expenditure	-	-	-	77,143	-	77,143	-	77,143
折舊	Depreciation	16,616	8,849	671	205,711	(9,030)	222,817	-	222,817
證券攤銷	Amortisation of securities	-	-	(120,379)	-	-	(120,379)	-	(120,379)

財務報表附註 (續) Notes to the Financial Statements (continued)
40. 分類報告 (續)
40. Segmental reporting (continued)
(b) 按地理區域劃分
(b) By geographical area

以下資料是根據附屬公司的主要營業地點分類，如屬本銀行之資料，則依據負責申報業績或將資產記賬之分行所在地分類：

The following information is presented based on the principal places of operations of the subsidiaries, or in the case of the Bank, on the locations of the branches responsible for reporting the results or booking the assets:

		2016		2015	
		提取減值準備前 之淨經營收入 Net operating income before impairment allowances	除稅前 溢利 Profit before taxation	提取減值準備前 之淨經營收入 Net operating income before impairment allowances	除稅前 溢利 Profit before taxation
		港幣千元 HK\$'000	港幣千元 HK\$'000	港幣千元 HK\$'000	港幣千元 HK\$'000
香港	Hong Kong	3,949,714	2,582,188	4,054,030	2,823,205
中國內地	Mainland of China	2,451,494	705,399	2,381,416	509,623
其他	Others	52,490	56,935	68,260	45,684
合計	Total	6,453,698	3,344,522	6,503,706	3,378,512

		2016			或然負債和承擔 Contingent liabilities and commitments
		總資產 Total assets	總負債 Total liabilities	非流動資產 Non-current assets	港幣千元 HK\$'000
		港幣千元 HK\$'000	港幣千元 HK\$'000	港幣千元 HK\$'000	港幣千元 HK\$'000
香港	Hong Kong	213,536,801	185,711,520	6,584,651	40,740,121
中國內地	Mainland of China	135,395,908	124,536,221	814,200	85,951,855
合計	Total	348,932,709	310,247,741	7,398,851	126,691,976

		2015			或然負債和承擔 Contingent liabilities and commitments
		總資產 Total assets	總負債 Total liabilities	非流動資產 Non-current assets	港幣千元 HK\$'000
		港幣千元 HK\$'000	港幣千元 HK\$'000	港幣千元 HK\$'000	港幣千元 HK\$'000
香港	Hong Kong	188,707,746	165,544,765	6,733,035	39,662,023
中國內地	Mainland of China	114,108,360	102,324,412	786,367	82,596,097
其他	Others	2,380,687	228,846	2,034	435,416
合計	Total	305,196,793	268,098,023	7,521,436	122,693,536

財務報表附註 (續) Notes to the Financial Statements (continued)**41. 已抵押資產**

於2016年12月31日，本集團之負債港幣3,140,124,000元(2015年：港幣4,581,856,000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及票據抵押之負債為港幣889,830,000元(2015年：港幣478,835,000元)。本集團為擔保此等負債而質押之資產金額為港幣4,058,932,000元(2015年：港幣5,084,230,000元)，並主要於「交易性資產」、「金融投資」及「貿易票據」內列賬。

41. Assets pledged as security

As at 31 December 2016, the liabilities of the Group amounting to HK\$3,140,124,000 (2015: HK\$4,581,856,000) were secured by assets deposited with central depositories to facilitate settlement operations. In addition, the liabilities of the Group amounting to HK\$889,830,000 (2015: HK\$478,835,000) were secured by debt securities and bills related to sale and repurchase arrangements. The amount of assets pledged by the Group to secure these liabilities was HK\$4,058,932,000 (2015: HK\$5,084,230,000) mainly included in "Trading assets", "Financial investments" and "Trade bills".

財務報表附註 (續) Notes to the Financial Statements (continued)
42. 金融工具之抵銷 (續) 42. Offsetting financial instruments (continued)

		2015					
		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
		港幣千元 HK\$'000	港幣千元 HK\$'000	港幣千元 HK\$'000	金融工具 Financial instruments	已收取之 現金押品 Cash collateral received	港幣千元 HK\$'000
資產	Assets						
衍生金融工具	Derivative financial instruments	338,260	-	338,260	(59,230)	-	279,030
其他資產	Other assets	1,352,506	(986,109)	366,397	-	-	366,397
		1,690,766	(986,109)	704,657	(59,230)	-	645,427
		2015					
		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
		港幣千元 HK\$'000	港幣千元 HK\$'000	港幣千元 HK\$'000	金融工具 Financial instruments	已抵押之 現金押品 Cash collateral pledged	港幣千元 HK\$'000
負債	Liabilities						
衍生金融工具	Derivative financial instruments	154,121	-	154,121	(59,230)	-	94,891
其他負債	Other liabilities	994,352	(986,109)	8,243	-	-	8,243
		1,148,473	(986,109)	162,364	(59,230)	-	103,134

按本集團簽訂有關場外衍生工具和售後回購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 and sale and repurchase 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)
43. 金融資產轉移

於 2016 年及 2015 年 12 月 31 日，本集團沒有不符合終止確認條件之已轉移金融資產。

43. Transfers of financial assets

As at 31 December 2016 and 2015, there were no transferred financial assets of the Group that do not qualify for derecognition.

44. 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：

44. 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:

	2016	2015
	港幣千元	港幣千元
	HK\$'000	HK\$'000
於年末尚未償還之有關交易總額	833	707
於年內未償還有關交易之最高總額	1,079	739

財務報表附註（續） Notes to the Financial Statements (continued)

45. 主要之有關連人士交易 45. Significant related party transactions

母公司的基本資料：

General information of the parent companies:

本集團前直接控股公司中銀香港將持有本集團的全部股權出售予中國信達的非直接持有全資子公司信達金融，並已於 2016 年 5 月 30 日（「生效日」）進行交割，本集團股權轉讓自該日起正式生效。

BOCHK, the Group's former immediate holding company, disposed all its interests in the Group to Cinda Financial Holdings, a indirectly wholly owned subsidiary of China Cinda. The transaction was completed and the share transfer of the Group effected on 30 May 2016 ("effective date").

本集團由中國信達間接控制，而中國信達是由中華人民共和國財政部（「財政部」）在中華人民共和國（「中國」）成立的國有金融企業，其股份亦在香港聯合交易所有限公司（「香港聯交所」）上市交易。

The Group is indirectly controlled by China Cinda, which is a state-owned financial enterprise established in the People's Republic of China (the "PRC") by the Ministry of Finance (the "MOF") and its shares are listed on the Main Board of The Stock Exchange of Hong Kong Limited ("Hong Kong Stock Exchange").

(a) 與母公司及母公司控制之其他公司進行的交易

(a) Transactions with the parent companies and the other companies controlled by the parent companies

- (i) 本集團生效日前之直接控股公司是中銀香港，而中銀香港是受中國銀行股份有限公司（「中國銀行」）控制。中央匯金投資有限責任公司（「匯金」）是中國銀行之控股公司，亦是中國投資有限責任公司（「中投」）的全資附屬公司，而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。

- (i) The Group's former immediate holding company is BOCHK, which is in turn controlled by Bank of China Limited ("BOC"). Central Huijin Investment Ltd. ("Central Huijin") is the controlling entity of BOC, and it is a wholly-owned subsidiary of China Investment Corporation ("CIC") which is a wholly state-owned company engaging in foreign currency investment management.

匯金於某些內地實體均擁有控制權益。

Central Huijin has controlling equity interests in certain other entities in the PRC.

財務報表附註 (續) Notes to the Financial Statements (continued)**45. 主要之有關連人士交易 (續) 45. Significant related party transactions (continued)****(a) 與母公司及母公司控制之其他公司進行的交易 (續)**

大部分與中國銀行進行的交易源自貨幣市場活動。由2016年1月1日至生效日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13,387,000元(2015年:港幣90,422,000元)及港幣45,056,000元(2015年:港幣141,518,000元)。

大部分與中銀香港進行的交易源自貨幣市場活動。由2016年1月1日至生效日與中銀香港做此類業務過程中產生的收入及支出總額分別為港幣1,700,000元(2015年:港幣3,037,000元)及港幣55,251,000元(2015年:港幣331,591,000元)。

由2016年1月1日至生效日,本集團出售若干房產予中銀香港,出售價為港幣185,297,000元(2015年:房產出售價為港幣392,600,000元及投資物業出售價為港幣986,800,000元),相關出售房產之淨收益約為港幣1,758,000元(2015年:出售房產及投資物業之淨收益分別約為港幣16,422,000元及港幣85,600,000元),交易按市場一般商業條款進行。

(a) Transactions with the parent companies and the other companies controlled by the parent companies (continued)

The majority of transactions with BOC arise from money market activities. The aggregate amounts of income and expenses of the Group arising from these transactions with BOC from 1 January 2016 to effective date were HK\$13,387,000 (2015: HK\$90,422,000) and HK\$45,056,000 (2015: HK\$141,518,000) respectively.

The majority of transactions with BOCHK arises from money market activities. The aggregate amounts of income and expenses of the Group arising from these transactions with BOCHK from 1 January 2016 to effective date were HK\$1,700,000 (2015: HK\$3,037,000) and HK\$55,251,000 (2015: HK\$331,591,000) respectively.

From 1 January 2016 to effective date, the Group sold certain premises to BOCHK with selling price of HK\$185,297,000 (2015: premises of HK\$392,600,000 and investment premises of HK\$986,800,000). The gain from disposal of premises was approximately HK\$1,758,000 (2015: gain from disposal of premises and investment properties were approximately HK\$16,422,000 and HK\$85,600,000 respectively). The transactions were entered on normal commercial terms.

財務報表附註 (續) Notes to the Financial Statements (continued)

45. 主要之有關連人士交易 (續) 45. Significant related party transactions (continued)

(a) 與母公司及母公司控制之其他公司進行的交易 (續)

大部分與生效日前之母公司控制之其他公司的交易源自客戶存款。由 2016 年 1 月 1 日至生效日做此類業務過程中產生的支出總額為港幣 39,799,000 元 (2015 年：港幣 149,213,000 元)。

- (ii) 本集團之直接控股公司是信達金控，而信達金控是受中國信達（香港）控股有限公司（「信達香港」）控制。中國信達是信達香港之控股公司，其主要股東及實際控制人為財政部，財政部是中華人民共和國國務院的組成部門，主要負責國家財政收支和稅收政策等。

中國信達於某些內地實體均擁有控制權益。

大部分與中國信達進行的交易源自客戶存款。於 2016 年 12 月 31 日，本集團相關款項總額為港幣 28,854,437,000 元。自生效日起至 2016 年 12 月 31 日與中國信達做此類業務過程中產生的支出總額為港幣 27,845,296 元。

(a) Transactions with the parent companies and the other companies controlled by the parent companies (continued)

The majority of transactions with other companies controlled by the former parent companies arises from deposits from customers. The aggregate amount of expenses arising from these transactions from 1 January 2016 to effective date was HK\$39,799,000 (2015: HK\$149,213,000).

- (ii) The Group's immediate holding company is Cinda Financial Holdings which is in turn controlled by China Cinda (HK) Company Holdings Ltd ("Cinda Hong Kong"). China Cinda is the controlling entity of Cinda Hong Kong and its major shareholder and de facto controller is MOF, which is one of the ministries under the State Council of the PRC Government, primarily responsible for state fiscal revenue and expenditures, and taxation policies.

China Cinda has controlling equity interests in certain other entities in the PRC.

The majority of transactions with China Cinda arises from deposits from customers. As at 31 December 2016, the related aggregate amounts of the Group were HK\$28,854,437,000. The aggregate amounts of expenses of the Group arising from these transactions with China Cinda from effective date to 31 December 2016 were HK\$27,845,296.

財務報表附註 (續) Notes to the Financial Statements (continued)

45. 主要之有關連人士交易 (續) 45. Significant related party transactions (continued)

(a) 與母公司及母公司控制之其他公司進行的交易 (續)

大部分與信達香港進行的交易源自客戶存款。於 2016 年 12 月 31 日，本集團相關款項總額為港幣 18,219,000 元。自生效日起至 2016 年 12 月 31 日與信達香港做此類業務過程中產生的支出總額為港幣 3,882,000 元。

大部分與母公司控制之其他公司的交易源自金融投資。於 2016 年 12 月 31 日，本集團相關款項總額為港幣 3,696,629,000 元。自生效日起至 2016 年 12 月 31 日與母公司控制之其他公司做此類業務過程中產生的收入總額為港幣 11,731,000 元。

大部分與母公司控制之其他公司的交易源客戶貸款及客戶存款。於 2016 年 12 月 31 日，本集團相關款項總額分別為港幣 732,259,000 元及港幣 6,171,802,000 元。自生效日起至 2016 年 12 月 31 日與母公司控制之其他公司做此類業務過程中產生的收入及支出總額分別為港幣 22,336,000 元及港幣 82,699,000 元。

(a) Transactions with the parent companies and the other companies controlled by the parent companies (continued)

The majority of transactions with Cinda Hong Kong arises from deposits from customers. As at 31 December 2016, the related aggregate amounts of the Group was HK\$18,219,000. The aggregate amount of expenses of the Group arising from these transactions with Cinda Hong Kong from effective date to 31 December 2016 was HK\$3,882,000.

The majority of transactions with other companies controlled by the parent companies arises from financial investments. As at 31 December 2016, the related aggregate amount of the Group was HK\$3,696,629,000. The aggregate amount of income of the Group arising from these transactions with other companies controlled by the parent companies from effective date to 31 December 2016 was HK\$11,731,000.

The majority of transactions with other companies controlled by the parent companies arises from advances to customers and deposits from customers. As at 31 December 2016, the related aggregate amount of the Group were HK\$732,259,000 and HK\$6,171,802,000 respectively. The aggregate amount of income and expenses of the Group arising from these transactions with other companies controlled by the parent companies from effective date to 31 December 2016 were HK\$22,336,000 and HK\$82,699,000 respectively.

財務報表附註（續） **Notes to the Financial Statements (continued)**

45. 主要之有關連人士交易（續） **45. Significant related party transactions (continued)**

(a) 與母公司及母公司控制之其他公司進行的交易（續）

除上述披露外，與其他母公司及母公司控制之其他公司進行的交易並不重大。

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。

(a) Transactions with the parent companies and the other companies controlled by the parent companies (continued)

Save as disclosed above, transactions with other parent companies and the other companies controlled by the parent companies are not considered material.

The Group enters into banking transactions with these entities in the normal course of business which include loans, investment securities and money market transactions.

財務報表附註（續） Notes to the Financial Statements (continued)

45. 主要之有關連人士交易 (續) 45. 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、財政部對本集團實施控制，二者亦通過政府機構、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 State Council of the PRC Government through CIC and Central Huijin and the control of the MOF, both of 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, telecommunications and postage services.

財務報表附註 (續) Notes to the Financial Statements (continued)
45. 主要之有關連人士交易 45. Significant related party transactions (continued)
(續)
(c) 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：

(c) 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>2016</u>	<u>2015</u>
	港幣千元 HK\$'000	港幣千元 HK\$'000
薪酬及其他短期員工福利	37,322	24,623
退休福利	2,958	1,642
	<u>40,280</u>	<u>26,265</u>

(d) 與附屬公司的結餘

於 2016 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 777,815,000 元（2015 年：港幣 1,440,338,000 元）及港幣 277,885,000 元（2015 年：港幣 226,650,000 元）。

(d) Balances with subsidiaries

As at 31 December 2016, 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\$777,815,000 (2015: HK\$1,440,338,000) and HK\$277,885,000 (2015: HK\$226,650,000) respectively.

財務報表附註 (續) Notes to the Financial Statements (continued)
46. 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區分佈，其總和包括所有貨幣之跨國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。

本集團的個別國家或區域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：

46. 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 country different from the counterparty, the risk will be transferred to the country of the guarantor. For a claim on an overseas branch of a bank whose head office is located in another country, the risk will be transferred to the country where its head office is located.

Claims on individual countries or areas, after risk transfer, amounting to 10% or more of the aggregate international claims of the Group are shown as follows:

		2016				
		非銀行私人機構 Non-bank private sector				
		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	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
中國內地	Mainland of China	48,470,053	1,820,537	216,198	31,209,791	81,716,579
香港	Hong Kong	2,368,664	14,781	3,929,130	34,635,628	40,948,203
		2015				
		非銀行私人機構 Non-bank private sector				
		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	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
中國內地	Mainland of China	34,617,405	859,966	286,850	25,347,925	61,112,146
香港	Hong Kong	1,581,719	25,114	2,392,489	32,771,230	36,770,552

財務報表附註 (續) Notes to the Financial Statements (continued)
47. 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。此報表僅計及本銀行及其從事銀行業務之附屬公司之內地風險承擔。

47. 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 the Bank and its banking subsidiaries.

	金管局 報表項目 Items in the HKMA return	2016		總風險承擔 Total exposure 港幣千元 HK\$'000	
		資產負債 表內的 風險承擔 On-balance sheet exposure 港幣千元 HK\$'000	資產負債 表外的 風險承擔 Off-balance sheet exposure 港幣千元 HK\$'000		
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	28,674,737	1,044,272	29,719,009
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	13,482,468	3,841,924	17,324,392
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	65,352,514	27,467,692	92,820,206
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	4,213,992	-	4,213,992
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	11,889	-	11,889
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	10,974,129	2,089,606	13,063,735
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	4,902,964	-	4,902,964
總計	Total	8	127,612,693	34,443,494	162,056,187
扣減準備金後的資產總額	Total assets after provision	9	356,683,339		
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	35.78%		

財務報表附註 (續) Notes to the Financial Statements (continued)
47. 非銀行的內地風險承擔 (續) 47. Non-bank Mainland exposures (continued)

	金管局 報表項目 Items in the HKMA return	2015		總風險承擔 Total exposure 港幣千元 HK\$'000	
		資產負債 表內的 風險承擔 On-balance sheet exposure 港幣千元 HK\$'000	資產負債 表外的 風險承擔 Off-balance sheet exposure 港幣千元 HK\$'000		
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	23,932,429	2,995,217	26,927,646
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	13,890,604	2,709,320	16,599,924
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	47,421,978	27,853,433	75,275,411
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	2,623,361	-	2,623,361
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	15,330	-	15,330
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	7,511,143	1,037,765	8,548,908
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	5,245,489	-	5,245,489
總計	Total	8	<u>100,640,334</u>	<u>34,595,735</u>	<u>135,236,069</u>
扣減準備金後的資產總額	Total assets after provision	9	<u>313,731,968</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>32.08%</u>		

財務報表附註 (續) Notes to the Financial Statements (continued)
48. 資產負債表及權益變動表 48. 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	2016	2015
		港幣千元 HK\$'000	港幣千元 HK\$'000
資產	ASSETS		
庫存現金及存放銀行及其他金融機構的結餘	Cash and balances with banks and other financial institutions	16,232,411	15,843,529
在銀行及其他金融機構一至十二個月內到期之定期存放	Placements with banks and other financial institutions maturing between one and twelve months	233,161	145,331
公允價值變化計入損益之金融資產	Financial assets at fair value through profit or loss	3,680,401	6,963,572
衍生金融工具	Derivative financial instruments	485,175	512,683
貸款及其他賬項	Advances and other accounts	130,592,331	112,246,377
金融投資	Financial investments	56,002,929	45,967,421
附屬公司權益	Interests in subsidiaries	8,171,067	8,171,067
投資物業	Investment properties	383,830	394,410
物業、器材及設備	Properties, plant and equipment	6,199,623	6,329,838
其他資產	Other assets	504,185	3,990,025
待出售資產	Assets held for sale	-	132,729
資產總額	Total assets	222,485,113	200,696,982
負債	LIABILITIES		
銀行及其他金融機構之存款及結餘	Deposits and balances from banks and other financial institutions	3,323,848	5,588,738
公允價值變化計入損益之金融負債	Financial liabilities at fair value through profit or loss	3,223,456	4,575,356
衍生金融工具	Derivative financial instruments	142,608	205,753
客戶存款	Deposits from customers	176,466,913	152,979,068
其他賬項及準備	Other accounts and provisions	1,870,229	1,619,871
應付稅項負債	Current tax liabilities	208,624	187,530
遞延稅項負債	Deferred tax liabilities	726,073	803,862
待出售資產之相關負債	Liabilities associated with assets held for sale	-	21,884
負債總額	Total liabilities	185,961,751	165,982,062

財務報表附註 (續) Notes to the Financial Statements (continued)
48. 資產負債表及權益變動表 (續) 48. 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>2016</u>	<u>2015</u>
		港幣千元 HK\$'000	港幣千元 HK\$'000
資本	EQUITY		
股本	Share capital	3,144,517	3,144,517
儲備	Reserves	<u>33,378,845</u>	<u>31,570,403</u>
資本總額	Total equity	<u>36,523,362</u>	<u>34,714,920</u>
負債及資本總額	Total liabilities and equity	<u>222,485,113</u>	<u>200,696,982</u>

經董事會於 2017 年 3 月
28 日通過核准並由以下
人士代表簽署：

Approved by the Board of Directors on 28 March 2017 and signed on behalf of the Board
by:

方紅光 **Fang Hongguang**
董事 *Director*

陳細明 **Chan Sai Ming**
董事 *Director*

財務報表附註 (續) Notes to the Financial Statements (continued)
48. 資產負債表及權益變動表 (續) 48. 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	可供出售 證券公允價值 變動儲備 Reserve for fair value changes of available- for-sale securities	監管儲備* Regulatory reserve*	換算儲備 Translation reserve	留存盈利 Retained earnings	資本總計 Total equity
		港幣千元 HK\$'000	港幣千元 HK\$'000	港幣千元 HK\$'000	港幣千元 HK\$'000	港幣千元 HK\$'000	港幣千元 HK\$'000	港幣千元 HK\$'000
於 2015 年 1 月 1 日	At 1 January 2015	3,144,517	5,725,743	149,077	763,165	(5,938)	22,673,630	32,450,194
年度溢利	Profit for the year	-	-	-	-	-	2,473,698	2,473,698
其他全面收益：	Other comprehensive income:							
房產	Premises	-	350,149	-	-	-	-	350,149
可供出售證券	Available-for-sale securities	-	-	(17,028)	-	-	-	(17,028)
貨幣換算差額	Currency translation difference	-	-	424	-	(17)	-	407
全面收益總額	Total comprehensive income	-	350,149	(16,604)	-	(17)	2,473,698	2,807,226
因房產出售之轉撥	Release upon disposal of premises	-	(454,824)	-	-	-	454,824	-
轉撥自留存盈利	Transfer from retained earnings	-	-	-	80,054	-	(80,054)	-
股息	Dividends	-	-	-	-	-	(542,500)	(542,500)
於 2015 年 12 月 31 日	At 31 December 2015	<u>3,144,517</u>	<u>5,621,068</u>	<u>132,473</u>	<u>843,219</u>	<u>(5,955)</u>	<u>24,979,598</u>	<u>34,714,920</u>
於 2016 年 1 月 1 日	At 1 January 2016	3,144,517	5,621,068	132,473	843,219	(5,955)	24,979,598	34,714,920
年度溢利	Profit for the year	-	-	-	-	-	2,187,014	2,187,014
其他全面收益：	Other comprehensive income:							
房產	Premises	-	(72,051)	-	-	-	-	(72,051)
界定利益福利計劃之精算 虧損	Actuarial losses on defined benefit plan	-	-	-	-	-	(1,420)	(1,420)
可供出售證券	Available-for-sale securities	-	-	(298,878)	-	-	-	(298,878)
貨幣換算差額	Currency translation difference	-	-	(34)	-	(6,189)	-	(6,223)
全面收益總額	Total comprehensive income	-	(72,051)	(298,912)	-	(6,189)	2,185,594	1,808,442
因房產出售之轉撥	Release upon disposal of premises	-	(153,799)	-	-	-	153,799	-
轉撥自留存盈利	Transfer from retained earnings	-	-	-	237,353	-	(237,353)	-
於 2016 年 12 月 31 日	At 31 December 2016	<u>3,144,517</u>	<u>5,395,218</u>	<u>(166,439)</u>	<u>1,080,572</u>	<u>(12,144)</u>	<u>27,081,638</u>	<u>36,523,362</u>

* 除按香港會計準則第 39 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 HKAS 39.

財務報表附註（續） **Notes to the Financial Statements (continued)**

49. 最終控股公司

本集團由中國信達間接控制，而中國信達是由中華人民共和國財政部（「財政部」）在中華人民共和國（「中國」）成立的國有金融企業，其股份亦在香港聯合交易所有限公司（「香港聯交所」）上市交易。

49. Ultimate holding company

The Group is indirectly controlled by China Cinda, which is a state-owned financial enterprise established in the People's Republic of China (the "PRC") by the Ministry of Finance (the "MOF") and its shares are listed on the Main Board of The Stock Exchange of Hong Kong Limited ("Hong Kong Stock Exchange").

50. 財務報表核准

本財務報表於 2017 年 3 月 28 日經董事會通過及核准發佈。

50. Approval of financial statements

The financial statements were approved and authorised for issue by the Board of Directors on 28 March 2017.

Independent Auditors' Report

To the members of Nanyang Commercial Bank, Limited

(Incorporated in Hong Kong with limited liability)

We have audited the consolidated financial statements of Nanyang Commercial Bank, Limited (the "Bank") and its subsidiaries (together, the "Group") set out on pages 21 to 221, which comprise the consolidated balance sheet as at 31 December 2015, 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 significant accounting policies and other explanatory information.

Directors' responsibility for the consolidated financial statements

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

Auditors' responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. 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.

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

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

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

Opinion

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

Ernst & Young
Certified Public Accountants
Hong Kong
18 March 2016

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	2015	2014
			港幣千元 HK\$'000	港幣千元 HK\$'000
利息收入	Interest income		8,746,484	10,037,240
利息支出	Interest expense		(4,026,334)	(4,847,191)
淨利息收入	Net interest income	6	4,720,150	5,190,049
服務費及佣金收入	Fee and commission income		1,446,527	1,332,965
服務費及佣金支出	Fee and commission expense		(89,577)	(78,239)
淨服務費及佣金收入	Net fee and commission income	7	1,356,950	1,254,726
淨交易性收益	Net trading gain	8	54,159	8,858
界定為以公平值變化計入損益之 金融工具淨虧損	Net loss on financial instruments designated at fair value through profit or loss		(6,382)	(7,958)
其他金融資產之淨收益	Net gain on other financial assets	9	336,421	122,530
其他經營收入	Other operating income	10	42,408	70,808
提取減值準備前之淨經營收入	Net operating income before impairment allowances		6,503,706	6,639,013
減值準備淨撥備	Net charge of impairment allowances	11	(633,324)	(904,294)
淨經營收入	Net operating income		5,870,382	5,734,719
經營支出	Operating expenses	12	(2,632,162)	(2,497,589)
經營溢利	Operating profit		3,238,220	3,237,130
投資物業出售／公平值調整之 淨收益	Net gain from disposal of/fair value adjustments on investment properties	13	121,046	129,896
出售／重估物業、器材及設備之 淨收益／（虧損）	Net gain/(loss) from disposal/revaluation of properties, plant and equipment	14	19,246	(347)
除稅前溢利	Profit before taxation		3,378,512	3,366,679
稅項	Taxation	15	(481,735)	(615,180)
年度溢利	Profit for the year		2,896,777	2,751,499
股息	Dividends	16	542,500	700,000

第 27 至 221 頁之附註屬本財務報表之組成部分。

The notes on pages 27 to 221 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	2015	2014
			港幣千元 HK\$'000	港幣千元 HK\$'000
年度溢利	Profit for the year		2,896,777	2,751,499
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		374,898	495,305
遞延稅項	Deferred tax	31	10,657	(70,286)
			385,555	425,019
其後可重新分類至收益表內的項目：	Items that may be reclassified subsequently to income statement:			
可供出售證券：	Available-for-sale securities:			
可供出售證券之公平值變化	Change in fair value of available-for-sale securities		280,066	557,098
因處置可供出售證券之轉撥重新分類至收益表	Release upon disposal of available-for-sale securities reclassified to income statement		(256,051)	(93,642)
由可供出售證券轉至持有至到期日證券產生之攤銷重新分類至收益表	Amortisation with respect to available-for-sale securities transferred to held-to-maturity securities reclassified to income statement		1,054	1,062
遞延稅項	Deferred tax	31	(15,548)	(95,845)
			9,521	368,673
淨投資對沖下對沖工具之公平值變化	Change in fair value of hedging instruments under net investment hedges		44,284	38,400
貨幣換算差額	Currency translation difference		(589,711)	(288,736)
			(535,906)	118,337
年度除稅後其他全面收益	Other comprehensive income for the year, net of tax		(150,351)	543,356
年度全面收益總額	Total comprehensive income for the year		2,746,426	3,294,855

第 27 至 221 頁之附註屬本財務報表之組成部分。

The notes on pages 27 to 221 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	2015	2014
			港幣千元 HK\$'000	港幣千元 HK\$'000
資產	ASSETS			
庫存現金及存放銀行及其他金融機構的結餘	Cash and balances with banks and other financial institutions	19	54,244,805	58,282,800
在銀行及其他金融機構一至十二個月內到期之定期存放	Placements with banks and other financial institutions maturing between one and twelve months		7,056,785	18,180,762
公平值變化計入損益之金融資產	Financial assets at fair value through profit or loss	20	6,963,572	6,155,213
衍生金融工具	Derivative financial instruments	21	696,266	439,072
貸款及其他賬項	Advances and other accounts	22	168,924,014	163,903,699
金融投資	Financial investments	24	55,407,983	47,168,324
投資物業	Investment properties	25	414,736	1,280,271
物業、器材及設備	Properties, plant and equipment	26	7,008,020	7,328,497
應收稅項資產	Current tax assets		46,690	-
遞延稅項資產	Deferred tax assets	31	5,962	152,171
其他資產	Other assets	27	4,295,231	1,013,444
待出售資產	Assets held for sale	32	132,729	-
資產總額	Total assets		305,196,793	303,904,253
負債	LIABILITIES			
銀行及其他金融機構之存款及結餘	Deposits and balances from banks and other financial institutions		30,961,174	37,735,611
公平值變化計入損益之金融負債	Financial liabilities at fair value through profit or loss	28	4,575,356	4,970,693
衍生金融工具	Derivative financial instruments	21	302,944	278,506
客戶存款	Deposits from customers	29	218,261,983	209,633,935
其他賬項及準備	Other accounts and provisions	30	12,974,800	15,181,966
應付稅項負債	Current tax liabilities		187,530	222,225
遞延稅項負債	Deferred tax liabilities	31	812,352	986,473
待出售資產之相關負債	Liabilities associated with assets held for sale	32	21,884	-
負債總額	Total liabilities		268,098,023	269,009,409

綜合資產負債表 (續) Consolidated Balance Sheet (continued)

於 12 月 31 日	As at 31 December	附註 Notes	2015	2014
			港幣千元 HK\$'000	港幣千元 HK\$'000
資本	EQUITY			
股本	Share capital	33	3,144,517	3,144,517
儲備	Reserves		33,954,253	31,750,327
資本總額	Total equity		37,098,770	34,894,844
負債及資本總額	Total liabilities and equity		305,196,793	303,904,253

第 27 至 221 頁之附註屬本財務報表之組成部分。

The notes on pages 27 to 221 are an integral part of these financial statements.

經董事會於 2016 年 3 月 18 日通過核准並由以下人士代表簽署：

Approved by the Board of Directors on 18 March 2016 and signed on behalf of the Board by:

岳毅 **Yue Yi**
董事 Director

方紅光 **Fang Hongguang**
董事 Director

綜合權益變動表
Consolidated Statement of Changes in Equity

		儲備 Reserves								
		可供出售 證券公平值 變動儲備 Reserve for fair value changes of available- for-sale securities								
		監管儲備* Regulatory reserve*								
		換算儲備 Translation reserve								
		留存盈利 Retained earnings								
		資本總計 Total equity								
		股本 Share capital	股本溢價 Share premium	資本儲備 Capital reserve	房產 重估儲備 Premises revaluation reserve	可供出售 證券公平值 變動儲備 Reserve for fair value changes of available- for-sale securities	監管儲備* Regulatory reserve*	換算儲備 Translation reserve	留存盈利 Retained earnings	資本總計 Total equity
		港幣千元 HK\$'000	港幣千元 HK\$'000	港幣千元 HK\$'000	港幣千元 HK\$'000	港幣千元 HK\$'000	港幣千元 HK\$'000	港幣千元 HK\$'000	港幣千元 HK\$'000	港幣千元 HK\$'000
於 2014 年 1 月 1 日	At 1 January 2014	700,000	2,444,517	605	5,515,739	(164,888)	1,944,980	964,629	20,894,407	32,299,989
年度溢利	Profit for the year	-	-	-	-	-	-	-	2,751,499	2,751,499
其他全面收益：	Other comprehensive income:									
房產	Premises	-	-	-	425,019	-	-	-	-	425,019
可供出售證券	Available-for-sale securities	-	-	-	-	368,673	-	-	-	368,673
淨投資對沖下對沖工具之公平值變化	Change in fair value of hedging instruments under net investment hedges	-	-	-	-	-	-	38,400	-	38,400
貨幣換算差額	Currency translation difference	-	-	-	(3,649)	3,123	-	(288,210)	-	(288,736)
全面收益總額	Total comprehensive income	-	-	-	421,370	371,796	-	(249,810)	2,751,499	3,294,855
撥入股本	Transfer to share capital	2,444,517	(2,444,517)	-	-	-	-	-	-	-
轉撥自留存盈利	Transfer from retained earnings	-	-	-	-	-	228,610	-	(228,610)	-
股息 (附註 16)	Dividends (Note 16)	-	-	-	-	-	-	-	(700,000)	(700,000)
於 2014 年 12 月 31 日	At 31 December 2014	<u>3,144,517</u>	<u>-</u>	<u>605</u>	<u>5,937,109</u>	<u>206,908</u>	<u>2,173,590</u>	<u>714,819</u>	<u>22,717,296</u>	<u>34,894,844</u>
於 2015 年 1 月 1 日	At 1 January 2015	3,144,517	-	605	5,937,109	206,908	2,173,590	714,819	22,717,296	34,894,844
年度溢利	Profit for the year	-	-	-	-	-	-	-	2,896,777	2,896,777
其他全面收益：	Other comprehensive income:									
房產	Premises	-	-	-	385,555	-	-	-	-	385,555
可供出售證券	Available-for-sale securities	-	-	-	-	9,521	-	-	-	9,521
淨投資對沖下對沖工具之公平值變化	Change in fair value of hedging instruments under net investment hedges	-	-	-	-	-	-	44,284	-	44,284
貨幣換算差額	Currency translation difference	-	-	-	(8,455)	(2,675)	-	(578,581)	-	(589,711)
全面收益總額	Total comprehensive income	-	-	-	377,100	6,846	-	(534,297)	2,896,777	2,746,426
因房產出售之轉撥	Release upon disposal of premises	-	-	-	(459,399)	-	-	-	459,399	-
轉撥自留存盈利	Transfer from retained earnings	-	-	-	-	-	82,083	-	(82,083)	-
股息 (附註 16)	Dividends (Note 16)	-	-	-	-	-	-	-	(542,500)	(542,500)
於 2015 年 12 月 31 日	At 31 December 2015	<u>3,144,517</u>	<u>-</u>	<u>605</u>	<u>5,854,810</u>	<u>213,754</u>	<u>2,255,673</u>	<u>180,522</u>	<u>25,448,889</u>	<u>37,098,770</u>

* 除按香港會計準則第 39 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 HKAS 39.

第 27 至 221 頁之附註屬本財務報表之組成部分。

The notes on pages 27 to 221 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	2015	2014
			港幣千元 HK\$'000	港幣千元 HK\$'000
經營業務之現金流量	Cash flows from operating activities			
除稅前經營現金之流入	Operating cash inflow before taxation	34(a)	3,079,357	15,674,762
支付香港利得稅	Hong Kong profits tax paid		(464,589)	(458,285)
支付海外利得稅	Overseas profits tax paid		(112,701)	(189,366)
經營業務之現金流入淨額	Net cash inflow from operating activities		2,502,067	15,027,111
投資業務之現金流量	Cash flows from investing activities			
購入物業、器材及設備	Purchase of properties, plant and equipment	26	(74,240)	(84,996)
購入投資物業	Purchase of investment properties	25	(2,903)	(821)
出售物業、器材及設備所得款項	Proceeds from disposal of properties, plant and equipment		398,673	248
出售投資物業所得款項	Proceeds from disposal of investment properties		986,800	-
投資業務之現金流入／（流出）淨額	Net cash inflow/(outflow) from investing activities		1,308,330	(85,569)
融資業務之現金流量	Cash flows from financing activities			
支付股息	Dividend paid		(542,500)	(700,000)
融資業務之現金流出淨額	Net cash outflow from financing activities		(542,500)	(700,000)
現金及等同現金項目增加	Increase in cash and cash equivalents		3,267,897	14,241,542
於 1 月 1 日之現金及等同現金項目	Cash and cash equivalents at 1 January		52,301,071	39,008,565
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		(1,746,559)	(949,036)
於 12 月 31 日之現金及等同現金項目	Cash and cash equivalents at 31 December	34(b)	53,822,409	52,301,071

第 27 至 221 頁之附註屬本財務報表之組成部分。

The notes on pages 27 to 221 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**

南洋商業銀行有限公司於香港註冊成立（下稱「本銀行」）及其附屬公司於香港或上海成立（以下連同本銀行統稱「本集團」）。本銀行為根據香港銀行業條例所規定獲認可之持牌銀行。

Nanyang Commercial Bank, Limited was incorporated in Hong Kong (hereinafter as the "Bank") and its subsidiaries were incorporated in Hong Kong or Shanghai (together with the Bank hereinafter as the "Group"). The Bank is a licensed bank authorised under the Hong Kong Banking Ordinance.

本銀行主要從事銀行及相關之金融服務。本銀行之附屬公司的主要業務載於「附錄—本銀行之附屬公司」內。本銀行之公司註冊地址為香港中環德輔道中151號。

The principal activities of the Bank are the provision of banking and related financial services. The principal activities of the Bank's subsidiaries are shown in "Appendix – Subsidiaries of the Bank". The address of the Bank's registered office is 151 Des Voeux Road Central, 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，惟就重估可供出售證券、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。收回資產及待出售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2.24及2.27。

The consolidated financial statements have been prepared under the historical cost convention, as modified by the revaluation of available-for-sale securities, 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. Repossessed assets and 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 2.24 and 2.27 respectively.

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)**

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。

除已於 2015 年 1 月 1 日起開始的年度強制性生效之完善香港財務報告準則條文外，於 2015 年本集團未有採用其他準則或修訂。採用該等完善香港財務報告準則對本集團之財務報表沒有重大影響。

2.1 Basis of preparation (continued)

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.

Except for the annual improvements to HKFRSs that are already mandatorily effective for accounting period beginning on 1 January 2015, there is no other standard or amendment adopted by the Group in 2015. The impact of the adoption of these annual improvements is not material to 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)

(a) 已頒佈但尚未強制性生效及未被本集團於2015年提前採納之準則及修訂

以下已頒佈之準則及修訂於2016年1月1日起或以後開始的會計年度始強制性生效。

(a) Standards and amendments issued that are not yet mandatorily effective and have not been early adopted by the Group in 2015

The following standards and amendments have been issued and are mandatory for accounting periods beginning on or after 1 January 2016:

準則／修訂 Standards/ 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(經修訂) HKAS 1 (Amendments)	披露的自主性 Disclosure Initiative	2016年1月1日 1 January 2016	是 Yes
香港會計準則第16號、香港會計準則第41號(經修訂) HKAS 16 and HKAS 41 (Amendments)	農業：生產性植物 Agriculture: Bearer Plants	2016年1月1日 1 January 2016	否 No
香港會計準則第16號、香港會計準則第38號(經修訂) HKAS 16 and HKAS 38 (Amendments)	澄清折舊及攤銷之可接納方法 Clarification of Acceptable Methods of Depreciation and Amortisation	2016年1月1日 1 January 2016	否 No
香港會計準則第27號(2011)(經修訂) HKAS 27 (2011) (Amendments)	獨立財務報表內的權益法 Equity Method in Separate Financial Statements	2016年1月1日 1 January 2016	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	否 No
香港會計準則第28號(2011)、香港財務報告準則第10號及香港財務報告準則第12號(經修訂) HKAS 28 (2011), HKFRS 10 and HKFRS 12 (Amendments)	投資實體：綜合併賬例外處理的應用 Investment entities: Applying the Consolidation Exception	2016年1月1日 1 January 2016	否 No
香港財務報告準則第9號 HKFRS 9	金融工具 Financial Instruments	2018年1月1日 1 January 2018	是 Yes
香港財務報告準則第11號(經修訂) HKFRS 11 (Amendments)	收購合資業務權益之會計處理 Accounting for Acquisitions of Interests in Joint Operations	2016年1月1日 1 January 2016	否 No
香港財務報告準則第14號 HKFRS 14	監管遞延賬目 Regulatory Deferral Accounts	2016年1月1日 1 January 2016	否 No
香港財務報告準則第15號 HKFRS 15	源於客戶合同的收入 Revenue from Contracts with Customers	2018年1月1日 1 January 2018	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）

2.1 Basis of preparation (continued)

(a) 已頒佈但尚未強制性生效及未被本集團於2015年提前採納之準則及修訂（續）

(a) Standards and amendments issued that are not yet mandatorily effective and have not been early adopted by the Group in 2015 (continued)

預計與本集團相關之香港財務報告準則詳列如下：

Further information about those HKFRSs that are expected to be applicable to the Group is as follows:

- 香港會計準則第1號（經修訂）「披露的自主性」。香港會計準則第1號的修訂旨在進一步鼓勵企業運用專業判斷去決定在其財務報表中需披露的資料。例如，此修訂明確指出重大性需應用於整個財務報表，而包含不重要的資料會減低財務披露的效益。此外，此修訂闡明企業應運用專業判斷去決定在何處及以什麼次序把資料呈列在財務披露內。該項修訂對本集團的財務報表沒有重大影響。
- 香港會計準則第27號(2011)（經修訂）「獨立財務報表內的權益法」。該項修訂重新允許企業在單獨財務報表中對其子公司、聯營公司、合資企業之投資採用權益法列賬。企業可提前採納該修訂。改用權益法的企業需要在單獨財務報表中的每項投資分類採用與所選一致的會計處理及作出追溯性修訂。該項修訂對本集團的財務報表沒有重大影響。

- HKAS 1 (Amendments), "Disclosure Initiative". The amendments to HKAS 1 are designed to further encourage companies to apply professional judgement in determining what information to disclose in their financial statements. For example, the amendments make clear that materiality applies to the whole of financial statements and that the inclusion of immaterial information can inhibit the usefulness of financial disclosures. Furthermore, the amendments clarify that companies should use professional judgement in determining where and in what order information is presented in the financial disclosures. This amendment will not have material impact on the Group's financial statements.
- HKAS 27 (2011) (Amendments), "Equity Method in Separate Financial Statements". The amendments restore the option to allow an entity to apply the equity method to account for its investments in subsidiaries, joint ventures and associates in its separate financial statements. Early application is permitted. Entities electing to change to the equity method in its separate financial statements shall have to apply the same accounting for each category of investments so elected and are required to apply this change retrospectively. These amendments will not have any 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)

(a) 已頒佈但尚未強制性生效及未被本集團於2015年提前採納之準則及修訂 (續)

(a) Standards and amendments issued that are not yet mandatorily effective and have not been early adopted by the Group in 2015 (continued)

- 香港財務報告準則第9號「金融工具」。國際財務報告準則第9號「金融工具」的頒佈完成了國際會計準則委員會對金融危機的全面回應。香港財務報告準則第9號，即香港財務報告準則之下對應國際財務報告準則第9號的會計準則，包含具邏輯的分類及計量模型，單一且具前瞻性的「預期損失」減值模型，及與風險管理更緊密連繫的對沖會計方法。對香港財務報告準則第9號的修訂詳細闡述如下：

- HKFRS 9, “Financial Instruments”. The issuance of IFRS 9 “Financial Instruments” completes the International Accounting Standards Board’s comprehensive response to the financial crisis. HKFRS 9, the equivalent standard of IFRS 9 under HKFRS, includes a logical model for classification and measurement, a single, forward-looking “expected loss” impairment model and a tighter linkage of risk management to hedge accounting. The changes introduced in HKFRS 9 are highlighted as follows:

(i) 分類及計量

(i) Classification and Measurement

金融資產

Financial assets

金融資產被要求分類為以下其中一種計量類別：(1)以攤餘成本作後續計量，(2)以公平值變化計入其他全面收益作後續計量(除了利息的計提和攤銷，及減值外，所有公平值變動皆計入其他全面收益)，或(3)以公平值變化計入損益作後續計量。金融資產的分類應在過渡時確定，之後則在初始確認時確定。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。

Financial assets are required to be classified into one of the following measurement categories: (1) measured subsequently at amortised cost, (2) measured subsequently at fair value through other comprehensive income (all fair value changes other than interest accrual, amortisation and impairment will be recognised in other comprehensive income) or (3) measured subsequently at fair value through profit or loss. Classification is to be made on transition, and subsequently on initial recognition. The classification depends on the entity’s business model for managing its financial instruments and the contractual cash flow characteristics of the instruments.

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) 已頒佈但尚未強制性生效及未被本集團於2015年提前採納之準則及修訂 (續)

(a) Standards and amendments issued that are not yet mandatorily effective and have not been early adopted by the Group in 2015 (continued)

(i) 分類及計量 (續)

(i) Classification and Measurement (continued)

金融資產 (續)

Financial assets (continued)

如以攤餘成本對一項金融工具進行後續計量，其必須是一項債務工具，及企業的業務模型是持有該資產以收取合約現金流為目的，以及該資產的合約現金流特徵只代表沒有槓桿的本金及利息支付。如持有債務工具的業務模型旨在同時收取合約現金流及出售金融資產，而該工具本身符合合約現金流特徵，則該債務工具會以公平值變化計入其他全面收益進行後續計量。所有其他債務工具需以公平值變化計入損益計量。

A financial instrument is subsequently measured at amortised cost only if it is a debt instrument, and the objective of the entity's business model is to hold the asset to collect the contractual cash flows, and the asset's contractual cash flows characteristics represent only unleveraged payments of principal and interest. A debt instrument is subsequently measured at fair value through other comprehensive income if it is held in a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets and the instrument fulfils the contractual cash flows characteristics. All other debt instruments are to be measured at fair value through profit or loss.

股份權益工具一般以公平值作後續計量，除非在罕有的情況下成本乃是合適的估計公平值。持有作交易用途之股份權益工具將以公平值變化計入損益計量。對於所有的權益性投資，可於初始確認時作出不可撤回的選擇，將未實現及已實現的公平值收益或虧損確認於其他全面收益。而日後即使出售投資，公平值收益及虧損亦不可轉回收益表內。當收取派息的權利確立，股息將於收益表內確認。

Equity instruments are generally measured subsequently at fair value with limited circumstances that cost may be an appropriate estimate of fair value. Equity instruments that are held for trading will be measured at fair value through profit or loss. For all other equity investments, an irrevocable election can be made at initial recognition to recognise unrealised and realised fair value gains and losses in other comprehensive income without subsequent reclassification of fair value gains and losses to the income statement even upon disposal. Dividend income is recognised in the income statement when the right to receive payment is established.

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) 已頒佈但尚未強制性生效及未被本集團於2015年提前採納之準則及修訂 (續)

(a) Standards and amendments issued that are not yet mandatorily effective and have not been early adopted by the Group in 2015 (continued)

(i) 分類及計量 (續)

(i) Classification and Measurement (continued)

金融負債

Financial liabilities

除下述兩項主要變化外，金融負債的分類及計量基本上保留了香港會計準則第39號的要求，沒有太多修訂。

Except for the two substantial changes described below, the classification and measurement requirements of financial liabilities have been basically carried forward with minimal amendments from HKAS 39.

為應對自有信貸風險，準則內有關金融負債的公平值選擇權的處理已被修訂。凡金融負債因其信貸風險的改變而導致的公平值變動，需列示於其他全面收益。收益或虧損總額的剩餘部分則包括於收益表內。若此要求會產生或擴大損益的會計錯配，則整項公平值變動需列示於收益表內。對釐定有否存在錯配情況，需在初始確認個別負債時確定，且不能被重新評估。列示於其他全面收益的金額其後不可重新分類至收益表內，但可於權益內撥轉。此做法可消除經選擇以公平值計量的負債因信貸風險變動而產生的損益波動。亦代表因負債的自有信貸風險轉差而引致的收益將不再於損益反映。

The accounting for fair value option of financial liabilities were changed to address own credit risk. The amount of change in fair value attributable to changes in the credit risk of the financial liabilities will be presented in other comprehensive income. The remaining amount of the total gain or loss is included in the income statement. If this creates or enlarges an accounting mismatch in profit or loss, then the whole fair value change is presented in the income statement. The determination of whether there will be a mismatch will need to be made at initial recognition of individual liabilities and will not be re-assessed. Amounts presented in other comprehensive income are not subsequently reclassified to the income statement but may be transferred within equity. This removes the volatility in profit or loss that was caused by changes in the credit risk of liabilities elected to be measured at fair value. It also means that gains caused by the deterioration of an entity's own credit risk on such liabilities will no longer be recognised in 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)

2.1 編製基準 (續)

2.1 Basis of preparation (continued)

(a) 已頒佈但尚未強制性生效及未被本集團於2015年提前採納之準則及修訂 (續)

(a) Standards and amendments issued that are not yet mandatorily effective and have not been early adopted by the Group in 2015 (continued)

(i) 分類及計量 (續)

(i) Classification and Measurement (continued)

金融負債 (續)

Financial liabilities (continued)

如該準則亦取消了載於香港會計準則第39號有關與非上市股份權益工具掛鉤及交收的衍生金融工具可豁免以公平值計量的要求。

The standard also eliminates the exception from fair value measurement contained in HKAS 39 for derivative financial instruments that are linked to and must be settled by delivery of an unquoted equity instrument.

(ii) 減值

(ii) Impairment

該準則引入需要更為及時確認預計信用損失的嶄新預期信用損失減值模型。具體而言，該準則要求企業在初始確認金融工具時，需核算12個月的預期信用損失。當金融工具在初始確認後出現信用風險顯著增加的情況，則需要及時地針對金融工具的整體年期確認預期信用損失。該準則亦規範以攤餘成本作後續計量的金融工具、以公平值變化計入其他全面收益作後續計量的債務工具、貸款承諾及財務擔保合同的減值處理。

The standard introduces a new, expected-loss impairment model that will require more timely recognition of expected credit losses. Specifically, it requires entities to account for 12 months expected credit losses from inception when financial instruments are first recognised and to recognise full lifetime expected credit losses on a more timely basis when there have been significant increases in credit risk since initial recognition. The impairment for financial instruments that are subsequently measured at amortised cost, fair value through other comprehensive income (debt instruments), loan commitments and financial guarantees will be governed by this standard.

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) 已頒佈但尚未強制性生效及未被本集團於2015年提前採納之準則及修訂 (續)

(a) Standards and amendments issued that are not yet mandatorily effective and have not been early adopted by the Group in 2015 (continued)

(iii) 對沖會計

(iii) Hedge accounting

有關對沖會計的規定將令會計處理與風險管理活動更趨一致，財務報表更能反映該等活動的情況。有關規定放寬對沖有效性評估的要求，使對沖會計或會適用於更多的風險管理策略，並將對沖工具的可使用範圍擴闊至非衍生金融工具，以及提高可被對沖項目的彈性。用家將能從財務報表獲取更多有關風險管理的資訊，及掌握對沖會計對財務報表的影響。

The requirements related to hedge accounting would better align the accounting treatments with risk management activities and enable entities to better reflect these activities in their financial statements. It relaxes the requirements for assessing hedge effectiveness which more risk management strategies may be eligible for hedge accounting. It also relaxes the rules on using non-derivative financial instruments as hedging instruments and allows greater flexibility on hedged items. Users of the financial statements will be provided with more relevant information about risk management and the effect of hedge accounting on the financial statements.

香港財務報告準則第9號允許提前採納但必須整份同時一併實施。自有信貸風險的部分則可選擇獨立提前採納。本集團已成立集團性的項目組以評估香港財務報告準則第9號的影響，釐定工作計劃及落實準則。項目組已在分析集團的金融工具、建立模型及設計新的工作流程方面做了大量的工作。由於項目的複雜性，現時仍未有確實之潛在影響的量化信息。

Early application of HKFRS 9 in its entirety at the same time is permitted. Only the part related to own credit risk can be elected to be early applied in isolation. The Group has already formed a groupwide project team to assess the impact of HKFRS 9, formulate the work plan and implement the standard. Significant works has been done on analysing our financial instruments, building models and designing new workflows. Due to the complication of the project, no quantitative information of the potential effect is concluded yet.

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) 已頒佈但尚未強制性生效及未被本集團於2015年提前採納之準則及修訂 (續)****(a) Standards and amendments issued that are not yet mandatorily effective and have not been early adopted by the Group in 2015 (continued)**

- 香港財務報告準則第15號「源於客戶合同的收入」。香港財務報告準則第15號應用單一模型並明確所有源於客戶合同收入的會計處理。該新準則的核心原則乃是對經承諾的商品或服務在控制權轉移至客戶時，會被確認為收入以反映預期取得之作價。其亦適用於確認及計量出售部分非金融資產，例如物業、設備等非經常性活動所產生的盈虧。香港財務報告準則第15號亦包括一套有關源於客戶合同收入的披露要求。該新準則將取代現有香港財務報告準則下不同準則對於商品、服務和建造合同的各自模型。該新準則允許企業提前採納。本集團正在評估應用該準則的財務影響及其應用時間。

- HKFRS 15, “Revenue from Contracts with Customers”. HKFRS 15 applies a single model and specifies the accounting treatment for all revenue arising from contracts with customers. The new standard is based on the core principle that revenue is recognised to reflect the consideration expected to be entitled when control of promised good or service transfers to customer. It is also applicable to the recognition and measurement of gains or losses on the sale of some non-financial assets such as properties or equipment that are not an output of ordinary activities. HKFRS 15 also includes a set of disclosure requirements about revenue from customer contracts. The new standard will replace the separate models for goods, services and construction contracts stipulated in different standards under the current HKFRS. Early application is permitted. The Group is considering the financial impact of the standard and the timing of its application.

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) 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，以及多項與個別在香港財務報告準則相關之術語或編輯上的修訂。該等修訂將於 2016 年 1 月 1 日起開始的會計年度生效。採納有關修訂對本集團的財務報表沒有重大影響。

(b) Improvements to HKFRSs

“Improvements to HKFRSs” contains numerous 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. The amendments will be effective for annual periods beginning on or after 1 January 2016. The adoption of these improvements does not have a material impact on the Group’s financial statements.

(c) 香港《公司條例》

香港《公司條例》第 9 部「帳目及審計」所訂的要求於本財政年度首次生效。實施該條例主要影響本集團的綜合財務報表內若干資料的列示與披露。

(c) Hong Kong Companies Ordinance

The requirements of Part 9 “Accounts and Audit” of the Hong Kong Companies Ordinance came into effect for the first time during the current financial year. The main impact to the Group’s financial statements is on the presentation and disclosure of certain information in the Group’s financial statements.

2.2 綜合財務報表

綜合財務報表包含本公司及其所有其附屬公司截至 12 月 31 日的財務報表。

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.

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)****附屬公司**

附屬公司是指由本集團控制的企業。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）。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。

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。

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。

2.2 Consolidation (continued)**Subsidiaries**

Subsidiaries are entities 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). 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.

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.

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.

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)****2.3 分類報告**

分類的經營業績與呈報予管理層的內部報告方式一致，管理層乃本集團的總體營運決策核心，負責資源分配及對營運分類的表現評估。在釐定經營分類表現時，將會包括與各分類直接相關的收入及支出。

2.4 外幣換算

本集團各企業的財務報表所載項目均按各企業於主要經濟環境營運的貨幣計量（「功能貨幣」）。本綜合財務報表以港幣列示，即本銀行之功能及呈列貨幣。

外幣交易均按交易或重新計量項目之估值當日的即期匯率換算為功能貨幣。外幣交易以交易日之匯率結算所引致的匯兌損益，以及以外幣為本位的貨幣性資產及負債按會計結算日的匯率換算的匯兌損益，均直接於收益表確認，惟於其他全面收益內遞延作為合資格淨投資對沖除外。

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。對於被分類為可供出售，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其他兌換變動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其他兌換變動會於收益表內確認，而證券賬面值的其他兌換變動則被確認於其他全面收益。

2.3 Segmental reporting

The operating result of segments are reported in a manner consistent with the internal reporting provided to the Management, which is the chief operating decision maker of the Group, that allocates resources and assesses the performance of operating segments. Income and expenses directly associated with each segment are included in determining operating segment performance.

2.4 Foreign currency translation

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The consolidated financial statements are presented in Hong Kong dollars, which is the Bank's functional and presentation currency.

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or exchange rates at the end of the reporting period for items that are re-measured. Foreign exchange gains and losses resulting from the settlement of foreign currency transactions using the exchange rates prevailing at the dates of the transactions and monetary assets and liabilities denominated in foreign currencies translated at the exchange rate at the end of the reporting period are recognised directly in the income statement, except when deferred in other comprehensive income as qualifying net investment hedges.

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 available for sale 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.

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)****2.4 Foreign currency translation (continued)**

對於非貨幣性項目，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(例如可供出售股權投資)的兌換差額會包含在其他全面收益內。

Translation differences on non-monetary items are reported as part of the fair value gain or loss. Translation differences on non-monetary financial assets such as equities classified as available for sale are included in other comprehensive income.

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：

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:

- 資產及負債按會計結算日之收市匯率換算；
- 收入及支出按平均匯率換算；及
- 所有產生之換算差額通過其他全面收益於權益項目下之貨幣換算儲備內確認。

- assets and liabilities are translated at the closing rates at the end of the reporting period;
- income and expenses are translated at average exchange rates; and
- all resulting exchange differences are recognised in the currency translation reserve in equity through other comprehensive income.

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。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，並確認於收益表內。

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. When a foreign entity is sold, such exchange differences are recognised in the income statement, as part of the gain or loss on sale.

2.5 衍生金融工具**2.5 Derivative financial instruments**

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。

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.

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 (續)****2.5 Derivative financial instruments (continued)**

若干衍生金融工具會嵌藏在其他的金融工具中，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，並且其公平值變動計入收益表。

Certain derivatives embedded in other financial instruments 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.

衍生金融工具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。

Derivatives are categorised as held for trading and changes in their fair value are recognised immediately in the income statement.

2.6 對沖會計**2.6 Hedge accounting**

本集團於交易發生時會記錄對沖工具與相關被對沖項目之關係、風險管理目的和進行各類對沖交易時所採取之策略。本集團並於對沖活動發生時及期間，評估有關衍生金融工具能否高度有效地抵銷相關被對沖項目之公平值變動，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。

The Group documents at inception the relationship between hedging instruments and hedged items, as well as its risk management objective and strategy for undertaking various hedge transactions. The Group also documents its assessment, both at the hedge inception and on an ongoing basis, of whether the derivatives that are used in hedging transactions are highly effective in offsetting changes in fair values of hedged items. These criteria should be met before a hedge can be qualified to be accounted for under hedge accounting.

淨投資對沖**Net investment hedge**

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。

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.

2.7 金融工具之抵銷**2.7 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，則金融資產及負債可予抵銷，並把淨額於資產負債表內列賬。

Financial assets and liabilities are offset and the net amount 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)****2.8 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。

當一項金融資產或一組類似的金融資產確認減值損失後，會按照計量減值損失時對未來現金流進行貼現時使用的利率，按折減後之價值確認利息收入。而日後釋出之貼現準備亦將確認為利息收入。

2.8 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.

Once a financial asset or a group of similar financial assets has been written down as a result of an impairment loss, interest income is recognised on the written down value using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. Subsequent unwinding of the discount allowance is recognised as interest income.

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 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。

2.9 金融資產

本集團將金融資產分為四類：以公平值變化計入損益之金融資產、貸款及應收款、持有至到期日證券和可供出售金融資產。管理層在初始確認時即對金融資產進行分類。金融資產是按持有目的作分類，並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。

(1) 以公平值變化計入損益之金融資產

這類金融資產包括兩個細項：持作交易用途的金融資產，以及購入時即界定為以公平值變化計入損益之金融資產。

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。所有衍生金融工具均被分類為持作交易用途類別。

除持作交易用途的金融資產外，如能滿足以下其中之一項條件，金融資產會被管理層界定為以公平值變化計入損益之金融資產：

2.8 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.

2.9 Financial assets

The Group classifies its financial assets into the following four categories: financial assets at fair value through profit or loss, loans and receivables, held-to-maturity securities and available for sale financial assets. The Management determines the classification of investments at initial recognition. The classification depends on the purpose for which the financial assets are held. All financial assets are recognised initially at fair value. Except for financial assets carried at fair value through profit or loss, all transaction costs of financial assets are included in their initial carrying amounts.

(1) Financial assets at fair value through profit or loss

This category has two sub-categories: financial assets held for trading, and those designated at fair value through profit or loss at inception.

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.

A financial asset, other than one held for trading, will be designated as a financial asset at fair value through profit or loss, if it meets one of the criteria set out below, and is so designated by the Management:

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 金融資產 (續)****(1) 以公平值變化計入損益之金融資產 (續)**

- 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」）；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資產相關，且這些嵌藏式衍生金融工具對該等金融資產的現金流產生重大影響。

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。

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。

2.9 Financial assets (continued)**(1) Financial assets at fair value through profit or loss (continued)**

- eliminates or significantly reduces a measurement or recognition inconsistency (sometimes referred to as “an accounting mismatch”) that would otherwise arise from measuring the financial assets or recognising the gains and losses on them on different bases; or
- 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 Management; or
- relates to financial assets containing one or more embedded derivative that significantly modifies the cash flow resulting from those financial assets.

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.

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 fair value through profit or loss. The interest component is reported as part of interest income.

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 金融資產 (續)****2.9 Financial assets (continued)****(2) 貸款及應收款**

貸款及應收款是指具有固定或可確定支付金額且不在活躍市場報價的非衍生金融資產，主要包括銀行及其他金融機構結餘及存款、沒有活躍市場的債券投資和客戶貸款及應收款。當本集團直接向債務人提供資金、貨品或服務，而沒有出售應收款的意圖時，本集團將其確認為貸款及應收款。貸款及應收款以公平值加上直接相關的交易費用進行初始入賬，並以採用實際利息法計算的攤餘成本扣除減值損失準備進行後續計量。

(2) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market, including placements with and advances to banks and other financial institutions, investment debt securities without an active market and loans and advances to customers. They arise when the Group provides money, goods or services directly to a debtor with no intention of trading the receivable. They are initially recorded 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.

(3) 持有至到期日投資

分類為持有至到期日投資類別是指能於活躍市場中買賣，並擁有固定或可確定之還款額及還款期，以及本集團管理層有意向及能力持有至到期日之金融資產。如本集團所出售的持有至到期日投資(i)並非因不受本集團控制、非經常性及本集團不能合理預期的個別事件而出售，例如發行人信用狀況嚴重變壞，法定或監管要求重大改變；或(ii)佔持有至到期日資產中多於不重大部分，則整個資產類別將受到影響，需要重新分類至可供出售金融資產。持有至到期日投資以公平值加上直接相關的交易費用進行初始入賬，並以實際利息法計算的攤餘成本扣除減值損失準備進行後續計量。

(3) Held-to-maturity

Financial assets classified as held-to-maturity are those traded in active markets, with fixed or determinable payments and fixed maturities that the Group's Management has both the positive intention and the ability to hold to maturity. Where the Group sold held-to-maturity assets (i) other than due to an isolated event beyond the Group's control, non-recurring and could not have been reasonably anticipated by the Group, such as a significant deterioration in the issuer's creditworthiness, significant change in statutory or regulatory requirement; or (ii) other than an insignificant amount of held-to-maturity assets, the entire category would be tainted and reclassified as available-for-sale. They are initially recorded 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.

(4) 可供出售金融資產

可供出售金融資產包括界定為此類的金融資產以及不屬於以上分類的金融資產。此等金融資產的持有期限不確定，但有可能依據流動資金需求或利率、匯率及權益價格的變動而被出售。

(4) Available-for-sale

Financial assets classified as available-for-sale are those that are either designated as such or are not classified in any of the other categories. They are intended to be held for an indefinite period of time but may be sold in response to needs for liquidity or changes in interest rates, exchange rates or equity prices.

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 金融資產 (續)****2.9 Financial assets (continued)****(4) 可供出售金融資產 (續)****(4) Available-for-sale (continued)**

可供出售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，並以公平值進行後續計量。因該等投資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，之前確認於權益儲備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。分類為可供出售之股份權益工具，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。

Available-for-sale financial assets are initially recorded at fair value plus any directly attributable transaction costs, and are subsequently measured at fair value. Unrealised gains and losses arising from changes in the fair value of investments 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. Dividends on equity instruments classified as available-for-sale are recognised in other operating income when the Group's right to receive payment is established.

若一項金融資產由可供出售類別重新分類，重新分類日的公平值將成為新分類項下的攤餘成本。而之前在可供出售分類項下已記入其他全面收益之盈虧，則於相關投資的剩餘年內以實際利息法攤銷至損益。新攤餘成本與到期當日之餘額的差額，亦在該金融資產的剩餘年內，以實際利息法攤銷。若該金融資產隨後發生減值時，原已記入其他全面收益的相關金額即時重新分類至損益。

For a financial asset reclassified from the available-for-sale category, the fair value carrying amount at the date of reclassification becomes its new amortised cost and any previous gain or loss on that asset that has been recognised in other comprehensive income is amortised to profit or loss over the remaining life of the investment using the effective interest method. Any difference between the new amortised cost and the maturity amount is also amortised over the remaining life of the financial asset using the effective interest method. If the financial asset is subsequently determined to be impaired, the amount recorded in other comprehensive income is reclassified to profit or loss immediately.

可供出售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 available-for-sale securities is dealt with in Note 2.4.

2.10 金融負債**2.10 Financial liabilities**

本集團按以下類別分類金融負債：交易性負債、存款及其他負債。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。

The Group classifies its financial liabilities under the following categories: trading liabilities, deposits and other liabilities. All financial liabilities are classified at inception and recognised initially 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)

2.10 金融負債 (續)

2.10 Financial liabilities (continued)

(1) 交易性負債

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。所有衍生金融工具均被分類為持作交易用途類別。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。

(1) Trading liabilities

A financial liability is classified as held for trading if it is incurred principally for the purpose of repurchasing in the short term. Derivatives are also classified as held for trading. It is measured at fair value and any gains and losses from changes in fair value are recognised in the income statement.

(2) 存款及其他負債

除被分類為交易性負債外，存款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) Deposit, and other liabilities

Deposits and other liabilities, other than those classified as trading liabilities 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)****2.11 財務擔保合約**

財務擔保合約是指簽發人在指定的債務人未能根據持有人與債務人之間的債務合約條款而履行還款責任時，需向持有人償付由此而產生之損失的指定付款。

財務擔保合約以合約簽發當日的公平值初始確認為金融負債，並列示於財務報表內的「其他賬項及準備」項下。及後，本集團之責任按以下兩者之較高者計量：(i)根據香港會計準則第37號「準備、或然負債及或然資產」釐定之金額；及(ii)初始確認之金額減按直線法於擔保有效期內確認之累計攤銷（如適用）。財務擔保合約負債的變動則於收益表中確認。

2.11 Financial guarantee contracts

Financial guarantee contracts are contracts that require the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payments when due, in accordance with the terms of a contract between the holder and the debtor.

Financial guarantee contracts are initially recognised as financial liabilities and reported under “Other accounts and provisions” in the financial statements at fair value on the date the guarantee was given. Subsequent to initial recognition, the Group’s liabilities under such guarantees are measured at the higher of (i) the amount determined in accordance with HKAS 37 “Provisions, Contingent Liabilities and Contingent Assets” and (ii) the amount initially recognised less, where appropriate, accumulated amortisation recognised over the life of the guarantee on a straight-line basis. Any changes in the liability relating to financial guarantee contracts are taken to the income statement.

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 金融工具的確認和終止確認**

以公平值變化計入損益、可供出售及持有至到期日之金融資產，其買賣會於交易當日（即本集團購入或售出資產當日）確認。貸款及應收款（沒有活躍市場的投資證券除外）於付出現金予借款人時確認。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。

交易性負債於交易當日確認。交易性負債以外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。只有當合約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。

售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」。

2.12 Recognition and derecognition of financial instruments

Purchases and sales of financial assets at fair value through profit or loss, available-for-sale and held-to-maturity are recognised on the trade date, the date on which the Group purchases or sells the assets. Loans and receivables (except investment securities without an active market) are recognised when cash is advanced to the borrowers. 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 are recognised on the trade date. Deposits that are not trading liabilities 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.

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.

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 金融工具的確認和終止確認 (續)**

「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，列賬於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，並仍列為金融投資或以公平值變化計入損益之金融資產。「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，於資產負債表內列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期內分期確認為利息收入或利息支出。

2.13 公平值計量

本集團於每個會計結算日以公平值計量房產及投資物業、貴金屬及部分金融工具。公平值是指在估值日當期集團可接觸的主要交易市場或最有利之市場狀況下，市場參與者進行有序交易出售資產或轉移負債之價格。

計量資產或負債公平值運用的假設為市場參與者在其最佳經濟利益的情況下，所採用的資產或負債計價。

非金融資產之公平值計量為考慮市場參與者使用該資產所產生的最高及最佳經濟利益，或出售予另一市場參與者而該參與者可產生的最高及最佳經濟利益。

2.12 Recognition and derecognition of financial instruments (continued)

Repos or securities lending are initially recorded 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 financial investments or financial assets at fair value through profit or loss. Reverse repos or securities borrowing are initially recorded 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 sale and repurchase price is recognised as interest income or interest expense over the life of the agreements using the effective interest method.

2.13 Fair value measurement

The Group measures its premises and investment properties, precious metals and certain financial instruments at fair value at the end of each reporting period. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants in its principal market or the most advantageous market accessible by the Group at the measurement date.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

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)****2.13 公平值計量 (續)**

若資產或負債所處之市場並不活躍，本集團會在合適並有足夠數據的情況下，採用估值方法釐定其公平值，包括運用當時之公平市場交易、貼現現金流量分析、期權定價模型及其他市場參與者通用之估值方法，並會盡可能使用市場上可觀察的相關參數，避免使用不可觀察的參數。

2.13 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.

2.14 貴金屬

貴金屬包括黃金。貴金屬以其公平值作初始確認和其後重估。貴金屬於進行市場劃價後所產生之收益或虧損，將包括於淨交易性收益／虧損內。

2.14 Precious metals

Precious metals comprise gold. Precious metals are initially recognised and subsequently re-measured at fair value. Mark-to-market gains or losses on precious metals are included in net trading gain/loss.

2.15 金融資產減值

本集團於每個會計結算日對個別或一組金融資產是否存在減值的客觀證據進行評估。當有客觀減值證據表明金融資產在初始確認後因發生一項或多項事件（「損失事件」），且該損失事件對可靠估計該項金融資產或該組金融資產的預計未來現金流產生影響時，則該項或該組金融資產被認為已發生減值並出現減值損失。顯示個別或一組金融資產可能出現減值之客觀證據包括本集團已注意到關於以下可能出現損失事件之可供觀察資料：

2.15 Impairment of financial assets

The Group assesses as at the end of each reporting period whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is impaired and impairment losses are incurred if, and only if, there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a "loss event") and that loss event (or events) has an impact on the reliably estimated future cash flows of the financial asset or group of financial assets. Objective evidence that a financial asset or group of financial assets may be impaired includes observable data that comes to the attention of the Group about the following probable loss events:

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 金融資產減值 (續)
2.15 Impairment of financial assets (continued)

- (i) 發行人或欠債人遇到嚴重財政困難；
- (ii) 違約，例如逾期或拖欠利息或本金還款；
- (iii) 因應與借款人之財政困難相關之經濟或法律原因，本集團給予借款人在一般情況下放款人不予考慮之優惠條件；
- (iv) 借款人有可能破產或進行其他財務重組；
- (v) 因財政困難致使該金融資產之活躍市場消失或其投資評級被降至投資級別以下；或
- (vi) 可察覺的資料顯示某一金融資產組合所產生之未來預計現金流量將較初始確認時有可量度之下降，雖然有關下降並未能明確為該組合內之個別金融資產。資料包括：
 - 該組合之供款人之還款狀況有不利轉變；或
 - 與該組合資產之逾期還款相關之全國性或本地經濟狀況。

- (i) significant financial difficulty of the issuer or obligor;
- (ii) a breach of contract, such as a default or delinquency in interest or principal payment;
- (iii) the Group granting to the borrower, for economic or legal reasons relating to the borrower's financial difficulty, a concession that the lender would not otherwise consider;
- (iv) it becoming probable that the borrower will enter into bankruptcy or other financial reorganisation;
- (v) the disappearance of an active market or downgrading below investment grade level for that financial asset because of financial difficulties; or
- (vi) observable data indicating that there is a measurable decrease in the estimated future cash flows from a group of financial assets since the initial recognition of those assets, although the decrease cannot yet be identified with the individual financial assets in the group, including:
 - adverse changes in the payment status of borrowers in the group; or
 - national or local economic conditions that correlate with defaults on the assets in the group.

(1) 以攤餘成本計量的資產
(1) Assets carried at amortised cost

本集團首先對單項金額重大的金融資產是否存在減值的客觀證據進行個別評估。如果本集團沒有發現客觀證據表明進行個別評估的金融資產存在減值情況，本集團將其連同其他單項金額不重大的金融資產或尚未識別減值的金融資產包括在具有類似信貸風險特徵的金融資產組別中，進行組合減值評估。經個別進行減值評估並且已確認或繼續確認減值損失的資產，不再納入組合減值評估的範圍。

The Group first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant. If the Group determines that no objective evidence of impairment exists for an individually assessed financial asset, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment together with all other financial assets that are not individually significant or for which impairment has not yet been identified. Assets that are individually assessed for impairment and for which an impairment loss is or continues to be recognised are not included in a collective assessment of impairment.

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 金融資產減值 (續)****2.15 Impairment of financial assets (continued)****(1) 以攤餘成本計量的資產 (續)**

如果有客觀證據表明貸款及應收款或持有至到期日證券已發生減值損失，則其減值損失將按照該資產的賬面金額與該金融資產按原來實際利率貼現後的預計未來現金流(不包括尚未發生的未來信用損失)的現值之間的差額進行計量。減值損失通過使用準備金來減少該資產的賬面金額，並確認於收益表內。如果貸款或持有至到期日證券為浮動利率，用於計量減值損失的貼現率為按合約確定的當前實際利率。實務上，本集團亦可以採用觀察到的市場價值確定某項金融工具的公平值，並以此作為基準計算減值。

附有抵押品的金融資產之預計未來現金流的現值包含按照止贖抵押品的價值扣除獲取和出售該抵押品之成本後的現金流。

本集團在進行組合減值評估時，將根據信貸風險特徵的相似性和相關性對金融資產進行分組。此等特徵與預計該等資產組合之未來現金流相關，可以反映債務人按照該等被評估資產的合約條款償還所有到期金額的能力。

對一組金融資產進行組合減值評估測算時，其預計未來現金流乃按該組資產的合約現金流以及於本集團內與該組金融資產具有類似信貸風險特徵的資產的歷史損失經驗為基準。以上歷史損失經驗將根據當期可觀察數據進行調整，以反映並不會影響該段歷史損失期間的當前情況，及從歷史損失經驗數據中移除那些當期已不存在的影響事項。

(1) Assets carried at amortised cost (continued)

If there is objective evidence that an impairment loss on loans and receivables or held-to-maturity securities has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred), discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account and the amount of the loss is recognised in the income statement. If a loan or held-to-maturity security has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract. As a practical expedient, the Group may measure impairment on the basis of an instrument's fair value using an observable market price.

The calculation of the present value of the estimated future cash flows of a collateralised financial asset reflects the cash flows that may result from foreclosure less costs for obtaining and selling the collateral.

For the purposes of a collective assessment of impairment, financial assets are grouped on the basis of similar and relevant credit risk characteristics. Those characteristics are relevant to the estimation of future cash flows for groups of such assets by being indicative of the debtors' ability to pay all amounts due according to the contractual terms of the assets being evaluated.

Future cash flows in a group of financial assets that are collectively evaluated for impairment are estimated on the basis of the contractual cash flows of the assets in the group and historical loss experience for assets with credit risk characteristics similar to those in the group. Historical loss experience is adjusted on the basis of current observable data to reflect the effects of current conditions that did not affect the period on which the historical loss experience is based and to remove the effects of conditions in the historical period that do not exist currently.

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 金融資產減值 (續)****2.15 Impairment of financial assets (continued)****(1) 以攤餘成本計量的資產 (續)**

當貸款無法收回時，在完成所有必要程序及確定損失金額後，本集團對該等貸款進行撇銷，沖減相應的貸款損失減值準備。撇銷後收回的貸款金額沖減在收益表中的貸款減值損失。

如果在以後的會計報表期間，減值損失的金額減少，且該等減少與確認減值後發生的事件有客觀關聯(例如債務人信用評級的改善)，則之前已確認的減值損失可按不多於該之前已減值之金額，通過調整準備金予以回撥，回撥的金額於收益表內確認。

當貸款條款經重新商訂後與原來出現重大差異時，該貸款不再被視為逾期貸款，而作為新貸款處理。

(2) 被分類為可供出售的資產

如可供出售金融資產存在減值證據時，其累計虧損—即其購入成本或攤餘成本與現時公平值之差額，扣除該金融資產之前已記入收益表內之累計減值損失—需從權益儲備撥轉至收益表內。對於被界定為可供出售的股權投資，在決定其是否出現減值時，會考慮其公平值是否嚴重地或長期地低於其成本。如日後被分類為可供出售金融資產之債務工具之公平值增加，並與收益表確認減值後發生之事項有客觀關聯，有關之減值損失可按不多於該之前已減值之金額於收益表內回撥。至於股份權益工具方面，之後的公平值變化會透過其他全面收益確認於可供出售證券公平值變動儲備，減值損失不會通過收益表回撥。

(1) Assets carried at amortised cost (continued)

When a loan is uncollectible, it is written off against the related allowance for impairment losses. Such loans are written off after all the necessary procedures have been completed and the amount of the loss has been determined. Subsequent recoveries of amounts previously written off decrease the amount of impairment losses in the income statement.

If, in a subsequent period, the amount of allowance for impairment losses decreases and the decrease can be related objectively to an event occurring after the impairment loss was recognised (such as an improvement in the debtor's credit rating), the previously recognised impairment loss to the extent of its decrease is reversed by adjusting the allowance account. The amount of the reversal is recognised in the income statement.

Loans whose terms have been renegotiated with substantial difference in the terms are no longer considered to be past due but are treated as new loans.

(2) Assets classified as available-for-sale

If evidence of impairment exists for available-for-sale financial assets, the accumulated losses, measured as the difference between the acquisition cost or amortised cost and the current fair value, less any impairment loss on that financial asset previously recognised in the income statement, is removed from equity and recognised in the income statement. In the case of equity investments classified as available-for-sale, a significant or prolonged decline in the fair value of the security below its cost is considered in determining whether the assets are impaired. If, in a subsequent period, the fair value of a debt instrument classified as available-for-sale increases and the increase can be objectively related to an event occurring after the impairment loss was recognised in the income statement, the impairment loss to the extent of its decrease is reversed through the income statement. With respect to equity instruments, further fair value changes are recognised in the reserve for fair value change of available-for-sale securities through other comprehensive income, impairment losses are not reversed through 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)****2.16 對附屬公司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。

2.17 投資物業

持作賺取長期租金收益或資本增值或兩者兼備者，且並非集團旗下各公司所佔用之物業，均列作投資物業。出租予本集團內公司之物業，於個別公司之財務報表中分類為投資物業，及於綜合財務報表中分類為房產。若經營租賃之土地符合投資物業之其他定義，則會列作為投資物業。有關之經營租賃會作為融資租賃處理。

2.16 Impairment of investment in subsidiaries and non-financial assets

Assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. Potential indications of impairment may include significant adverse changes in the technological, market, economic or legal environment in which the assets operate or whether there has been a significant or prolonged decline in value below their cost. "Significant" is evaluated against the original cost of the investment and "prolonged" against the period in which the fair value has been below its original cost.

An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash generating units). Assets that suffered impairment are reviewed for possible reversal of the impairment at each reporting date.

In the Bank's balance sheet, impairment testing of the investment in a subsidiary is also required upon receiving dividend from that entity if the dividend exceeds the total comprehensive income of that entity concerned in the period the dividend is declared or if the carrying amount of that entity in the Bank's balance sheet exceeds the carrying amount of that entity's net assets including goodwill in its consolidated balance sheet.

2.17 Investment properties

Properties that are held for long-term rental yields or for capital appreciation or both, and that are not occupied by the companies in the Group, are classified as investment properties. Properties leased out within Group companies are classified as investment properties in individual companies' financial statements and as premises in consolidated financial statements. Land held under operating lease is classified and accounted for as investment property when the rest of the definition of investment property is met. The operating lease is accounted for as if it is a finance lease.

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 投資物業 (續)**

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。

任何公平值之變動會直接於收益表內確認。

若投資物業改為自用,會被重新分類為房產,其於重新分類日之公平值會成為其會計賬上的成本值。若房產項目因其用途改變而成為投資物業,則根據香港會計準則第 16 號「物業、器材及設備」將此項目於轉分類日之賬面值與其公平值之間的差額作為房產重估,確認於其他全面收益內。惟若公平值增值抵銷以往之重估損失或減值損失,該增值則於收益表內確認,並以過往已確認的損失金額為限。

2.17 Investment properties (continued)

Investment properties are recognised initially at cost, including related transaction costs. After initial recognition, investment properties are measured at fair value.

Subsequent expenditure is charged to the asset's carrying amount only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The item is stated at cost less impairment and is included in the carrying amount of investment properties. Once the item begins to generate economic benefits, it is then measured at fair value. All other repairs and maintenance costs are expensed in the income statement during the financial period in which they are incurred.

Any changes in fair value are recognised directly in the income statement.

If an investment property becomes owner-occupied, it is reclassified as premises, and its fair value at the date of reclassification becomes its cost for accounting purposes. If an item of premises becomes an investment property because its use has changed, any difference resulting between the carrying amount and the fair value of this item at the date of transfer is recognised in other comprehensive income as a revaluation of premises under HKAS 16 "Property, Plant and Equipment". However, if a fair value gain reverses a previous revaluation loss or impairment loss, the gain is recognised in the income statement up to the amount previously debited.

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 物業、器材及設備****2.18 Properties, plant and equipment**

物業主要為分行及辦公樓房產。房產需定期但最少每年以取自外間獨立估價師之公平值扣除隨後發生之累計折舊列示。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。

Properties are mainly branches and office premises. Premises are shown at fair value based on periodic, at least annual, valuations by external independent valuers less subsequent accumulated depreciation. 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.

所有器材及設備均以歷史成本扣除累計折舊列賬。歷史成本包括因取得及安裝該項目而直接產生之費用。

All plant and equipment are stated at historical cost less accumulated depreciation. Historical cost includes expenditures that are directly attributable to the acquisition and installation of the items.

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。

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 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.

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。

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)****2.18 物業、器材及設備 (續)**

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

本集團在每個會計結算日重檢資產的可用年限，並已按適當情況作出調整。

在每個會計結算日，源自內部及外界之資料均會被用作評定物業、器材及設備是否出現減值之跡象。如該跡象存在，則估算資產之可收回價值，及在合適情況下將減值損失確認以將資產減至其可收回價值。該等減值損失在收益表內確認，但假若某資產乃按估值列賬，而減值損失又不超過同一資產之重估盈餘，此等損失則當作重估減值。可收回價值指該資產之公平值扣除出售成本後之金額，與其使用價值之較高者。減值損失會按情況於房產重估儲備或收益表內回撥。

出售之收益及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，並於收益表內確認。

分類至待出售資產的物業、器材及設備不會進行折舊並根據香港財務報告準則第 5 號「持作出售用途之非流動資產及終止經營業務」計量。

2.18 Properties, plant and equipment (continued)

Depreciation is calculated on the straight-line method to write down the cost or revalued amount of such assets over their estimated useful lives as follows:

- Properties Over the life of government land leases
- Plant and equipment 2 to 15 years

The useful lives of assets are reviewed, and adjusted if appropriate, as at the end of each reporting period.

At the end of each reporting period, both internal and external sources of information are considered to determine whether there is any indication that properties, plant and equipment, are impaired. If any such indication exists, the recoverable amount of the asset is estimated and where relevant, an impairment loss is recognised to reduce the asset to its recoverable amount. Such an impairment loss is recognised in the income statement except where the asset is carried at valuation and the impairment loss does not exceed the revaluation surplus for that same asset, in which case it is treated as a revaluation decrease. The recoverable amount is the higher of the asset's fair value less costs to sell and value in use. Impairment loss is reversed through the premises revaluation reserve or the income statement as appropriate.

Gains and losses on disposals are determined by comparing proceeds with carrying amount, relevant taxes and expenses. These are recognised in the income statement.

Properties, plant and equipment classified as held for sale is not depreciated and is accounted for in accordance with HKFRS 5 "Non-current Assets Held for Sale and Discontinued Operations".

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****(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。

若經營租賃於租約到期前已結束，任何需繳付予出租人之罰款將於結束發生當月於收益表內確認為支出。經營租賃之租金收入在租約期內以直線法確認。

(2) 融資租賃

如承租人已實質上獲得了所有風險及回報，該資產的租賃應歸類為融資租賃。由於位於香港之土地的最低租約付款的現值(即成交價)已實質上等同於土地的公平價值，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，按租賃資產之公平值與其最低租約付款的現值之較低者予以資產化。每期租金均會分配於負債及財務費用，以達至一個固定息率於融資餘額上。相應的租賃責任，在扣除財務費用後，會計入其他負債。按融資租賃方法購入的投資物業以公平值列賬。

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 Leases**(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.

When an operating lease is terminated before the lease period has expired, any payment required to be made to the lessor by way of penalty is recognised as an expense in the period in which termination takes place. Rental income from operating leases is recognised on a straight-line basis over the lease term.

(2) Finance leases

Leases of assets where lessee have obtained substantially all the risks and rewards of ownership are classified as finance leases. Government land leases in Hong Kong are classified as finance leases as the present value of the minimum lease payments (i.e. transaction price) of the land amounted to substantially all of the fair value of the land as if it were freehold.

Finance leases are capitalised at the lease's commencement at the lower of the fair value of the leased asset and the present value of the minimum lease payments. Each lease payment is allocated between the liability and finance charges so as to achieve a constant rate on the finance balance outstanding. The corresponding rental obligations, net of finance charges, are included in other liabilities. Investment properties acquired under finance leases are carried at their fair value.

When assets are leased out under a finance lease, the present value of the lease payments is recognised as a receivable. Lease income is recognised over the term of the lease using net investment method, which reflects a constant periodic rate of return.

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。

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.

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。

2.21 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.

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。

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.

退休計劃之資產與本集團之資產分開持有，並由獨立管理基金保管。

The assets of the schemes are held in independently-administered funds separate from those of the Group.

(2) 有償缺勤

僱員獲享之年度休假及病假在累積時確認，本集團會對僱員服務至會計結算日所累積，但尚未使用之年度休假及預計所需支付之病假作出估算及撥備。

(2) Leave entitlements

Employee entitlements to annual leave and sick leave are recognised when they accrue to employees. A provision is made for the estimated liability for unused annual leave and the amount of sick leave expected to be paid as a result of services rendered by employees up to the end of the reporting period.

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)****2.22 Employee benefits (continued)****(2) 有償缺勤 (續)**

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。

(2) Leave entitlements (continued)

Compensated absences other than sick leave and special approved annual leaves are non-accumulating; they lapse if the current period's entitlement is not used in full. Except for unexpired annual leaves, they do not entitle employees to a cash payment for unused entitlement on leaving the Group.

(3) 獎金計劃

若因僱員提供之服務而令集團產生法律性或推定性之現有責任，而該責任之金額亦能可靠地作出估算，集團需確認該預期之獎金支出並以負債列賬。如獎金計劃之負債金額重大，且預期會於 12 個月後才被償付，會以貼現處理。

(3) Bonus plans

The expected cost of bonus payments are recognised as a liability when the Group has a present legal or constructive obligation as a result of services rendered by employees and a reliable estimate of the obligation can be made. Liabilities for bonus plans that are expected to be settled longer than twelve months will be discounted if the amounts are significant.

(4) 界定利益福利計劃

本集團設置了一項非存置基金的界定利益福利計劃，此界定利益福利計劃所提供福利之成本是以預期累計福利單位精算估值方法計算。

(4) Defined benefit plan

The Group operates a defined benefit plan which is unfunded. The cost of providing benefits under the defined benefit plan is determined using the projected unit credit actuarial valuation method.

重新計量界定利益福利計劃之精算盈虧會在發生期內即時確認於綜合資產負債表內，並同時透過借記或貸記其他全面收益列入留存溢利。重新計量之盈虧不會在往後年度重分類至損益。

Remeasurements arising from actuarial gains and losses of the defined benefit plan, is recognised immediately in the consolidated balance sheet with a corresponding debit or credit to retained profits through other comprehensive income in the period in which they occur. Remeasurements are not reclassified to profit or loss in subsequent periods.

往年服務成本在以下情況之較早者確認於損益：

- 界定利益福利計劃作出修訂或削減之日；及
- 本集團確認重組相關費用之日。

Past service costs are recognised in profit or loss at the earlier of:

- the date of the plan amendment or curtailment; and
- the date that the Group recognises restructuring-related costs.

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)****2.22 Employee benefits (continued)****(4) 界定利益福利計劃 (續)****(4) Defined benefit plan (continued)**

淨利息是以折現率與界定利益福利計劃淨資產或淨負債計算所得，本集團就以下界定利益福利計劃承擔之變動按其性質確認於綜合收益表內之利息支出或經營支出：

Net interest is calculated by applying the discount rate to the net defined benefit liability or asset. The Group recognises the following changes in the net defined benefit obligation under “interest expenses” and “operating expenses” in the consolidated income statement by function:

- 服務成本包括當期及以往的服務成本、削減福利之盈虧及非經常性之結算。
- 淨利息支出或收入。

- service costs comprising current service costs, past service costs, gains and losses on curtailments and non-routine settlements
- net interest expense or income

2.23 本期及遞延所得稅項**2.23 Current and deferred income taxes**

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。

Tax expenses for the period comprises current and deferred tax. Tax is recognised in the income statement, except to the extent that it relates to items recognised directly in other comprehensive income. In this case, the tax is also recognised in other comprehensive income.

基於溢利而需支付之所得稅，是根據本銀行及附屬公司在營運及產生應課稅收入之司法管轄地區於會計結算日已執行或實際會執行之適用稅法計算，並於溢利產生當期確認為本期所得稅項支出。

Income tax payable on profits, based on the applicable tax law enacted or substantially enacted at the end of the reporting period in each jurisdiction where the Bank and the subsidiaries operate and generate taxable income, is recognised as a current income tax expense in the period in which profits arise.

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。

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.

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)**

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，包括可供出售證券及房產。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全部被確認。

遞延所得稅項乃記於收益表內。但因可供出售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 Current and deferred income taxes (continued)

The principal temporary differences arise from asset impairment provisions, depreciation of premises and equipment, and revaluation of certain assets including available-for-sale securities and premises. However, the deferred income tax is not recognised if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss.

Deferred income tax liabilities are provided in full on all taxable temporary differences. Deferred income tax assets are recognised on all deductible temporary differences, the carry forward of any unused tax credits and unused tax losses to the extent that it is probable that future taxable profit will be available against which the deductible temporary differences, the carry forward of unused tax credits and unused tax losses can be utilised.

Deferred income tax is charged or credited in the income statement except for deferred income tax relating to fair value re-measurement of available-for-sale securities and revaluation of premises which are charged or credited to other comprehensive income, in which case the deferred income tax is also credited or charged to other comprehensive income and is subsequently recognised in the income statement together with the realisation of the deferred gain and loss.

Deferred tax liability or deferred tax asset arising from investment property is determined based on the presumption that the revaluation amount of such investment property will be recovered through sale with the relevant tax rate applied.

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)****2.24 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。

2.26 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。

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.

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.

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(續)**

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 待出售資產

倘若非流動資產的賬面值將主要經出售變現，可在現況下供出售及出售的可能性甚高，則會歸類為待出售資產。待出售用途之非流動資產乃根據香港財務報告準則第 5 號「持作出售用途之非流動資產及終止經營業務」，按賬面值與公平價值減去出售成本，以兩者中之較低額計量。

2.28 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 (continued)

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 Assets held for sale

Non-current assets are classified as held for sale when their carrying amounts will be recovered principally through sale, they are available for sale in their present condition and their sale is highly probable. Non-current assets held for sale are measured at the lower of their carrying amount and fair value less costs to sell, in accordance with HKFRS 5 "Non-current Assets Held for Sale and Discontinued Operations".

2.28 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. 應用會計政策時的重大會計估計及判斷**

本集團作出的會計估計和假設通常會影響下一會計年度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 貸款及應收款減值準備

本集團至少每季對貸款組合的減值損失情況進行一次評估。於決定是否確認減值損失於收益表時，本集團於識別某一貸款組合內個別貸款之減值損失前，會首先判斷是否有可觀察數據顯示該貸款組合所產生之未來預計現金流量將出現有可量度之下降。該證據包括能顯示該組合內借入人之還款狀況有不利轉變的可觀察資料（如拖欠或逾期還款）或與組合內貸款資產違約有關的經濟狀況。管理層於估計未來現金流量時，將根據具有與該組合類似之信貸風險特徵及客觀減值證據之資產之過往損失經驗作為估計基準。用作估計未來現金流量金額及時間之方法及假設會被定期檢討。

截至 2015 年 12 月 31 日的貸款及應收款賬面價值已列示於附註 22。

3. Critical accounting estimates and judgements in applying accounting policies

The Group makes estimates and assumptions that affect the carrying amounts of assets and liabilities within the next financial year. Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Areas susceptible to changes in essential estimates and judgements, which affect the carrying amount of assets and liabilities, are set out below. The effect of changes to either the key assumptions or other estimation uncertainties will be 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 allowances on loans and advances

The Group reviews its loan portfolios to assess impairment at least on a quarterly basis. In determining whether an impairment loss should be recorded in the income statement, the Group makes judgements as to whether there is any observable data indicating that there is a measurable decrease in the estimated future cash flows from a portfolio of loans and advances before the decrease can be identified with an individual loan in that portfolio. This evidence may include observable data indicating that there has been an adverse change in the payment status of borrowers in a group (e.g. payment delinquency or default), or economic conditions that correlate with defaults on assets in the group. The Management uses estimates based on historical loss experience for assets with credit risk characteristics and objective evidence of impairment similar to those in the portfolio when estimating expected future cash flows. The methodology and assumptions used for estimating both the amount and timing of future cash flows are reviewed regularly.

Carrying amounts of loans and advances as at 31 December 2015 are shown in Note 22.

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 持有至到期日和可供出售證券減值****3.2 Impairment of held-to-maturity and available-for-sale securities**

本集團至少每季對其持有至到期日和可供出售投資組合的減值損失情況進行一次評估。於決定該等投資是否出現減值時，會評估其風險特徵和表現，例如外部信用評級及市場價值。本集團會參照該等組合的市場表現、發行人的目前付款情況、相關資產表現、與抵押資產違約直接相關的經濟情況，而對每一項投資的違約率和損失嚴重性作出估計。減值評估中所使用的方法和假設會被定期檢討。

The Group reviews its held-to-maturity and available-for-sale investment portfolios to assess impairment at least on a quarterly basis. In determining whether any of these investments is impaired, risk characteristics and performance such as external credit rating and market price will be assessed. The Group makes estimates on the default rate and loss severity of each investment with reference to market performance of the portfolios, current payment status of the issuers or performance of the underlying assets, or economic conditions that correlate with defaults on the collateralised assets. The methodology and assumptions used for impairment assessments are reviewed regularly.

截至2015年12月31日的金融投資賬面值已列示於附註24。

Carrying amounts of financial investments as at 31 December 2015 are shown in Note 24.

3.3 衍生金融工具的公平值**3.3 Fair values of derivative financial instruments**

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。

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.

截至2015年12月31日的衍生金融工具賬面值已列示於附註21。

Carrying amounts of derivative financial instruments as at 31 December 2015 are shown in Note 21.

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 持有至到期日證券****3.4 Held-to-maturity securities**

本集團跟循香港會計準則第39號之指引，將具有固定或確定付款額及還款期的若干非衍生金融資產分類為持有至到期日證券。此分類需運用重大判斷。於使用該判斷時，本集團會考慮其持有之意向及能持有該資產至到期日之能力。除香港會計準則第39號所列出的特定情況外（例如出售之金額不重大；於接近到期日出售；或因信貸顯著轉差而出售），若本集團未能持有該等投資至到期日，則整個類別需被重新分類為可供出售證券，而該投資將以公平值計量，而不能以攤餘成本計量。

The Group follows the guidance of HKAS 39 in classifying certain non-derivative financial assets with fixed or determinable payments and fixed maturity as held-to-maturity securities. This classification requires significant management judgement to evaluate the Group's intention and ability to hold such investments to maturity. If the Group fails to hold these investments to maturity other than for specific circumstances defined in HKAS 39, such as selling an insignificant amount, selling close to maturity or due to significant credit deterioration of such investments, it will be required to reclassify the entire portfolio of financial assets as available-for-sale securities. The investments would then be measured at fair value and not amortised cost.

截至2015年12月31日的持有至到期日證券賬面值已列示於附註24。

Carrying amounts of held-to-maturity securities as at 31 December 2015 are shown in Note 24.

3.5 遞延稅項資產**3.5 Deferred tax assets**

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，需要管理層作出重大判斷，包括基於未來最有可能產生應課稅溢利的時間及其金額。

Deferred tax assets 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. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of future taxable profits.

按未使用的稅務抵免確認遞延稅項資產。在釐定需確認之遞延稅項資產的金額時，需根據對可運用的稅務抵免之估算及收回此等已確認之遞延稅項資產的可能性而作出重大的會計判斷。

Deferred tax assets on unused tax credits are recognised. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the estimation of available tax credits and the possibility to recover such deferred tax assets recognised.

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。

風險管理委員會是董事會成立的常設委員會，負責監察本集團的各類風險；批准高層次的風險管理政策，並監督其執行；批准重大或高風險的風險承擔或交易。如風險管理委員會認為交易過於重大而應由董事會批准，可把該筆交易申請提交董事會。稽核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 Management Committee, a standing committee established by the Board of Directors, is responsible for overseeing the Group's various types of risks, approving high-level risk management policies and monitoring their implementation, approving significant or high risk exposures or transactions. The Risk Management Committee would refer any specific transaction to the Board if it is deemed so significant that Board approval is desirable. 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）

行政總裁負責組織落實董事會所確立的風險管理策略及目標，管理各類風險，在董事會授權範圍內審批重大風險承擔或交易。

本集團的不同單位具有其相應的風險管理責任。業務單位是風險管理的第一道防線，而風險管理單位則獨立於業務單位，負責各類風險的日常管理，以及草擬、檢查和更新各類風險管理政策和程序。

本集團建立了合適的內部控制程序，包括設立權責分立清晰的組織架構，以監察業務運作是否符合既定政策、程序及限額。適當的匯報機制也充分地使監控職能獨立於業務範疇，同時促成機構內適當的職責分工，有助營造適當的內部控制環境。

Financial risk management framework (continued)

The Chief Executive is responsible for organizing and implementing the risk management strategies and objectives established by the Board of Directors, managing various risks and approving significant risk exposures or transactions within the authorization granted by the Board of Directors.

Various units of the Group have their respective risk management responsibilities. Business units act as the first line of defence while risk management units, which are independent from the business units, are responsible for the day-to-day management of different kinds of risks. Risk management units have the primary responsibilities for drafting, reviewing and updating various risk management policies and procedures.

The Group has put in place appropriate internal control systems, including establishment of an organisation structure that sets clear lines of authority and responsibility for monitoring compliance with policies, procedures and limits. Proper reporting lines also provide sufficient independence of the control functions from the business areas, as well as adequate segregation of duties throughout the organisation which helps to promote an appropriate internal control environment.

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。策略發展單位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單位負責對風險評估結果進行審核。

除負責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單位共同負責識別和評估項目所涉及的各項風險。風險評估單位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，只有在風險評估單位滿意盡職審查結果，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 strategic development unit shall ensure the plans are aligned with the Group's overall strategies. Units that are responsible for risk management, legal, compliance and finance, etc. are accountable for risk assessment and review.

Apart from product development, respective product management units shall work closely with relevant risk evaluating units to identify and assess the risks of new products. Risk evaluating units 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 units.

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。

信貸管理委員會是由行政總裁授權設立的管理委員會，負責落實信貸風險管理策略及審議信貸政策，同時監察本集團信貸組合、信貸資產質素、風險集中程度。本集團的不同單位具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。風險管理單位獨立於業務單位，負責信貸風險的日常管理，對信貸風險的識別、量度、監督和控制進行獨立的盡職調查，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，並向信貸管理委員會、行政總裁及風險管理委員會報告。

南商（中國）設有獨立的風險監控團隊，監控信貸風險相關情況，並定期向本銀行提交管理信息和報告。

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 Credit and Loans Management Committee, a management committee authorised by the Chief Executive, is responsible for the implementation of the credit risk management strategies as well as the approval of credit policies. It also monitors the Group's loan portfolio, quality of credit asset and risk concentration level. Different units of the Group have their respective credit risk management responsibilities. Business units act as the first line of defence. The risk management units, which are independent from the business units, are responsible for the day-to-day management of credit risks and have the primary responsibilities 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. They report directly to the Credit and Loans Management Committee, Chief Executive and Risk Management Committee.

NCB (China) sets up independent risk monitoring teams to monitor credit risk, and submits management information and reports to the Bank 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)**

董事會是最終的信貸權力來源，董事會將信貸審批權限授權予行政總裁，行政總裁在董事會授予之權限內按管理需要轉授權予信貸業務相關人員。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。所有授信申請須經風險評估及適當審批。除一些符合指定條件的授信外，一般情況下大部份授信須經獨立的風險管理單位人員進行貸前審核。該些指定授信會由獨立於前線業務單位的指定單位作貸後檢(抽)查。非零售風險承擔授信申請需確定債務人評級(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；零售授信交易包括零售小企業貸款、住宅按揭貸款、私人貸款等採取零售內部評級系統進行信貸風險評估。本集團會應用貸款分類級別、債務人評級、授信等級和損失預測結果(如適用)於支持信貸審批。

4.1 Credit risk (continued)**Credit risk management framework (continued)**

The Board of Directors is the ultimate source of credit authority. The Board of Directors delegates credit approval authority to the Chief Executive. Based on management needs, the Chief Executive can further delegate to the credit-related subordinates within the 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 revising 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. All credit applications are subject to thorough risk assessment and proper approval. In general, most of the credit applications will be reviewed and assessed by independent officer(s) of risk management unit(s) before approval, with exceptions given to certain designated advances which satisfy certain conditions. After funding being drawn, these designated advances will be (randomly) reviewed by designated unit(s) which is(are) independent from the front line business units. Obligor ratings (in terms of probability of default) and facility ratings (in terms of loss given default) are assigned to credit applications for non-retail exposures 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, 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。

信貸風險管理報告會定期或不定期提供予管理層、風險管理委員會及董事會，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 monitoring, reporting and analysis of credit risk. 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.

Regular or ad hoc credit risk management information reports are provided to the Management, Risk Management Committee and the 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 in counterparty credit risk, quality of the credit portfolio and credit risk concentrations, and reports regularly to the Group's Management.

The Group adopts loan grading criteria which divides credit assets into five categories with reference to the HKMA's guidelines, as below:

"Pass" represents loans where the borrower is current in meeting its repayment obligations and full repayment of interest and principal is not in doubt.

"Special Mention" represents loans where the borrower is experiencing difficulties which may threaten the Group's position. Ultimate loss is not expected at this stage but could occur if adverse conditions persist.

"Substandard" represents loans where the borrower displays a definable weakness that is likely to jeopardise repayment.

"Doubtful" represents loans where collection in full is improbable and the Group expects to sustain a loss of principal and/or interest, taking into account the net realisable value of the collateral.

"Loss" represents loans which are considered uncollectible after all collection options (such as the realisation of collateral or the institution of legal proceedings) have been exhausted.

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的信貸風險；對於衍生產品，本集團會採用客戶限額及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 derivatives transactions in any situation where a payment in cash, securities or equities is made in the expectation of a corresponding receipt in cash, securities or equities. Daily settlement limits are established for each counterparty or customer to cover all settlement risk arising from the Group's market transactions on any single day.

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。物業是本集團主要押品，本集團已建立機制利用指數以組合形式對物業進行估值。抵押品須購買保險並以本集團作為第一受益人。

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 2015 年 12 月 31 日，本集團並無持有任何允許於借款人未違約情況下出售或再抵押之抵押品 (2014 年：無)。

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, real estate properties, with the use of public indices on a portfolio basis. Collateral is insured with the Group as the beneficiary.

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 2015, the Group did not hold any collateral that it was permitted to sell or re-pledge in the absence of default by the borrower (2014: 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)

(A) 信貸風險承擔

(A) Credit exposures

本集團之最高信貸風險承擔是未考慮任何抵押品或其他改善信貸條件的最大風險承擔。對於資產負債表內資產，最高信貸風險承擔相等於其賬面值。對於開出擔保函，最高信貸風險承擔是被擔保人要求本集團代為償付債務的最高金額。對於貸款承擔及其他信貸有關負債，最高信貸風險承擔為授信承諾的全額。

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.

以下為所持抵押品及其他改善信貸條件的性質及其對本集團各類金融資產的覆蓋程度。

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.

在銀行及其他金融機構的結餘及定期存放

Balances and placements with banks and other financial institutions

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。

These exposures are generally considered to be low risk due to the nature of the counterparties. Collateral is generally not sought on these assets.

公平值變化計入損益之金融資產及金融投資

Financial assets at fair value through profit or loss and financial investments

一般不會就債務證券尋求抵押品。

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 主協議為鈔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。根據信用支持附件,抵押品會按情況由交易一方轉交另一方,以減少風險承擔。

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 77 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 91 至 92 頁。或然負債及承擔之主要組合及性質已載於附註 35,就不需事先通知的無條件撤銷之承諾,如客戶的信貨質素下降,本集團會評估撤回其授信額度的需要性。於 2015 年 12 月 31 日,有抵押品覆蓋之或然負債及承擔為 15.74% (2014 年: 12.62%)。

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 derivatives activities of the Group. It provides the contractual framework under which dealing activities of over-the-counter ("OTC") transactions are conducted, and sets out close-out netting provisions upon termination following the occurrence of an event of default or a termination event. In addition, if deemed necessary, Credit Support Annex ("CSA") will be included to form part of the Schedule to the ISDA Master Agreement. Under a CSA, collateral is passed from one counterparty to another, as appropriate, to mitigate the exposures.

Advances and other accounts, contingent liabilities and commitments

The general types of collateral are disclosed on page 77. 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 91 to 92. The components and nature of contingent liabilities and commitments are disclosed in Note 35. 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, 15.74% (2014: 12.62%) was covered by collateral as at 31 December 2015.

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) 總貸款及其他賬項
(續)**

如有客觀證據反映貸款已出現減值損失，有關損失按該貸款賬面值與未來現金流折現值兩者間之差額計量；貸款已出現減值損失的客觀證據包括那些已有明顯訊息令本集團知悉的損失事件。

本集團根據以下客觀證據來決定是否已出現減值損失：

- 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) Gross advances and other accounts (continued)

If there is objective evidence that an impairment loss on advances has been incurred, the amount of loss is measured as the difference between the carrying amount and the present value of estimated future cash flows generated by the advances. Objective evidence that advances are impaired includes observable data that comes to the attention of the Group about the loss events.

The criteria that the Group uses to determine that there is objective evidence of an impairment loss include:

- 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)
4.1 Credit risk (continued)
(B) 總貸款及其他賬項 (續)
(B) Gross advances and other accounts (continued)
(a) 非減值未逾期貸款
(a) Advances neither overdue nor impaired

非減值未逾期貸款按內部信貸級別分析如下：

Advances that were neither overdue nor impaired are analysed by internal credit grade as follows:

		2015			
		合格 Pass	需要關注 Special mention	次級或以下 Substandard or below	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
客戶貸款	Advances to customers				
個人	Personal				
- 按揭	- Mortgages	23,676,398	23,002	1,265	23,700,665
- 信用卡	- Credit cards	653,134	87	-	653,221
- 其他	- Others	9,740,662	17,864	72	9,758,598
公司	Corporate				
- 商業貸款	- Commercial loans	113,588,886	1,407,580	285	114,996,751
- 貿易融資	- Trade finance	5,959,307	99,892	-	6,059,199
		153,618,387	1,548,425	1,622	155,168,434
貿易票據	Trade bills	14,072,143	-	-	14,072,143
		167,690,530	1,548,425	1,622	169,240,577

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) 總貸款及其他賬項
(續)**
(B) Gross advances and other accounts (continued)
**(a) 非減值未逾期
貸款 (續)**
(a) Advances neither overdue nor impaired (continued)

		2014			
		合格 Pass	需要關注 Special mention	次級或以下 Substandard or below	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
客戶貸款	Advances to customers				
個人	Personal				
- 按揭	- Mortgages	20,837,952	19,811	1,729	20,859,492
- 信用卡	- Credit cards	988,572	-	99	988,671
- 其他	- Others	9,187,486	3,660	1,363	9,192,509
公司	Corporate				
- 商業貸款	- Commercial loans	107,368,945	1,492,590	29,394	108,890,929
- 貿易融資	- Trade finance	7,368,171	163,793	-	7,531,964
		145,751,126	1,679,854	32,585	147,463,565
貿易票據	Trade bills	16,371,563	-	-	16,371,563
		<u>162,122,689</u>	<u>1,679,854</u>	<u>32,585</u>	<u>163,835,128</u>

當貸款受全數抵押擔保，即使發生損失事件亦未必導致減值損失，當此等貸款被評為「次級」或以下，亦可視為非減值貸款於上表中列示。

The occurrence of loss event(s) may not necessarily result in impairment loss where the advances are fully collateralised. While such advances are of "substandard" or lower grades, they are regarded as not being impaired and have been included in the above tables.

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) 總貸款及其他賬項
(續)**
(B) Gross advances and other accounts (continued)
(b) 逾期未減值貸款
(b) Advances overdue but not impaired

總逾期未減值貸款分析如下：

The gross amount of advances overdue but not impaired is analysed as follows:

		2015				
		逾期超過 3 個月 但不超過 6 個月 逾期 3 個月 或以下 Overdue for three months or less	逾期超過 6 個月 但不超過 1 年 Overdue six months or less three months months	逾期超過 6 個月 但不超過 1 年 Overdue for one year or less but over six months	逾期 超過 1 年 Overdue for over one year	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
客戶貸款	Advances to customers					
個人	Personal					
- 按揭	- Mortgages	191,087	20	1,635	292	193,034
- 信用卡	- Credit cards	51,944	-	-	-	51,944
- 其他	- Others	56,076	3,983	-	2,892	62,951
公司	Corporate					
- 商業貸款	- Commercial loans	77,734	-	-	17,384	95,118
- 貿易融資	- Trade finance	18,863	6,201	-	1,207	26,271
		395,704	10,204	1,635	21,775	429,318

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) 總貸款及其他賬項
(續)**
(B) Gross advances and other accounts (continued)
**(b) 逾期未減值貸款
(續)**
(b) Advances overdue but not impaired (continued)

		2014				
		逾期超過 3 個月 但不超過 6 個月 逾期 3 個月 或以下 Overdue for three months or less	逾期超過 6 個月 但不超過 1 年 Overdue six months or less but over three months	逾期超過 1 年 Overdue for one year or less but over six months	逾期 超過 1 年 Overdue for over one year	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
客戶貸款	Advances to customers					
個人	Personal					
- 按揭	- Mortgages	246,890	4,993	-	7,087	258,970
- 信用卡	- Credit cards	31,892	-	-	-	31,892
- 其他	- Others	47,856	2,441	-	6,014	56,311
公司	Corporate					
- 商業貸款	- Commercial loans	523,957	18,936	1,160	1,090	545,143
- 貿易融資	- Trade finance	7,488	24	-	-	7,512
		<u>858,083</u>	<u>26,394</u>	<u>1,160</u>	<u>14,191</u>	<u>899,828</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) 總貸款及其他賬項 (續)
(B) Gross advances and other accounts (continued)
(c) 減值貸款 (續)
(c) Impaired advances (continued)

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 such advances.

於 2015 年 12 月 31 日，沒有減值之貿易票據 (2014 年：無)。

As at 31 December 2015, there were no impaired trade bills (2014: Nil).

特定分類或減值之客戶貸款分析如下：

Classified or impaired advances to customers are analysed as follows:

	<u>2015</u>	<u>2014</u>
	港幣千元	港幣千元
	HK\$'000	HK\$'000
特定分類或減值之客戶貸款總額	<u>684,698</u>	<u>1,254,636</u>
特定分類或減值之客戶貸款總額對客戶貸款總額比率	<u>0.44%</u>	<u>0.84%</u>
就上述貸款作個別評估之減值準備	<u>433,567</u>	<u>731,598</u>

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」貸款或個別評估為減值的貸款。

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 individually assessed to be impaired.

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) 總貸款及其他賬項
(續)**
**(d) 逾期超過 3 個月
之貸款**

逾期超過 3 個月之
貸款總額分析如
下：

4.1 Credit risk (continued)
(B) Gross advances and other accounts (continued)
(d) Advances overdue for more than three months

The gross amount of advances overdue for more than three months is analysed as follows:

	2015		2014	
	金額 Amount 港幣千元 HK\$'000	佔客戶貸款總額 百分比 % of gross advances to customers	金額 Amount 港幣千元 HK\$'000	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	102,053	0.06%	261,805	0.17%
- 超過 6 個月 但不超過 1 年	320,702	0.21%	153,074	0.10%
- 超過 1 年	203,026	0.13%	173,289	0.12%
逾期超過 3 個月 之貸款	625,781	0.40%	588,168	0.39%
就上述貸款作個別 評估之減值準備	412,534		505,549	

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) 總貸款及其他賬項
(續)**
**(d) 逾期超過 3 個月
之貸款 (續)**
4.1 Credit risk (continued)
(B) Gross advances and other accounts (continued)
(d) Advances overdue for more than three months (continued)

	2015	2014
	港幣千元	港幣千元
	HK\$'000	HK\$'000
就上述有抵押品覆蓋的客戶貸款之抵押品市值	313,983	430,468
上述有抵押品覆蓋之客戶貸款	228,914	284,182
上述沒有抵押品覆蓋之客戶貸款	396,867	303,986

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及住宅樓宇、個人授信戶項下的住宅按揭物業。

於 2015 年 12 月 31 日，沒有逾期超過 3 個月之貿易票據 (2014 年：無)。

Collateral held against overdue or impaired loans is principally represented by charges over business assets such as commercial and residential premises for corporate loans and mortgages over residential properties for personal loans.

As at 31 December 2015, there were no trade bills overdue for more than three months (2014: 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) 總貸款及其他賬項
(續)**
(B) Gross advances and other accounts (continued)
(e) 經重組貸款
(e) Rescheduled advances

	2015		2014	
	金額 Amount 港幣千元 HK\$'000	佔客戶貸款總額 百分比 % of gross advances to customers	金額 Amount 港幣千元 HK\$'000	佔客戶貸款總額 百分比 % of gross advances to customers
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"	1,329	0.00%	9,803	0.01%

經重組貸款乃指借款人因為財政困難或無能力如期還款而經雙方同意達成重整還款計劃之貸款。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 or renegotiated because of deterioration in the financial position of the borrower or of the inability of the borrower to meet the original repayment schedule. 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) 總貸款及其他賬項 (續)

(B) Gross advances and other accounts (continued)

(f) 客戶貸款集中度

(f) 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.

		2015					
		客戶貸款總額	抵押品或其他抵押 覆蓋之百分比	特定分類 或減值	逾期	個別評估之 減值準備	組合評估之 減值準備
		Gross advances to customers	% covered by collateral or other security	Classified or impaired	Overdue	Individually assessed impairment allowances	Collectively assessed impairment allowances
		港幣千元 HK\$'000		港幣千元 HK\$'000	港幣千元 HK\$'000	港幣千元 HK\$'000	港幣千元 HK\$'000
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	5,448,761	15.36%	-	-	-	14,435
- 物業投資	- Property investment	10,849,282	92.84%	29,794	24,466	-	110,979
- 金融業	- Financial concerns	4,497,199	9.53%	-	-	-	9,638
- 股票經紀	- Stockbrokers	480	100.00%	-	-	-	4
- 批發及零售業	- Wholesale and retail trade	9,251,574	30.74%	87,956	103,927	65,156	69,887
- 製造業	- Manufacturing	8,523,132	23.30%	30,691	34,384	19,210	36,657
- 運輸及運輸設備	- Transport and transport equipment	4,316,243	7.66%	-	360	-	13,381
- 休閒活動	- Recreational activities	141,637	0.76%	-	-	-	294
- 資訊科技	- Information technology	741,295	2.40%	2,634	4,839	1,309	1,803
- 其他	- Others	14,315,090	42.23%	19,729	25,474	16,498	71,945
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	364,199	99.88%	1,501	8,736	-	241
- 購買其他住宅物業之貸款	- Loans for purchase of other residential properties	12,304,337	99.86%	648	53,917	-	5,401
- 其他	- Others	7,338,950	56.81%	2,461	27,195	1,410	4,712
在香港使用之貸款總額	Total loans for use in Hong Kong	78,092,179	50.43%	175,414	283,298	103,583	339,377
貿易融資	Trade finance	6,141,777	33.44%	68,558	78,781	49,162	46,830
在香港以外使用之貸款	Loans for use outside Hong Kong	72,002,818	39.30%	440,726	667,966	280,822	565,129
客戶貸款總額	Gross advances to customers	156,236,774	44.63%	684,698	1,030,045	433,567	951,336

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) 總貸款及其他賬項
(續)**
(B) Gross advances and other accounts (continued)
**(f) 客戶貸款集中度
(續)**
(f) 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)

		2014					
		客戶貸款總額	抵押品或 其他抵押 覆蓋之百分比	特定分類 或減值 Classified or impaired	逾期 Overdue	個別評估之 減值準備 Individually assessed impairment allowances	組合評估之 減值準備 Collectively assessed impairment allowances
		港幣千元 HK\$'000	% covered by collateral or other security	港幣千元 HK\$'000	港幣千元 HK\$'000	港幣千元 HK\$'000	港幣千元 HK\$'000
在香港使用之貸款	Loans for use in Hong Kong						
工商金融業	Industrial, commercial and financial						
- 物業發展	- Property development	3,109,845	30.32%	-	-	-	10,877
- 物業投資	- Property investment	12,223,689	86.15%	9,397	35,519	1,322	119,117
- 金融業	- Financial concerns	2,001,248	21.71%	-	-	-	5,040
- 股票經紀	- Stockbrokers	101,383	1.35%	-	-	-	236
- 批發及零售業	- Wholesale and retail trade	11,956,256	26.82%	92,507	308,788	26,800	84,717
- 製造業	- Manufacturing	6,307,305	23.80%	38,178	41,590	26,344	33,372
- 運輸及運輸設備	- Transport and transport equipment	4,056,145	10.50%	30,386	6,486	12,159	14,822
- 休閒活動	- Recreational activities	56,908	1.97%	-	-	-	133
- 資訊科技	- Information technology	1,728,779	1.80%	2,479	4,875	919	4,273
- 其他	- Others	13,754,281	44.32%	9,630	15,346	6,830	81,038
個人	Individuals						
- 購買居者有其屋計劃、私人機構參建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	455,145	99.99%	2,006	12,250	-	226
- 購買其他住宅物業之貸款	- Loans for purchase of other residential properties	10,333,678	99.51%	5,903	64,808	-	3,240
- 信用卡貸款	- Credit card advances	20,012	-	609	-	-	290
- 其他	- Others	6,759,164	41.17%	5,411	38,361	782	5,835
在香港使用之貸款總額	Total loans for use in Hong Kong	72,863,838	50.36%	196,506	528,023	75,156	363,216
貿易融資	Trade finance	7,642,319	27.90%	102,867	110,355	73,200	59,473
在香港以外使用之貸款	Loans for use outside Hong Kong	68,996,099	41.47%	955,263	1,249,484	583,242	815,833
客戶貸款總額	Gross advances to customers	149,502,256	45.11%	1,254,636	1,887,862	731,598	1,238,522

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) 總貸款及其他賬項
(續)**
(B) Gross advances and other accounts (continued)
**(f) 客戶貸款集中度
(續)**
(f) 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)

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：

The amounts of new impairment allowances charged to the income statement, and classified or impaired loans written off during the year are shown below:

		2015	2014		
		新提 減值準備 New impairment allowances	撇銷特定 分類或 減值貸款 Classified or impaired loans written off		新提 減值準備 New impairment allowances
		港幣千元 HK\$'000	港幣千元 HK\$'000		港幣千元 HK\$'000
在香港使用之貸款	Loans for use in Hong Kong				
工商金融業	Industrial, commercial and financial				
- 物業發展	- Property development	-	-	-	-
- 物業投資	- Property investment	1,201	2,279	2,484	3,237
- 金融業	- Financial concerns	1,116	-	-	-
- 股票經紀	- Stockbrokers	-	-	-	-
- 批發及零售業	- Wholesale and retail trade	58,030	8,634	13,970	5,433
- 製造業	- Manufacturing	8,405	12,015	7,173	3,244
- 運輸及運輸設備	- Transport and transport equipment	-	-	11,881	-
- 休閒活動	- Recreational activities	55	-	-	-
- 資訊科技	- Information technology	415	-	270	-
- 其他	- Others	36,413	25,400	3,283	470
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	-	-	-	-
- 購買其他住宅物業之貸款	- Loans for purchase of other residential properties	223	-	2	-
- 信用卡貸款	- Credit card advances	-	-	32	-
- 其他	- Others	14,413	16,002	18,262	17,193
在香港使用之貸款總額	Total loans for use in Hong Kong	120,271	64,330	57,357	29,577
貿易融資	Trade finance	85,798	91,386	55,594	4,339
在香港以外使用之貸款	Loans for use outside Hong Kong	935,173	992,314	899,775	344,936
客戶貸款總額	Gross advances to customers	1,141,242	1,148,030	1,012,726	378,852

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)
(B) 總貸款及其他賬項 (續)
(f) 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

就客戶貸款總額作組合評估之減值準備

香港
中國內地
其他

4.1 Credit risk (continued)
(B) Gross advances and other accounts (continued)
(f) 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 country different from the customer, the risk will be transferred to the country of the guarantor.

Gross advances to customers

	2015	2014
	港幣千元	港幣千元
	HK\$'000	HK\$'000
Hong Kong	88,083,058	73,959,116
Mainland of China	61,013,223	69,650,228
Others	7,140,493	5,892,912
	<u>156,236,774</u>	<u>149,502,256</u>

Collectively assessed impairment allowances in respect of the gross advances to customers

Hong Kong	426,019	412,140
Mainland of China	452,571	730,437
Others	72,746	95,945
	<u>951,336</u>	<u>1,238,522</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) 總貸款及其他賬項
(續)**
(B) Gross advances and other accounts (continued)
**(f) 客戶貸款集中度
(續)**
(f) 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>2015</u>	<u>2014</u>
		港幣千元 HK\$'000	港幣千元 HK\$'000
香港	Hong Kong	276,118	332,232
中國內地	Mainland of China	739,435	1,546,827
其他	Others	14,492	8,803
		<u>1,030,045</u>	<u>1,887,862</u>

**就逾期貸款作
個別評估之
減值準備**
**Individually assessed impairment
allowances in respect of the overdue
advances**

香港	Hong Kong	51,497	52,960
中國內地	Mainland of China	368,279	546,644
其他	Others	436	1,448
		<u>420,212</u>	<u>601,052</u>

**就逾期貸款作
組合評估之
減值準備**
**Collectively assessed impairment
allowances in respect of the overdue
advances**

香港	Hong Kong	3,741	6,660
中國內地	Mainland of China	3,183	6,844
其他	Others	56	20
		<u>6,980</u>	<u>13,524</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) 總貸款及其他賬項
(續)**
(B) Gross advances and other accounts (continued)
**(f) 客戶貸款集中度
(續)**
(f) 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
Mainland of China
Others

2015
港幣千元
HK\$'000
2014
港幣千元
HK\$'000
131,490
552,753
455

 151,434
1,101,806
1,396

684,698
1,254,636
**就特定分類或
減值貸款作
個別評估之
減值準備**
**Individually assessed impairment
allowances in respect of the
classified or impaired advances**

 香港
中國內地
其他

 Hong Kong
Mainland of China
Others

59,480
373,651
436

 55,235
674,915
1,448

433,567
731,598
**就特定分類或
減值貸款作
組合評估之
減值準備**
**Collectively assessed impairment
allowances in respect of the
classified or impaired advances**

 香港
中國內地

 Hong Kong
Mainland of China

1,043
1,187

 3,524
1,609

2,230
5,133

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：

商業物業
工業物業
住宅物業
其他

本集團於2015年12月31日持有的收回資產之估值為港幣122,509,000元（2014年：港幣4,906,000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:

	2015	2014
	港幣千元	港幣千元
	HK\$'000	HK\$'000
Commercial properties	4,251	-
Industrial properties	80,250	-
Residential properties	13,968	-
Other	-	583
	98,469	583

The estimated market value of repossessed assets held by the Group as at 31 December 2015 amounted to HK\$122,509,000 (2014: HK\$4,906,000). 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的結餘及存款

下表為在銀行及其他金融機構的非逾期或減值之結餘及存款於12月31日按評級機構之評級分析。

4.1 Credit risk (continued)
(D) Balances and placements with banks and other financial institutions

The following tables present an analysis of balances and placements with banks and other financial institutions that are neither overdue nor impaired as at 31 December by rating agency designation.

		2015			
		Aaa 至 A3 Aaa to A3	A3 以下 Lower than A3	無評級 Unrated	總計 Total
		港幣千元 HK\$'000	港幣千元 HK\$'000	港幣千元 HK\$'000	港幣千元 HK\$'000
中央銀行	Central banks	16,038,647	-	-	16,038,647
銀行及其他金融機構	Banks and other financial institutions	23,767,541	17,650,869	3,250,385	44,668,795
		39,806,188	17,650,869	3,250,385	60,707,442
		2014			
		Aaa 至 A3 Aaa to A3	A3 以下 Lower than A3	無評級 Unrated	總計 Total
		港幣千元 HK\$'000	港幣千元 HK\$'000	港幣千元 HK\$'000	港幣千元 HK\$'000
中央銀行	Central banks	18,694,761	-	-	18,694,761
銀行及其他金融機構	Banks and other financial institutions	20,208,603	20,003,535	16,963,308	57,175,446
		38,903,364	20,003,535	16,963,308	75,870,207

於2015年12月31日，沒有逾期或減值之銀行及其他金融機構結餘及存款(2014年：無)。

As at 31 December 2015, there were no overdue or impaired balances and placements with banks and other financial institutions (2014: 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 values of debt securities and certificates of deposit by issue rating. In the absence of such issue ratings, the ratings designated for the issuers are reported.

		2015					
		Aaa	Aa1 至 Aa3	A1 至 A3	A3 以下 Lower than A3	無評級 Unrated	總計 Total
		港幣千元 HK\$'000	港幣千元 HK\$'000	港幣千元 HK\$'000	港幣千元 HK\$'000	港幣千元 HK\$'000	港幣千元 HK\$'000
可供出售證券	Available-for-sale securities	3,814,391	27,409,836	16,575,057	1,781,530	2,298,167	51,878,981
持有至到期日證券	Held-to-maturity securities	208,732	2,257,798	-	-	-	2,466,530
貸款及應收款	Loans and receivables	-	-	585,792	-	-	585,792
公平值變化計入損益之金融資產	Financial assets at fair value through profit or loss	-	6,714,292	249,280	-	-	6,963,572
		4,023,123	36,381,926	17,410,129	1,781,530	2,298,167	61,894,875
		2014					
		Aaa	Aa1 至 Aa3	A1 至 A3	A3 以下 Lower than A3	無評級 Unrated	總計 Total
		港幣千元 HK\$'000	港幣千元 HK\$'000	港幣千元 HK\$'000	港幣千元 HK\$'000	港幣千元 HK\$'000	港幣千元 HK\$'000
可供出售證券	Available-for-sale securities	5,179,077	20,657,187	11,750,008	448,511	4,364,791	42,399,574
持有至到期日證券	Held-to-maturity securities	243,450	1,759,590	615,350	-	-	2,618,390
貸款及應收款	Loans and receivables	-	-	62,421	-	2,012,173	2,074,594
公平值變化計入損益之金融資產	Financial assets at fair value through profit or loss	4,589,985	1,309,309	255,919	-	-	6,155,213
		10,012,512	23,726,086	12,683,698	448,511	6,376,964	53,247,771

於 2015 年 12 月 31 日，沒有減值或逾期之債務證券及存款證 (2014 年：無)。

As at 31 December 2015, there were no impaired or overdue debt securities or certificates of deposit (2014: 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)****4.2 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）波動導致整體的外匯、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，有效管理資金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，董事會以及其屬下的風險管理委員會、高層管理人員和市場風險職能單位，各司其職，各負其責。風險管理單位是負責協助高層管理人員履行日常管理職責，獨立監察本集團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。風險暴露情況，每日由獨立單位負責根據已設定的風險限額進行監控，並定期連同損益報告向高層管理人員提交，若持倉超越風險限額，需即時向高層管理人員報告。南商（中國）設有獨立的風險監控團隊，監控每日的市場風險及限額執行情況，並定期向本銀行提交管理信息和報告。

4.2 Market risk

Market risk refers to the risk of loss arising from movements in the value of foreign exchange, interest rate, equity and commodity positions held by the Group due to the volatility of financial market price (foreign exchange rate, interest rate, equity price, commodity price). The Group adopts a moderate market risk appetite to achieve a balance between risk and return.

The Group's objective in managing market risk is to secure healthy growth of the treasury business, by effective management of potential market risk in the Group's business, according to the Group's overall risk appetite and strategy of treasury business on the basis of a well-established risk management regime and related management measures.

In accordance with the Group's corporate governance principles in respect of risk management, the Board and Risk Management Committee, Senior Management and functional units perform their duties and responsibilities to manage the Group's market risk. The risk management units are responsible for 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 to ensure that the aggregate and individual market risks are within acceptable levels. Independent units are assigned to monitor the risk exposure against risk limits on a daily basis, together with profit and loss reports submitted to Senior Management on a regular basis, while limit excesses should be reported at once when they occur. NCB (China) sets up independent risk monitoring teams to monitor daily market risk and limit compliance, and submit management information and reports to the Bank 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)****4.2 市場風險 (續)**

本集團設定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）等。主要風險指標和限額視管理需要劃分為四個層級，分別由風險管理委員會、資產負責管理委員會或高層管理人員批准，各單位必須在批核的市場風險指標和限額範圍內開展業務。

(A) 風險值

本集團採用風險值量度一般市場風險，並定期向風險管理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天持有期內本集團層面及本銀行的風險值，並設定本集團和本銀行的風險值限額。

4.2 Market risk (continued)

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). To meet management requirements, major risk indicators and limits are classified into four levels, and are approved by the Risk Management Committee, Asset and Liability Management Committee or Senior Management respectively. Treasury business units are required to conduct their business within approved market risk indicators and limits.

(A) VAR

The Group uses the VAR to measure and report general market risks to the Risk Management Committee 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 the Bank over one-day holding period with a 99% confidence level, and sets up the VAR limit of the Group and 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)
4.2 市場風險 (續)
4.2 Market risk (continued)
(A) 風險值 (續)
(A) VAR (continued)

下表詳述本集團一般市場風險持倉的風險值¹。

The following table sets out the VAR for all general market risk exposure¹ of the Group.

		年份	於 12 月 31 日	全年 最低數值	全年 最高數值	全年 平均數值
		Year	31 December	At Minimum for the year	Maximum for the year	Average for the year
			港幣千元 HK\$'000	港幣千元 HK\$'000	港幣千元 HK\$'000	港幣千元 HK\$'000
全部市場風險之風險值	VAR for all market risk	2015	939	559	1,387	861
		2014	635	635	1,901	1,181
匯率風險之風險值	VAR for foreign exchange risk	2015	714	463	1,398	820
		2014	544	544	1,975	1,145
利率風險之風險值	VAR for interest rate risk	2015	225	53	301	176
		2014	274	225	883	644

註：
1. 不包括外匯結構性敞口的風險值。

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；
- 一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，可能未及在一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 VAR is a valuable guide to risk, it 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1997亞洲金融風暴以及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 1997 Asian Financial Crisis and 2008 Financial Tsunami, etc.

(B) Currency risk

The Group's assets and liabilities are denominated in major currencies, particularly the HK dollar, the US dollar and Renminbi. To ensure the currency risk exposure of the Group is kept to an acceptable level, risk limits (e.g. Position and VAR limit) are used to serve as a monitoring tool. Moreover, the Group seeks to minimise the gap between assets and liabilities in the same currency. Foreign exchange contracts (e.g. FX swaps) are usually used to manage FX risk associated with foreign currency-denominated assets and liabilities.

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)

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。

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.

		2015			
		港幣千元等值			
		Equivalent in thousand of HK\$			
		美元		其他外幣	外幣總額
		US	人民幣	Other	Total
		Dollars	Renminbi	foreign	foreign
		currencies			
		currencies			
現貨資產	Spot assets	62,789,261	105,966,748	14,036,470	182,792,479
現貨負債	Spot liabilities	(56,280,126)	(96,346,613)	(10,103,847)	(162,730,586)
遠期買入	Forward purchases	23,762,419	7,770,358	2,767,918	34,300,695
遠期賣出	Forward sales	(28,585,949)	(17,344,597)	(6,688,061)	(52,618,607)
長盤淨額	Net long position	<u>1,685,605</u>	<u>45,896</u>	<u>12,480</u>	<u>1,743,981</u>
結構性倉盤淨額	Net structural position	<u>293,056</u>	<u>8,431,220</u>	<u>-</u>	<u>8,724,276</u>
		2014			
		港幣千元等值			
		Equivalent in thousand of HK\$			
		美元		其他外幣	外幣總額
		US	人民幣	Other	Total
		Dollars	Renminbi	foreign	foreign
		currencies			
		currencies			
現貨資產	Spot assets	50,714,856	129,625,777	10,170,515	190,511,148
現貨負債	Spot liabilities	(49,057,989)	(113,019,787)	(9,087,139)	(171,164,915)
遠期買入	Forward purchases	23,258,343	8,581,087	2,839,602	34,679,032
遠期賣出	Forward sales	(24,806,626)	(25,023,970)	(3,877,531)	(53,708,127)
長盤淨額	Net long position	<u>108,584</u>	<u>163,107</u>	<u>45,447</u>	<u>317,138</u>
結構性倉盤淨額	Net structural position	<u>277,715</u>	<u>8,414,836</u>	<u>-</u>	<u>8,692,551</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

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。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；
- 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；
- 收益率曲線風險：由於收益率曲線非平行式移動而對淨利息收入或經濟價值產生負面影響；及
- 客戶擇權風險：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:

- Repricing risk: mismatches in the maturity or repricing periods of assets and liabilities that may affect net interest income;
- 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;
- Yield curve risk: non-parallel shifts in the yield curve that may have an adverse impact on net interest income or economic value; 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。根據風險管理委員會批准的《銀行賬利率風險管理政策》，資產負債管理委員會具體履行管理集團利率風險的職責。財務管理處主責利率風險管理，在資金處的配合下，財務管理處協助資產負債管理委員會開展日常的利率風險管理工作，包括但不限於起草管理政策，選擇管理方法，設立風險指標和限額，評估目標資產負債平衡表，監督利率風險管理政策與限額執行情況，向管理層以及風險管理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 exercises its oversight of interest rate risk in accordance with the "Banking Book Interest Rate Risk Management Policy" approved by Risk Management Committee. Financial Management Division is responsible for interest rate risk management. With the cooperation of the Treasury Division, Financial Management Division assists the Asset and Liability Management Committee to perform day-to-day interest rate risk management. Its roles include, but are not limited to, the formulation of management policies, selection of methodologies, setting of risk indicators and limits, assessment of target balance sheet, monitoring of the compliance with policies and limits, and submission of interest rate risk management reports to the Management and Risk Management Committee.

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，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三個層級，分別由風險管理委員會、資產負債管理委員會及中台副總批准。承擔利率風險的各業務單位必須在利率風險指標限額範圍內開展相關業務。本集團推出銀行賬新產品或新業務前，相關單位須先執行風險評估程序，包括評估其潛在的利率風險，並考慮現行的利率風險監控機制是否足夠。如擬推出的新產品或新業務對銀行利率風險造成重大影響，須報風險管理委員會批准。

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. 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"). The indicators and limits are classified into three levels, which are approved by the Risk Management Committee, Asset and Liability Management Committee and Deputy General Manager of Middle-office respectively. 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 Risk Management Committee 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）的影響佔最新資本基礎的比率。風險管理委員會為這兩項指標設定限額，用來監測和控制本集團銀行賬利率風險。

本集團採用情景分析和壓力測試方法，評估不利市況下銀行賬可能承受的利率風險。情景分析和壓力測試同時用於測試儲蓄存款客戶擇權及按揭客戶提早還款對銀行淨利息收入的影響。

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 market interest rate) as a percentage to the latest capital base. Limits are set by the Risk Management Committee 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 arising from the optionality of savings deposits and the prepayment of mortgage loans.

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)

本集團主要面對港元、美元及人民幣利率風險。截至 2015 年 12 月 31 日，若港元、美元及人民幣的收益率曲線平行上移 100 個基點，其他因素不變情況下，對集團未來 12 個月的淨利息收入及對儲備的敏感度如下：

4.2 Market risk (continued)
(C) Interest rate risk (continued)

The Group is principally exposed to HK Dollar, US Dollar and Renminbi in terms of interest rate risk. As at 31 December 2015, if HK Dollar, US Dollar and Renminbi market interest rates had a 100 basis point parallel upward shift of the yield curve in relevant currency 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	
		2015	2014	2015	2014
		港幣千元 HK\$'000	港幣千元 HK\$'000	港幣千元 HK\$'000	港幣千元 HK\$'000
港元	HK Dollar	298,266	256,299	(79,004)	(46,786)
美元	US Dollar	(74,762)	(32,688)	(114,872)	(60,416)
人民幣	Renminbi	(39,332)	(13,535)	(301,279)	(324,817)

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)

上述貨幣對淨利息收入的整體正面影響較2014年減少主要由於美元及人民幣貨幣的短期檔利率敏感負缺口擴闊所致。同時，可供出售證券會因收益率曲線平行上移100個基點，預計出現估值減少而令集團儲備減少。儲備減少幅度較2014年增加乃由於資本市場之可供出售證券規模增加。

上述敏感度計算僅供說明用途，當中包括（但不限於）下列假設，如相關貨幣息口的相關性變化、利率平行移動、未計及為減低利率風險可能採取的緩釋風險行動、對沖會計的有效性、所有持倉均計至到期日為止、實際重訂息日與合約重訂息日有差異或沒有到期日之產品的習性假設。上述風險水平只為本集團整體利率風險的一部分。

4.2 Market risk (continued)

(C) Interest rate risk (continued)

The overall positive impact on net interest income of the above currencies has decreased when compared with 2014 and is mainly because of the widened short term negative gaps in US Dollar and Renminbi. Reserves would have been reduced because of the expected reduction in valuation of available-for-sale securities due to a parallel shift up of 100 basis points in the yield curve. The reduction of reserves is increased compared with 2014 because the size of available-for-sale securities in capital market is increased.

The sensitivities above are for illustration only and are based on several assumptions, including but not limited to the change in the correlation between interest rates of relevant currencies, parallel movement of interest rates, the absence of actions that would be taken to mitigate the impact of interest rate risk, the effectiveness of hedge accounting, all positions being assumed to run to maturity, behavioural assumptions of products in which actual repricing date differs from contractual repricing date or products without contractual maturity. The above exposures form only a part of the Group's overall interest rate risk exposures.

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.

		2015						
		一至 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
		港幣千元 HK\$'000	港幣千元 HK\$'000	港幣千元 HK\$'000	港幣千元 HK\$'000	港幣千元 HK\$'000	港幣千元 HK\$'000	港幣千元 HK\$'000
資產	Assets							
庫存現金及存放銀行及其他 金融機構的結餘	Cash and balances with banks and other financial institutions	50,565,792	-	-	-	-	3,679,013	54,244,805
在銀行及其他金融機構一至 十二個月內到期之定期存 放	Placements with banks and other financial institutions maturing between one and twelve months	-	3,157,041	3,899,744	-	-	-	7,056,785
公平值變化計入損益之金融 資產	Financial assets at fair value through profit or loss	1,762,994	2,479,360	2,471,938	249,280	-	-	6,963,572
衍生金融工具	Derivative financial instruments	-	-	-	-	-	696,266	696,266
貸款及其他賬項	Advances and other accounts	107,765,185	28,446,478	27,748,294	4,792,519	171,538	-	168,924,014
金融投資	Financial investments							
- 可供出售	- Available-for-sale	8,601,020	10,455,974	14,442,944	18,494,300	356,810	4,613	52,355,661
- 持有至到期日	- Held-to-maturity	-	-	298,771	2,167,759	-	-	2,466,530
- 貸款及應收款	- Loans and receivables	182,257	48,142	355,393	-	-	-	585,792
投資物業	Investment properties	-	-	-	-	-	414,736	414,736
物業、器材及設備	Properties, plant and equipment	-	-	-	-	-	7,008,020	7,008,020
其他資產（包括應收及遞延 稅項資產）	Other assets (including current and deferred tax assets)	31	-	-	-	-	4,347,852	4,347,883
待出售資產	Assets held for sale	-	-	-	-	-	132,729	132,729
資產總額	Total assets	168,877,279	44,586,995	49,217,084	25,703,858	528,348	16,283,229	305,196,793

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)

		2015						
		一至	三至			不計息		
		一個月內	三個月	十二個月	一至五年	五年以上	Non-	
		Up to	1 to 3	3 to 12	1 to 5	Over	interest-	
		1 month	months	months	years	5 years	bearing	
		港幣千元	港幣千元	港幣千元	港幣千元	港幣千元	港幣千元	
		HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	
							總計	
							Total	
							港幣千元	
							HK\$'000	
負債	Liabilities							
銀行及其他金融機構之存款及結餘	Deposits and balances from banks and other financial institutions	19,054,571	2,501,295	6,689,467	-	-	2,715,841	30,961,174
公平值變化計入損益之金融負債	Financial liabilities at fair value through profit or loss	1,084,486	1,907,861	1,583,009	-	-	-	4,575,356
衍生金融工具	Derivative financial instruments	-	-	-	-	-	302,944	302,944
客戶存款	Deposits from customers	135,919,721	34,269,925	30,101,149	5,512,157	-	12,459,031	218,261,983
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)	1,666,422	2,713,701	6,158,633	454,913	19,427	2,961,586	13,974,682
待出售資產之相關負債	Liabilities associated with assets held for sale	-	-	-	-	-	21,884	21,884
負債總額	Total liabilities	157,725,200	41,392,782	44,532,258	5,967,070	19,427	18,461,286	268,098,023
利率敏感度缺口	Interest sensitivity gap	11,152,079	3,194,213	4,684,826	19,736,788	508,921	(2,178,057)	37,098,770

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)

		2014						
		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	
		Up to 1 month	1 to 3 months	3 to 12 months	1 to 5 years	Over 5 years	Non-interest-bearing	總計
		港幣千元	港幣千元	港幣千元	港幣千元	港幣千元	港幣千元	港幣千元
		HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
資產	Assets							
庫存現金及存放銀行及其他金融機構的結餘	Cash and balances with banks and other financial institutions	54,183,243	-	-	-	-	4,099,557	58,282,800
在銀行及其他金融機構一至十二個月內到期之定期存放	Placements with banks and other financial institutions maturing between one and twelve months	-	9,477,006	8,703,756	-	-	-	18,180,762
公平值變化計入損益之金融資產	Financial assets at fair value through profit or loss	470,000	2,671,893	2,757,401	255,919	-	-	6,155,213
衍生金融工具	Derivative financial instruments	-	-	-	-	-	439,072	439,072
貸款及其他賬項	Advances and other accounts	108,282,638	31,356,774	20,553,491	3,451,440	259,356	-	163,903,699
金融投資	Financial investments							
- 可供出售	- Available-for-sale	2,375,913	10,487,111	12,504,107	16,466,480	565,963	75,766	42,475,340
- 持有至到期日	- Held-to-maturity	-	-	-	1,998,756	619,634	-	2,618,390
- 貸款及應收款	- Loans and receivables	-	620,262	1,454,332	-	-	-	2,074,594
投資物業	Investment properties	-	-	-	-	-	1,280,271	1,280,271
物業、器材及設備	Properties, plant and equipment	-	-	-	-	-	7,328,497	7,328,497
其他資產 (包括遞延稅項資產)	Other assets (including deferred tax assets)	2,208	-	-	-	-	1,163,407	1,165,615
資產總額	Total assets	165,314,002	54,613,046	45,973,087	22,172,595	1,444,953	14,386,570	303,904,253

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)

		2014					
		一至	三至	一至五年	五年以上	不計息	
		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	Non-
		1 month	months	months	years	5 years	interest-
		港幣千元	港幣千元	港幣千元	港幣千元	港幣千元	bearing
		HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	Total
負債	Liabilities						
銀行及其他金融機構之存款及結餘	Deposits and balances from banks and other financial institutions	18,391,118	9,332,830	8,050,874	-	-	1,960,789 37,735,611
公平值變化計入損益之金融負債	Financial liabilities at fair value through profit or loss	1,978,491	873,945	2,118,257	-	-	- 4,970,693
衍生金融工具	Derivative financial instruments	-	-	-	-	-	278,506 278,506
客戶存款	Deposits from customers	122,791,320	36,089,981	32,061,913	9,455,287	-	9,235,434 209,633,935
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)	5,111,293	2,685,535	4,055,058	194,043	736	4,343,999 16,390,664
負債總額	Total liabilities	148,272,222	48,982,291	46,286,102	9,649,330	736	15,818,728 269,009,409
利率敏感度缺口	Interest sensitivity gap	17,041,780	5,630,755	(313,015)	12,523,265	1,444,217	(1,432,158) 34,894,844

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

流動資金風險是指銀行因無法提供充裕資金以應對資產增加或履行到期義務，而可能要承受的不欲接受的損失。本集團遵循穩健的流動資金風險偏好，確保在正常情況或壓力情景下均有能力提供穩定、可靠和足夠的現金來源，滿足流動資金需求；在極端情景下無需借助金管局的流動性支持，累積的淨現金流為正值，可以保證基本生存期內的流動資金需要。

4.3 Liquidity risk

Liquidity risk is the risk that banks fail to provide sufficient funds to grow assets or pay due obligations, and need to bear an unacceptable loss. The Group maintains sound liquidity risk appetite to provide stable, reliable and adequate sources of cash to meet liquidity needs under normal circumstances or stressed scenarios; and to survive with net positive cumulative cash flow in extreme scenarios, without requesting the HKMA to act as the lender of last resort.

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，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，安排資產組合的結構（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。本集團制訂了集團內部流動資金風險管理指引，管理集團內各成員之間的流動資金，避免相互間在資金上過度依賴。本集團亦注重管理表外業務，如貸款承諾和衍生工具可能產生的流動資金風險。本集團的流動資金風險管理策略涵蓋了外幣資產負債流動管理、抵押品、即日流動性、集團內流動性以及其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。

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 reasonable cost based on the liquidity risk appetite to achieve sound operation and sustainable profitability. Deposits from customers are the Group's primary source of funds. To ensure stable and sufficient source of funds are in place, the Group actively attracts new deposits, keeps the core deposit and obtains supplementary funding from the interbank market. According to different term maturities and the results of funding needs estimated from stressed scenarios, the Group adjusts its asset structure (including loans, bonds investment, interbank placement, etc.) to maintain sufficient liquid assets which provides adequate funds in support of normal business needs and ensure its ability to raise funds at a reasonable cost to serve external claims in case of emergency. The Group is committed to diversify the source of funds and the use of funds to avoid excessive concentration of assets and liabilities and prevent triggering liquidity risk due to the break of funding strand when problem occurred in one concentrated funding source. The Group has established intra-group liquidity risk management guideline to manage the liquidity funding among different entities within the Group, and to restrict their reliance of funding on each other. The Group also pays attention to manage liquidity risk created by off-balance sheet activities, such as loan commitments and derivatives. 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.

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)**

風險管理委員會是流動資金風險管理決策機構，並對流動資金風險承擔最終管理責任。風險管理委員會授權資產負債管理委員會管理日常的流動資金風險，確保本集團的業務經營符合風險委員會設定的流動資金風險偏好和政策規定。財務管理處主責本集團流動資金風險管理，它與資金處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。

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、貸存比率、最大累計現金流出、以及流動性緩衝資產組合等。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），評估本集團抵禦各種嚴峻流動資金危機的能力。本集團亦建立了資產負債管理系統，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)

Risk Management Committee (RMC) is the decision-making authority of liquidity risk management, and assumes the ultimate responsibility of liquidity risk management. As authorised by RMC, the Asset and Liability Management Committee (ALCO) exercises its oversight of liquidity risk and ensures the daily operations of the Group are in accordance with risk appetite and policies as set by RMC. Financial Management Division is responsible for overseeing the Group's liquidity risk. It cooperates with Treasury Division to assist the ALCO to perform liquidity management functions according to their specific responsibilities.

The Group established liquidity risk management indicators and limits to identify, measure, monitor and control liquidity risk on daily basis. These indicators and limits include, but are not limited to liquidity coverage ratio ("LCR"), loan-to-deposit ratio, Maximum Cumulative Cash Outflow ("MCO") and liquidity buffer asset portfolio. The Group applies cash flow analysis to assess the Group's liquidity condition under normal conditions and also performs a liquidity stress test (including institution specific, general market crisis and combined crisis) at least on monthly basis to assess the Group's capability to withstand various severe liquidity crises. Also, the Assets and Liabilities Management System is developed to provide data and the preparation 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)**

本集團根據金管局於2011年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（如客戶存款）及表外（如貸款承諾）項目作出假設。因應不同資產、負債及表外項目的特性，根據合約到期日、客戶習性假設及資產負債規模變化假設，以預測本集團的未來現金流量狀況。本集團設定「最大累計現金流出」指標，根據以上假設預測在日常情況下的未來30日之最大累計現金淨流出，以評估本集團的融資能力是否足以應付該現金流缺口，以達到持續經營的目的。於2015年12月31日，在沒有考慮出售未到期有價證券的現金流入之情況下，本銀行之30日累計現金流是淨流入，為港幣9,723,236,000元(2014年：港幣4,424,474,000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 in 2011, the Group has implemented behaviour model and assumptions of cash flow analysis and stress test to enhance the Group's cash flow analysis under both normal and stressed conditions. In cash flow analysis under normal circumstances, assumptions have been made relating to on-balance sheet items (such as deposits from customers) and off-balance sheet items (such as loan commitments). According to various characteristics of the assets, liabilities and off-balance sheet items, the Group forecasts the future cash flow based on contractual maturity date and the assumptions of customer behaviour and balance sheet changes. The Group establishes MCO indicator which predicts the future 30 day maximum cumulative net cash outflow in normal situations based on the above assumptions, to assess if the Group has sufficient financing capacity to meet the cash flow gap in order to achieve the objective of continuing operation. As at 31 December 2015, before taking the cash inflow through the sale of outstanding marketable securities into consideration, the Bank's 30 day cumulative cash flow was a net cash inflow amounting to HK\$9,723,236,000 (2014: HK\$4,424,474,000) 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，貸款承擔及與貿易相關的或然負債之提取率，貸款逾期比例及滾動發放比率，同業拆出及有價證券的折扣率等。於2015年12月31日，本集團在以上三種壓力情景下都能維持正現金流，表示本集團有能力應付壓力情景下的融資需要。此外，本集團的管理政策要求本集團維持流動資金緩衝，當中包括的高質素或質素相若的有價證券為由官方實體、中央銀行、公營單位或多邊發展銀行發行或擔保，而其風險權重為0%或20%，或由非金融企業發行或擔保，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2015年12月31日，本銀行流動資金緩衝（折扣前）為港幣29,189,795,000元（2014年：港幣20,399,765,000元）。應急計劃明確了需根據壓力測試結果和預警指標結果為啟動方案的條件，並詳述了相關行動計劃、程序以及各相關部門的職責。

4.3 Liquidity risk (continued)

In the liquidity stress test, institution specific, general market crisis and combined crisis scenario has been set up, combined crisis scenario is a combination of institution specific and general market crisis to assess the Group's capability to withstand a more severe liquidity crisis, with a more stringent set of assumptions being adopted. Stress test assumptions include the run-off rate of retail, wholesale and interbank deposits; drawdown rate of loan commitments and trade-related contingent liabilities; delinquency ratio and rollover rate of customer loans; and haircut of interbank placement and marketable securities. As at 31 December 2015, the Group was able to maintain a positive cash flow 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 or guaranteed 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 2015, the Bank's liquidity cushion (before haircut) was HK\$29,189,795,000 (2014: HK\$20,399,765,000). A contingency plan is being established which details the conditions to trigger the plan based on stress test results and early warning indicators, the action plans and relevant procedures and responsibility of various departments.

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)**

流動性覆蓋比率是根據由2015年1月1日起生效的《銀行業(流動性)規則》計算，本集團被金管局指定為第一類認可機構，並需要以綜合基礎計算。於2015年度，本集團須維持流動性覆蓋比率不少於60%。

在部分衍生工具合約中，交易對手有權基於對集團的信用狀況的關注而向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，相關單位必須首先履行風險評估程序，包括評估潛在的流動資金風險，並考慮現行管理措施是否足夠控制相關風險。如果新產品或新業務可能對銀行流動資金風險形成重大影響，須上報風險管理委員會審批。

本集團制訂統一的流動資金風險管理政策，附屬銀行根據集團的統一政策，結合自身特點制訂具體的管理辦法，並承擔管理本機構流動資金風險的責任。主要附屬銀行獨立地履行日常風險管理職能，並定期向本集團管理層匯報。

4.3 Liquidity risk (continued)

The LCR is calculated in accordance with the Banking (Liquidity) Rules effective from 1 January 2015, the Group, being classified as category 1 authorised institution by the HKMA, is required to calculate LCR on consolidated basis. During the year of 2015, the Group is required to maintain a LCR not less than 60%.

In certain derivative contracts, the counterparties have 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 Risk Management Committee for approval.

The Group has established a set of uniform liquidity risk management policies. On the basis of the Group's uniform policy, the principal banking subsidiary develops its own liquidity management policies according to its own characteristics, and assumes its own liquidity risk management responsibility, executes its daily risk management processes independently, and 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)
4.3 流動資金風險 (續) 4.3 Liquidity risk (continued)
**(A) 流動性覆蓋比率／
流動資金比率 (A) Liquidity coverage ratio/liquidity ratio**

	2015 年季度結算至 2015 quarter ended				
	12 月 31 日 31 December	9 月 30 日 30 September	6 月 30 日 30 June	3 月 31 日 31 March	
流動性覆蓋比率的平均值	Average value of liquidity coverage ratio	120.02%	114.10%	163.68%	123.70%

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。

流動性覆蓋比率是以綜合基礎計算，並根據《銀行業（流動性）規則》由本銀行及金管局指定之附屬公司組成。

有關流動性覆蓋比率披露的補充資料可於本銀行網頁 www.ncb.com.hk 中「監管披露」一節瀏覽。

The 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.

The liquidity coverage ratio is computed on the consolidated basis which comprises the positions of the Bank and the subsidiaries specified by the HKMA in accordance with the Banking (Liquidity) Rules.

The additional information of liquidity coverage ratio disclosures is available under section "Regulatory Disclosures" on the Bank's website at www.ncb.com.hk.

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／
流動資金比率（續）**

(A) Liquidity coverage ratio/liquidity ratio (continued)

	2014
平均流動資金比率	51.99%

平均流動資金比率是以本銀行年內每月平均流動資金比率的算術平均數計算。

The average liquidity ratio is calculated as the arithmetical mean of each calendar month's average liquidity ratio of the Bank for the year.

流動資金比率是根據《銀行業條例》前身的附表四及以單獨基準（即只包括香港辦事處）計算。

The liquidity ratio is computed on the solo basis (the Hong Kong offices only) and is in accordance with the predecessor Fourth Schedule to the Banking Ordinance.

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.

		2015							
		即期	一	一	三	一	五	不	總
		On	個	至	至	至	至	確	計
		demand	月	三	十二	一	五	定	總
		港	港	港	港	港	港	日	計
		幣	幣	幣	幣	幣	幣	期	總
		千	千	千	千	千	千	元	計
		元	元	元	元	元	元	元	總
		HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	計
		HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	總
資產	Assets								
庫存現金及存放銀行及其他金融機構的結餘	Cash and balances with banks and other financial institutions	13,738,576	31,379,966	-	-	-	-	9,126,263	54,244,805
在銀行及其他金融機構一至十二個月內到期之定期存放	Placements with banks and other financial institutions maturing between one and twelve months	-	-	3,157,041	3,899,744	-	-	-	7,056,785
公平值變化計入損益之金融資產	Financial assets at fair value through profit or loss								
- 交易性	- Held for trading								
- 債務證券	- Debt securities	-	1,762,994	2,479,360	2,471,938	-	-	-	6,714,292
- 界定為以公平值變化計入損益	- Designated at fair value through profit or loss								
- 債務證券	- Debt securities	-	-	-	2,168	247,112	-	-	249,280
衍生金融工具	Derivative financial instruments	320,134	96,765	21,483	255,610	2,274	-	-	696,266
貸款及其他賬項	Advances and other accounts								
- 客戶貸款	- Advances to customers	5,500,045	7,436,513	14,184,098	36,000,440	61,815,074	29,138,201	777,500	154,851,871
- 貿易票據	- Trade bills	7	3,372,536	4,090,506	6,609,094	-	-	-	14,072,143
金融投資	Financial investments								
- 可供出售	- Available-for-sale								
- 債務證券	- Debt securities	-	7,295,867	6,428,028	8,657,828	18,096,760	356,810	-	40,835,293
- 存款證	- Certificates of deposit	-	216,318	1,404,198	6,404,497	3,018,675	-	-	11,043,688
- 其他	- Others	-	472,067	-	-	-	-	-	472,067
- 持有至到期日	- Held-to-maturity								
- 債務證券	- Debt securities	-	-	1,237	299,330	2,165,963	-	-	2,466,530
- 貸款及應收款	- Loans and receivables								
- 債務證券	- Debt securities	-	182,257	48,142	355,393	-	-	-	585,792
- 股份證券	- Equity securities	-	-	-	-	-	-	4,613	4,613
投資物業	Investment properties	-	-	-	-	-	-	414,736	414,736
物業、器材及設備	Properties, plant and equipment	-	-	-	-	-	-	7,008,020	7,008,020
其他資產(包括應收及遞延稅項資產)	Other assets (including current and deferred tax assets)	164,183	3,936,533	13,518	134,702	(7,648)	-	106,595	4,347,883
待出售資產	Assets held for sale	-	132,729	-	-	-	-	-	132,729
資產總額	Total assets	19,722,945	56,284,545	31,827,611	65,090,744	85,338,210	29,495,011	17,437,727	305,196,793

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)

		2015							
		即期	一個月內	一至三個月	三至十二個月	一至五年	五年以上	不確定日期	總計
		On demand	Up to 1 month	1 to 3 months	3 to 12 months	1 to 5 years	Over 5 years	Indefinite	Total
		港幣千元	港幣千元	港幣千元	港幣千元	港幣千元	港幣千元	港幣千元	港幣千元
		HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
負債	Liabilities								
銀行及其他金融機構之存款及結餘	Deposits and balances from banks and other financial institutions	3,648,010	18,122,402	2,501,295	6,689,467	-	-	-	30,961,174
公平值變化計入損益之金融負債	Financial liabilities at fair value through profit or loss	-	1,084,486	1,907,861	1,583,009	-	-	-	4,575,356
衍生金融工具	Derivative financial instruments	103,804	76,539	29,472	73,219	19,910	-	-	302,944
客戶存款	Deposits from customers	90,852,158	55,539,932	34,371,019	31,798,000	5,700,874	-	-	218,261,983
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)	1,998,248	1,315,194	2,943,651	6,315,257	1,376,345	25,987	-	13,974,682
待出售資產之相關負債	Liabilities associated with assets held for sale	-	21,884	-	-	-	-	-	21,884
負債總額	Total liabilities	96,602,220	76,160,437	41,753,298	46,458,952	7,097,129	25,987	-	268,098,023
流動資金缺口	Net liquidity gap	(76,879,275)	(19,875,892)	(9,925,687)	18,631,792	78,241,081	29,469,024	17,437,727	37,098,770

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)

		2014							
		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
		港幣千元	港幣千元	港幣千元	港幣千元	港幣千元	港幣千元	港幣千元	港幣千元
		HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
資產	Assets								
庫存現金及存放銀行及其他金融機構的結餘	Cash and balances with banks and other financial institutions	25,068,696	21,881,782	-	-	-	-	11,332,322	58,282,800
在銀行及其他金融機構一至十二個月內到期之定期存放	Placements with banks and other financial institutions maturing between one and twelve months	-	-	9,477,006	8,703,756	-	-	-	18,180,762
公平值變化計入損益之金融資產	Financial assets at fair value through profit or loss								
- 交易性	- Held for trading								
- 債務證券	- Debt securities	-	470,000	2,671,893	2,757,401	-	-	-	5,899,294
- 界定為以公平值變化計入損益	- Designated at fair value through profit or loss								
- 債務證券	- Debt securities	-	-	-	2,170	253,749	-	-	255,919
衍生金融工具	Derivative financial instruments	352,831	18,163	18,247	46,452	3,379	-	-	439,072
貸款及其他賬項	Advances and other accounts								
- 客戶貸款	- Advances to customers	5,600,078	9,742,952	16,597,492	36,208,391	52,393,120	26,179,173	810,930	147,532,136
- 貿易票據	- Trade bills	32,219	4,961,240	7,500,572	3,877,532	-	-	-	16,371,563
金融投資	Financial investments								
- 可供出售	- Available-for-sale								
- 債務證券	- Debt securities	-	71,704	1,121,059	5,071,150	1,633,772	-	-	7,897,685
- 存款證	- Certificates of deposit	-	1,282,624	6,181,988	8,984,351	17,486,963	565,963	-	34,501,889
- 持有至到期日	- Held-to-maturity								
- 債務證券	- Debt securities	-	-	1,415	644	1,996,697	619,634	-	2,618,390
- 貸款及應收款	- Loans and receivables	-	-	620,262	1,454,332	-	-	-	2,074,594
- 債務證券	- Debt securities	-	-	-	-	-	-	-	-
- 股份證券	- Equity securities	-	-	-	-	-	-	75,766	75,766
投資物業	Investment properties	-	-	-	-	-	-	1,280,271	1,280,271
物業、器材及設備	Properties, plant and equipment	-	-	-	-	-	-	7,328,497	7,328,497
其他資產 (包括遞延稅項資產)	Other assets (including deferred tax assets)	185,402	779,942	3,202	47,394	139,094	46	10,535	1,165,615
資產總額	Total assets	31,239,226	39,208,407	44,193,136	67,153,573	73,906,774	27,364,816	20,838,321	303,904,253

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)

		2014							
		即期	一個月內	一至三個月	三至十二個月	一至五年	五年以上	不確定日期	總計
		On demand	Up to 1 month	1 to 3 months	3 to 12 months	1 to 5 years	Over 5 years	Indefinite	Total
		港幣千元	港幣千元	港幣千元	港幣千元	港幣千元	港幣千元	港幣千元	港幣千元
		HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
負債	Liabilities								
銀行及其他金融機構之存款及結餘	Deposits and balances from banks and other financial institutions	2,649,041	17,702,866	9,332,830	8,050,874	-	-	-	37,735,611
公平值變化計入損益之金融負債	Financial liabilities at fair value through profit or loss	-	1,978,491	873,945	2,118,257	-	-	-	4,970,693
衍生金融工具	Derivative financial instruments	98,057	86,204	30,223	32,269	31,753	-	-	278,506
客戶存款	Deposits from customers	75,443,820	54,407,895	35,397,115	34,231,783	10,153,322	-	-	209,633,935
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)	4,834,848	3,156,033	2,893,494	4,333,573	1,171,922	794	-	16,390,664
負債總額	Total liabilities	83,025,766	77,331,489	48,527,607	48,766,756	11,356,997	794	-	269,009,409
流動資金缺口	Net liquidity gap	(51,786,540)	(38,123,082)	(4,334,471)	18,386,817	62,549,777	27,364,022	20,838,321	34,894,844

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為遵循《銀行業(披露)規則》之相關條文而披露的。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 disclosed in order to comply with relevant provisions under the Banking (Disclosure) Rules. 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)
4.3 Liquidity risk (continued)
**(C) 按合約到期日分析
之未折現現金流**
(C) Analysis of undiscounted cash flows by contractual maturities
(a) 非衍生工具之現金流
(a) Non-derivative cash flows

下表概述了本集團於12月31日之非衍生金融負債以剩餘合約到期日列示之現金流。

The tables below summarise the cash flows of the Group as at 31 December for non-derivative financial liabilities by remaining contractual maturity.

		2015					
		一 至	三 至	一 至	五 年	五 年	總 計
		一 個 月 內	三 個 月	十 二 個 月	一 至 五 年	五 年 以 上	總 計
		Up to 1 month	1 to 3 months	3 to 12 months	1 to 5 years	Over 5 years	Total
		港幣 千元	港幣 千元	港幣 千元	港幣 千元	港幣 千元	港幣 千元
		HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
金融負債	Financial liabilities						
銀行及其他金融機構之存款及結餘	Deposits and balances from banks and other financial institutions	21,779,006	2,508,618	6,731,882	-	-	31,019,506
公平值變化計入損益之金融負債	Financial liabilities at fair value through profit or loss	1,084,500	1,908,000	1,583,500	-	-	4,576,000
客戶存款	Deposits from customers	146,416,843	34,462,462	32,206,656	6,056,730	-	219,142,691
其他金融負債	Other financial liabilities	3,151,954	2,732,681	6,292,647	506,860	26,038	12,710,180
金融負債總額	Total financial liabilities	172,432,303	41,611,761	46,814,685	6,563,590	26,038	267,448,377
		2014					
		一 至	三 至	一 至	五 年	五 年	總 計
		一 個 月 內	三 個 月	十 二 個 月	一 至 五 年	五 年 以 上	總 計
		Up to 1 month	1 to 3 months	3 to 12 months	1 to 5 years	Over 5 years	Total
		港幣 千元	港幣 千元	港幣 千元	港幣 千元	港幣 千元	港幣 千元
		HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
金融負債	Financial liabilities						
銀行及其他金融機構之存款及結餘	Deposits and balances from banks and other financial institutions	20,388,137	9,396,895	8,182,134	-	-	37,967,166
公平值變化計入損益之金融負債	Financial liabilities at fair value through profit or loss	1,978,500	874,000	2,119,000	-	-	4,971,500
客戶存款	Deposits from customers	129,885,722	35,519,941	34,833,788	11,008,039	-	211,247,490
其他金融負債	Other financial liabilities	7,636,441	2,688,501	4,078,030	194,912	794	14,598,678
金融負債總額	Total financial liabilities	159,888,800	48,479,337	49,212,952	11,202,951	794	268,784,834

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)

		2015					
		一個月內	一至三個月	三至十二個月	一至五年	五年以上	總計
		Up to 1 month	1 to 3 months	3 to 12 months	1 to 5 years	Over 5 years	Total
		港幣千元	港幣千元	港幣千元	港幣千元	港幣千元	港幣千元
		HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
按淨額基準結算之衍生金融負債	Derivative financial liabilities settled on a net basis	(104,510)	(2,043)	(17,962)	(8,160)	-	(132,675)
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	22,039,048	7,838,682	13,446,442	75,357	-	43,399,529
總流出	Total outflow	(22,024,752)	(7,850,203)	(13,357,472)	(75,249)	-	(43,307,676)

		2014					
		一個月內	一至三個月	三至十二個月	一至五年	五年以上	總計
		Up to 1 month	1 to 3 months	3 to 12 months	1 to 5 years	Over 5 years	Total
		港幣千元	港幣千元	港幣千元	港幣千元	港幣千元	港幣千元
		HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
按淨額基準結算之衍生金融負債	Derivative financial liabilities settled on a net basis	(100,241)	(9,011)	(25,332)	(15,614)	-	(150,198)
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	20,417,338	6,924,041	11,252,454	834,845	-	39,428,678
總流出	Total outflow	(20,719,023)	(6,952,942)	(11,370,225)	(834,202)	-	(39,876,392)

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

貸款承擔

Loan commitments

有關本集團於2015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86,380,519,000元（2014年：港幣74,498,453,000元），此等貸款承擔可於一年內提取。

The contractual amounts of the Group's off-balance sheet financial instruments as at 31 December 2015 that the Group commits to extend credit to customers and other facilities totalled HK\$86,380,519,000 (2014: HK\$74,498,453,000). Those loan commitments can be drawn within one year.

**財務擔保及其他
財務融資**

Financial guarantees and other financial facilities

本集團於2015年12月31日之財務擔保及其他財務融資金額為港幣36,313,017,000元（2014年：港幣38,415,882,000元），其到期日少於一年。

Financial guarantees and other financial facilities of the Group as at 31 December 2015 totalled HK\$36,313,017,000 (2014: HK\$38,415,882,000) 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，並使用內部評級基準（證券化）計算法計算證券化類別風險承擔的信貸風險資本要求。小部分信貸風險承擔則繼續按標準（信貸風險）計算法計算。本集團採用標準信貸估值調整方法，計算具有信貸估值調整風險的交易對手資本要求。

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 and the internal ratings-based (securitisation) approach to calculate the credit risk capital charge for its securitisation exposures. A small residual credit exposures are remained under the standardised (credit risk) ("STC") approach. The Group has adopted the standardised credit valuation adjustment ("CVA") method to calculate the capital charge for the CVA risk of the counterparty.

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由港外分行及南商（中國）引致的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2015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 arising from overseas branches and NCB(China) in the calculation of the market risk capital charge. The Group continues to adopt the standardised (market risk) (“STM”) approach to calculate the market risk capital charge for the remaining exposures.

The Group continues to adopt standardised (operational risk) (“STO”) approach to calculate the operational risk capital charge.

The Group has continued to adopt an internal capital adequacy assessment process (“ICAAP”) to comply with the HKMA’s requirements in the Supervisory Policy Manual “Supervisory Review Process” in 2015. 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、監控要求等多維度評估對資本充足性的影響，從而預測未來資本需求及資本來源，以保障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》由本銀行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 the Bank 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	2015		2014	
		資產總額	資本總額	資產總額	資本總額
		Total assets	Total equity	Total assets	Total equity
		港幣千元	港幣千元	港幣千元	港幣千元
		HK\$'000	HK\$'000	HK\$'000	HK\$'000
南洋商業銀行信託有限公司	Nanyang Commercial Bank Trustee Limited	16,355	16,246	16,295	16,186
廣利南投資管理有限公司	Kwong Li Nam Investment Agency Limited	4,248	4,026	4,481	4,027
南洋商業銀行 (代理人) 有限公司	Nanyang Commercial Bank (Nominees) Limited	1,472	1,472	1,477	1,477

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)

以上附屬公司的主要業務載於「附錄一本銀行之附屬公司」。

The principal activities of the above subsidiaries are set out in "Appendix – Subsidiaries of the Bank".

於 2015 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（2014 年：無）。

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 2015 (2014: Nil).

於 2015 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（2014 年：無）。

Neither were there any 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 2015 (2014: Nil).

(B) 資本比率

(B) Capital ratio

		<u>2015</u>	<u>2014</u>
普通股權一級資本比率	CET1 capital ratio	<u>16.20%</u>	<u>14.17%</u>
一級資本比率	Tier 1 capital ratio	<u>16.20%</u>	<u>14.17%</u>
總資本比率	Total capital ratio	<u>18.41%</u>	<u>16.53%</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:

		2015	2014
		港幣千元	港幣千元
		HK\$'000	HK\$'000
普通股權一級資本：票據及儲備	CET1 capital: instruments and reserves		
直接發行的合資格普通股權一級資本票據	Directly issued qualifying CET1 capital instruments	3,144,517	3,144,517
保留溢利	Retained earnings	25,495,966	22,764,425
已披露的儲備	Disclosed reserves	<u>8,451,135</u>	<u>8,978,910</u>
監管扣減之前的普通股權一級資本	CET1 capital before regulatory deductions	<u>37,091,618</u>	<u>34,887,852</u>
普通股權一級資本：監管扣減	CET1 capital: regulatory deductions		
估值調整	Valuation adjustments	(8,617)	(3,465)
已扣除遞延稅項負債的遞延稅項資產	Deferred tax assets net of deferred tax liabilities	(5,962)	(152,171)
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	(537)	(877)
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)	(6,190,605)	(6,919,824)
一般銀行業務風險監管儲備	Regulatory reserve for general banking risks	<u>(2,255,673)</u>	<u>(2,173,590)</u>
對普通股權一級資本的監管扣減總額	Total regulatory deductions to CET1 capital	<u>(8,461,394)</u>	<u>(9,249,927)</u>
普通股權一級資本	CET1 capital	<u>28,630,224</u>	<u>25,637,925</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)

		<u>2015</u>	<u>2014</u>
		港幣千元 HK\$'000	港幣千元 HK\$'000
一級資本	Tier 1 capital	<u>28,630,224</u>	<u>25,637,925</u>
二級資本：票據及準備金 合資格計入二級資本的 集體減值備抵及一般 銀行風險監管儲備	Tier 2 capital: instruments and provisions Collective impairment allowances and regulatory reserve for general banking risks eligible for inclusion in Tier 2 capital	<u>1,109,458</u>	<u>1,153,326</u>
監管扣減之前的二級資本	Tier 2 capital before regulatory deductions	<u>1,109,458</u>	<u>1,153,326</u>
二級資本：監管扣減 加回合資格計入二級資 本的因對土地及建築 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>2,785,772</u>	<u>3,113,921</u>
對二級資本的監管扣減 總額	Total regulatory deductions to Tier 2 capital	<u>2,785,772</u>	<u>3,113,921</u>
二級資本	Tier 2 capital	<u>3,895,230</u>	<u>4,267,247</u>
總資本	Total capital	<u>32,525,454</u>	<u>29,905,172</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)

根據《銀行業 (資本) 規則》，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 (「CCyB 比率」) 及在香港及非香港司法管轄區的適用 JCCyB 比率於 2015 年均為 0%。

有關資本披露的補充資料可於本銀行網頁 www.ncb.com.hk 中「監管披露」一節瀏覽。

4.4 Capital management (continued)

(B) Capital ratio (continued)

The capital conservation buffer ratio, higher loss absorbency ratio, countercyclical capital buffer ratio ("CCyB ratio") and the applicable JCCyB ratios for Hong Kong and non-Hong Kong jurisdictions for 2015 are 0% in accordance with the Banking (Capital) Rules.

The additional information of capital disclosures is available under section "Regulatory Disclosures" on the Bank's website at www.ncb.com.hk.

(C) 槓桿比率

(C) Leverage ratio

		2015
		港幣千元 HK\$'000
一級資本	Tier 1 capital	28,630,224
槓桿比率風險承擔	Leverage ratio exposure	339,678,093
槓桿比率	Leverage ratio	8.43%

有關槓桿比率披露的補充資料可於本銀行網頁 www.ncb.com.hk 中「監管披露」一節瀏覽。

The additional information of leverage ratio disclosures is available under section "Regulatory Disclosures" on the Bank's website at www.ncb.com.hk.

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）。此層級包括部分政府發行的債務工具及若干場內交易的衍生合約。
- 第二層級：乃基於估值技術所採用的最低層級因素（同時需對整體公平值計量有重大影響）可被直接或間接地觀察。此層級包括大部分場外交易的衍生合約、從估值服務供應商獲取價格的債務證券及存款證。同時亦包括對可觀察的市場因素進行了不重大調整的貴金屬及物業。
- 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及債務工具。同時亦包括對可觀察的市場因素進行了重大調整的物業。

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy as defined in HKFRS 13, "Fair value measurement". The categorisation are determined with reference to the observability and significance of the inputs used in the valuation methods and based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1: based on quoted prices (unadjusted) in active markets for identical assets or liabilities. This category includes debt instruments issued by certain governments and certain exchange-traded derivative contracts.
- Level 2: based on valuation techniques for which the lowest level input that is significant to the fair value measurement is observable, either directly or indirectly. This category includes majority of the OTC derivative contracts, debt securities and certificates of deposit with quote from pricing services vendors. It also includes 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 and debt instruments 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。重大估值事項將向管理層匯報。

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. Significant valuation issues are reported to the Management.

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、波幅、交易對手信貸利差及其他等，主要為可從公開市場觀察及獲取的參數。

用以釐定以下金融工具公平值的估值方法如下：

債務工具及存款證

此類工具的公平值由交易所、交易商或外間獨立估值服務供應商提供的市場報價或使用貼現現金流模型分析而決定。貼現現金流模型是一個利用預計未來現金流，以一個可反映市場上相類似風險的工具所需信貸息差之貼現率或貼現差額計量而成現值的估值技術。這些參數是市場上可觀察或由可觀察或不可觀察的市場數據證實。

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, volatilities, 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 instruments and certificates of deposit

The fair value of these instruments is determined by obtaining quoted market prices from exchange, dealer or independent pricing service vendors or using discounted cash flow technique. Discounted cash flow model is a valuation technique that measures present value using estimated expected future cash flows from the instruments and then discounts these flows using a discount rate or discount margin that reflects the credit spreads required by the market for instruments with similar risk. These inputs are observable or can be corroborated by observable or unobservable market data.

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)

衍生工具

場外交易的衍生工具合約包括外匯、利率、股票或商品的遠期、掉期及期權合約。衍生工具合約的價格主要由貼現現金流模型及期權計價模型等估值技術釐定。所使用的參數為可觀察或不可觀察市場數據。可觀察的參數包括利率、匯率、權益及股票價格、商品價格及波幅。

本集團對場外交易的衍生工具作出了信貸估值調整及債務估值調整。調整分別反映對市場因素變化、交易對手信譽及集團自身信貸息差的期望。有關調整主要是按每一交易對手，以未來預期敞口、違約率及收回率釐定。

5.1 Financial instruments measured at fair value (continued)

Derivatives

OTC derivative contracts include forward, swap and option contracts on foreign exchange, interest rate, equity or commodity. The fair values of these contracts are mainly measured using valuation techniques such as discounted cash flow models and option pricing models. The inputs can be observable or unobservable market data. Observable inputs include interest rate, foreign exchange rates, equity and stock prices, commodity prices and volatilities.

Credit valuation adjustments ("CVA") and debit valuation adjustments ("DVA") are applied to the Group's OTC derivatives. These adjustments reflect market factors movement, expectations of counterparty creditworthiness and the Group's own credit spread respectively. They are mainly determined for each counterparty and are dependent on expected future values of exposures, default probabilities and recovery rates.

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
(A) Fair value hierarchy

		2015			
		第一層級 Level 1	第二層級 Level 2	第三層級 Level 3	總計 Total
		港幣千元 HK\$'000	港幣千元 HK\$'000	港幣千元 HK\$'000	港幣千元 HK\$'000
金融資產	Financial assets				
公平值變化計入損益之金融資產 (附註 20)	Financial assets at fair value through profit or loss (Note 20)				
- 交易性資產	- Trading assets				
- 債務證券	- Debt securities	-	6,714,292	-	6,714,292
- 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				
- 債務證券	- Debt securities	-	249,280	-	249,280
衍生金融工具 (附註 21)	Derivative financial instruments (Note 21)	320,134	376,132	-	696,266
可供出售金融資產 (附註 24)	Available-for-sale financial assets (Note 24)				
- 債務證券及存款證	- Debt securities and certificates of deposit	2,814,257	49,064,724	-	51,878,981
- 股份證券	- Equity securities	-	-	4,613	4,613
- 其他	- Others	-	-	472,067	472,067
		320,134	49,313,916	472,067	50,106,117
金融負債	Financial liabilities				
公平值變化計入損益之金融負債 (附註 28)	Financial liabilities at fair value through profit or loss (Note 28)				
- 交易性負債	- Trading liabilities	-	4,575,356	-	4,575,356
衍生金融工具 (附註 21)	Derivative financial instruments (Note 21)	103,804	199,140	-	302,944

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)

		2014			
		第一層級 Level 1	第二層級 Level 2	第三層級 Level 3	總計 Total
		港幣千元 HK\$'000	港幣千元 HK\$'000	港幣千元 HK\$'000	港幣千元 HK\$'000
金融資產	Financial assets				
公平值變化計入損益之金融資產 (附註 20)	Financial assets at fair value through profit or loss (Note 20)				
- 交易性資產	- Trading assets				
- 債務證券	- Debt securities	-	5,899,294	-	5,899,294
- 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				
- 債務證券	- Debt securities	-	255,919	-	255,919
衍生金融工具 (附註 21)	Derivative financial instruments (Note 21)	352,831	86,237	4	439,072
可供出售金融資產 (附註 24)	Available-for-sale financial assets (Note 24)				
- 債務證券及存款證	- Debt securities and certificates of deposit	-	42,399,574	-	42,399,574
- 股份證券	- Equity securities	-	-	75,766	75,766
金融負債	Financial liabilities				
公平值變化計入損益之金融負債 (附註 28)	Financial liabilities at fair value through profit or loss (Note 28)				
- 交易性負債	- Trading liabilities	-	4,970,693	-	4,970,693
衍生金融工具 (附註 21)	Derivative financial instruments (Note 21)	98,057	180,421	28	278,506

本集團之金融資產及負債於年內均沒有第一層級及第二層級之間的轉移 (2014 年：無)。

There were no financial asset and liability transfers between level 1 and level 2 for the Group during the year (2014: 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) 第三層級的项目變動
(B) Reconciliation of level 3 items

		2015		
		金融資產		
		Financial assets		
		衍生金融工具 (淨額) Derivative Financial Instruments (net)	可供出售金融資產 Available-for-sale financial assets	
			股份證券 Equity securities	其他 Others
		港幣千元 HK\$'000	港幣千元 HK\$'000	港幣千元 HK\$'000
於 2015 年 1 月 1 日	At 1 January 2015	4	75,766	-
收益	Gains			
- 其他全面收益	- Other comprehensive income			
- 可供出售證券之公平值變化	- Change in fair value of available-for-sale securities	-	11,679	-
買入	Purchases	-	-	472,067
賣出	Sales	-	(82,832)	-
結算	Settlements	(4)	-	-
於 2015 年 12 月 31 日	At 31 December 2015	-	4,613	472,067
於 2015 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 2015	-	-	-

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) 第三層級的项目變動 (續)
(B) Reconciliation of level 3 items (continued)

		2014		
		金融資產		
		Financial assets		
		衍生金融工具 (淨額) Derivative Financial Instruments (net)	可供出售金融資產 Available-for-sale financial assets	股份證券 Equity securities
		存款證 Certificates of deposit	港幣千元 HK\$'000	港幣千元 HK\$'000
於 2014 年 1 月 1 日	At 1 January 2014	-	2,136,848	63,965
收益	Gains			
- 收益表	- Income statement	4	-	-
- 其他全面收益	- Other comprehensive income			
- 可供出售證券之 公平值變化	- Change in fair value of available-for-sale securities	-	660	11,801
賣出	Sales	-	(2,057,390)	-
轉出第三層級	Transfer out of level 3	-	(80,118)	-
於 2014 年 12 月 31 日	At 31 December 2014	4	-	75,766
於 2014 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 2014	4	-	-

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)

(B) 第三層級的項目變動 (續)

於 2015 年 12 月 31 日及 2014 年 12 月 31 日，分類為第三層級的金融工具主要為債務工具、存款證及非上市股權。

所有分類為第三層級的存款證因估值可觀察性改善於 2014 年度轉出第三層級。對於某些低流動性債務工具，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，因此本集團將這些金融工具劃分至第三層級。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。

非上市可供出售股權的公平值乃參考可供比較的上市公司之平均市價／盈利倍數，或若沒有合適可供比較的公司，則按其資產淨值釐定。公平值與適合採用之可比較倍數比率或資產淨值存在正向關係。若股權投資的企業資產淨值增長／減少 5%，則本集團其他全面收益將增加／減少港幣 231,000 元（2014 年：港幣 3,788,000 元）。

5.1 Financial instruments measured at fair value (continued)

(B) Reconciliation of level 3 items (continued)

As at 31 December 2015 and 2014, financial instruments categorised as level 3 are mainly comprised of debt instruments, certificates of deposit and unlisted equity shares.

Certificates of deposit were transferred out of level 3 in the year of 2014 due to improvement of valuation observability. For certain illiquid debt instruments, the Group obtains valuation quotations from counterparties which may be based on unobservable inputs with significant impact on the valuation. Therefore, these instruments have been classified by the Group as level 3. The Group has established internal control procedures to control the Group's exposure to such financial instruments.

The fair values of unlisted available-for-sale equity shares are determined with reference to multiples of comparable listed companies, such as average of the price/earning ratios of comparables, or net asset value, if appropriate comparables are not available. The fair value is positively correlated to the price/earning ratios of appropriate comparables or net asset values. Had the net asset value of the underlying equity investments increased/decreased by 5%, the Group's other comprehensive income would have increased/decreased by HK\$231,000 (2014: HK\$3,788,000).

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

大部分之客戶貸款是浮動利率，按市場息率計算利息，其賬面值與公平值相若。

持有至到期日證券

持有至到期日證券之公平值釐定與附註 5.1 內以公平值計量的債務工具及存款證採用之方法相同。

貸款及應收款

貸款及應收款之公平值釐定與附註 5.1 內以公平值計量的債務工具及存款證採用之方法相同。

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。

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

Substantially all the advances to customers are on floating rate terms, bear interest at prevailing market interest rates and their carrying value approximates fair value.

Held-to-maturity securities

The fair value of held-to-maturity securities is determined by using the same approach as those debt instruments and certificates of deposit measured at fair value as described in Note 5.1.

Loans and receivables

The fair value of loans and receivables is determined by using the same approach as those debt instruments and certificates of deposit measured at fair value as described in Note 5.1.

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.

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)

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)

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.

	2015		2014	
	賬面值 Carrying value	公平值 Fair value	賬面值 Carrying value	公平值 Fair value
	港幣千元 HK\$'000	港幣千元 HK\$'000	港幣千元 HK\$'000	港幣千元 HK\$'000
金融資產				
持有至到期日證券 (附註 24)				
貸款及應收款 (附註 24)				
Financial assets				
Held-to-maturity securities (Note 24)	2,466,530	2,557,828	2,618,390	2,668,585
Loans and receivables (Note 24)	585,792	586,376	2,074,594	2,072,809

下表列示已披露其公平值的金融工具之公平值等級。

The following tables show the fair value hierarchy for financial instruments with fair values disclosed.

	2015			
	第一層級 Level 1	第二層級 Level 2	第三層級 Level 3	總計 Total
	港幣千元 HK\$'000	港幣千元 HK\$'000	港幣千元 HK\$'000	港幣千元 HK\$'000
金融資產				
持有至到期日證券	-	2,557,828	-	2,557,828
貸款及應收款	-	586,376	-	586,376
Financial assets				
Held-to-maturity securities	-	2,557,828	-	2,557,828
Loans and receivables	-	586,376	-	586,376

	2014			
	第一層級 Level 1	第二層級 Level 2	第三層級 Level 3	總計 Total
	港幣千元 HK\$'000	港幣千元 HK\$'000	港幣千元 HK\$'000	港幣千元 HK\$'000
金融資產				
持有至到期日證券	-	2,668,585	-	2,668,585
貸款及應收款	-	2,072,809	-	2,072,809
Financial assets				
Held-to-maturity securities	-	2,668,585	-	2,668,585
Loans and receivables	-	2,072,809	-	2,072,809

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。估值由獨立特許測量師第一太平戴維斯估值及專業顧問有限公司進行，其擁有具備香港測量師學會資深專業會員及專業會員資格之人員，並在估值物業所處地區及種類上擁有經驗。當估值於每半年末及年末進行時，本集團管理層會跟測量師討論估值方法、估值假設及估值結果。估值方法於年內沒有改變。

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。

本集團之物業均位於香港及內地之主要城市，被認為是活躍及透明的物業市場。可比較物業之出售價、市場租金及資本化率一般均可在此等市場上被直接或間接觀察得到。

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. The valuations were carried out by an independent firm of chartered surveyors, Savills Valuation and Professional Services Limited, who have among their staff Fellow and Members of The Hong Kong Institute of Surveyors with recent experience in the locations and categories of properties being valued. The Group's Management had discussions with the surveyors on the valuation methods, valuation assumptions and valuation results when the valuation is performed at each interim and annual reporting date. There has been no change in valuation methods during the year.

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.

The Group's properties are located in Hong Kong and major cities in the PRC where the property markets are considered active and transparent. Sales price, market rent and capitalisation rate of comparable properties are generally observable either directly or indirectly in these markets.

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)
有關第三層級公平值計量的資料

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。

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：

5.3 Non-financial instruments measured at fair value (continued)

Investment properties and premises (continued)
Information about Level 3 fair value measurements

The fair value of all of the Group's properties classified as Level 3 is determined using either the market comparison approach or the income capitalisation approach, adjusted for a premium or a discount specific to the features of the Group's properties compared to the comparable properties.

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
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% (2014: -12%)	溢價越高，公平值越高。 The higher the premium, the higher the fair value. 折價越高，公平值越低。 The higher the discount, the lower the fair value.

物業相對可比較物業在性質上之溢價／(折價)乃參考與可比較物業在不同因素上的差異，例如成交後之市場變動、位置、便達性、樓齡／狀況、樓層、面積、佈局等而釐定。

Premium/(discount) on features of 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, 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)
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。

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) 公平值的等級
(A) Fair value hierarchy
非金融資產

投資物業 (附註 25)
物業、器材及設備
(附註 26)
- 房產
其他資產 (附註 27)
- 貴金屬

Non-financial assets

Investment properties (Note 25)
Properties, plant and equipment
(Note 26)
- Premises
Other assets (Note 27)
- Precious metals

2015			
第一層級 Level 1	第二層級 Level 2	第三層級 Level 3	總計 Total
港幣千元 HK\$'000	港幣千元 HK\$'000	港幣千元 HK\$'000	港幣千元 HK\$'000
	-	414,736	414,736
	-	6,462,986	6,773,252
	53,393	-	53,393
	-	-	-

非金融資產

投資物業 (附註 25)
物業、器材及設備
(附註 26)
- 房產
其他資產 (附註 27)
- 貴金屬

Non-financial assets

Investment properties (Note 25)
Properties, plant and equipment
(Note 26)
- Premises
Other assets (Note 27)
- Precious metals

2014			
第一層級 Level 1	第二層級 Level 2	第三層級 Level 3	總計 Total
港幣千元 HK\$'000	港幣千元 HK\$'000	港幣千元 HK\$'000	港幣千元 HK\$'000
	-	1,280,271	1,280,271
	213,970	6,821,340	7,035,310
	11,691	-	11,691
	-	-	-

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 (2014年：無)。

There were no non-financial asset transfers between level 1 and level 2 for the Group during the year (2014: 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) 第三層級的项目變動 (B) Reconciliation of level 3 items

		2015	
		非金融資產	
		Non-financial assets	
		物業、器材及 設備	投資物業
		Properties, plant and equipment	Investment properties
		房產	Premises
		港幣千元	港幣千元
		HK\$'000	HK\$'000
於 2015 年 1 月 1 日	At 1 January 2015	1,280,271	6,821,340
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	35,446	-
- 重估房產之淨收益	- Net gain from revaluation of premises	-	2,321
- 其他全面收益	- Other comprehensive income		
- 房產重估	- Revaluation of premises	-	353,940
折舊	Depreciation	-	(123,176)
增置	Additions	2,903	26,099
出售	Sales	(901,200)	(376,178)
轉出第三層級	Transfer out of level 3	-	(217,000)
重新分類	Reclassification	(1,498)	1,498
匯兌差額	Exchange difference	(1,186)	(25,858)
		414,736	6,462,986
於 2015 年 12 月 31 日	At 31 December 2015		
於 2015 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 2015		
- 投資物業公平值調整之淨 收益	- Net gain from fair value adjustments on investment properties	35,446	-
- 重估房產之淨收益	- Net gain from revaluation of premises	-	2,321
		35,446	2,321

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) 第三層級的项目變動 (續)
(B) Reconciliation of level 3 items (continued)

		2014	
		非金融資產	
		Non-financial assets	
		物業、器材及 設備	投資物業 房產
		Properties, plant and equipment	Investment properties Premises
		港幣千元	港幣千元
		HK\$'000	HK\$'000
於 2014 年 1 月 1 日	At 1 January 2014		
收益	Gains		
- 收益表	- Income statement	1,147,938	4,677,510
- 投資物業公平值調整之 淨收益	- Net gain from fair value adjustments on investment properties	126,896	-
- 重估物業、器材及設備之 淨收益	- Net gain from revaluation of properties, plant and equipment	-	2,033
- 其他全面收益	- Other comprehensive income		
- 房產重估	- Revaluation of premises	-	336,325
折舊	Depreciation	-	(65,649)
增置	Additions	821	28,906
轉入第三層級	Transfer into level 3	30,000	1,830,099
重新分類	Reclassification	(24,085)	24,085
匯兌差額	Exchange difference	(1,299)	(11,969)
於 2014 年 12 月 31 日	At 31 December 2014	<u>1,280,271</u>	<u>6,821,340</u>
於 2014 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 2014		
- 投資物業公平值調整之淨 收益	- Net gain from fair value adjustments on investment properties	126,896	-
- 重估房產之淨收益	- Net gain from revaluation of premises	-	2,033
		<u>126,896</u>	<u>2,033</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

	2015	2014
	港幣千元 HK\$'000	港幣千元 HK\$'000
利息收入		
存放於同業及其他金融機構的款項	1,956,071	2,961,173
客戶貸款	5,343,647	5,630,733
證券投資及公平值變化計入損益之金融資產	1,429,710	1,410,300
其他	17,056	35,034
	8,746,484	10,037,240
利息支出		
同業及其他金融機構存放的款項	(711,066)	(1,027,085)
客戶存款	(3,024,093)	(3,527,257)
其他	(291,175)	(292,849)
	(4,026,334)	(4,847,191)
淨利息收入	4,720,150	5,190,049

截至 2015 年 12 月 31 日止年度之利息收入包括被界定為減值貸款的應計利息收入港幣 1,150,000 元 (2014 年：港幣 211,000 元)。

Included within interest income is HK\$1,150,000 (2014: HK\$211,000) of interest with respect to income accrued on advances classified as impaired for the year ended 31 December 2015.

非以公平值變化計入損益之金融資產與金融負債所產生的利息收入及利息支出 (未計算對沖影響) 分別為港幣 8,730,926,000 元 (2014 年：港幣 10,014,009,000 元) 及港幣 4,024,530,000 元 (2014 年：港幣 4,842,420,000 元)。

Included within interest income and interest expense are HK\$8,730,926,000 (2014: HK\$10,014,009,000) and HK\$4,024,530,000 (2014: HK\$4,842,420,000), before hedging effect, for financial assets and financial liabilities that are not recognised at fair value through profit or loss respectively.

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

		2015	2014
		港幣千元 HK\$'000	港幣千元 HK\$'000
服務費及佣金收入	Fee and commission income		
證券經紀	Securities brokerage	298,548	213,931
貸款佣金	Loan commissions	288,530	298,396
匯票佣金	Bills commissions	198,530	235,620
基金分銷	Funds distribution	162,948	159,240
保險	Insurance	145,102	117,692
信用卡業務	Credit card business	109,915	64,026
繳款服務	Payment services	65,442	69,222
保管箱	Safe deposit box	26,005	23,218
信託及託管服務	Trust and custody services	7,689	7,825
買賣貨幣	Currency exchange	555	543
其他	Others	143,263	143,252
		1,446,527	1,332,965
服務費及佣金支出	Fee and commission expense		
信用卡業務	Credit card business	(11,336)	(3,743)
證券經紀	Securities brokerage	(40,636)	(30,154)
繳款服務	Payment services	(22)	(236)
保險	Insurance	(144)	(892)
其他	Others	(37,439)	(43,214)
		(89,577)	(78,239)
淨服務費及佣金收入	Net fee and commission income	1,356,950	1,254,726
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	268,307	261,207
- 服務費及佣金支出	- Fee and commission expense	(3,800)	(7,317)
		264,507	253,890
- 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	19,897	19,593
- 服務費及佣金支出	- Fee and commission expense	(1,208)	(1,207)
		18,689	18,386

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>2015</u>	<u>2014</u>
		港幣千元	港幣千元
		HK\$'000	HK\$'000
淨收益／(虧損) 源自	Net gain/(loss) from		
- 外匯交易及外匯交易產品	- foreign exchange and foreign exchange products	37,696	(32,236)
- 利率工具	- interest rate instruments	17,171	44,835
- 商品	- commodities	(666)	(3,783)
- 股份權益	- equity	(42)	42
		<u>54,159</u>	<u>8,858</u>

9. 其他金融資產之淨收益
9. Net gain on other financial assets

		<u>2015</u>	<u>2014</u>
		港幣千元	港幣千元
		HK\$'000	HK\$'000
可供出售證券之淨收益	Net gain on available-for-sale securities	256,051	93,642
貸款及應收款之淨收益	Net gain on loans and receivables	839	-
其他	Others	79,531	28,888
		<u>336,421</u>	<u>122,530</u>

財務報表附註 (續) Notes to the Financial Statements (continued)
10. 其他經營收入
10. Other operating income

	2015	2014
	港幣千元	港幣千元
	HK\$'000	HK\$'000
證券投資股息收入		
- 非上市證券投資	7,236	9,345
投資物業之租金總收入	31,843	49,846
減：有關投資物業之支出	(3,208)	(3,063)
其他	6,537	14,680
	42,408	70,808

「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 212,000 元 (2014 年：港幣 34,000 元)。

Included in the "Outgoings in respect of investment properties" is HK\$212,000 (2014: HK\$34,000) of direct operating expenses related to investment properties that were not let during the year.

「投資物業之租金總收入」包括年內或然租金港幣 446,000 元 (2014 年：港幣 454,000 元)。

Contingent rent included in the "Gross rental income from investment properties" amounted to HK\$446,000 (2014: HK\$454,000).

財務報表附註 (續) Notes to the Financial Statements (continued)
11. 減值準備淨撥備
11. Net charge of impairment allowances

		<u>2015</u>	<u>2014</u>
		港幣千元 HK\$'000	港幣千元 HK\$'000
客戶貸款	Advances to customers		
個別評估	Individually assessed		
- 新提準備	- New allowances	(1,050,285)	(848,826)
- 撥回	- Releases	256,042	23,909
- 收回已撇銷賬項	- Recoveries	19,453	5,984
		<u> </u>	<u> </u>
按個別評估貸款減值準備淨撥備	Net charge of individually assessed loan impairment allowances	<u>(774,790)</u>	<u>(818,933)</u>
組合評估	Collectively assessed		
- 新提準備	- New allowances	(90,957)	(163,900)
- 撥回	- Releases	231,987	78,348
- 收回已撇銷賬項	- Recoveries	785	191
		<u> </u>	<u> </u>
按組合評估貸款減值準備淨撥回 / (撥備)	Net reversal/(charge) of collectively assessed loan impairment allowances	<u>141,815</u>	<u>(85,361)</u>
貸款減值準備淨撥備	Net charge of loan impairment allowances	<u>(632,975)</u>	<u>(904,294)</u>
其他	Others	<u>(349)</u>	<u>-</u>
減值準備淨撥備	Net charge of impairment allowances	<u>(633,324)</u>	<u>(904,294)</u>

財務報表附註 (續) Notes to the Financial Statements (continued)
12. 經營支出
12. Operating expenses

		<u>2015</u>	<u>2014</u>
		港幣千元	港幣千元
		HK\$'000	HK\$'000
人事費用 (包括董事酬金)	Staff costs (including directors' emoluments)		
- 薪酬及其他費用	- Salaries and other costs	1,151,425	1,092,159
- 退休成本	- Pension cost	<u>255,149</u>	<u>143,334</u>
		1,406,574	1,235,493
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	256,906	253,337
- 資訊科技	- Information technology	169,431	172,342
- 其他	- Others	<u>57,699</u>	<u>53,176</u>
		484,036	478,855
折舊	Depreciation	222,817	224,768
核數師酬金	Auditor's remuneration		
- 審計服務	- Audit services	6,195	6,044
- 非審計服務	- Non-audit services	219	294
其他經營支出	Other operating expenses	<u>512,321</u>	<u>552,135</u>
		<u>2,632,162</u>	<u>2,497,589</u>

財務報表附註（續） Notes to the Financial Statements (continued)
**13. 投資物業出售／公平
值調整之淨收益**
**13. Net gain from disposal of/fair value adjustments on investment
properties**

		<u>2015</u>	<u>2014</u>
		港幣千元 HK\$'000	港幣千元 HK\$'000
出售投資物業之淨收益	Net gain from disposal of investment properties	85,600	-
投資物業公平值調整之 淨收益	Net gain from fair value adjustments on investment properties	<u>35,446</u>	<u>129,896</u>
		<u>121,046</u>	<u>129,896</u>

**14. 出售／重估物業、器材
及設備之淨收益／（虧
損）**
**14. Net gain/(loss) from disposal/revaluation of properties, plant and
equipment**

		<u>2015</u>	<u>2014</u>
		港幣千元 HK\$'000	港幣千元 HK\$'000
出售房產之淨收益	Net gain from disposal of premises	17,468	-
出售設備、固定設施及裝備 之淨虧損	Net loss from disposal of equipment, fixtures and fittings	(543)	(2,380)
重估房產之淨收益	Net gain from revaluation of premises	<u>2,321</u>	<u>2,033</u>
		<u>19,246</u>	<u>(347)</u>

財務報表附註 (續) Notes to the Financial Statements (continued)
15. 稅項
15. Taxation

收益表內之稅項組成如下：

Taxation in the income statement represents:

	2015	2014
	港幣千元	港幣千元
	HK\$'000	HK\$'000
本期稅項		
香港利得稅		
- 年內計入稅項	446,508	435,114
- 往年超額撥備	(5,168)	(5,293)
	441,340	429,821
海外稅項		
- 年內計入稅項	59,758	230,721
- 往年(超額)/不足撥備	(5,193)	3,747
	495,905	664,289
遞延稅項		
暫時性差額之產生及撥回及未使用稅項抵免	(14,170)	(49,109)
	481,735	615,180

香港利得稅乃按照本年度估計應課稅溢利依稅率 16.5% (2014 年: 16.5%) 提撥。海外溢利之稅款按照本年度估計應課稅溢利依本集團經營業務所在國家之現行稅率計算。

Hong Kong profits tax has been provided at the rate of 16.5% (2014: 16.5%) on the estimated assessable profits arising in Hong Kong during the year. Taxation on overseas profits has been calculated on the estimated assessable profits for the year at the rates of taxation prevailing in the countries in which the Group operates.

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:

	2015	2014
	港幣千元	港幣千元
	HK\$'000	HK\$'000
除稅前溢利	3,378,512	3,366,679
按稅率 16.5% (2014 年: 16.5%) 計算的稅項	557,454	555,502
其他國家稅率差異的影響	28,680	23,610
無需課稅之收入	(88,297)	(55,470)
稅務上不可扣減之開支	48,460	52,662
未確認的稅務虧損	1	1
使用往年未確認的稅務虧損	(9)	(14)
往年超額撥備	(10,361)	(1,546)
海外預提稅	(54,193)	40,435
計入稅項	481,735	615,180
實際稅率	14.26%	18.27%

財務報表附註 (續) Notes to the Financial Statements (continued)
16. 股息
16. Dividends

	2015		2014	
	每股 港幣 Per share HK\$	總額 港幣千元 Total HK\$'000	每股 港幣 Per share HK\$	總額 港幣千元 Total HK\$'000
中期股息				
Interim dividends	77.5	542,500	100	700,000

於 2015 年 6 月 11 日，董事會宣派中期股息每股普通股港幣 77.5 元，總額為港幣 542,500,000 元，並已於 2015 年 6 月 30 日支付。

On 11 June 2015, the Board declared an interim dividend of HK\$77.5 per ordinary share amounting to HK\$542,500,000, which was paid on 30 June 2015.

財務報表附註 (續)**Notes to the Financial Statements (continued)****17. 退休福利成本****17. Retirement benefit costs****(a) 界定供款計劃**

本集團給予本集團員工的界定供款計劃主要為獲《強積金條例》豁免之職業退休計劃及中銀保誠簡易強積金計劃。根據職業退休計劃，僱員須向職業退休計劃之每月供款為其基本薪金之 5%，而僱主之每月供款為僱員基本月薪之 5% 至 15% 不等（視乎僱員之服務年期）。僱員有權於退休、提前退休或僱用期終止且服務年資滿 10 年或以上等情況下收取 100% 之僱主供款。服務滿 3 年至 9 年的員工，因其他原因而終止僱用期（被即時解僱除外），可收取 30% 至 90% 之僱主供款。僱員收取的僱主供款，須受《強制性公積金計劃條例》所限。

隨著《強積金條例》於 2000 年 12 月 1 日實施，本集團亦參與中銀保誠簡易強積金計劃，該計劃之受託人為中銀國際英國保誠信託有限公司，投資管理人為中銀國際英國保誠資產管理有限公司，此兩間公司均為本銀行之有關連人士。

截至 2015 年 12 月 31 日，在扣除約港幣 887,000 元（2014 年：約港幣 699,000 元）之沒收供款後，職業退休計劃之供款總額約為港幣 39,917,000 元（2014 年：約港幣 38,204,000 元），而本集團向強積金計劃之供款總額則約為港幣 8,184,000 元（2014 年：約港幣 6,950,000 元）。

(a) Defined contribution schemes

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 participates in the BOC-Prudential Easy Choice MPF Scheme, of which the trustee is BOCI-Prudential Trustee and the investment manager is BOCI-Prudential Manager, which are related parties of the Bank.

The Group's total contributions made to the ORSO schemes for the year ended 31 December 2015 amounting to approximately HK\$39,917,000 (2014: approximately HK\$38,204,000), after a deduction of forfeited contributions of approximately HK\$887,000 (2014: approximately HK\$699,000). For the MPF Scheme, the Group contributed approximately HK\$8,184,000 (2014: approximately HK\$6,950,000) for the year ended 31 December 2015.

財務報表附註 (續) Notes to the Financial Statements (continued)
17. 退休福利成本 (續) 17. Retirement benefit costs (continued)
(b) 界定利益計劃

本集團設置了一項非存置基金的界定利益福利計劃予所有已退休員工。在該計劃下，員工獲得之退休福利包括免費之醫療、房屋津貼及其他退休福利。

本計劃面對利率風險及退休員工之預計生命週期改變風險。

界定利益福利承擔現值之最新一期精算估值於 2015 年 12 月 31 日以預期累計福利單位精算估值方法計算。

在本報告期末所使用之主要精算假設如下：

折現率
 預期醫療保險開支增長率(%)
 預期聯誼活動經費增長率(%)
 預期退休紀念品開支增長率(%)
 預期租金增長率(%)
 預期離職率(%)
 預期死亡率

(b) Defined benefit schemes

The Group operates an unfunded defined benefit plan for all its retired employees. Under the plan, the employees are entitled to retirement benefits which included fully redeemed medical care, housing allowance and other retirement benefits.

The plan is exposed to interest rate risk and the risk of changes in the life expectancy for pensioners.

The most recent actuarial valuations of the present value of the defined benefit obligations were carried out at 31 December 2015 by using the projected unit credit actuarial valuation method.

The principal actuarial assumptions used as at the end of the reporting period are as follows:

	2015
Discount rate (%)	2
Expected rate of medical insurance cost increases (%)	6
Expected rate of social entertainment cost increases (%)	0
Expected rate of retirement souvenir cost increases (%)	0
Expected rate of rental increases (%)	3
Expected rate of withdrawal (%)	3-18
Expected death rate	香港人口生命表 Hong Kong Life Tables 2012

在本報告期末對主要精算假設之敏感性分析如下：

A quantitative sensitivity analysis for significant assumptions as at the end of the reporting period is shown below:

		界定利益福利 承擔之增加/ (減少)		界定利益福利 承擔之增加/ (減少)	
		比率增加 Increase in rate	Increase/ (decrease) in defined benefit obligations	比率減少 Decrease in rate	Increase/ (decrease) in defined benefit obligations
		%	港幣千元 HK\$'000	%	港幣千元 HK\$'000
折現率	Discount rate	0.1	(2,010)	0.1	2,070
預期醫療保險開支增長率	Expected rate of medical insurance cost	0.5	10,540	0.5	(9,140)

財務報表附註 (續) Notes to the Financial Statements (continued)
17. 退休福利成本 (續) 17. Retirement benefit costs (continued)
(b) 界定利益計劃 (續)

上述敏感性分析是根據期末主要假設之合理變動推算對界定利益福利承擔之影響。

在綜合收益表內確認本計劃的總開支如下：

列入退休成本

福利負債

本界定利益福利計劃在未來之預期開支如下：

未來 12 個月以內
2 年至 5 年
5 年至 10 年
10 年以上

預期總開支

界定利益福利承擔在報告期末之平均久期為 20 年。

(b) Defined benefit schemes (continued)

The sensitivity analysis above has been determined based on a method that extrapolates the impact on defined benefit obligations as a result of reasonable changes in key assumptions occurring at the end of the reporting period.

The total expenses recognised in the consolidated income statement in respect of the plan is as follows:

Recognised in pension cost

Benefit liability

Expected payment to the defined benefit plan in future years are as follows:

Within the next 12 months
Between 2 and 5 years
Between 5 and 10 years
Over 10 years

Total expected payments

The average duration of the defined benefit obligations at the end of the reporting period is 20 years.

2015

港幣千元

HK\$'000

102,330

102,330

2015

港幣千元

HK\$'000

2,550

10,620

15,230

216,660

245,060

財務報表附註（續） Notes to the Financial Statements (continued)
18. 董事、高層管理人員及主要人員酬金 18. Directors', senior management's and key personnel's emoluments
(a) 董事酬金

本年度本集團就本銀行董事為本銀行及管理附屬公司提供之服務而已付及其應收未收之酬金詳情如下：

(a) Directors' emoluments

Details of the emoluments paid to or receivable by the directors of the Bank in respect of their services rendered for the Bank and managing the subsidiaries within the Group during the year are as follows:

		<u>2015</u>	<u>2014</u>
		港幣千元 HK\$'000	港幣千元 HK\$'000
袍金	Fees	1,184	2,674
其他酬金	Other emoluments	<u>9,119</u>	<u>8,516</u>
		<u>10,303</u>	<u>11,190</u>

財務報表附註 (續) Notes to the Financial Statements (continued)
18. 董事、高層管理人員及主要人員酬金 (續) 18. 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

按金管局發出之 CG-5 《穩健的薪酬制度指引》，本年度本集團之高級管理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

Pursuant to CG-5 Guideline on a Sound Remuneration System issued by the HKMA, details of the remuneration for Senior Management and Key Personnel of the Group during the year are as follows:

(i) 於年內授予的薪酬
(i) Remuneration awarded during the year

		2015					
		高級管理人員 Senior Management			主要人員 Key Personnel		
		非遞延 Non- deferred	遞延 Deferred	總計 Total	非遞延 Non- deferred	遞延 Deferred	總計 Total
		港幣千元 HK\$'000	港幣千元 HK\$'000	港幣千元 HK\$'000	港幣千元 HK\$'000	港幣千元 HK\$'000	港幣千元 HK\$'000
固定薪酬	Fixed remuneration						
現金	Cash	10,688	-	10,688	6,107	-	6,107
浮動薪酬	Variable remuneration						
現金	Cash	4,391	838	5,229	2,171	-	2,171
		15,079	838	15,917	8,278	-	8,278
		2014					
		高級管理人員 Senior Management			主要人員 Key Personnel		
		非遞延 Non- deferred	遞延 Deferred	總計 Total	非遞延 Non- deferred	遞延 Deferred	總計 Total
		港幣千元 HK\$'000	港幣千元 HK\$'000	港幣千元 HK\$'000	港幣千元 HK\$'000	港幣千元 HK\$'000	港幣千元 HK\$'000
固定薪酬	Fixed remuneration						
現金	Cash	10,336	-	10,336	6,766	-	6,766
浮動薪酬	Variable remuneration						
現金	Cash	4,147	542	4,689	2,142	-	2,142
		14,483	542	15,025	8,908	-	8,908

以上薪酬包括 4 名 (2014 年: 4 名) 高級管理人員及 5 名 (2014 年: 5 名) 主要人員。

The remuneration above includes 4 (2014: 4) members of Senior Management and 5 (2014: 5) members of Key Personnel.

財務報表附註 (續) Notes to the Financial Statements (continued)
18. 董事、高級管理人員及主要人員酬金 (續) 18. 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) 遞延薪酬
(ii) Deferred remuneration

		2015		2014	
		高級管理人員 Senior Management	主要人員 Key Personnel	高級管理人員 Senior Management	主要人員 Key Personnel
		港幣千元 HK\$'000	港幣千元 HK\$'000	港幣千元 HK\$'000	港幣千元 HK\$'000
遞延薪酬	Deferred remuneration				
已歸屬	Vested	521	-	430	-
未歸屬	Unvested	1,377	-	1,060	-
		1,898	-	1,490	-
於 1 月 1 日	At 1 January	1,060	-	948	-
已授予	Awarded	838	-	542	-
已發放	Paid out	(521)	-	(430)	-
調整按績效評估 而扣減部分	Reduced through performance adjustments	-	-	-	-
於 12 月 31 日	At 31 December	1,377	-	1,060	-

就披露用途，本部分提及的高級管理人員及主要人員乃根據金管局《穩健的薪酬制度指引》定義。

For the purpose of disclosure, Senior Management and Key Personnel mentioned in this section are defined according to the HKMA's Guideline on a Sound Remuneration System.

- 高級管理人員：董事會指定的高級管理人員，負責總體策略或重要業務，包括行政總裁及副總經理。

- Senior Management: The senior executives designated by the Board who are responsible for oversight of the firm-wide strategy or material business lines, including Chief Executive and Deputy General Managers.

- 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、資金處主管及風險管理部主管。

- 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, Head of Treasury, as well as Head of Risk Management Department.

財務報表附註 (續) Notes to the Financial Statements (continued)
19. 庫存現金及存放銀行及其他金融機構的結餘

		2015	2014
		港幣千元	港幣千元
		HK\$'000	HK\$'000
庫存現金	Cash	594,148	593,355
存放中央銀行的結餘	Balances with central banks	16,038,647	18,694,761
存放銀行及其他金融機構的結餘	Balances with banks and other financial institutions	6,232,044	17,112,902
在銀行及其他金融機構一個月內到期之定期存放	Placements with banks and other financial institutions maturing within one month	31,379,966	21,881,782
		54,244,805	58,282,800

20. 公平值變化計入損益之金融資產

		界定為以公平值變化計入損益之金融資產					
		交易性資產		Financial assets designated at fair value through profit or loss		總計	
		Trading assets		through profit or loss		Total	
		2015	2014	2015	2014	2015	2014
		港幣千元	港幣千元	港幣千元	港幣千元	港幣千元	港幣千元
		HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
按公平值列賬	At fair value						
庫券	Treasury bills	6,714,292	5,899,294	-	-	6,714,292	5,899,294
其他債務證券	Other debt securities	-	-	249,280	255,919	249,280	255,919
		6,714,292	5,899,294	249,280	255,919	6,963,572	6,155,213

財務報表附註 (續) Notes to the Financial Statements (continued)
20. 公平值變化計入損益之金融資產 (續) 20. 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:

	交易性資產		界定為以公平值變化計入損益之金融資產	
	Trading assets		Financial assets designated at fair value through profit or loss	
	2015	2014	2015	2014
	港幣千元	港幣千元	港幣千元	港幣千元
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
債務證券	Debt securities			
- 於香港上市	-	-	249,280	255,919
- 非上市	6,714,292	5,899,294	-	-
證券總額	6,714,292	5,899,294	249,280	255,919

證券總額按發行機構之分類如下：

Total securities are analysed by type of issuer as follows:

	交易性資產		界定為以公平值變化計入損益之金融資產	
	Trading assets		Financial assets designated at fair value through profit or loss	
	2015	2014	2015	2014
	港幣千元	港幣千元	港幣千元	港幣千元
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
官方實體	6,714,292	5,899,294	-	-
公司企業	-	-	249,280	255,919
證券總額	6,714,292	5,899,294	249,280	255,919

財務報表附註（續） Notes to the Financial Statements (continued)**21. 衍生金融工具**

本集團訂立下列匯率、利率、商品及股份權益相關的衍生金融工具合約作買賣及風險管理之用：

貨幣遠期是指於未來某一日期買或賣外幣的承諾。

貨幣、利率及貴金屬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、貴金屬及股份權益期權是指期權的賣方（出讓方）為買方（持有方）提供在未來某一特定日期或未來一定時期內按約定的價格買進（認購期權）或賣出（認沽期權）一定數量的金融工具的權利（而非承諾）的一種協議。考慮到外匯和利率風險，期權的賣方從購買方收取一定的期權費。本集團期權合約是與對手方在場外協商達成或透過交易所進行（如於交易所進行買賣之期權）。

21. Derivative financial instruments

The Group enters into the following exchange rate, interest rate, commodity and equity related derivative financial instrument contracts for trading and risk management purposes:

Currency forwards represent commitments to purchase and sell foreign currency on a future date.

Currency, interest rate and precious metal 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)**21. 衍生金融工具（續） 21. Derivative financial instruments (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公平值資產或負債的對比基礎。但是，這並不反映所涉及的未來的現金流或當前的公平值，因而也不能反映本集團所面臨的信貸風險或市場風險。隨著與衍生金融工具合約條款相關的匯率、市場利率、貴金屬價格或股份權益價格的波動，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。

本集團進行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 fair value 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, metal prices or equity prices relative to their terms. The aggregate fair values of derivative financial instruments can fluctuate significantly from time to time.

The Group trades OTC derivative products mainly for customer business. The Group strictly follows risk management policies and requirement in providing derivative products to our customers and in trading of derivative products in the interbank market.

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)
21. 衍生金融工具 (續) 21. Derivative financial instruments (continued)

下表概述各類衍生金融工具
於 12 月 31 日之合約/名義
數額：

The following tables summarise the contract/notional amounts of each class of derivative
financial instrument as at 31 December:

		2015		
		買賣	不符合採用 對沖會計法 Not qualified for hedge accounting	總計
		Trading	for hedge accounting	Total
		港幣千元 HK\$'000	港幣千元 HK\$'000	港幣千元 HK\$'000
匯率合約	Exchange rate contracts			
即期及遠期	Spot and forwards	8,420,500	-	8,420,500
掉期	Swaps	37,601,988	-	37,601,988
外匯交易期權	Foreign currency options			
- 買入期權	- Options purchased	9,135	-	9,135
- 賣出期權	- Options written	9,135	-	9,135
		46,040,758	-	46,040,758
利率合約	Interest rate contracts			
掉期	Swaps	33,758,773	231,725	33,990,498
商品合約	Commodity contracts	26,438	-	26,438
		79,825,969	231,725	80,057,694

財務報表附註 (續) Notes to the Financial Statements (continued)
21. 衍生金融工具 (續) 21. Derivative financial instruments (continued)

		2014		
		不符合採用 對沖會計法 Not qualified for hedge accounting		總計 Total
		買賣 Trading		
		港幣千元 HK\$'000	港幣千元 HK\$'000	港幣千元 HK\$'000
匯率合約	Exchange rate contracts			
即期及遠期	Spot and forwards	13,828,777	-	13,828,777
掉期	Swaps	28,700,798	-	28,700,798
外匯交易期權	Foreign currency options			
- 買入期權	- Options purchased	5,994	-	5,994
- 賣出期權	- Options written	5,994	-	5,994
		<u>42,541,563</u>	<u>-</u>	<u>42,541,563</u>
利率合約	Interest rate contracts			
掉期	Swaps	<u>24,589,557</u>	<u>231,885</u>	<u>24,821,442</u>
商品合約	Commodity contracts	<u>684,545</u>	<u>-</u>	<u>684,545</u>
股份權益合約	Equity contracts	<u>260,297</u>	<u>-</u>	<u>260,297</u>
		<u>68,075,962</u>	<u>231,885</u>	<u>68,307,847</u>

不符合採用對沖會計法：為遵循《銀行業（披露）規則》要求，需獨立披露不符合採用對沖會計法資格，但與指定以公平價值經收益表入賬的金融工具一併管理的衍生工具合約。

Not qualified for hedge accounting: derivative contracts which do not qualify as hedges for accounting purposes but are managed in conjunction with the financial instruments designated at fair value through profit or loss are separately disclosed in compliance with the requirements set out in the Banking (Disclosure) Rules.

財務報表附註 (續) Notes to the Financial Statements (continued)
21. 衍生金融工具 (續) 21. Derivative financial instruments (continued)

下表概述各類衍生金融工具於 12 月 31 日之公平值：

The following tables summarise the fair values of each class of derivative financial instrument as at 31 December:

		2015					
		公平值資產 Fair value assets			公平值負債 Fair value liabilities		
		不符合採用 對沖會計法 Not qualified for hedge			不符合採用 對沖會計法 Not qualified for hedge		
		買賣 Trading	總計 Total	買賣 Trading	總計 Total		
		港幣千元 HK\$'000	港幣千元 HK\$'000	港幣千元 HK\$'000	港幣千元 HK\$'000	港幣千元 HK\$'000	港幣千元 HK\$'000
匯率合約	Exchange rate contracts						
即期及期貨	Spot and forwards	373,801	-	373,801	(207,309)	-	(207,309)
掉期	Swaps	311,226	-	311,226	(65,690)	-	(65,690)
外匯交易期權	Foreign currency options						
- 買入期權	- Options purchased	15	-	15	-	-	-
- 賣出期權	- Options written	-	-	-	(15)	-	(15)
		685,042	-	685,042	(273,014)	-	(273,014)
利率合約	Interest rate contracts						
掉期	Swaps	11,135	-	11,135	(12,296)	(17,516)	(29,812)
商品合約	Commodity contracts	89	-	89	(118)	-	(118)
		696,266	-	696,266	(285,428)	(17,516)	(302,944)

財務報表附註 (續) Notes to the Financial Statements (continued)
21. 衍生金融工具 (續) 21. Derivative financial instruments (continued)

		2014					
		公平值資產 Fair value assets			公平值負債 Fair value liabilities		
		買賣 Trading	不符合採用 對沖會計法 Not qualified for hedge accounting	總計 Total	買賣 Trading	不符合採用 對沖會計法 Not qualified for hedge accounting	總計 Total
		港幣千元 HK\$'000	港幣千元 HK\$'000	港幣千元 HK\$'000	港幣千元 HK\$'000	港幣千元 HK\$'000	港幣千元 HK\$'000
匯率合約	Exchange rate contracts						
即期及遠期	Spot and forwards	359,880	-	359,880	(115,016)	-	(115,016)
掉期	Swaps	44,500	-	44,500	(102,497)	-	(102,497)
外匯交易期權	Foreign currency options						
- 買入期權	- Options purchased	79	-	79	-	-	-
- 賣出期權	- Options written	-	-	-	(79)	-	(79)
		<u>404,459</u>	<u>-</u>	<u>404,459</u>	<u>(217,592)</u>	<u>-</u>	<u>(217,592)</u>
利率合約	Interest rate contracts						
掉期	Swaps	17,412	-	17,412	(26,445)	(25,222)	(51,667)
商品合約	Commodity contracts	17,064	-	17,064	(9,152)	-	(9,152)
股份權益合約	Equity contracts	137	-	137	(95)	-	(95)
		<u>439,072</u>	<u>-</u>	<u>439,072</u>	<u>(253,284)</u>	<u>(25,222)</u>	<u>(278,506)</u>

財務報表附註 (續) Notes to the Financial Statements (continued)
21. 衍生金融工具 (續) 21. Derivative financial instruments (continued)
(a) 衍生金融工具 (續)

下表列出衍生金融工具之信貸風險加權數額，並參照有關資本充足比率之金管局報表的填報指示而編製。

匯率合約
遠期
掉期
外匯交易期權
- 買入期權

利率合約
掉期

股份權益合約

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。

本集團與有效雙邊淨額結算協議有關的衍生交易公平值總額為港幣190,872,000元(2014年：港幣48,045,000元)，有效雙邊淨額結算協議的效果為港幣19,879,000元(2014年：港幣16,832,000元)。

(a) Derivative financial instruments (continued)

The table below gives the credit risk-weighted amounts of the derivative financial instruments and is prepared with reference to the completion instructions for the HKMA return of capital adequacy ratio.

	2015 港幣千元 HK\$'000	2014 港幣千元 HK\$'000
Exchange rate contracts		
Forwards	60,422	118,792
Swaps	190,122	74,363
Foreign currency options - Options purchased	23	61
	250,567	193,216
Interest rate contracts		
Swaps	10,111	19,156
Equity contracts	-	8,273
	260,678	220,645

The credit risk-weighted amounts are calculated in accordance with the Banking (Capital) Rules. The amounts are dependent upon the status of the counterparty and the maturity characteristics of each type of contract.

The total fair values of derivatives subject to valid bilateral netting agreements for the Group amounted to HK\$190,872,000 (2014: HK\$48,045,000) and the effect of valid bilateral netting agreements amounted to HK\$19,879,000 (2014: HK\$16,832,000).

財務報表附註 (續) Notes to the Financial Statements (continued)
22. 貸款及其他賬項 22. Advances and other accounts

		2015	2014
		港幣千元	港幣千元
		HK\$'000	HK\$'000
個人貸款	Personal loans and advances	34,515,588	31,455,884
公司貸款	Corporate loans and advances	<u>121,721,186</u>	<u>118,046,372</u>
客戶貸款	Advances to customers	156,236,774	149,502,256
貸款減值準備 (附註 23)	Loan impairment allowances (Note 23)		
- 按個別評估	- Individually assessed	(433,567)	(731,598)
- 按組合評估	- Collectively assessed	<u>(951,336)</u>	<u>(1,238,522)</u>
		154,851,871	147,532,136
貿易票據	Trade bills	<u>14,072,143</u>	<u>16,371,563</u>
		<u>168,924,014</u>	<u>163,903,699</u>

於 2015 年 12 月 31 日，客戶貸款包括應計利息港幣 396,489,000 元 (2014 年：港幣 367,805,000 元)。

As at 31 December 2015, advances to customers included accrued interest of HK\$396,489,000 (2014: HK\$367,805,000).

於 2015 年 12 月 31 日，沒有對貿易票據作出任何減值準備 (2014 年：無)。

As at 31 December 2015, no impairment allowance was made in respect of trade bills (2014: Nil).

財務報表附註 (續) Notes to the Financial Statements (continued)
23. 貸款減值準備
23. Loan impairment allowances

		2015		
		按個別評估		
		Individually assessed		
		個人	公司	總計
		Personal	Corporate	Total
		港幣千元	港幣千元	港幣千元
		HK\$'000	HK\$'000	HK\$'000
於 2015 年 1 月 1 日	At 1 January 2015	17,298	714,300	731,598
於收益表撥備	Charged to income statement	16,063	758,727	774,790
年內撇銷之未收回貸款	Loans written off during the year as uncollectible	(14,983)	(1,015,305)	(1,030,288)
收回已撇銷賬項	Recoveries	1,762	17,691	19,453
折現減值準備回撥	Unwind of discount on impairment allowances	-	(1,150)	(1,150)
匯兌差額	Exchange difference	(1,973)	(58,863)	(60,836)
於 2015 年 12 月 31 日	At 31 December 2015	<u>18,167</u>	<u>415,400</u>	<u>433,567</u>
		2015		
		按組合評估		
		Collectively assessed		
		個人	公司	總計
		Personal	Corporate	Total
		港幣千元	港幣千元	港幣千元
		HK\$'000	HK\$'000	HK\$'000
於 2015 年 1 月 1 日	At 1 January 2015	98,864	1,139,658	1,238,522
於收益表撥備 / (回撥)	Charged/(credited) to income statement	90,172	(231,987)	(141,815)
年內撇銷之未收回貸款	Loans written off during the year as uncollectible	(117,742)	-	(117,742)
收回已撇銷賬項	Recoveries	785	-	785
匯兌差額	Exchange difference	(8,114)	(20,300)	(28,414)
於 2015 年 12 月 31 日	At 31 December 2015	<u>63,965</u>	<u>887,371</u>	<u>951,336</u>

財務報表附註 (續) Notes to the Financial Statements (continued)
23. 貸款減值準備 (續) 23. Loan impairment allowances (continued)

		2014		
		按個別評估		
		Individually assessed		
		個人	公司	總計
		Personal	Corporate	Total
		港幣千元	港幣千元	港幣千元
		HK\$'000	HK\$'000	HK\$'000
於 2014 年 1 月 1 日	At 1 January 2014	13,199	267,714	280,913
於收益表撥備	Charged to income statement	7,520	811,413	818,933
年內撇銷之未收回貸款	Loans written off during the year as uncollectible	(4,234)	(357,425)	(361,659)
收回已撇銷賬項	Recoveries	1,883	4,101	5,984
折現減值準備回撥	Unwind of discount on impairment allowances	-	(211)	(211)
匯兌差額	Exchange difference	(1,070)	(11,292)	(12,362)
於 2014 年 12 月 31 日	At 31 December 2014	<u>17,298</u>	<u>714,300</u>	<u>731,598</u>
		2014		
		按組合評估		
		Collectively assessed		
		個人	公司	總計
		Personal	Corporate	Total
		港幣千元	港幣千元	港幣千元
		HK\$'000	HK\$'000	HK\$'000
於 2014 年 1 月 1 日	At 1 January 2014	77,845	1,109,170	1,187,015
於收益表撥備	Charged to income statement	37,933	47,428	85,361
年內撇銷之未收回貸款	Loans written off during the year as uncollectible	(17,193)	-	(17,193)
收回已撇銷賬項	Recoveries	191	-	191
匯兌差額	Exchange difference	88	(16,940)	(16,852)
於 2014 年 12 月 31 日	At 31 December 2014	<u>98,864</u>	<u>1,139,658</u>	<u>1,238,522</u>

財務報表附註 (續) Notes to the Financial Statements (continued)
24. 金融投資
24. Financial investments

		2015			
		按公平值列賬	按攤銷成本列賬		
		At fair value	At amortised cost		
		可供出售 金融資產	持有至 到期日證券		貸款及應收款
		Available- for-sale financial assets	Held-to- maturity securities	Loans and receivables	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
庫券	Treasury bills	18,118,392	2,257,798	-	20,376,190
其他債務證券	Other debt securities	22,716,901	208,732	585,792	23,511,425
		<u>40,835,293</u>	<u>2,466,530</u>	<u>585,792</u>	<u>43,887,615</u>
存款證	Certificates of deposit	11,043,688	-	-	11,043,688
債務證券及存款證總額	Total debt securities and certificates of deposit	51,878,981	2,466,530	585,792	54,931,303
股份證券	Equity securities	4,613	-	-	4,613
其他	Others	472,067	-	-	472,067
		<u>52,355,661</u>	<u>2,466,530</u>	<u>585,792</u>	<u>55,407,983</u>
2014					
		按公平值列賬	按攤銷成本列賬		
		At fair value	At amortised cost		
		可供出售 金融資產	持有至 到期日證券		貸款及應收款
		Available- for-sale financial assets	Held-to- maturity securities	Loans and receivables	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
庫券	Treasury bills	12,699,355	2,374,940	-	15,074,295
其他債務證券	Other debt securities	21,802,534	243,450	2,074,594	24,120,578
		<u>34,501,889</u>	<u>2,618,390</u>	<u>2,074,594</u>	<u>39,194,873</u>
存款證	Certificates of deposit	7,897,685	-	-	7,897,685
債務證券及存款證總額	Total debt securities and certificates of deposit	42,399,574	2,618,390	2,074,594	47,092,558
股份證券	Equity securities	75,766	-	-	75,766
		<u>42,475,340</u>	<u>2,618,390</u>	<u>2,074,594</u>	<u>47,168,324</u>

財務報表附註 (續) Notes to the Financial Statements (continued)
24. 金融投資 (續)
24. Financial investments (continued)

金融投資按上市地之分類如下：

Financial investments is analysed by place of listing as follows:

		2015		
		可供出售 金融資產 Available- for-sale financial assets	持有至 到期日證券 Held-to- maturity securities	貸款及應收款 Loans and receivables
		港幣千元 HK\$'000	港幣千元 HK\$'000	港幣千元 HK\$'000
債務證券及存款證	Debt securities and certificates of deposit			
- 於香港上市	- Listed in Hong Kong	3,219,469	-	-
- 於香港以外上市	- Listed outside Hong Kong	6,265,404	42,543	-
		9,484,873	42,543	-
- 非上市	- Unlisted	42,394,108	2,423,987	585,792
		51,878,981	2,466,530	585,792
股份證券	Equity securities			
- 非上市	- Unlisted	4,613	-	-
其他	Others			
- 非上市	- Unlisted	472,067	-	-
		52,355,661	2,466,530	585,792
持有至到期日之上市證券 市值	Market value of listed held-to-maturity securities		43,286	
		2014		
		可供出售 金融資產 Available- for-sale financial assets	持有至 到期日證券 Held-to- maturity securities	貸款及應收款 Loans and receivables
		港幣千元 HK\$'000	港幣千元 HK\$'000	港幣千元 HK\$'000
債務證券及存款證	Debt securities and certificates of deposit			
- 於香港上市	- Listed in Hong Kong	2,118,557	-	-
- 於香港以外上市	- Listed outside Hong Kong	3,818,449	49,148	-
		5,937,006	49,148	-
- 非上市	- Unlisted	36,462,568	2,569,242	2,074,594
		42,399,574	2,618,390	2,074,594
股份證券	Equity securities			
- 非上市	- Unlisted	75,766	-	-
		42,475,340	2,618,390	2,074,594
持有至到期日之上市證券 市值	Market value of listed held-to-maturity securities		48,095	

財務報表附註 (續) Notes to the Financial Statements (continued)
24. 金融投資 (續) 24. Financial investments (continued)

金融投資按發行機構之分類如下：

Financial investments is analysed by type of issuer as follows:

		2015		
		可供出售 金融資產 Available- for-sale financial assets 港幣千元 HK\$'000	持有至 到期日證券 Held-to- maturity securities 港幣千元 HK\$'000	貸款及應收款 Loans and receivables 港幣千元 HK\$'000
官方實體	Sovereigns	17,267,770	1,690,727	-
公營單位*	Public sector entities*	1,397,813	111,195	-
銀行及其他金融機構	Banks and other financial institutions	27,633,868	567,071	355,393
公司企業	Corporate entities	6,056,210	97,537	230,399
		52,355,661	2,466,530	585,792
		2014		
		可供出售 金融資產 Available- for-sale financial assets 港幣千元 HK\$'000	持有至 到期日證券 Held-to- maturity securities 港幣千元 HK\$'000	貸款及應收款 Loans and receivables 港幣千元 HK\$'000
官方實體	Sovereigns	11,981,667	1,778,199	-
公營單位*	Public sector entities*	233,982	130,399	-
銀行及其他金融機構	Banks and other financial institutions	21,682,684	596,741	-
公司企業	Corporate entities	8,577,007	113,051	2,074,594
		42,475,340	2,618,390	2,074,594

* 包括在《銀行業(資本)規則》內分類為認可公營單位的可供出售金融資產港幣1,397,813,000元(2014年:港幣233,982,000元)及持有至到期日證券港幣111,195,000元(2014年:港幣130,399,000元)。

* Included available-for-sale financial assets of HK\$1,397,813,000 (2014: HK\$233,982,000) and held-to-maturity securities of HK\$111,195,000 (2014: HK\$130,399,000) which are eligible to be classified as public sector entities under the Banking (Capital) Rules.

財務報表附註 (續) Notes to the Financial Statements (continued)
24. 金融投資 (續) 24. Financial investments (continued)

金融投資之變動概述如下：

The movements in financial investments are summarised as follows:

		2015		
		可供出售 金融資產 Available- for-sale financial assets	持有至 到期日證券 Held-to- maturity securities	貸款及應收款 Loans and receivables
		港幣千元 HK\$'000	港幣千元 HK\$'000	港幣千元 HK\$'000
於 2015 年 1 月 1 日	At 1 January 2015	42,475,340	2,618,390	2,074,594
增加	Additions	64,175,644	-	1,800,033
處置、贖回及到期	Disposals, redemptions and maturity	(52,574,718)	-	(3,193,198)
攤銷	Amortisation	(80,925)	6,900	(46,354)
公平值變化	Change in fair value	280,066	-	-
匯兌差額	Exchange difference	(1,919,746)	(158,760)	(49,283)
於 2015 年 12 月 31 日	At 31 December 2015	<u>52,355,661</u>	<u>2,466,530</u>	<u>585,792</u>
		2014		
		可供出售 金融資產 Available- for-sale financial assets	持有至 到期日證券 Held-to- maturity securities	貸款及應收款 Loans and receivables
		港幣千元 HK\$'000	港幣千元 HK\$'000	港幣千元 HK\$'000
於 2014 年 1 月 1 日	At 1 January 2014	40,002,637	585,442	1,684,064
增加	Additions	53,708,654	2,317,602	2,664,630
處置、贖回及到期	Disposals, redemptions and maturity	(50,504,041)	(561,214)	(2,301,827)
攤銷	Amortisation	1,053	47,288	42,432
公平值變化	Change in fair value	557,098	-	-
重新分類	Reclassification	(263,152)	263,152	-
匯兌差額	Exchange difference	(1,026,909)	(33,880)	(14,705)
於 2014 年 12 月 31 日	At 31 December 2014	<u>42,475,340</u>	<u>2,618,390</u>	<u>2,074,594</u>

本集團於年內沒有重新分類任何債務證券，由可供出售類別重新分類至持有至到期日類別（2014 年：港幣 263,152,000 元）。

There was no debt securities reclassified out of available-for-sale category into held-to-maturity category for the Group during the year (2014: HK\$263,152,000).

財務報表附註 (續) Notes to the Financial Statements (continued)
25. 投資物業
25. Investment properties

		<u>2015</u>	<u>2014</u>
		港幣千元 HK\$'000	港幣千元 HK\$'000
於 1 月 1 日	At 1 January	1,280,271	1,174,938
增置	Additions	2,903	821
出售	Disposals	(901,200)	-
公平值收益	Fair value gains	35,446	129,896
重新分類轉至物業、器材 及設備 (附註 26)	Reclassification to properties, plant and equipment (Note 26)	(1,498)	(24,085)
匯兌差額	Exchange difference	(1,186)	(1,299)
		<u>414,736</u>	<u>1,280,271</u>
於 12 月 31 日	At 31 December		

投資物業之賬面值按租約
剩餘期限分析如下：

The carrying value of investment properties is analysed based on the remaining terms of the leases as follows:

		<u>2015</u>	<u>2014</u>
		港幣千元 HK\$'000	港幣千元 HK\$'000
在香港持有	Held in Hong Kong		
長期租約 (超過 50 年)	On long-term lease (over 50 years)	248,590	1,126,031
中期租約 (10 年至 50 年)	On medium-term lease (10 to 50 years)	145,820	132,090
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)	20,326	22,150
		<u>414,736</u>	<u>1,280,271</u>

財務報表附註 (續) Notes to the Financial Statements (continued)
25. 投資物業 (續)

於2015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第一太平戴維斯估值及專業顧問有限公司於2015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在有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。

25. Investment properties (continued)

As at 31 December 2015, investment properties were included in the balance sheet at valuation carried out at 31 December 2015 on the basis of their fair value by an independent firm of chartered surveyors, Savills Valuation and Professional Services 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.

26. 物業、器材及設備
26. Properties, plant and equipment

		房產 Premises	設備、固定設施 及裝備 Equipment, fixtures and fittings	總計 Total
		港幣千元 HK\$'000	港幣千元 HK\$'000	港幣千元 HK\$'000
於2015年1月1日之 賬面淨值	Net book value at 1 January 2015	7,035,310	293,187	7,328,497
增置	Additions	27,237	47,003	74,240
出售	Disposals	(381,098)	(650)	(381,748)
重估	Revaluation	377,219	-	377,219
年度折舊	Depreciation for the year	(127,328)	(95,489)	(222,817)
重新分類轉自投資物業 (附註25)	Reclassification from investment properties (Note 25)	1,498	-	1,498
匯兌差額	Exchange difference	(26,857)	(9,283)	(36,140)
分類為待出售資產	Classified as assets held for sale	(132,729)	-	(132,729)
於2015年12月31日之 賬面淨值	Net book value at 31 December 2015	<u>6,773,252</u>	<u>234,768</u>	<u>7,008,020</u>
於2015年12月31日 成本值或估值	At 31 December 2015 Cost or valuation	6,773,252	820,038	7,593,290
累計折舊	Accumulated depreciation	-	(585,270)	(585,270)
於2015年12月31日之 賬面淨值	Net book value at 31 December 2015	<u>6,773,252</u>	<u>234,768</u>	<u>7,008,020</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2015年12月31日 按成本值	At 31 December 2015 At cost	-	820,038	820,038
按估值	At valuation	6,773,252	-	6,773,252
		<u>6,773,252</u>	<u>820,038</u>	<u>7,593,290</u>

財務報表附註 (續) Notes to the Financial Statements (continued)
26. 物業、器材及設備 (續) 26. Properties, plant and equipment (continued)

		房產 Premises	設備、固定設施 及裝備 Equipment, fixtures and fittings	總計 Total
		港幣千元 HK\$'000	港幣千元 HK\$'000	港幣千元 HK\$'000
於 2014 年 1 月 1 日之 賬面淨值	Net book value at 1 January 2014	6,609,378	359,859	6,969,237
增置	Additions	29,233	55,763	84,996
出售	Disposals	-	(2,628)	(2,628)
重估	Revaluation	497,338	-	497,338
年度折舊	Depreciation for the year	(111,813)	(112,955)	(224,768)
重新分類轉自投資物業 (附註 25)	Reclassification from investment properties (Note 25)	24,085	-	24,085
匯兌差額	Exchange difference	(12,911)	(6,852)	(19,763)
於 2014 年 12 月 31 日之 賬面淨值	Net book value at 31 December 2014	<u>7,035,310</u>	<u>293,187</u>	<u>7,328,497</u>
於 2014 年 12 月 31 日 成本值或估值	At 31 December 2014 Cost or valuation	7,035,310	836,325	7,871,635
累計折舊	Accumulated depreciation	-	(543,138)	(543,138)
於 2014 年 12 月 31 日之 賬面淨值	Net book value at 31 December 2014	<u>7,035,310</u>	<u>293,187</u>	<u>7,328,497</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 2014 年 12 月 31 日	At 31 December 2014			
按成本值	At cost	-	836,325	836,325
按估值	At valuation	<u>7,035,310</u>	-	<u>7,035,310</u>
		<u>7,035,310</u>	<u>836,325</u>	<u>7,871,635</u>

財務報表附註 (續) Notes to the Financial Statements (continued)
26. 物業、器材及設備 (續)
26. 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:

		2015	2014
		港幣千元	港幣千元
		HK\$'000	HK\$'000
在香港持有	Held in Hong Kong		
長期租約 (超過 50 年)	On long-term lease (over 50 years)	4,602,693	4,928,200
中期租約 (10 年至 50 年)	On medium-term lease (10 to 50 years)	1,666,127	1,589,216
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)	485,875	499,608
短期租約 (少於 10 年)	On short-term lease (less than 10 years)	18,557	18,286
		6,773,252	7,035,310

於 2015 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第一太平戴維斯估值及專業顧問有限公司於 2015 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 2015, premises were included in the balance sheet at valuation carried out at 31 December 2015 on the basis of their fair value by an independent firm of chartered surveyors, Savills Valuation and Professional Services Limited. The fair value represents the price that would be received to sell each premises in an orderly transaction with market participants at the measurement date.

根據上述之重估結果，房產估值變動已於房產重估儲備及收益表確認如下：

As a result of the above-mentioned revaluations, changes in value of the premises were recognised in the premises revaluation reserve and the income statement as follows:

		2015	2014
		港幣千元	港幣千元
		HK\$'000	HK\$'000
貸記房產重估儲備之重估增值	Increase in valuation credited to premises revaluation reserve	374,898	495,305
貸記收益表之重估增值	Increase in valuation credited to income statement	2,321	2,033
		377,219	497,338

於 2015 年 12 月 31 日，假若房產按成本值扣減累計折舊列賬，本集團之資產負債表內之房產賬面淨值應為港幣 607,766,000 元 (2014 年：港幣 625,329,000 元)。

As at 31 December 2015, 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 was HK\$607,766,000 (2014: HK\$625,329,000).

財務報表附註 (續) Notes to the Financial Statements (continued)
27. 其他資產
27. Other assets

		<u>2015</u>	<u>2014</u>
		港幣千元	港幣千元
		HK\$'000	HK\$'000
收回資產	Reposessed assets	98,469	4,664
貴金屬	Precious metals	53,393	11,691
應收賬項及預付費用	Accounts receivable and prepayments	<u>4,143,369</u>	<u>997,089</u>
		<u>4,295,231</u>	<u>1,013,444</u>

28. 公平值變化計入損益之金融負債
28. Financial liabilities at fair value through profit or loss

		<u>2015</u>	<u>2014</u>
		港幣千元	港幣千元
		HK\$'000	HK\$'000
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	<u>4,575,356</u>	<u>4,970,693</u>

於2015年12月31日沒有界定為以公平值變化計入損益之金融負債(2014年12月31日:無)。

At 31 December 2015, there was no financial liabilities designated at fair value through profit or loss (2014: Nil).

財務報表附註 (續) Notes to the Financial Statements (continued)
29. 客戶存款及對沖會計 29. Deposits from customers and hedge accounting
(a) 客戶存款
(a) Deposits from customers

		2015	2014
		港幣千元 HK\$'000	港幣千元 HK\$'000
即期存款及往來存款	Demand deposits and current accounts		
- 公司	- Corporate	26,763,884	17,677,460
- 個人	- Personal	2,767,262	2,519,367
		29,531,146	20,196,827
儲蓄存款	Savings deposits		
- 公司	- Corporate	19,930,314	16,662,177
- 個人	- Personal	39,071,432	34,635,346
		59,001,746	51,297,523
定期、短期及通知存款	Time, call and notice deposits		
- 公司	- Corporate	81,285,911	74,389,992
- 個人	- Personal	48,443,180	63,749,593
		129,729,091	138,139,585
		218,261,983	209,633,935

(b) 對沖會計
(b) Hedge accounting
海外運作淨投資對沖
Hedges of net investments in foreign operations

於 2015 年 12 月 31 日，沒有人民幣計值的客戶存款被界定為對沖工具，用以對沖海外運作淨投資（2014 年：港幣 1,393,565,000 元）。

As at 31 December 2015, there was no RMB-denominated deposits from customers designated as a hedging instrument to hedge against the net investments in foreign operations (2014: HK\$1,393,565,000).

年內沒有無效部分之收益或虧損於收益表內確認（2014 年：無）。

There were no gains or losses on ineffective portion recognised in the income statement during the year (2014: Nil).

財務報表附註（續） **Notes to the Financial Statements (continued)**

30. 其他賬項及準備 **30. Other accounts and provisions**

		2015	2014
		港幣千元	港幣千元
		HK\$'000	HK\$'000
其他應付賬項	Other accounts payable	12,901,186	15,101,242
準備	Provisions	73,614	80,724
		12,974,800	15,181,966

財務報表附註 (續) Notes to the Financial Statements (continued)
31. 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，以及其在年度內之變動如下：

31. 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:

		2015					
		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
		港幣千元 HK\$'000	港幣千元 HK\$'000	港幣千元 HK\$'000	港幣千元 HK\$'000	港幣千元 HK\$'000	港幣千元 HK\$'000
於 2015 年 1 月 1 日	At 1 January 2015	30,906	1,090,064	-	(258,170)	(28,498)	834,302
(貸記) / 借記 收益表	(Credited)/charged to income statement	(12,750)	(11)	(34,976)	116,781	(83,214)	(14,170)
(貸記) / 借記其 他全面收益	(Credited)/charged to other comprehensive income	-	(10,657)	-	-	15,548	4,891
匯兌差額 分類為待出售資 產之相關負債	Exchange difference Classified as liabilities associated with assets held for sale	-	(3,128)	1,367	4,748	264	3,251
		-	(21,884)	-	-	-	(21,884)
於 2015 年 12 月 31 日	At 31 December 2015	18,156	1,054,384	(33,609)	(136,641)	(95,900)	806,390
		2014					
		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
		港幣千元 HK\$'000	港幣千元 HK\$'000	港幣千元 HK\$'000	港幣千元 HK\$'000	港幣千元 HK\$'000	港幣千元 HK\$'000
於 2014 年 1 月 1 日	At 1 January 2014	26,417	1,020,816	(412)	(218,279)	(115,828)	712,714
借記 / (貸記) 收益表	Charged/(credited) to income statement	4,489	325	412	(43,489)	(10,846)	(49,109)
借記其他全面 收益	Charged to other comprehensive income	-	70,286	-	-	95,845	166,131
匯兌差額	Exchange difference	-	(1,363)	-	3,598	2,331	4,566
於 2014 年 12 月 31 日	At 31 December 2014	30,906	1,090,064	-	(258,170)	(28,498)	834,302

財務報表附註 (續) Notes to the Financial Statements (continued)
31. 遞延稅項 (續)

當有法定權利可將現有稅項資產與現有稅項負債抵銷，而遞延稅項涉及同一財政機關，則可將個別法人的遞延稅項資產與遞延稅項負債互相抵銷。下列在資產負債表內列賬之金額，已計入適當抵銷：

31. Deferred taxation (continued)

Deferred tax assets and liabilities are offset on an individual entity basis when there is a legal right to set off current tax assets against current tax liabilities and when the deferred taxation relates to the same authority. The following amounts, determined after appropriate offsetting, are shown in the balance sheet:

		<u>2015</u>	<u>2014</u>
		港幣千元	港幣千元
		HK\$'000	HK\$'000
遞延稅項資產	Deferred tax assets	(5,962)	(152,171)
遞延稅項負債	Deferred tax liabilities	<u>812,352</u>	<u>986,473</u>
		<u>806,390</u>	<u>834,302</u>
		<u>2015</u>	<u>2014</u>
		港幣千元	港幣千元
		HK\$'000	HK\$'000
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	-	(120,745)
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	<u>914,145</u>	<u>977,010</u>
		<u>914,145</u>	<u>856,265</u>

於 2015 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 2,503,000 元 (2014 年：港幣 2,552,000 元)。按照現行稅例，有關稅務虧損沒有作廢期限。

As at 31 December 2015, the Group has not recognised deferred tax assets in respect of tax losses amounting to HK\$2,503,000 (2014: HK\$2,552,000). These tax losses do not expire under the current tax legislation.

財務報表附註 (續) Notes to the Financial Statements (continued)
32. 待出售資產

根據 2015 年 11 月 11 日董事會書面決議，本銀行同意出售若干房產予中銀香港。

待出售資產及待出售資產之相關負債之主要類別如下：

32. Assets held for sale

According to the Board's written resolution dated 11 November 2015, the Bank agreed to sell certain premises to BOCHK.

The major classes of assets held for sale and liabilities associated with assets held for sale are as follows:

		2015	2014
		港幣千元 HK\$'000	港幣千元 HK\$'000
資產	ASSETS		
物業、器材及設備	Properties, plant and equipment	132,729	-
負債	LIABILITIES		
遞延稅項負債	Deferred tax liabilities	21,884	-
		110,845	-

33. 股本

已發行及繳足：
7,000,000 股普通股

33. Share capital

Issued and fully paid:
7,000,000 ordinary shares

	2015	2014
	港幣千元 HK\$'000	港幣千元 HK\$'000
	3,144,517	3,144,517

財務報表附註 (續) Notes to the Financial Statements (continued)
34. 綜合現金流量表附註 34. Notes to consolidated cash flow statement

(a) 經營溢利與除稅前 經營現金之流入對 賬	(a) Reconciliation of operating profit to operating cash inflow before taxation	2015	2014
		港幣千元 HK\$'000	港幣千元 HK\$'000
經營溢利	Operating profit	3,238,220	3,237,130
折舊	Depreciation	222,817	224,768
減值準備淨撥備	Net charge of impairment allowances	633,324	904,294
折現減值準備回撥	Unwind of discount on impairment allowances	(1,150)	(211)
已撤銷之貸款 (扣除 收回款額)	Advances written off net of recoveries	(1,127,792)	(372,677)
原到期日超過 3 個月 之存放銀行及其他 金融機構之結餘之 變動	Change in balances with banks and other financial institutions with original maturity over three months	2,430,211	1,769,870
原到期日超過 3 個月 之在銀行及其他金 融機構之定期存放 之變動	Change in placements with banks and other financial institutions with original maturity over three months	8,865,231	1,698,994
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	163,628	(1,902,773)
衍生金融工具之變動	Change in derivative financial instruments	(232,756)	4,731
貸款及其他賬項之變動	Change in advances and other accounts	(4,435,098)	(9,089,140)
金融投資之變動	Change in financial investments	(3,798,709)	(5,076,011)
其他資產之變動	Change in other assets	(3,282,136)	2,728,151
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	(6,774,437)	8,889,582
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	(395,337)	536,957
客戶存款之變動	Change in deposits from customers	8,628,048	11,473,518
其他賬項及準備之變動	Change in other accounts and provisions	(2,207,166)	(47,535)
匯率變動之影響	Effect of changes in exchange rates	1,152,459	695,114
除稅前經營現金之 流入	Operating cash inflow before taxation	3,079,357	15,674,762
經營業務之現金流量 中包括：	Cash flows from operating activities included:		
- 已收利息	- Interest received	9,337,866	9,741,510
- 已付利息	- Interest paid	(4,468,941)	(4,664,043)
- 已收股息	- Dividend received	7,236	9,345

財務報表附註 (續) Notes to the Financial Statements (continued)
34. 綜合現金流量表附註 (續) 34. Notes to consolidated cash flow statement (continued)
(b) 現金及等同現金項目結存分析
(b) Analysis of the balances of cash and cash equivalents

	2015	2014
	港幣千元 HK\$'000	港幣千元 HK\$'000
庫存現金及原到期日 在 3 個月內之存放 銀行及其他金融機 構的結餘	44,060,170	45,667,954
原到期日在 3 個月內 之在銀行及其他金 融機構之定期存放	1,205,984	3,464,730
原到期日在 3 個月內 之庫券	8,556,255	3,168,387
	53,822,409	52,301,071

35. 或然負債及承擔
35. 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.

	2015	2014
	港幣千元 HK\$'000	港幣千元 HK\$'000
直接信貸替代項目	21,262,146	23,145,228
與交易有關之或然負債	1,830,203	2,571,980
與貿易有關之或然負債	7,801,271	7,957,417
有追索權的資產出售	5,419,397	4,741,257
不需事先通知的無條件撤銷之承諾	75,313,331	68,666,899
其他承擔，原到期日為		
- 1 年或以下	1,983,255	1,158,435
- 1 年以上	9,083,933	4,673,119
	122,693,536	112,914,335
信貸風險加權數額	21,148,878	16,759,631

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)
36. 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：

36. Capital commitments

The Group has the following outstanding capital commitments not provided for in the financial statements:

		<u>2015</u>	<u>2014</u>
		港幣千元 HK\$'000	港幣千元 HK\$'000
已批准及簽約但未撥備	Authorised and contracted for but not provided for	8,571	20,086
已批准但未簽約	Authorised but not contracted for	<u>232</u>	<u>60</u>
		8,803	20,146

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.

37. 經營租賃承擔
(a) 作為承租人

根據不可撤銷之經營租賃合約，下列為本集團未來有關租賃承擔所須支付之最低租金：

37. Operating lease commitments
(a) As lessee

The Group has commitments to make the following future minimum lease payments under non-cancellable operating leases:

		<u>2015</u>	<u>2014</u>
		港幣千元 HK\$'000	港幣千元 HK\$'000
土地及樓宇	Land and buildings		
- 不超過 1 年	- Not later than one year	244,631	248,005
- 1 年以上至 5 年內	- Later than one year but not later than five years	604,033	698,705
- 5 年後	- Later than five years	<u>92,977</u>	<u>225,768</u>
		941,641	1,172,478
其他承擔	Other commitments		
- 不超過 1 年	- Not later than one year	877	915
- 1 年以上至 5 年內	- Later than one year but not later than five years	<u>96</u>	<u>250</u>
		942,614	1,173,643

財務報表附註 (續) Notes to the Financial Statements (continued)
37. 經營租賃承擔 (續) 37. Operating lease commitments (continued)
(b) 作為出租人

根據不可撤銷之經營租賃合約，下列為本集團與租客簽訂合約之未來有關租賃之最低應收租金：

土地及樓宇
- 不超過 1 年
- 1 年以上至 5 年內

本集團以經營租賃形式租出投資物業；租賃年期通常由 1 年至 3 年。租約條款一般要求租客提交保證金。

(b) 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
- Later than one year but not later than 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.

	2015	2014
	港幣千元	港幣千元
	HK\$'000	HK\$'000
	14,911	46,783
	17,315	25,986
	32,226	72,769

38. 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。

38. 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)**39. 分類報告****(a) 按營運分類**

本集團業務拆分為四個主要分類，分別為個人銀行、企業銀行、財資業務及投資。

個人銀行和企業銀行業務線均會提供全面的銀行服務，個人銀行業務線是服務個人客戶，而企業銀行業務線是服務非個人客戶。至於財資業務線，除了自營買賣外，還負責管理本集團的資本、流動資金、利率和外匯敞口。財資業務部門管理本集團的融資活動和資本，為其他業務線提供資金，並接收從個人銀行和企業銀行業務線的吸收存款活動中所取得的資金。這些業務線之間的資金交易主要按集團內部資金轉移價格機制釐定。在本附註呈列的財資業務損益資料，已包括上述業務線之間的收支交易，但其資產負債資料並未反映業務線之間的借貸（換言之，不可以把財資業務的損益資料與其資產負債資料比較）。

投資包括本集團的房地產和支援單位所使用的設備。對於佔用本集團的物業，其他業務線需要按照每平方呎的市場價格向投資業務線支付費用。由本集團附屬公司—南商（中國）之資本金所產生及已於其收益賬確認的貨幣換算差額，已包括於此業務分類內。

「其他」為集團其他營運及主要包括有關本集團整體但與其餘四個業務線無關的項目。

一個業務線的收入及支出，主要包括直接歸屬於該業務線的項目。至於管理費用，會根據合理基準攤分。

39. Segmental reporting**(a) By operating segment**

The Group divides its business into four major segments, Personal Banking, Corporate Banking, Treasury and Investment.

Both Personal Banking and Corporate Banking provide general banking services. Personal Banking serves individual customers while Corporate Banking deals with non-individual customers. The Treasury segment is responsible for managing the capital, liquidity, and the interest rate and foreign exchange positions of the Group in addition to proprietary trades. It provides funds to other business segments and receives funds from deposit taking activities of Personal Banking and Corporate Banking. These inter-segment funding is charged according to the internal funds transfer pricing mechanism of the Group. The assets and liabilities of Treasury have not been adjusted to reflect the effect of inter-segment borrowing and lending (i.e. the profit and loss information in relation to Treasury is not comparable to the assets and liabilities information about Treasury).

Investment includes bank premises and equipment used by supporting units. Charges are paid to this segment from other business segments based on market rates per square foot for their occupation of the Group's premises. The exchange difference arising from capital of our subsidiary, NCB (China), which is recognised in its income statement, is also included in this class.

“Others” refers to other group operations and mainly comprises of items related to the Group as a whole and totally independent of the other four business segments.

Revenues and expenses of any business segment mainly include items directly attributable to the segment. For management overheads, allocations are made on reasonable bases.

財務報表附註 (續) Notes to the Financial Statements (continued)
39. 分類報告 (續)
39. Segmental reporting (continued)
(a) 按營運分類 (續)
(a) By operating segment (continued)

		個人銀行 Personal Banking	企業銀行 Corporate Banking	財資業務 Treasury	投資 Investment	其他 Others	小計 Subtotal	合併抵銷 Eliminations	綜合 Consolidated
		港幣千元 HK\$'000	港幣千元 HK\$'000	港幣千元 HK\$'000	港幣千元 HK\$'000	港幣千元 HK\$'000	港幣千元 HK\$'000	港幣千元 HK\$'000	港幣千元 HK\$'000
截至 2015 年 12 月 31 日	Year ended 31 December 2015								
淨利息收入／(支出)	Net interest income/(expense)								
- 外來	- External	(66,016)	2,397,178	2,388,988	-	-	4,720,150	-	4,720,150
- 跨業務	- Inter-segment	980,296	235,717	(1,216,013)	-	-	-	-	-
		914,280	2,632,895	1,172,975	-	-	4,720,150	-	4,720,150
淨服務費及佣金收入	Net fee and commission income	695,053	596,096	67,101	65	(1,365)	1,356,950	-	1,356,950
淨交易性收益／(虧損)	Net trading gain/(loss)	43,272	(31,466)	3,345	39,025	(17)	54,159	-	54,159
界定為以公平值變化計入損益之金融工具淨虧損	Net loss on financial instruments designated at fair value through profit or loss	-	-	(6,382)	-	-	(6,382)	-	(6,382)
其他金融資產之淨收益	Net gain on other financial assets	-	79,531	184,998	-	71,892	336,421	-	336,421
其他經營收入	Other operating income	185	-	-	149,052	6,278	155,515	(113,107)	42,408
提取減值準備前之淨經營收入	Net operating income before impairment allowances	1,652,790	3,277,056	1,422,037	188,142	76,788	6,616,813	(113,107)	6,503,706
減值準備淨撥備	Net charge of impairment allowances	(106,584)	(526,740)	-	-	-	(633,324)	-	(633,324)
淨經營收入	Net operating income	1,546,206	2,750,316	1,422,037	188,142	76,788	5,983,489	(113,107)	5,870,382
經營支出	Operating expenses	(953,955)	(1,121,281)	(275,988)	(205,721)	(188,324)	(2,745,269)	113,107	(2,632,162)
經營溢利／(虧損)	Operating profit/(loss)	592,251	1,629,035	1,146,049	(17,579)	(111,536)	3,238,220	-	3,238,220
投資物業出售／公平值調整之淨收益	Net gain from disposal of/fair value adjustments on investment properties	-	-	-	121,046	-	121,046	-	121,046
出售／重估物業、器材及設備之淨收益	Net gain from disposal/revaluation of properties, plant and equipment	-	-	-	19,246	-	19,246	-	19,246
除稅前溢利／(虧損)	Profit/(loss) before taxation	592,251	1,629,035	1,146,049	122,713	(111,536)	3,378,512	-	3,378,512
於 2015 年 12 月 31 日	At 31 December 2015								
資產	ASSETS								
分部資產	Segment assets	39,504,331	134,505,455	123,466,694	7,458,268	129,316	305,064,064	-	305,064,064
待出售資產	Assets held for sale	-	-	-	132,729	-	132,729	-	132,729
資產總額	Total assets	39,504,331	134,505,455	123,466,694	7,590,997	129,316	305,196,793	-	305,196,793
負債	LIABILITIES								
分部負債	Segment liabilities	91,688,294	138,648,224	36,023,296	4,335	1,711,990	268,076,139	-	268,076,139
待出售資產之相關負債	Liabilities associated with assets held for sale	-	-	-	-	21,884	21,884	-	21,884
負債總額	Total liabilities	91,688,294	138,648,224	36,023,296	4,335	1,733,874	268,098,023	-	268,098,023
截至 2015 年 12 月 31 日	Year ended 31 December 2015								
其他資料	Other information								
資本性支出	Capital expenditure	-	-	-	77,143	-	77,143	-	77,143
折舊	Depreciation	16,616	8,849	671	205,711	(9,030)	222,817	-	222,817
證券攤銷	Amortisation of securities	-	-	(120,379)	-	-	(120,379)	-	(120,379)

財務報表附註 (續) Notes to the Financial Statements (continued)
39. 分類報告 (續)
39. Segmental reporting (continued)
(a) 按營運分類 (續)
(a) By operating segment (continued)

		個人銀行 Personal Banking	企業銀行 Corporate Banking	財資業務 Treasury	投資 Investment	其他 Others	小計 Subtotal	合併抵銷 Eliminations	綜合 Consolidated
		港幣千元 HK\$'000	港幣千元 HK\$'000	港幣千元 HK\$'000	港幣千元 HK\$'000	港幣千元 HK\$'000	港幣千元 HK\$'000	港幣千元 HK\$'000	港幣千元 HK\$'000
截至 2014 年 12 月 31 日	Year ended 31 December 2014								
淨利息收入 / (支出)	Net interest income/(expense)								
- 外來	- External	(418,490)	2,750,511	2,858,028	-	-	5,190,049	-	5,190,049
- 跨業務	- Inter-segment	1,307,961	(114,871)	(1,193,090)	-	-	-	-	-
		889,471	2,635,640	1,664,938	-	-	5,190,049	-	5,190,049
淨服務費及佣金收入 / (支出)	Net fee and commission income/(expenses)	538,300	623,126	94,697	95	(1,492)	1,254,726	-	1,254,726
淨交易性收益 / (虧損)	Net trading gain/(loss)	50,406	105,572	(125,113)	(22,424)	417	8,858	-	8,858
界定為以公平值變化計入損益之金融工具淨虧損	Net loss on financial instruments designated at fair value through profit or loss	-	-	(7,958)	-	-	(7,958)	-	(7,958)
其他金融資產之淨收益	Net gain on other financial assets	-	28,888	93,642	-	-	122,530	-	122,530
其他經營收入	Other operating income	140	174	-	174,357	13,780	188,451	(117,643)	70,808
提取減值準備前之淨經營收入	Net operating income before impairment allowances	1,478,317	3,393,400	1,720,206	152,028	12,705	6,756,656	(117,643)	6,639,013
減值準備淨撥備	Net charge of impairment allowances	(45,453)	(858,841)	-	-	-	(904,294)	-	(904,294)
淨經營收入	Net operating income	1,432,864	2,534,559	1,720,206	152,028	12,705	5,852,362	(117,643)	5,734,719
經營支出	Operating expenses	(763,907)	(1,257,493)	(301,253)	(204,538)	(88,041)	(2,615,232)	117,643	(2,497,589)
經營溢利 / (虧損)	Operating profit/(loss)	668,957	1,277,066	1,418,953	(52,510)	(75,336)	3,237,130	-	3,237,130
投資物業公平值調整之淨收益	Net gain from fair value adjustments on investment properties	-	-	-	129,896	-	129,896	-	129,896
出售 / 重估物業、器材及設備之淨虧損	Net loss from disposal/ revaluation of properties, plant and equipment	-	-	-	(347)	-	(347)	-	(347)
除稅前溢利 / (虧損)	Profit/(loss) before taxation	668,957	1,277,066	1,418,953	77,039	(75,336)	3,366,679	-	3,366,679
於 2014 年 12 月 31 日	At 31 December 2014								
資產	ASSETS								
分部資產	Segment assets	33,101,750	132,582,987	129,285,776	8,717,158	216,582	303,904,253	-	303,904,253
負債	LIABILITIES								
分部負債	Segment liabilities	103,437,642	120,438,397	43,259,903	7,582	1,865,885	269,009,409	-	269,009,409
截至 2014 年 12 月 31 日	Year ended 31 December 2014								
其他資料	Other information								
資本性支出	Capital expenditure	-	-	-	85,817	-	85,817	-	85,817
折舊	Depreciation	10,350	5,705	982	204,528	3,203	224,768	-	224,768
證券攤銷	Amortisation of securities	-	-	90,773	-	-	90,773	-	90,773

財務報表附註 (續) Notes to the Financial Statements (continued)
39. 分類報告 (續)
39. Segmental reporting (continued)
(b) 按地理區域劃分
(b) By geographical area

以下資料是根據附屬公司的主要營業地點分類，如屬本銀行之資料，則依據負責申報業績或將資產記賬之分行所在地分類：

The following information is presented based on the principal places of operations of the subsidiaries, or in the case of the Bank, on the locations of the branches responsible for reporting the results or booking the assets:

		2015		2014	
		提取減值準備前 之淨經營收入 Net operating income before impairment allowances	除稅前 溢利 Profit before taxation	提取減值準備前 之淨經營收入 Net operating income before impairment allowances	除稅前 溢利 Profit before taxation
		港幣千元 HK\$'000	港幣千元 HK\$'000	港幣千元 HK\$'000	港幣千元 HK\$'000
香港	Hong Kong	4,054,030	2,823,205	4,059,329	3,149,295
中國內地	Mainland of China	2,381,416	509,623	2,535,739	207,655
其他	Others	68,260	45,684	43,945	9,729
合計	Total	6,503,706	3,378,512	6,639,013	3,366,679

		2015			
		總資產 Total assets	總負債 Total liabilities	非流動資產 Non-current assets	或然負債和承擔 Contingent liabilities and commitments
		港幣千元 HK\$'000	港幣千元 HK\$'000	港幣千元 HK\$'000	港幣千元 HK\$'000
香港	Hong Kong	188,707,746	165,544,765	6,733,035	39,662,023
中國內地	Mainland of China	114,108,360	102,324,412	786,367	82,596,097
其他	Others	2,380,687	228,846	2,034	435,416
合計	Total	305,196,793	268,098,023	7,521,436	122,693,536

		2014			
		總資產 Total assets	總負債 Total liabilities	非流動資產 Non-current assets	或然負債和承擔 Contingent liabilities and commitments
		港幣千元 HK\$'000	港幣千元 HK\$'000	港幣千元 HK\$'000	港幣千元 HK\$'000
香港	Hong Kong	184,505,742	162,047,271	7,835,833	33,849,154
中國內地	Mainland of China	116,624,065	104,331,044	775,587	78,941,179
其他	Others	2,774,446	2,631,094	2,349	124,002
合計	Total	303,904,253	269,009,409	8,613,769	112,914,335

財務報表附註 (續) Notes to the Financial Statements (continued)

40. 已抵押資產

於2015年12月31日，本集團之負債港幣4,581,856,000元(2014年：港幣6,532,608,000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及票據抵押之負債為港幣478,835,000元(2014年：港幣2,090,606,000元)。本集團為擔保此等負債而質押之資產金額為港幣5,084,230,000元(2014年：港幣8,677,155,000元)，並主要於「交易性資產」、「金融投資」及「貿易票據」內列賬。

40. Assets pledged as security

As at 31 December 2015, the liabilities of the Group amounting to HK\$4,581,856,000 (2014: HK\$6,532,608,000) were secured by assets deposited with central depositories to facilitate settlement operations. In addition, the liabilities of the Group amounting to HK\$478,835,000 (2014: HK\$2,090,606,000) were secured by debt securities and bills related to sale and repurchase arrangements. The amount of assets pledged by the Group to secure these liabilities was HK\$5,084,230,000 (2014: HK\$8,677,155,000) mainly included in "Trading assets", "Financial investments" and "Trade bills".

財務報表附註 (續) Notes to the Financial Statements (continued)

41. 金融工具之抵銷

41. Offsetting financial instruments

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。

The following tables present details of the Group's financial instruments subject to offsetting, enforceable master netting arrangements and similar agreements.

		2015					
		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 Related amounts not set off in the balance sheet		淨額 Net amount	
		Gross amounts of recognised liabilities set off in the balance sheet	Net amounts of financial assets presented in the balance sheet	金融工具 Financial instruments	已收取之 現金押品 Cash collateral received		
		港幣千元 HK\$'000	港幣千元 HK\$'000	港幣千元 HK\$'000	港幣千元 HK\$'000	港幣千元 HK\$'000	
資產	Assets						
衍生金融工具	Derivative financial instruments	338,260	-	338,260	(59,230)	-	279,030
其他資產	Other assets	1,352,506	(986,109)	366,397	-	-	366,397
		1,690,766	(986,109)	704,657	(59,230)	-	645,427
		2015					
		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 Related amounts not set off in the balance sheet		淨額 Net amount	
		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 Financial instruments	已抵押之 現金押品 Cash collateral pledged		
		港幣千元 HK\$'000	港幣千元 HK\$'000	港幣千元 HK\$'000	港幣千元 HK\$'000	港幣千元 HK\$'000	
負債	Liabilities						
衍生金融工具	Derivative financial instruments	154,121	-	154,121	(59,230)	-	94,891
其他負債	Other liabilities	994,352	(986,109)	8,243	-	-	8,243
		1,148,473	(986,109)	162,364	(59,230)	-	103,134

財務報表附註 (續) Notes to the Financial Statements (continued)
41. 金融工具之抵銷 (續) 41. Offsetting financial instruments (continued)

		2014					
		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
		港幣千元 HK\$'000	港幣千元 HK\$'000	港幣千元 HK\$'000	金融工具 Financial instruments	已收取之 現金押品 Cash collateral received	港幣千元 HK\$'000
資產	Assets						
衍生金融工具	Derivative financial instruments	59,439	-	59,439	(26,746)	-	32,693
其他資產	Other assets	1,389,548	(1,094,061)	295,487	-	-	295,487
		1,448,987	(1,094,061)	354,926	(26,746)	-	328,180
		2014					
		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
		港幣千元 HK\$'000	港幣千元 HK\$'000	港幣千元 HK\$'000	金融工具 Financial instruments	已抵押之 現金押品 Cash collateral pledged	港幣千元 HK\$'000
負債	Liabilities						
衍生金融工具	Derivative financial instruments	174,708	-	174,708	(26,746)	-	147,962
其他負債	Other liabilities	1,128,061	(1,094,061)	34,000	-	-	34,000
		1,302,769	(1,094,061)	208,708	(26,746)	-	181,962

按本集團簽訂有關場外衍生工具和售後回購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 and sale and repurchase 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)
42. 金融資產轉移

於 2015 年及 2014 年 12 月 31 日，本集團沒有不符合終止確認條件之已轉移金融資產。

42. Transfers of financial assets

As at 31 December 2015 and 2014, there were no transferred financial assets of the Group that do not qualify for derecognition.

43. 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：

43. 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:

	2015	2014
	港幣千元	港幣千元
	HK\$'000	HK\$'000
於年末尚未償還之有關交易總額	707	-
於年內未償還有關交易之最高總額	739	-

財務報表附註（續） Notes to the Financial Statements (continued)**44. 主要之有關連人士交易 44. 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」）、匯金擁有控制權益之中國銀行及中銀香港，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：

本集團之直接控股公司是中銀香港，而中銀香港是受中國銀行控制。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 2015 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 9,358,822,000 元（2014 年：港幣 4,756,693,000 元）及港幣 12,219,755,000 元（2014 年：港幣 13,986,923,000 元）。截至 2015 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 90,422,000 元（2014 年：港幣 295,494,000 元）及港幣 141,518,000 元（2014 年：港幣 191,080,000 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"), BOC and BOCHK 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's immediate holding company is BOCHK, which is in turn 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 2015, the related aggregate amounts due from and to BOC of the Group were HK\$9,358,822,000 (2014: HK\$4,756,693,000) and HK\$12,219,755,000 (2014: HK\$13,986,923,000) respectively. The aggregate amounts of income and expenses of the Group arising from these transactions with BOC for the year ended 31 December 2015 were HK\$90,422,000 (2014: HK\$295,494,000) and HK\$141,518,000 (2014: HK\$191,080,000) 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)**44. 主要之有關連人士交易 (續) 44. Significant related party transactions (continued)****(a) 與母公司及母公司控制之其他公司進行的交易 (續)**

大部分與中銀香港進行的交易源自貨幣市場活動。於 2015 年 12 月 31 日，本集團相關應收及應付中銀香港款項總額分別為港幣 1,106,735,000 元 (2014 年：港幣 1,840,662,000 元) 及港幣 12,628,797,000 元 (2014 年：港幣 17,173,914,000 元)。截至 2015 年 12 月 31 日止年度，與中銀香港做此類業務過程中產生的收入及支出總額分別為港幣 3,037,000 元 (2014 年：港幣 2,560,000 元) 及港幣 331,591,000 元 (2014 年：港幣 729,578,000 元)。

於年內，本集團出售若干投資物業及房產予中銀香港，出售價分別為港幣 986,800,000 元及港幣 392,600,000 元，相關出售投資物業及房產之淨收益分別約為港幣 85,600,000 元及港幣 16,422,000 元，交易按市場一般商業條款進行。

大部分與母公司控制之其他公司的交易源自客戶存款。於 2015 年 12 月 31 日，本集團相關款項總額為港幣 15,630,974,000 元 (2014 年：港幣 12,914,910,000 元)。截至 2015 年 12 月 31 日止年度，與母公司控制之其他公司做此類業務過程中產生的支出總額為港幣 149,213,000 元 (2014 年：港幣 83,057,000 元)。

(a) Transactions with the parent companies and the other companies controlled by the parent companies (continued)

The majority of transactions with BOCHK arises from money market activities. As at 31 December 2015, the related aggregate amounts due from and to BOCHK of the Group were HK\$1,106,735,000 (2014: HK\$1,840,662,000) and HK\$12,628,797,000 (2014: HK\$17,173,914,000) respectively. The aggregate amounts of income and expenses of the Group arising from these transactions with BOCHK for the year ended 31 December 2015 were HK\$3,037,000 (2014: HK\$2,560,000) and HK\$331,591,000 (2014: HK\$729,578,000) respectively.

During the year, the Group sold certain investment properties and premises to BOCHK with selling price amounting to HK\$986,800,000 and HK\$392,600,000 respectively. The gain from disposal of investment properties and premises were approximately HK\$85,600,000 and HK\$16,422,000 respectively. The transactions were entered on normal commercial terms.

The majority of transactions with other companies controlled by the parent companies arises from deposits from customers. As at 31 December 2015, the related aggregate amount of the Group was HK\$15,630,974,000 (31 December 2014: HK\$12,914,910,000). The aggregate amount of expenses of the Group arising from these transactions with other companies controlled by the parent companies for the year ended 31 December 2015 was HK\$149,213,000 (2014: HK\$83,057,000).

財務報表附註（續） Notes to the Financial Statements (continued)**44. 主要之有關連人士交易 44. Significant related party transactions (continued)**
（續）**(a) 與母公司及母公司控制之其他公司進行的交易（續）**

除上述披露外，與其他母公司及母公司控制之其他公司進行的交易並不重大。

(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。

(a) Transactions with the parent companies and the other companies controlled by the parent companies (continued)

Save as disclosed above, transactions with other parent companies and the other companies controlled by the parent companies are not considered material.

(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, telecommunications and postage services.

財務報表附註 (續) Notes to the Financial Statements (continued)
44. 主要之有關連人士交易 44. Significant related party transactions (continued)
(續)
(c) 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：

(c) 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>2015</u>	<u>2014</u>
	港幣千元 HK\$'000	港幣千元 HK\$'000
薪酬及其他短期員工福利	24,623	26,740
退休福利	1,642	1,694
	<u>26,265</u>	<u>28,434</u>

(d) 與附屬公司的結餘

於 2015 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 1,440,338,000 元（2014 年：港幣 1,963,019,000 元）及港幣 226,650,000 元（2014 年：港幣 316,242,000 元）。

(d) Balances with subsidiaries

As at 31 December 2015, 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\$1,440,338,000 (2014: HK\$1,963,019,000) and HK\$226,650,000 (2014: HK\$316,242,000) respectively.

財務報表附註 (續) Notes to the Financial Statements (continued)
45. 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區分佈，其總和包括所有貨幣之跨國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。

本集團的個別國家或區域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：

45. 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 country different from the counterparty, the risk will be transferred to the country of the guarantor. For a claim on an overseas branch of a bank whose head office is located in another country, the risk will be transferred to the country where its head office is located.

Claims on individual countries or areas, after risk transfer, amounting to 10% or more of the aggregate international claims of the Group are shown as follows:

		2015				
		非銀行私人機構 Non-bank private sector				
		銀行 Banks		非銀行 金融機構 Non-bank financial institutions		非金融 私人機構 Non-financial private sector
		官方機構 Official sector		非金融 私人機構 Non-financial private sector		總計 Total
		港幣千元 HK\$'000		港幣千元 HK\$'000		港幣千元 HK\$'000
中國內地	Mainland of China	34,617,405	859,966	286,850	25,347,925	61,112,146
香港	Hong Kong	1,581,719	25,114	2,392,489	32,771,230	36,770,552
(重列) (Restated)						
		2014				
		非銀行私人機構 Non-bank private sector				
		銀行 Banks		非銀行 金融機構 Non-bank financial institutions		非金融 私人機構 Non-financial private sector
		官方機構 Official sector		非金融 私人機構 Non-financial private sector		總計 Total
		港幣千元 HK\$'000		港幣千元 HK\$'000		港幣千元 HK\$'000
中國內地	Mainland of China	36,252,631	942,469	660,677	34,282,844	72,138,621
香港	Hong Kong	253,134	2,305,880	588,883	24,251,030	27,398,927

比較數字已重新列示，以符合本年之列示形式。

The comparative amounts have been restated to conform with the current year's presentation.

財務報表附註 (續) Notes to the Financial Statements (continued)
46. 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。此報表僅計及本銀行及其從事銀行業務之附屬公司之內地風險承擔。

46. 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 the Bank and its banking subsidiaries.

	金管局 報表項目 Items in the HKMA return	2015		總風險承擔 Total exposure 港幣千元 HK\$'000	
		資產負債 表內的 風險承擔 On-balance sheet exposure 港幣千元 HK\$'000	資產負債 表外的 風險承擔 Off-balance sheet exposure 港幣千元 HK\$'000		
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	23,932,429	2,995,217	26,927,646
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	13,890,604	2,709,320	16,599,924
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	47,421,978	27,853,433	75,275,411
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	2,623,361	-	2,623,361
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	15,330	-	15,330
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	7,511,143	1,037,765	8,548,908
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	5,245,489	-	5,245,489
總計	Total	8	<u>100,640,334</u>	<u>34,595,735</u>	<u>135,236,069</u>
扣減準備金後的資產總額	Total assets after provision	9	<u>313,731,968</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>32.08%</u>		

財務報表附註 (續) Notes to the Financial Statements (continued)
46. 非銀行的內地風險承擔 (續) 46. Non-bank Mainland exposures (continued)

	金管局 報表項目 Items in the HKMA return	2014		總風險承擔 Total exposure 港幣千元 HK\$'000	
		資產負債 表內的 風險承擔 On-balance sheet exposure 港幣千元 HK\$'000	資產負債 表外的 風險承擔 Off-balance sheet exposure 港幣千元 HK\$'000		
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	29,451,874	1,151,441	30,603,315
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	11,599,566	1,810,301	13,409,867
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	50,180,366	29,896,773	80,077,139
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	318,005	-	318,005
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	-	-	-
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	6,980,121	1,183,797	8,163,918
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	5,177,267	-	5,177,267
總計	Total	8	103,707,199	34,042,312	137,749,511
扣減準備金後的資產總額	Total assets after provision	9	310,553,707		
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	33.39%		

財務報表附註 (續) Notes to the Financial Statements (continued)
47. 資產負債表及權益變動表 47. 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	2015	2014
		港幣千元 HK\$'000	港幣千元 HK\$'000
資產	ASSETS		
庫存現金及存放銀行及其他金融機構的結餘	Cash and balances with banks and other financial institutions	15,843,529	30,391,541
在銀行及其他金融機構一至十二個月內到期之定期存放	Placements with banks and other financial institutions maturing between one and twelve months	145,331	145,422
公平值變化計入損益之金融資產	Financial assets at fair value through profit or loss	6,963,572	6,155,213
衍生金融工具	Derivative financial instruments	512,683	402,764
貸款及其他賬項	Advances and other accounts	112,246,377	106,365,558
金融投資	Financial investments	45,967,421	37,162,481
附屬公司權益	Interests in subsidiaries	8,171,067	8,171,067
投資物業	Investment properties	394,410	1,258,121
物業、器材及設備	Properties, plant and equipment	6,329,838	6,579,145
其他資產	Other assets	3,990,025	782,548
待出售資產	Assets held for sale	132,729	-
資產總額	Total assets	200,696,982	197,413,860
負債	LIABILITIES		
銀行及其他金融機構之存款及結餘	Deposits and balances from banks and other financial institutions	5,588,738	10,369,369
公平值變化計入損益之金融負債	Financial liabilities at fair value through profit or loss	4,575,356	4,970,693
衍生金融工具	Derivative financial instruments	205,753	167,394
客戶存款	Deposits from customers	152,979,068	145,870,627
其他賬項及準備	Other accounts and provisions	1,619,871	2,425,678
應付稅項負債	Current tax liabilities	187,530	182,031
遞延稅項負債	Deferred tax liabilities	803,862	977,874
待出售資產之相關負債	Liabilities associated with assets held for sale	21,884	-
負債總額	Total liabilities	165,982,062	164,963,666

財務報表附註 (續) Notes to the Financial Statements (continued)
47. 資產負債表及權益變動表 (續) 47. 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	2015	2014
		港幣千元	港幣千元
		HK\$'000	HK\$'000
資本	EQUITY		
股本	Share capital	3,144,517	3,144,517
儲備	Reserves	31,570,403	29,305,677
資本總額	Total equity	34,714,920	32,450,194
負債及資本總額	Total liabilities and equity	200,696,982	197,413,860

經董事會於 2016 年 3 月 18 日通過核准並由以下人士代表簽署：

Approved by the Board of Directors on 18 March 2016 and signed on behalf of the Board by:

岳毅 **Yue Yi**
董事 *Director*

方紅光 **Fang Hongguang**
董事 *Director*

財務報表附註 (續) Notes to the Financial Statements (continued)
47. 資產負債表及權益變動表 (續) 47. 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	股本溢價 Share premium	房產 重估儲備 Premises revaluation reserve	可供出售 證券公平值 變動儲備 Reserve for fair value changes of available- for-sale securities	監管儲備* Regulatory reserve*	換算儲備 Translation reserve	留存盈利 Retained earnings	資本總計 Total equity	
		港幣千元 HK\$'000	港幣千元 HK\$'000	港幣千元 HK\$'000	港幣千元 HK\$'000	港幣千元 HK\$'000	港幣千元 HK\$'000	港幣千元 HK\$'000	港幣千元 HK\$'000	
於 2014 年 1 月 1 日	At 1 January 2014	700,000	2,444,517	5,326,283	(58,705)	590,889	(5,127)	20,936,348	29,934,205	
年度溢利	Profit for the year	-	-	-	-	-	-	2,609,558	2,609,558	
其他全面收益：	Other comprehensive income:									
房產	Premises	-	-	399,460	-	-	-	-	399,460	
可供出售證券	Available-for-sale securities	-	-	-	207,506	-	-	-	207,506	
貨幣換算差額	Currency translation difference	-	-	-	276	-	(811)	-	(535)	
全面收益總額	Total comprehensive income	-	-	399,460	207,782	-	(811)	2,609,558	3,215,989	
撥入股本	Transfer to share capital	2,444,517	(2,444,517)	-	-	-	-	-	-	
轉撥自留存盈利	Transfer from retained earnings	-	-	-	-	172,276	-	(172,276)	-	
股息	Dividends	-	-	-	-	-	-	(700,000)	(700,000)	
於 2014 年 12 月 31 日	At 31 December 2014	3,144,517	-	5,725,743	149,077	763,165	(5,938)	22,673,630	32,450,194	
於 2015 年 1 月 1 日	At 1 January 2015	3,144,517	-	5,725,743	149,077	763,165	(5,938)	22,673,630	32,450,194	
年度溢利	Profit for the year	-	-	-	-	-	-	2,473,698	2,473,698	
其他全面收益：	Other comprehensive income:									
房產	Premises	-	-	350,149	-	-	-	-	350,149	
可供出售證券	Available-for-sale securities	-	-	-	(17,028)	-	-	-	(17,028)	
貨幣換算差額	Currency translation difference	-	-	-	424	-	(17)	-	407	
全面收益總額	Total comprehensive income	-	-	350,149	(16,604)	-	(17)	2,473,698	2,807,226	
因房產出售之轉撥	Release upon disposal of premises	-	-	(454,824)	-	-	-	454,824	-	
轉撥自留存盈利	Transfer from retained earnings	-	-	-	-	80,054	-	(80,054)	-	
股息	Dividends	-	-	-	-	-	-	(542,500)	(542,500)	
於 2015 年 12 月 31 日	At 31 December 2015	3,144,517	-	5,621,068	132,473	843,219	(5,955)	24,979,598	34,714,920	

* 除按香港會計準則第39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 HKAS 39.

財務報表附註 (續) Notes to the Financial Statements (continued)

48. 期後事項

於2016年1月15日，本集團出售若干房產予中銀香港，出售價為港幣133,320,000元，相關出售房產之淨收益約為港幣591,000元，交易按市場一般商業條款進行。

48. Events after balance sheet date

On 15 January 2016, the Group sold certain premises to BOCHK with selling price amounting to HK\$133,320,000. The gain from disposal of premises were approximately HK\$591,000. The transactions were entered on normal commercial terms.

49. 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及中銀香港，對本集團實行控制。

49. 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"), BOC and BOCHK in which Central Huijin has controlling equity interests.

50. 財務報表核准

本財務報表於2016年3月18日經董事會通過及核准發佈。

50. Approval of financial statements

The financial statements were approved and authorised for issue by the Board of Directors on 18 March 2016.

簡要綜合收益表
Condensed Consolidated Income Statement

		(未經審計) (Unaudited)	(未經審計) (Unaudited)
		半年結算至 2016年 6月30日 Half-year ended 30 June 2016	半年結算至 2015年 6月30日 Half-year ended 30 June 2015
	附註 Notes	港幣千元 HK\$'000	港幣千元 HK\$'000
利息收入	Interest income	3,586,298	4,566,684
利息支出	Interest expense	<u>(1,407,919)</u>	<u>(2,186,749)</u>
淨利息收入	Net interest income	6 2,178,379	2,379,935
服務費及佣金收入	Fee and commission income	808,620	762,744
服務費及佣金支出	Fee and commission expense	<u>(33,484)</u>	<u>(48,365)</u>
淨服務費及佣金收入	Net fee and commission income	7 775,136	714,379
淨交易性收益／(虧損)	Net trading gain/(loss)	8 14,951	(93,559)
界定為以公平值變化計入損益之 金融工具淨虧損	Net loss on financial instruments designated at fair value through profit or loss	<u>(1,651)</u>	<u>(1,323)</u>
其他金融資產之淨收益	Net gain on other financial assets	9 117,021	63,255
其他經營收入	Other operating income	10 <u>11,785</u>	<u>31,239</u>
提取減值準備前之淨經營收入	Net operating income before impairment allowances	3,095,621	3,093,926
減值準備淨撥備	Net charge of impairment allowances	11 <u>(283,728)</u>	<u>(341,086)</u>
淨經營收入	Net operating income	2,811,893	2,752,840
經營支出	Operating expenses	12 <u>(1,297,867)</u>	<u>(1,204,022)</u>
經營溢利	Operating profit	1,514,026	1,548,818
投資物業出售／公平值調整之 淨收益	Net gain from disposal of/fair value adjustments on investment properties	13 17,120	105,522
出售／重估物業、器材及設備之 淨收益	Net gain from disposal/revaluation of properties, plant and equipment	14 <u>2,812</u>	<u>18,468</u>
除稅前溢利	Profit before taxation	1,533,958	1,672,808
稅項	Taxation	15 <u>(273,598)</u>	<u>(264,481)</u>
期內溢利	Profit for the period	1,260,360	<u>1,408,327</u>
股息	Dividends	16 -	<u>542,500</u>

第 7 至 110 頁之附註屬本中期財務資料之組成部分。

The notes on pages 7 to 110 are an integral part of this interim financial information.

簡要綜合全面收益表
Condensed Consolidated Statement of Comprehensive Income

		(未經審計) (Unaudited) 半年結算至 2016年 6月30日 Half-year ended 30 June 2016 港幣千元 HK\$'000	(未經審計) (Unaudited) 半年結算至 2015年 6月30日 Half-year ended 30 June 2015 港幣千元 HK\$'000
期內溢利	Profit for the period	1,260,360	1,408,327
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	(53,343)	233,962
遞延稅項	Deferred tax	35,782	28,111
		(17,561)	262,073
其後可重新分類至收益表內的項目：	Items that may be reclassified subsequently to income statement:		
可供出售證券：	Available-for-sale securities:		
可供出售證券之公平值變化	Change in fair value of available-for-sale securities	53,787	215,035
因處置可供出售證券之轉撥重新分類至收益表	Release upon disposal of available-for-sale securities reclassified to income statement	(77,952)	(30,139)
由可供出售證券轉至持有至到期日證券產生之攤銷重新分類至收益表	Amortisation with respect to available-for-sale securities transferred to held-to-maturity securities reclassified to income statement	514	550
遞延稅項	Deferred tax	8,832	(30,572)
		(14,819)	154,874
淨投資對沖下對沖工具之公平值變化	Change in fair value of hedging instruments under net investment hedges	-	(2,908)
貨幣換算差額	Currency translation difference	(143,137)	22,829
		(157,956)	174,795
期內除稅後其他全面收益	Other comprehensive income for the period, net of tax	(175,517)	436,868
期內全面收益總額	Total comprehensive income for the period	1,084,843	1,845,195

第 7 至 110 頁之附註屬本中期財務資料之組成部分。

The notes on pages 7 to 110 are an integral part of this interim financial information.

簡要綜合資產負債表 Condensed Consolidated Balance Sheet

		附註 Notes	(未經審計)	(經審計)
			(Unaudited)	(Audited)
			於 2016 年 6 月 30 日	於 2015 年 12 月 31 日
			At 30 June 2016	At 31 December 2015
			港幣千元 HK\$'000	港幣千元 HK\$'000
資產	ASSETS			
庫存現金及存放銀行及其他金融機構的結餘	Cash and balances with banks and other financial institutions	17	55,137,450	54,244,805
在銀行及其他金融機構一至十二個月內到期之定期存放	Placements with banks and other financial institutions maturing between one and twelve months		8,019,190	7,056,785
公平值變化計入損益之金融資產	Financial assets at fair value through profit or loss	18	4,800,806	6,963,572
衍生金融工具	Derivative financial instruments	19	670,095	696,266
貸款及其他賬項	Advances and other accounts	20	176,481,629	168,924,014
金融投資	Financial investments	21	57,938,088	55,407,983
投資物業	Investment properties	22	346,200	414,736
物業、器材及設備	Properties, plant and equipment	23	6,954,098	7,008,020
應收稅項資產	Current tax assets		88,142	46,690
遞延稅項資產	Deferred tax assets	28	-	5,962
其他資產	Other assets	24	1,288,679	4,295,231
待出售資產	Assets held for sale		-	132,729
資產總額	Total assets		311,724,377	305,196,793
負債	LIABILITIES			
銀行及其他金融機構之存款及結餘	Deposits and balances from banks and other financial institutions		23,924,989	30,961,174
公平值變化計入損益之金融負債	Financial liabilities at fair value through profit or loss	25	4,018,283	4,575,356
衍生金融工具	Derivative financial instruments	19	264,490	302,944
客戶存款	Deposits from customers	26	230,064,892	218,261,983
其他賬項及準備	Other accounts and provisions	27	14,153,440	12,974,800
應付稅項負債	Current tax liabilities		275,645	187,530
遞延稅項負債	Deferred tax liabilities	28	839,025	812,352
待出售資產之相關負債	Liabilities associated with assets held for sale		-	21,884
負債總額	Total liabilities		273,540,764	268,098,023
資本	EQUITY			
股本	Share capital	29	3,144,517	3,144,517
儲備	Reserves		35,039,096	33,954,253
資本總額	Total equity		38,183,613	37,098,770
負債及資本總額	Total liabilities and equity		311,724,377	305,196,793

第 7 至 110 頁之附註屬本中期財務資料之組成部分。

The notes on pages 7 to 110 are an integral part of this interim financial information.

簡要綜合權益變動表
Condensed Consolidated Statement of Changes in Equity

		(未經審計) (Unaudited)							
		儲備 Reserves							
		股本 Share capital	資本儲備 Capital reserve	房產 重估儲備 Premises revaluation reserve	可供出售 證券公平值 變動儲備 Reserve for fair value changes of available- for-sale securities	監管儲備* Regulatory reserve*	換算儲備 Translation reserve	留存盈利 Retained earnings	總計 Total
		港幣千元 HK\$'000	港幣千元 HK\$'000	港幣千元 HK\$'000	港幣千元 HK\$'000	港幣千元 HK\$'000	港幣千元 HK\$'000	港幣千元 HK\$'000	港幣千元 HK\$'000
於 2015 年 1 月 1 日	At 1 January 2015	3,144,517	605	5,937,109	206,908	2,173,590	714,819	22,717,296	34,894,844
期內溢利	Profit for the period	-	-	-	-	-	-	1,408,327	1,408,327
其他全面收益：	Other comprehensive income:								
房產	Premises	-	-	262,073	-	-	-	-	262,073
可供出售證券	Available-for-sale securities	-	-	-	154,874	-	-	-	154,874
淨投資對沖下對沖工具之公平值變化	Change in fair value of hedging instruments under net investment hedges	-	-	-	-	-	(2,908)	-	(2,908)
貨幣換算差額	Currency translation difference	-	-	329	554	-	21,946	-	22,829
全面收益總額	Total comprehensive income	-	-	262,402	155,428	-	19,038	1,408,327	1,845,195
因房產出售之轉撥	Release upon disposal of premises	-	-	(458,812)	-	-	-	458,812	-
轉撥自留存盈利	Transfer from retained earnings	-	-	-	-	93,805	-	(93,805)	-
股息（附註 16）	Dividends (Note 16)	-	-	-	-	-	-	(542,500)	(542,500)
於 2015 年 6 月 30 日	At 30 June 2015	3,144,517	605	5,740,699	362,336	2,267,395	733,857	23,948,130	36,197,539
於 2015 年 7 月 1 日	At 1 July 2015	3,144,517	605	5,740,699	362,336	2,267,395	733,857	23,948,130	36,197,539
期內溢利	Profit for the period	-	-	-	-	-	-	1,488,450	1,488,450
其他全面收益：	Other comprehensive income:								
房產	Premises	-	-	123,482	-	-	-	-	123,482
可供出售證券	Available-for-sale securities	-	-	-	(145,353)	-	-	-	(145,353)
淨投資對沖下對沖工具之公平值變化	Change in fair value of hedging instruments under net investment hedges	-	-	-	-	-	47,192	-	47,192
貨幣換算差額	Currency translation difference	-	-	(8,784)	(3,229)	-	(600,527)	-	(612,540)
全面收益總額	Total comprehensive income	-	-	114,698	(148,582)	-	(553,335)	1,488,450	901,231
因房產出售之轉撥	Release upon disposal of premises	-	-	(587)	-	-	-	587	-
轉撥自留存盈利	Transfer from retained earnings	-	-	-	-	(11,722)	-	11,722	-
於 2015 年 12 月 31 日	At 31 December 2015	3,144,517	605	5,854,810	213,754	2,255,673	180,522	25,448,889	37,098,770

**簡要綜合權益變動表
(續)**
**Condensed Consolidated Statement of Changes in Equity
(continued)**

		(未經審計) (Unaudited)							
		儲備							
		Reserves							
		可供出售 證券公平值 變動儲備							
		Reserve for fair value changes of available- for-sale securities							
		監管儲備*							
		Translation reserve							
		留存盈利							
		Retained earnings							
		總計							
		Total							
		港幣千元							
		HK\$'000							
		股本 Share capital	資本儲備 Capital reserve	房產 重估儲備 Premises reevaluation reserve	可供出售 證券公平值 變動儲備 Reserve for fair value changes of available- for-sale securities	監管儲備* Regulatory reserve*	換算儲備 Translation reserve	留存盈利 Retained earnings	總計 Total
		港幣千元 HK\$'000	港幣千元 HK\$'000	港幣千元 HK\$'000	港幣千元 HK\$'000	港幣千元 HK\$'000	港幣千元 HK\$'000	港幣千元 HK\$'000	港幣千元 HK\$'000
於2016年1月1日	At 1 January 2016	3,144,517	605	5,854,810	213,754	2,255,673	180,522	25,448,889	37,098,770
期內溢利	Profit for the period	-	-	-	-	-	-	1,260,360	1,260,360
其他全面收益：	Other comprehensive income:								
房產	Premises	-	-	(17,561)	-	-	-	-	(17,561)
可供出售證券	Available-for-sale securities	-	-	-	(14,819)	-	-	-	(14,819)
貨幣換算差額	Currency translation difference	-	-	(2,406)	(1,140)	-	(139,591)	-	(143,137)
全面收益總額	Total comprehensive income	-	-	(19,967)	(15,959)	-	(139,591)	1,260,360	1,084,843
因房產出售之轉撥	Release upon disposal of premises	-	-	(161,704)	-	-	-	161,704	-
轉撥至留存盈利	Transfer to retained earnings	-	-	-	-	(11,855)	-	11,855	-
於2016年6月30日	At 30 June 2016	3,144,517	605	5,673,139	197,795	2,243,818	40,931	26,882,808	38,183,613

* 除按香港會計準則第 39 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 HKAS 39.

第 7 至 110 頁之附註屬本中期財務資料之組成部分。

The notes on pages 7 to 110 are an integral part of this interim financial information.

簡要綜合現金流量表
Condensed Consolidated Cash Flow Statement

		(未經審計) (Unaudited)	(未經審計) (Unaudited)
		半年結算至 2016年 6月30日 Half-year ended 30 June 2016	半年結算至 2015年 6月30日 Half-year ended 30 June 2015
	附註 Notes	港幣千元 HK\$'000	港幣千元 HK\$'000
經營業務之現金流量	Cash flows from operating activities		
除稅前經營現金之流入／(流出)	Operating cash inflow/(outflow) before taxation	30(a) 977,573	(7,703,445)
支付香港利得稅	Hong Kong profits tax paid	(121,670)	(113,528)
支付海外利得稅	Overseas profits tax paid	(50,345)	(46,080)
經營業務之現金流入／(流出)淨額	Net cash inflow/(outflow) from operating activities	805,558	(7,863,053)
投資業務之現金流量	Cash flows from investing activities		
購入物業、器材及設備	Purchase of properties, plant and equipment	(77,580)	(28,641)
購入投資物業	Purchase of investment properties	-	(1,080)
出售物業、器材及設備所得款項	Proceeds from disposal of properties, plant and equipment	188,216	396,876
出售投資物業所得款項	Proceeds from disposal of investment properties	-	986,800
投資業務之現金流入淨額	Net cash inflow from investing activities	110,636	1,353,955
融資業務之現金流量	Cash flows from financing activities		
支付股息	Dividend paid	-	(542,500)
融資業務之現金流出淨額	Net cash outflow from financing activities	-	(542,500)
現金及等同現金項目增加／(減少)	Increase/(decrease) in cash and cash equivalents	916,194	(7,051,598)
於1月1日之現金及等同現金項目	Cash and cash equivalents at 1 January	53,822,409	52,301,071
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	(208,090)	(40,632)
於6月30日之現金及等同現金項目	Cash and cash equivalents at 30 June	30(b) 54,530,513	45,208,841

第7至110頁之附註屬本中期財務資料之組成部分。

The notes on pages 7 to 110 are an integral part of this interim financial information.

中期財務資料附註**Notes to the Interim Financial Information****1. 一般資料****1. General Information**

南洋商業銀行有限公司於香港註冊成立（下稱「本銀行」）及其附屬公司於香港或上海成立（以下連同本銀行統稱「本集團」）。本銀行為根據香港銀行業條例所規定獲認可之持牌銀行。

本銀行主要從事銀行及相關之金融服務。本銀行之附屬公司的主要業務載於「附錄—本銀行之附屬公司」內。本銀行之公司註冊地址為香港中環德輔道中151號。

本集團前直接控股公司中國銀行（香港）有限公司（「中銀香港」）將持有本集團的全部股權出售予中國信達資產管理股份有限公司（「中國信達」），並已於2016年5月30日進行交割，本集團股權轉讓自該日起正式生效。

Nanyang Commercial Bank, Limited was incorporated in Hong Kong (hereinafter as the "Bank") and its subsidiaries were incorporated in Hong Kong or Shanghai (together with the Bank hereinafter as the "Group"). The Bank is a licensed bank authorised under the Hong Kong Banking Ordinance.

The principal activities of the Bank are the provision of banking and related financial services. The principal activities of the Bank's subsidiaries are shown in "Appendix – Subsidiaries of the Bank". The address of the Bank's registered office is 151 Des Voeux Road Central, Hong Kong.

Bank of China (Hong Kong) Limited ("BOCHK"), the Group's former immediate holding company, disposed all its interests in the Group to China Cinda Asset Management Co., Ltd. ("China Cinda"). The transaction was completed and the share transfer of the Group effected on 30 May 2016.

2. 編製基準及主要會計政策 2. Basis of preparation and significant accounting policies**(a) 編製基準**

此未經審計之中期財務資料，乃按照香港會計師公會所頒佈之香港會計準則第34號「中期財務報告」而編製。

(b) 主要會計政策

此未經審計之中期財務資料所採用之主要會計政策及計算辦法，均與截至2015年12月31日止之本集團年度財務報表之編製基礎一致，並需連同本集團2015年之年度報告一併閱覽。

已強制性地於2016年1月1日起開始的會計年度首次生效之與本集團相關的準則及修訂

- 香港會計準則第1號（經修訂）「披露的自主性」。香港會計準則第1號的修訂旨在進一步鼓勵企業運用專業判斷去決定在其財務報表中需披露的資料。例如，此修訂明確指出重大性需應用於整個財務報表，而包含不重要的資料會減低財務披露的效益。此外，此修訂闡明企業應運用專業判斷去決定在何處及以什麼次序把資料呈列在財務披露內。該項修訂對本集團的財務報表沒有重大影響。
- 香港會計準則第27號（2011）（經修訂）「獨立財務報表內的權益法」。該項修訂重新允許企業在單獨財務報表中對其子公司、聯營公司、合資企業之投資採用權益法列賬的選項。改用權益法的企業需要在單獨財務報表中，對每項作出此選項的投資分類採用一致的會計處理及作出追溯性修訂。該項修訂對本集團的財務報表沒有重大影響。

(a) Basis of preparation

The unaudited interim financial information has been prepared in accordance with HKAS 34 "Interim Financial Reporting" issued by the HKICPA.

(b) Significant accounting policies

The significant accounting policies adopted and methods of computation used in the preparation of the unaudited interim financial information are consistent with those adopted and used in the Group's annual financial statements for the year ended 31 December 2015 and should be read in conjunction with the Group's Annual Report for 2015.

Standards and amendments to standards that are relevant to the Group and mandatory for the first time for the financial year beginning on 1 January 2016

- HKAS 1 (Amendment), "Disclosure Initiative". The amendments to HKAS 1 are designed to further encourage companies to apply professional judgement in determining what information to disclose in their financial statements. For example, the amendments make clear that materiality applies to the whole of financial statements and that the inclusion of immaterial information can inhibit the usefulness of financial disclosures. Furthermore, the amendments clarify that companies should use professional judgement in determining where and in what order information is presented in the financial disclosures. This amendment will not have material impact on the Group's financial statements.
- HKAS 27 (2011) (Amendment), "Equity Method in Separate Financial Statements". The amendment restores the option to allow an entity to apply the equity method to account for its investments in subsidiaries, joint ventures and associates in its separate financial statements. Entities electing to change to the equity method in its separate financial statements shall have to apply the same accounting for each category of investments so elected and are required to apply this change retrospectively. This amendment will not have any material impact on the Group's financial statements.

中期財務資料附註 **Notes to the Interim Financial Information (continued)** (續)

2. 編製基準及主要會計政策 **2. Basis of preparation and significant accounting policies (continued)** (續)

(b) 主要會計政策 (續)

已強制性地於2016年1月1日起開始的會計年度首次生效之與本集團相關的準則及修訂 (續)

- 「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。該等修訂已於2016年1月1日起開始的會計年度生效。採納有關修訂對本集團的財務報表沒有重大影響。

(c) 已頒佈並與本集團相關但尚未強制性生效及沒有被本集團於2016年提前採納之準則及修訂

(b) Significant accounting policies (continued)

Standards and amendments to standards that are relevant to the Group and mandatory for the first time for the financial year beginning on 1 January 2016 (continued)

- “Improvements to HKFRSs” contains numerous 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. The amendments are already effective for annual periods beginning on 1 January 2016. The adoption of these improvements does not have a material impact on the Group's financial statements.

(c) Standards and amendments issued that are relevant to the Group but not yet effective and have not been early adopted by the Group in 2016

準則/修訂 Standards/Amendments	內容 Content	起始適用之年度 Applicable for financial years beginning on/after
香港財務報告準則第 9 號 HKFRS 9	金融工具 Financial Instruments	2018 年 1 月 1 日 1 January 2018
香港財務報告準則第 15 號 HKFRS 15	源於客戶合同的收入 Revenue from Contracts with Customers	2018 年 1 月 1 日 1 January 2018
香港財務報告準則第 16 號 HKFRS 16	租賃 Leases	2019 年 1 月 1 日 1 January 2019

**中期財務資料附註
(續)****Notes to the Interim Financial Information (continued)****2. 編製基準及主要會計政策
(續)****2. Basis of preparation and significant accounting policies (continued)**

- 香港財務報告準則第16號「租賃」。香港財務報告準則第16號將取代現有與租賃相關之會計準則及詮釋。當中將採用單一控制模型以識別及區別租賃及服務合同。承租人的會計處理將引入重大的改變，以消除經營租賃與融資租賃之間的區分。除短期及低值租賃外，需要確認資產使用權及租賃負債。對出租人的會計處理要求則沒有重大改動。本準則將會追溯性實施，企業若已採納香港財務報告準則第15號「源於客戶合同的收入」，可提前採納此準則。本集團正在評估該準則的財務影響及其應用時間。
- 有關上述其他準則與修訂的簡介，請參閱本集團2015年之年度報告內財務報表附註2.1(a)項。

- HKFRS 16, "Leases". HKFRS 16 supersedes the existing standard and interpretations related to leases. It applies a single control model to identify leases and distinguish between leases and service contracts. Significant changes to lessee accounting are introduced, with the distinction between operating and finance leases removed and the right-of-use assets and lease liabilities recognised except under short term and low value leases. There are no significant changes to the lessor accounting requirements. The standard is applied retrospectively. Early application is permitted for entities that have also adopted HKFRS 15 "Revenue from Contracts with Customers". The Group is considering the financial impact of the standard and the timing of its application.

- Please refer to Note 2.1(a) of the Group's Annual Report for 2015 for brief explanations of the rest of the above-mentioned standards and amendments.

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**

本集團會計估計的性質及假設，均與本集團截至2015年12月31日的財務報告內所採用的一致。

The nature and assumptions related to the Group's accounting estimates are consistent with those used in the Group's financial statements for the year ended 31 December 2015.

**中期財務資料附註
(續)****Notes to the Interim Financial Information (continued)****4. 金融風險管理****4. Financial risk management**

本集團因從事各類業務而涉及金融風險。主要金融風險包括信貸風險、市場風險（包括外匯風險及利率風險）及流動資金風險。本附註概述本集團的這些風險承擔。

The Group is exposed to financial risks as a result of engaging in a variety of business activities. The principal financial risks are credit risk, market risk (including currency risk and interest rate risk) and liquidity risk. This note summarises the Group's exposures to these risks.

4.1 信貸風險**4.1 Credit Risk****(A) 總貸款及其他賬項****(A) Gross advances and other accounts****(a) 減值貸款****(a) Impaired advances**

當有客觀證據反映貸款出現一項或多項損失事件，經過評估有關損失事件已影響其預期可靠的未來現金流，則該貸款已出現減值損失。

Advances are impaired and impairment losses are incurred if, and only if, there is objective evidence of impairment as a result of one or more events that occurred and that loss event(s) has an impact on the estimated future cash flows of the advances that can be reliably estimated.

如有客觀證據反映貸款已出現減值損失，有關損失按該貸款賬面值與未來現金流折現值兩者間之差額計量；貸款已出現減值損失的客觀證據包括那些已有明顯訊息令本集團知悉的損失事件。

If there is objective evidence that an impairment loss on advances has been incurred, the amount of loss is measured as the difference between the carrying amount and the present value of estimated future cash flows generated by the advances. Objective evidence that advances are impaired includes observable data that comes to the attention of the Group about the loss events.

中期財務資料附註 (續) Notes to the Interim Financial Information (continued)
4. 金融風險管理 (續) 4. Financial risk management (continued)
4.1 信貸風險 (續)
4.1 Credit Risk (continued)
(A) 總貸款及其他賬項 (續)
(A) Gross advances and other accounts (continued)
(a) 減值貸款 (續)
(a) Impaired advances (continued)

		於 2016 年 6 月 30 日 At 30 June 2016	於 2015 年 12 月 31 日 At 31 December 2015
		港幣千元 HK\$'000	港幣千元 HK\$'000
減值之客戶貸款總額	Gross impaired advances to customers	<u>664,604</u>	<u>639,022</u>
就上述貸款作出之減值準備	Impairment allowances made in respect of such advances	<u>465,070</u>	<u>434,377</u>
就上述有抵押品覆蓋的客戶貸款之抵押品市值	Current market value of collateral held against the covered portion of such advances to customers	<u>363,219</u>	<u>310,774</u>
上述有抵押品覆蓋之客戶貸款	Covered portion of such advances to customers	<u>233,190</u>	<u>230,073</u>
上述沒有抵押品覆蓋之客戶貸款	Uncovered portion of such advances to customers	<u>431,414</u>	<u>408,949</u>

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 such advances.

於 2016 年 6 月 30 日，沒有減值之貿易票據 (2015 年 12 月 31 日：無)。

As at 30 June 2016, there were no impaired trade bills (31 December 2015: Nil).

中期財務資料附註 (續) Notes to the Interim Financial Information (continued)
4. 金融風險管理 (續) 4. Financial risk management (continued)
4.1 信貸風險 (續)
4.1 Credit Risk (continued)
(A) 總貸款及其他賬項 (續)
(A) Gross advances and other accounts (continued)
(a) 減值貸款 (續)
(a) Impaired advances (continued)

特定分類或減值之客戶貸款分析如下：

Classified or impaired advances to customers are analysed as follows:

	於 2016 年 6 月 30 日 At 30 June 2016	於 2015 年 12 月 31 日 At 31 December 2015
	港幣千元 HK\$'000	港幣千元 HK\$'000
特定分類或減值之客戶貸款總額	<u>714,700</u>	<u>684,698</u>
特定分類或減值之客戶貸款總額對客戶貸款總額比率	<u>0.43%</u>	<u>0.44%</u>
就上述貸款作個別評估之減值準備	<u>464,176</u>	<u>433,567</u>

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」貸款或個別評估為減值的貸款。

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 individually assessed to be impaired.

中期財務資料附註 (續) Notes to the Interim Financial Information (continued)

4. 金融風險管理 (續) 4. Financial risk management (continued)

4.1 信貸風險 (續)

4.1 Credit Risk (continued)

(A) 總貸款及其他賬項 (續)

(A) Gross advances and other accounts (continued)

(b) 逾期超過3個月之貸款

(b) Advances overdue for more than three months

有明確到期日之貸款，若其本金或利息已逾期及仍未償還，則列作逾期貸款。須定期分期償還之貸款，若其中一次分期還款已逾期及仍未償還，則列作逾期處理。須即期償還之貸款若已向借款人送達還款通知，但借款人未按指示還款，或貸款一直超出借款人獲通知之批准貸款限額，亦列作逾期處理。

Advances with a specific repayment date are classified as overdue when the principal or interest is past due and remains unpaid. Advances repayable by regular instalments are classified as overdue when an instalment payment is past due and remains unpaid. Advances repayable on demand are classified as overdue either when a demand for repayment has been served on the borrower but repayment has not been made in accordance with the instruction or when the advances have remained continuously exceeded the approved limit that was advised to the borrower.

中期財務資料附註 (續) Notes to the Interim Financial Information (continued)
4. 金融風險管理 (續) 4. Financial risk management (continued)
4.1 信貸風險 (續)
4.1 Credit Risk (continued)
(A) 總貸款及其他賬項 (續)
(A) Gross 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)

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:

		於2016年6月30日 At 30 June 2016		於2015年12月31日 At 31 December 2015	
		金額 Amount	佔客戶貸款總額百分比 % of gross advances to customers	金額 Amount	佔客戶貸款總額百分比 % of gross advances to customers
		港幣千元 HK\$'000		港幣千元 HK\$'000	
客戶貸款總額，已逾期：	Gross advances to customers which have been overdue for:				
- 超過3個月但不超過6個月	- six months or less but over three months	203,845	0.12%	102,053	0.06%
- 超過6個月但不超過1年	- one year or less but over six months	74,858	0.05%	320,702	0.21%
- 超過1年	- over one year	387,608	0.23%	203,026	0.13%
逾期超過3個月之貸款	Advances overdue for over three months	666,311	0.40%	625,781	0.40%
就上述貸款作個別評估之減值準備	Individually assessed impairment allowances made in respect of such advances	450,311		412,534	

中期財務資料附註 (續) Notes to the Interim Financial Information (continued)
4. 金融風險管理 (續) 4. Financial risk management (continued)
4.1 信貸風險 (續)
4.1 Credit Risk (continued)
(A) 總貸款及其他賬項 (續)
(A) Gross 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)

		於 2016 年 6 月 30 日 At 30 June 2016	於 2015 年 12 月 31 日 At 31 December 2015
		港幣千元 HK\$'000	港幣千元 HK\$'000
就上述有抵押品覆蓋的客戶貸款之抵押品市值	Current market value of collateral held against the covered portion of such advances to customers	<u>402,911</u>	<u>313,983</u>
上述有抵押品覆蓋之客戶貸款	Covered portion of such advances to customers	<u>251,883</u>	<u>228,914</u>
上述沒有抵押品覆蓋之客戶貸款	Uncovered portion of such advances to customers	<u>414,428</u>	<u>396,867</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及住宅樓宇、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 and residential premises for corporate loans and mortgages over residential properties for personal loans.

於 2016 年 6 月 30 日，沒有逾期超過 3 個月之貿易票據 (2015 年 12 月 31 日：無)。

As at 30 June 2016, there were no trade bills overdue for more than three months (31 December 2015: Nil).

中期財務資料附註 (續) Notes to the Interim Financial Information (continued)
4. 金融風險管理 (續) 4. Financial risk management (continued)
4.1 信貸風險 (續)
4.1 Credit Risk (continued)
(A) 總貸款及其他賬項 (續)
(A) Gross advances and other accounts (continued)
(c) 經重組貸款
(c) Rescheduled advances

於 2016 年 6 月 30 日 At 30 June 2016		於 2015 年 12 月 31 日 At 31 December 2015	
金額 Amount	佔客戶貸款總額 百分比 % of gross advances to customers	金額 Amount	佔客戶貸款總額 百分比 % of gross advances to customers
港幣千元 HK\$'000		港幣千元 HK\$'000	
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"		
3,483	0.00%	1,329	0.00%

經重組貸款乃指客戶因為財政困難或無能力如期還款而經雙方同意達成重整還款計劃之貸款。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 or renegotiated because of deterioration in the financial position of the borrower or of the inability of the borrower to meet the original repayment schedule. 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".

中期財務資料附註 (續) Notes to the Interim Financial Information (continued)

4. 金融風險管理 (續) 4. Financial risk management (continued)

4.1 信貸風險 (續)

4.1 Credit Risk (continued)

(A) 總貸款及其他賬項 (續)

(A) Gross 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.

		於 2016 年 6 月 30 日 At 30 June 2016					
		客戶貸款總額 Gross advances to customers	抵押品覆蓋之百分比 % Covered by collateral or other security	特定分類或減值 Classified or impaired	逾期 Overdue	個別評估之減值準備 Individually assessed impairment allowances	組合評估之減值準備 Collectively assessed impairment allowances
		港幣千元 HK\$'000		港幣千元 HK\$'000	港幣千元 HK\$'000	港幣千元 HK\$'000	港幣千元 HK\$'000
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	6,935,085	10.92%	-	36,925	-	18,859
- 物業投資	- Property investment	11,135,656	91.62%	29,200	29,200	691	104,167
- 金融業	- Financial concerns	4,442,073	9.15%	-	-	-	9,117
- 股票經紀	- Stockbrokers	331	100.00%	-	-	-	3
- 批發及零售業	- Wholesale and retail trade	8,255,918	35.80%	79,099	54,632	60,474	56,651
- 製造業	- Manufacturing	7,283,101	26.53%	28,838	62,980	18,023	31,754
- 運輸及運輸設備	- Transport and transport equipment	4,836,311	6.01%	-	91,016	-	39,215
- 休閒活動	- Recreational activities	6,641	15.80%	-	-	-	42
- 資訊科技	- Information technology	2,110,757	1.08%	-	-	-	4,409
- 其他	- Others	12,593,441	51.25%	15,791	25,054	13,662	71,148
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	328,415	99.87%	1,354	7,338	-	214
- 購買其他住宅物業之貸款	- Loans for purchase of other residential properties	12,571,568	99.89%	505	52,507	-	5,644
- 信用卡貸款	- Credit card advances	-	0.00%	-	-	-	-
- 其他	- Others	8,102,177	65.05%	2,047	34,359	661	6,182
在香港使用之貸款總額	Total loans for use in Hong Kong	78,601,474	52.39%	156,834	394,011	93,511	347,405
貿易融資	Trade finance	6,418,855	28.31%	68,972	91,825	64,185	45,781
在香港以外使用之貸款	Loans for use outside Hong Kong	82,505,765	39.47%	488,894	705,324	306,480	573,730
客戶貸款總額	Gross advances to customers	167,526,094	45.10%	714,700	1,191,160	464,176	966,916

中期財務資料附註 (續) Notes to the Interim Financial Information (continued)
4. 金融風險管理 (續) 4. Financial risk management (continued)
4.1 信貸風險 (續)
4.1 Credit Risk (continued)
(A) 總貸款及其他賬項 (續)
(A) Gross 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)

		於 2015 年 12 月 31 日 At 31 December 2015					
		客戶貸款總額 Gross advances to customers	抵押品覆蓋之百分比 % Covered by collateral or security	特定分類或減值 Classified or impaired	逾期 Overdue	個別評估之減值準備 Individually assessed impairment allowances	組合評估之減值準備 Collectively assessed impairment allowances
		港幣千元 HK\$'000		港幣千元 HK\$'000	港幣千元 HK\$'000	港幣千元 HK\$'000	港幣千元 HK\$'000
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	5,448,761	15.36%	-	-	-	14,435
- 物業投資	- Property investment	10,849,282	92.84%	29,794	24,466	-	110,979
- 金融業	- Financial concerns	4,497,199	9.53%	-	-	-	9,638
- 股票經紀	- Stockbrokers	480	100.00%	-	-	-	4
- 批發及零售業	- Wholesale and retail trade	9,251,574	30.74%	87,956	103,927	65,156	69,887
- 製造業	- Manufacturing	8,523,132	23.30%	30,691	34,384	19,210	36,657
- 運輸及運輸設備	- Transport and transport equipment	4,316,243	7.66%	-	360	-	13,381
- 休閒活動	- Recreational activities	141,637	0.76%	-	-	-	294
- 資訊科技	- Information technology	741,295	2.40%	2,634	4,839	1,309	1,803
- 其他	- Others	14,315,090	42.23%	19,729	25,474	16,498	71,945
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	364,199	99.88%	1,501	8,736	-	241
- 購買其他住宅物業之貸款	- Loans for purchase of other residential properties	12,304,337	99.86%	648	53,917	-	5,401
- 信用卡貸款	- Credit card advances	-	-	-	-	-	-
- 其他	- Others	7,338,950	56.81%	2,461	27,195	1,410	4,712
在香港使用之貸款總額	Total loans for use in Hong Kong	78,092,179	50.43%	175,414	283,298	103,583	339,377
貿易融資	Trade finance	6,141,777	33.44%	68,558	78,781	49,162	46,830
在香港以外使用之貸款	Loans for use outside Hong Kong	72,002,818	39.30%	440,726	667,966	280,822	565,129
客戶貸款總額	Gross advances to customers	156,236,774	44.63%	684,698	1,030,045	433,567	951,336

中期財務資料附註 (續) Notes to the Interim Financial Information (continued)
4. 金融風險管理 (續) 4. Financial risk management (continued)
4.1 信貸風險 (續)
4.1 Credit Risk (continued)
(A) 總貸款及其他賬項 (續)
(A) Gross 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

(ii) Geographical analysis of gross advances to customers

下列關於客戶貸款之地理區域分析是根據交易對手之所在地，並已顧及風險轉移因素。若客戶貸款之擔保人所在地與客戶所在地不同，則風險將轉移至擔保人之所在地。

The following geographical analysis of advances to customers is based on the location of the counterparties, after taking into account the transfer of risk. For an advance to customer guaranteed by a party situated in a country different from the customer, the risk will be transferred to the country of the guarantor.

客戶貸款總額
Gross advances to customers

		於 2016 年 6 月 30 日 At 30 June 2016	於 2015 年 12 月 31 日 At 31 December 2015
		港幣千元 HK\$'000	港幣千元 HK\$'000
香港	Hong Kong	89,995,618	88,083,058
中國內地	Mainland of China	69,169,331	61,013,223
其他	Others	8,361,145	7,140,493
		167,526,094	156,236,774

就客戶貸款總額作組合評估之減值準備
Collectively assessed impairment allowances in respect of the gross advances to customers

香港	Hong Kong	424,775	426,019
中國內地	Mainland of China	473,988	452,571
其他	Others	68,153	72,746
		966,916	951,336

中期財務資料附註 (續) Notes to the Interim Financial Information (continued)
4. 金融風險管理 (續) 4. Financial risk management (continued)
4.1 信貸風險 (續)
4.1 Credit Risk (continued)
(A) 總貸款及其他賬項 (續)
(A) Gross 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

		於 2016 年 6 月 30 日 At 30 June 2016 港幣千元 HK\$'000	於 2015 年 12 月 31 日 At 31 December 2015 港幣千元 HK\$'000
香港	Hong Kong	352,203	276,118
中國內地	Mainland of China	830,369	739,435
其他	Others	8,588	14,492
		1,191,160	1,030,045

就逾期貸款作個別評估之減值準備
Individually assessed impairment allowances in respect of the overdue advances

香港	Hong Kong	61,605	51,497
中國內地	Mainland of China	398,215	368,279
其他	Others	-	436
		459,820	420,212

就逾期貸款作組合評估之減值準備
Collectively assessed impairment allowances in respect of the overdue advances

香港	Hong Kong	14,765	3,741
中國內地	Mainland of China	7,396	3,183
其他	Others	75	56
		22,236	6,980

中期財務資料附註 (續) Notes to the Interim Financial Information (continued)
4. 金融風險管理 (續) 4. Financial risk management (continued)
4.1 信貸風險 (續)
4.1 Credit Risk (continued)
(A) 總貸款及其他賬項 (續)
(A) Gross 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

		於 2016 年 6 月 30 日 At 30 June 2016	於 2015 年 12 月 31 日 At 31 December 2015
		港幣千元 HK\$'000	港幣千元 HK\$'000
香港	Hong Kong	121,028	131,490
中國內地	Mainland of China	593,653	552,753
其他	Others	19	455
		714,700	684,698

就特定分類或減值貸款作個別評估之減值準備
Individually assessed impairment allowances in respect of the classified or impaired advances

香港	Hong Kong	63,412	59,480
中國內地	Mainland of China	400,764	373,651
其他	Others	-	436
		464,176	433,567

就特定分類或減值貸款作組合評估之減值準備
Collectively assessed impairment allowances in respect of the classified or impaired advances

香港	Hong Kong	923	1,043
中國內地	Mainland of China	1,139	1,187
		2,062	2,230

中期財務資料附註 (續) **Notes to the Interim Financial Information (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) 收回資產

本集團於 2016 年 6 月 30 日持有的收回資產之估值為港幣 119,466,000 元 (2015 年 12 月 31 日: 港幣 122,509,000 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。

(B) Repossessed assets

The estimated market value of repossessed assets held by the Group as at 30 June 2016 amounted to HK\$119,466,000 (31 December 2015: HK\$122,509,000). They 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.

中期財務資料附註 (續) Notes to the Interim Financial Information (continued)
4. 金融風險管理 (續) 4. Financial risk management (continued)
4.1 信貸風險 (續)
4.1 Credit Risk (continued)
(C) 債務證券及存款證
(C) Debt securities and certificates of deposit

下表為以發行評級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. In the absence of such issue ratings, the ratings designated for the issuers are reported.

		於 2016 年 6 月 30 日 At 30 June 2016					
		Aaa	Aa1 至 Aa3	A1 至 A3	A3 以下 Lower than A3	無評級 Unrated	總計 Total
		港幣千元 HK\$'000	港幣千元 HK\$'000	港幣千元 HK\$'000	港幣千元 HK\$'000	港幣千元 HK\$'000	港幣千元 HK\$'000
可供出售證券	Available-for-sale securities	6,761,543	30,586,389	12,957,222	2,320,277	1,185,493	53,810,924
持有至到期日證券	Held-to-maturity securities	213,781	2,221,100	-	-	-	2,434,881
貸款及應收款	Loans and receivables	-	-	394,881	-	-	394,881
公平值變化計入損益之金融資產	Financial assets at fair value through profit or loss	49,992	4,502,937	247,877	-	-	4,800,806
總計	Total	7,025,316	37,310,426	13,599,980	2,320,277	1,185,493	61,441,492

		於 2015 年 12 月 31 日 At 31 December 2015					
		Aaa	Aa1 至 Aa3	A1 至 A3	A3 以下 Lower than A3	無評級 Unrated	總計 Total
		港幣千元 HK\$'000	港幣千元 HK\$'000	港幣千元 HK\$'000	港幣千元 HK\$'000	港幣千元 HK\$'000	港幣千元 HK\$'000
可供出售證券	Available-for-sale securities	3,814,391	27,409,836	16,575,057	1,781,530	2,298,167	51,878,981
持有至到期日證券	Held-to-maturity securities	208,732	2,257,798	-	-	-	2,466,530
貸款及應收款	Loans and receivables	-	-	585,792	-	-	585,792
公平值變化計入損益之金融資產	Financial assets at fair value through profit or loss	-	6,714,292	249,280	-	-	6,963,572
總計	Total	4,023,123	36,381,926	17,410,129	1,781,530	2,298,167	61,894,875

於 2016 年 6 月 30 日，沒有逾期或減值之債務證券及存款證 (2015 年 12 月 31 日：無)。

As at 30 June 2016, there were no overdue or impaired debt securities and certificates of deposit (31 December 2015: Nil).

中期財務資料附註
(續)

Notes to the Interim Financial Information (continued)

4. 金融風險管理 (續)

4. Financial risk management (continued)

4.2 市場風險

4.2 Market Risk

(A) 外匯風險

(A) Currency risk

本集團的資產及負債集中在港元、美元及人民幣等主要貨幣。為確保外匯風險承擔保持在可接受水平，本集團利用風險限額（例如頭盤及風險值限額）作為監控工具。此外，本集團致力於減少同一貨幣的資產與負債錯配，並通常利用外匯合約（例如外匯掉期）管理由外幣資產負債所產生的外匯風險。

The Group's assets and liabilities are denominated in major currencies, particularly the HK dollar, the US dollar and Renminbi. To ensure the currency risk exposure of the Group is kept to an acceptable level, risk limits (e.g. Position and VAR limit) are used to serve as a monitoring tool. Moreover, the Group seeks to minimise the gap between assets and liabilities in the same currency. Foreign exchange contracts (e.g. FX swaps) are usually used to manage FX risk associated with foreign currency-denominated assets and liabilities.

中期財務資料附註 (續) Notes to the Interim Financial Information (continued)
4. 金融風險管理 (續) 4. Financial risk management (continued)
4.2 市場風險 (續)
(A) 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。

4.2 Market Risk (continued)
(A) 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.

		於 2016 年 6 月 30 日 At 30 June 2016			
		港幣千元等值 Equivalent in thousand of HK\$			
		美元 US Dollars	人民幣 Renminbi	其他外幣 Others foreign currencies	外幣總額 Total foreign currencies
現貨資產	Spot assets	62,840,947	107,758,387	9,959,993	180,559,327
現貨負債	Spot liabilities	(49,968,271)	(97,939,964)	(10,122,372)	(158,030,607)
遠期買入	Forward purchases	21,810,705	14,246,635	4,854,264	40,911,604
遠期賣出	Forward sales	(33,478,383)	(24,513,411)	(4,695,032)	(62,686,826)
長盤 / (短盤) 淨額	Net long/(short) position	1,204,998	(448,353)	(3,147)	753,498
結構性倉盤淨額	Net structural position	326,360	8,811,478	-	9,137,838
		於 2015 年 12 月 31 日 At 31 December 2015			
		港幣千元等值 Equivalent in thousand of HK\$			
		美元 US Dollars	人民幣 Renminbi	其他外幣 Others foreign currencies	外幣總額 Total foreign currencies
現貨資產	Spot assets	62,789,261	105,966,748	14,036,470	182,792,479
現貨負債	Spot liabilities	(56,280,126)	(96,346,613)	(10,103,847)	(162,730,586)
遠期買入	Forward purchases	23,762,419	7,770,358	2,767,918	34,300,695
遠期賣出	Forward sales	(28,585,949)	(17,344,597)	(6,688,061)	(52,618,607)
長盤淨額	Net long position	1,685,605	45,896	12,480	1,743,981
結構性倉盤淨額	Net structural position	293,056	8,431,220	-	8,724,276

中期財務資料附註 (續) **Notes to the Interim Financial Information (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) 利率風險
(B) Interest rate risk

下表概述了本集團於 2016 年 6 月 30 日及 2015 年 12 月 31 日之資產負債表內的利率風險承擔。表內以賬面值列示資產及負債，並按合約重訂息率日期或到期日（以較早者為準）分類。

The tables below summarise the Group's on-balance sheet exposure to interest rate risk as at 30 June 2016 and 31 December 2015. Included in the tables are the assets and liabilities at carrying amounts, categorised by the earlier of contractual repricing or maturity dates.

		於 2016 年 6 月 30 日 At 30 June 2016					
		一 至	三 至	一 至	五 年	不 計	
		一 個 月 內	三 個 月	十 二 個 月	一 至 五 年	五 年 以 上	總 計
		Up to 1 month	1 to 3 months	3 to 12 months	1 to 5 years	Over 5 years	Total
		港幣千元 HK\$'000	港幣千元 HK\$'000	港幣千元 HK\$'000	港幣千元 HK\$'000	港幣千元 HK\$'000	港幣千元 HK\$'000
資產	Assets						
庫存現金及存放銀行及其他金融機構的結餘	Cash and balances with banks and other financial institutions	51,423,551	-	-	-	-	3,713,899
在銀行及其他金融機構一至十二個月內到期之定期存放	Placements with banks and other financial institutions maturing between one and twelve months	-	5,374,274	2,644,916	-	-	8,019,190
公平值變化計入損益之金融資產	Financial assets at fair value through profit or loss	840,942	2,968,172	743,815	247,877	-	4,800,806
衍生金融工具	Derivative financial instruments	-	-	-	-	-	670,095
貸款及其他賬項	Advances and other accounts	100,310,496	27,815,521	43,757,957	4,434,349	163,306	176,481,629
金融投資	Financial investments						
- 可供出售	- Available-for-sale	6,294,233	13,703,395	17,087,439	18,009,878	-	55,108,326
- 持有至到期日	- Held-to-maturity	-	300,860	485,924	1,648,097	-	2,434,881
- 貸款及應收款	- Loans and receivables	-	-	-	394,881	-	394,881
投資物業	Investment properties	-	-	-	-	-	346,200
物業、器材及設備	Properties, plant and equipment	-	-	-	-	-	6,954,098
其他資產（包括應收稅項資產）	Other assets (including current tax assets)	-	-	-	-	-	1,376,821
資產總額	Total assets	158,869,222	50,162,222	64,720,051	24,735,082	163,306	311,724,377

中期財務資料附註 (續) Notes to the Interim Financial Information (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) 利率風險 (續) (B) Interest rate risk (continued)

		於2016年6月30日 At 30 June 2016						
		一至 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 五年以上 Over 5 years	不計息 Non-interest bearing	總計 Total
		港幣千元 HK\$'000	港幣千元 HK\$'000	港幣千元 HK\$'000	港幣千元 HK\$'000	港幣千元 HK\$'000	港幣千元 HK\$'000	港幣千元 HK\$'000
負債	Liabilities							
銀行及其他金融機構之存款及結餘	Deposits and balances from banks and other financial institutions	9,414,432	6,522,194	7,683,933	-	-	304,430	23,924,989
公平值變化計入損益之金融負債	Financial liabilities at fair value through profit or loss	783,459	299,901	2,934,923	-	-	-	4,018,283
衍生金融工具	Derivative financial instruments	-	-	-	-	-	264,490	264,490
客戶存款	Deposits from customers	96,515,155	34,379,467	30,495,842	2,980,922	-	65,693,506	230,064,892
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)	6,210,879	878,101	4,127,072	11,552	217	4,040,289	15,268,110
負債總額	Total liabilities	112,923,925	42,079,663	45,241,770	2,992,474	217	70,302,715	273,540,764
利率敏感度缺口	Interest sensitivity gap	45,945,297	8,082,559	19,478,281	21,742,608	163,089	(57,228,221)	38,183,613

中期財務資料附註 (續) Notes to the Interim Financial Information (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) 利率風險 (續) (B) Interest rate risk (continued)

		於2015年12月31日 At 31 December 2015						
		一至 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
		港幣千元 HK\$'000	港幣千元 HK\$'000	港幣千元 HK\$'000	港幣千元 HK\$'000	港幣千元 HK\$'000	港幣千元 HK\$'000	港幣千元 HK\$'000
資產	Assets							
庫存現金及存放銀行及其他金融機構的結餘	Cash and balances with banks and other financial institutions	50,565,792	-	-	-	-	3,679,013	54,244,805
在銀行及其他金融機構一至十二個月內到期之定期存放	Placements with banks and other financial institutions maturing between one and twelve months	-	3,157,041	3,899,744	-	-	-	7,056,785
公平值變化計入損益之金融資產	Financial assets at fair value through profit or loss	1,762,994	2,479,360	2,471,938	249,280	-	-	6,963,572
衍生金融工具	Derivative financial instruments	-	-	-	-	-	696,266	696,266
貸款及其他賬項	Advances and other accounts	107,765,185	28,446,478	27,748,294	4,792,519	171,538	-	168,924,014
金融投資	Financial investments							
- 可供出售	- Available-for-sale	8,601,020	10,455,974	14,442,944	18,494,300	356,810	4,613	52,355,661
- 持有至到期日	- Held-to-maturity	-	-	298,771	2,167,759	-	-	2,466,530
- 貸款及應收款	- Loans and receivables	182,257	48,142	355,393	-	-	-	585,792
投資物業	Investment properties	-	-	-	-	-	414,736	414,736
物業、器材及設備	Properties, plant and equipment	-	-	-	-	-	7,008,020	7,008,020
其他資產 (包括應收及遞延稅項資產)	Other assets (including current and deferred tax assets)	31	-	-	-	-	4,347,852	4,347,883
待出售資產	Assets held for sale	-	-	-	-	-	132,729	132,729
資產總額	Total assets	168,877,279	44,586,995	49,217,084	25,703,858	528,348	16,283,229	305,196,793

中期財務資料附註 (續) Notes to the Interim Financial Information (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) 利率風險 (續) (B) Interest rate risk (continued)

		於 2015 年 12 月 31 日 At 31 December 2015						
		一 個月內	一至 三個月	三至 十二個月	一至五年	五年以上	不計息 Non- interest bearing	總計 Total
		Up to 1 month	1 to 3 months	3 to 12 months	1 to 5 years	Over 5 years		
		港幣千元 HK\$'000	港幣千元 HK\$'000	港幣千元 HK\$'000	港幣千元 HK\$'000	港幣千元 HK\$'000	港幣千元 HK\$'000	港幣千元 HK\$'000
負債	Liabilities							
銀行及其他金融機構之存款及結餘	Deposits and balances from banks and other financial institutions	19,054,571	2,501,295	6,689,467	-	-	2,715,841	30,961,174
公平值變化計入損益之金融負債	Financial liabilities at fair value through profit or loss	1,084,486	1,907,861	1,583,009	-	-	-	4,575,356
衍生金融工具	Derivative financial instruments	-	-	-	-	-	302,944	302,944
客戶存款	Deposits from customers	135,919,721	34,269,925	30,101,149	5,512,157	-	12,459,031	218,261,983
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)	1,666,422	2,713,701	6,158,633	454,913	19,427	2,961,586	13,974,682
待出售資產之相關負債	Liabilities associated with assets held for sale	-	-	-	-	-	21,884	21,884
負債總額	Total liabilities	157,725,200	41,392,782	44,532,258	5,967,070	19,427	18,461,286	268,098,023
利率敏感度缺口	Interest sensitivity gap	11,152,079	3,194,213	4,684,826	19,736,788	508,921	(2,178,057)	37,098,770

中期財務資料附註 (續) Notes to the Interim Financial Information (continued)
4. 金融風險管理 (續) 4. Financial risk management (continued)
4.3 流動資金風險
4.3 Liquidity Risk
(A) 流動性覆蓋比率
(A) Liquidity coverage ratio

	季度結算至 2016年 6月30日 Quarter ended 30 June 2016	季度結算至 2016年 3月31日 Quarter ended 31 March 2016	季度結算至 2015年 6月30日 Quarter ended 30 June 2015	季度結算至 2015年 3月31日 Quarter ended 31 March 2015	
流動性覆蓋比率 的平均值	Average value of liquidity coverage ratio	145.26%	130.84%	163.68%	123.70%

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。

流動性覆蓋比率是以綜合基礎計算，並根據《銀行業（流動性）規則》由本銀行及其部分金管局指定之附屬公司組成。

有關流動性覆蓋比率披露的補充資料可於本銀行網頁 www.ncb.com.hk 中「監管披露」一節瀏覽。

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。

The 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.

The liquidity coverage ratio is computed on the consolidated basis which comprises the positions of the Bank and certain subsidiaries specified by the HKMA in accordance with the Banking (Liquidity) Rules.

The additional information of liquidity coverage ratio disclosures is available under section "Regulatory Disclosures" on the Bank's website at www.ncb.com.hk.

The Group has established intra-group liquidity risk management guideline to manage the liquidity funding among different entities within the Group, and to restrict their reliance of funding on each other.

中期財務資料附註 (續) Notes to the Interim Financial Information (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

下表為本集團於2016年6月30日及2015年12月31日之資產及負債的到期日分析，按於結算日時，資產及負債相距合約到期日的剩餘期限分類。

(B) Maturity analysis

The tables below analyse the Group's assets and liabilities as at 30 June 2016 and 31 December 2015 into relevant maturity groupings based on the remaining period at balance sheet date to the contractual maturity date.

		於2016年6月30日 At 30 June 2016							
		即期	一至	三至	一至五年	五年以上	不確定	總計	
		On	一個月內	三個月	十二個月	1 to 5	Over 5	日期	
		demand	Up to	1 to 3	3 to 12	years	years	Indefinite	
		港幣千元	港幣千元	港幣千元	港幣千元	港幣千元	港幣千元	港幣千元	
		HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	
資產	Assets								
庫存現金及存放銀行及其他金融機構的結餘	Cash and balances with banks and other financial institutions	15,956,829	28,780,955	-	-	-	-	10,399,666	55,137,450
在銀行及其他金融機構一至十二個月內到期之定期存放	Placements with banks and other financial institutions maturing between one and twelve months	-	-	5,374,274	2,644,916	-	-	-	8,019,190
公平值變化計入損益之金融資產	Financial assets at fair value through profit or loss								
- 交易性	- held for trading								
- 債務證券	- debt securities	-	840,942	2,968,172	743,815	-	-	-	4,552,929
- 界定為以公平值變化計入損益	- designated at fair value through profit or loss								
- 債務證券	- debt securities	-	-	-	2,171	245,706	-	-	247,877
衍生金融工具	Derivative financial instruments	347,290	52,391	132,926	137,488	-	-	-	670,095
貸款及其他賬項	Advances and other accounts								
- 客戶貸款	- advances to customers	4,835,756	9,694,194	13,647,640	39,752,587	64,794,665	32,581,515	788,645	166,095,002
- 貿易票據	- trade bills	2,795	3,840,163	2,491,612	4,052,057	-	-	-	10,386,627
金融投資	Financial investments								
- 可供出售	- available-for-sale								
- 債務證券	- debt securities	-	2,938,621	10,164,721	13,843,787	17,417,088	-	-	44,364,217
- 存款證	- certificates of deposit	-	1,435,993	549,769	3,985,794	3,475,151	-	-	9,446,707
- 其他	- others	-	1,166,893	-	117,128	-	-	-	1,284,021
- 持有至到期日	- held-to-maturity								
- 債務證券	- debt securities	-	-	300,860	486,470	1,647,551	-	-	2,434,881
- 貸款及應收款	- loans and receivables								
- 債務證券	- debt securities	-	-	-	-	394,881	-	-	394,881
- 股份證券	- equity securities	-	-	-	-	-	-	13,381	13,381
投資物業	Investment properties	-	-	-	-	-	-	346,200	346,200
物業、器材及設備	Properties, plant and equipment	-	-	-	-	-	-	6,954,098	6,954,098
其他資產 (包括應收稅項資產)	Other assets (including current tax assets)	317,767	734,031	26,707	197,965	1,481	-	98,870	1,376,821
資產總額	Total assets	21,460,437	49,484,183	35,656,681	65,964,178	87,976,523	32,581,515	18,600,860	311,724,377

中期財務資料附註 (續) Notes to the Interim Financial Information (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)

		於 2016 年 6 月 30 日 At 30 June 2016							
		即期	一個月內	一至三個月	三至十二個月	一至五年	五年以上	不確定日期	總計
		On demand	Up to 1 month	1 to 3 months	3 to 12 months	1 to 5 years	Over 5 years	Indefinite	Total
		港幣千元 HK\$'000	港幣千元 HK\$'000	港幣千元 HK\$'000	港幣千元 HK\$'000	港幣千元 HK\$'000	港幣千元 HK\$'000	港幣千元 HK\$'000	港幣千元 HK\$'000
負債	Liabilities								
銀行及其他金融機構之存款及結餘	Deposits and balances from banks and other financial institutions	1,395,803	8,321,519	6,513,203	7,694,464	-	-	-	23,924,989
公平值變化計入損益之金融負債	Financial liabilities at fair value through profit or loss	-	783,459	299,901	2,934,923	-	-	-	4,018,283
衍生金融工具	Derivative financial instruments	100,530	39,609	41,490	68,629	14,232	-	-	264,490
客戶存款	Deposits from customers	98,682,643	55,668,106	37,203,953	35,521,029	2,989,161	-	-	230,064,892
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)	7,134,538	1,975,768	881,353	4,287,144	983,691	5,616	-	15,268,110
負債總額	Total liabilities	107,313,514	66,788,461	44,939,900	50,506,189	3,987,084	5,616	-	273,540,764
流動資金缺口	Net liquidity gap	(85,853,077)	(17,304,278)	(9,283,219)	15,457,989	83,989,439	32,575,899	18,600,860	38,183,613

中期財務資料附註 (續) Notes to the Interim Financial Information (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)

		於 2015 年 12 月 31 日 At 31 December 2015							
		即期	一個月內	一至三個月	三至十二個月	一至五年	五年以上	不確定日期	總計
		On demand	Up to 1 month	1 to 3 months	3 to 12 months	1 to 5 years	Over 5 years	Indefinite	Total
		港幣千元 HK\$'000	港幣千元 HK\$'000	港幣千元 HK\$'000	港幣千元 HK\$'000	港幣千元 HK\$'000	港幣千元 HK\$'000	港幣千元 HK\$'000	港幣千元 HK\$'000
資產	Assets								
庫存現金及存放銀行及其他金融機構的結餘	Cash and balances with banks and other financial institutions	13,738,576	31,379,966	-	-	-	-	9,126,263	54,244,805
在銀行及其他金融機構一至十二個月內到期之定期存放	Placements with banks and other financial institutions maturing between one and twelve months	-	-	3,157,041	3,899,744	-	-	-	7,056,785
公平值變化計入損益之金融資產	Financial assets at fair value through profit or loss								
- 交易性	- held for trading								
- 債務證券	- debt securities	-	1,762,994	2,479,360	2,471,938	-	-	-	6,714,292
- 界定為以公平值變化計入損益	- designated at fair value through profit or loss								
- 債務證券	- debt securities	-	-	-	2,168	247,112	-	-	249,280
衍生金融工具	Derivative financial instruments	320,134	96,765	21,483	255,610	2,274	-	-	696,266
貸款及其他賬項	Advances and other accounts								
- 客戶貸款	- advances to customers	5,500,045	7,436,513	14,184,098	36,000,440	61,815,074	29,138,201	777,500	154,851,871
- 貿易票據	- trade bills	7	3,372,536	4,090,506	6,609,094	-	-	-	14,072,143
金融投資	Financial investments								
- 可供出售	- available-for-sale								
- 債務證券	- debt securities	-	7,295,867	6,428,028	8,657,828	18,096,760	356,810	-	40,835,293
- 存款證	- certificates of deposit	-	216,318	1,404,198	6,404,497	3,018,675	-	-	11,043,688
- 其他	- others	-	472,067	-	-	-	-	-	472,067
- 持有至到期日	- held-to-maturity								
- 債務證券	- debt securities	-	-	1,237	299,330	2,165,963	-	-	2,466,530
- 貸款及應收款	- loans and receivables								
- 債務證券	- debt securities	-	182,257	48,142	355,393	-	-	-	585,792
- 股份證券	- equity securities	-	-	-	-	-	-	4,613	4,613
投資物業	Investment properties	-	-	-	-	-	-	414,736	414,736
物業、器材及設備	Properties, plant and equipment	-	-	-	-	-	-	7,008,020	7,008,020
其他資產 (包括應收及遞延稅項資產)	Other assets (including current and deferred tax assets)	164,183	3,936,533	13,518	134,702	(7,648)	-	106,595	4,347,883
待出售資產	Assets held for sale	-	132,729	-	-	-	-	-	132,729
資產總額	Total assets	19,722,945	56,284,545	31,827,611	65,090,744	85,338,210	29,495,011	17,437,727	305,196,793

中期財務資料附註 (續) Notes to the Interim Financial Information (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)

於 2015 年 12 月 31 日
At 31 December 2015

	即期 On demand	一個月內 Up to 1 month	一至 三個月 1 to 3 months	三至 十二個月 3 to 12 months	一至五年 1 to 5 years	五年以上 Over 5 years	不確定 日期 Indefinite	總計 Total
	港幣千元 HK\$'000	港幣千元 HK\$'000	港幣千元 HK\$'000	港幣千元 HK\$'000	港幣千元 HK\$'000	港幣千元 HK\$'000	港幣千元 HK\$'000	港幣千元 HK\$'000
負債	Liabilities							
銀行及其他金融機構之存款及結餘	Deposits and balances from banks and other financial institutions							
	3,648,010	18,122,402	2,501,295	6,689,467	-	-	-	30,961,174
公平值變化計入損益之金融負債	Financial liabilities at fair value through profit or loss							
衍生金融工具	-	1,084,486	1,907,861	1,583,009	-	-	-	4,575,356
客戶存款	103,804	76,539	29,472	73,219	19,910	-	-	302,944
其他賬項及準備 (包括應付稅項及遞延稅項負債)	Deposits from customers							
	90,852,158	55,539,932	34,371,019	31,798,000	5,700,874	-	-	218,261,983
待出售資產之相關負債	Other accounts and provisions (including current and deferred tax liabilities)							
	1,998,248	1,315,194	2,943,651	6,315,257	1,376,345	25,987	-	13,974,682
	Liabilities associated with assets held for sale							
	-	21,884	-	-	-	-	-	21,884
負債總額	Total liabilities							
	96,602,220	76,160,437	41,753,298	46,458,952	7,097,129	25,987	-	268,098,023
流動資金缺口	Net liquidity gap							
	(76,879,275)	(19,875,892)	(9,925,687)	18,631,792	78,241,081	29,469,024	17,437,727	37,098,770

中期財務資料附註 (續) **Notes to the Interim Financial Information (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)

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為遵循《銀行業(披露)規則》之相關條文而披露的。所作披露不代表此等證券將持有至到期日。

(B) Maturity analysis (continued)

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 disclosed in order to comply with relevant provisions under the Banking (Disclosure) Rules. The disclosure does not imply that the securities will be held to maturity.

**中期財務資料附註
(續)****Notes to the Interim Financial Information (continued)****4. 金融風險管理 (續)****4. Financial risk management (continued)****4.4 資本管理****4.4 Capital Management**

本集團已採用基礎內部評級基準計算法計算大部分非證券化類別風險承擔的信貸風險資本要求。小部分信貸風險承擔則繼續按標準(信貸風險)計算法計算。本集團採用標準信貸估值調整方法,計算具有信貸估值調整風險的交易對手資本要求。本集團繼續採用內部模式計算法計算外匯及利率的一般市場風險資本要求,並獲金管局批准豁免計算由海外分行及南商(中國)引致的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。

The Group has adopted the foundation internal ratings-based (“FIRB”) approach to calculate the credit risk capital charge for the majority of its non-securitisation exposures. A small residual credit exposures are remained under the standardised (credit risk) (“STC”) approach. The Group has adopted the standardised credit valuation adjustment (“CVA”) method to calculate the capital charge for the CVA risk of the counterparty. The Group continues to adopt the internal models (“IMM”) approach to calculate the general market risk capital charge for foreign exchange and interest rate exposures and, with the approval from the HKMA, exclude its structural FX positions arising from overseas branch and NCB(China) 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.

(A) 監管綜合基礎**(A) Basis of regulatory consolidation**

監管規定的綜合基礎乃根據《銀行業(資本)規則》由本銀行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,其名單載於第 119 頁「附錄—本銀行之附屬公司」。

The consolidation basis for regulatory purposes comprises the positions of the Bank 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” on page 119.

中期財務資料附註 (續) Notes to the Interim Financial Information (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	於 2016 年 6 月 30 日		於 2015 年 12 月 31 日	
		At 30 June 2016		At 31 December 2015	
		資產總額	資本總額	資產總額	資本總額
		Total assets	Total equity	Total assets	Total equity
		港幣千元	港幣千元	港幣千元	港幣千元
		HK\$'000	HK\$'000	HK\$'000	HK\$'000
南洋商業銀行信託有限公司	Nanyang Commercial Bank Trustee Limited	16,375	16,242	16,355	16,246
廣利南投資管理有限公司	Kwong Li Nam Investment Agency Limited	5,138	4,026	4,248	4,026
南洋商業銀行(代理人)有限公司	Nanyang Commercial Bank (Nominees) Limited	1,469	1,469	1,472	1,472

中期財務資料附註 (續) Notes to the Interim Financial Information (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)

以上附屬公司的主要業務載於第 119 頁「附錄 – 本銀行之附屬公司」。

The principal activities of the above subsidiaries are set out in "Appendix – Subsidiaries of the Bank" on page 119.

於 2016 年 6 月 30 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 (2015 年 12 月 31 日：無)。

There were no subsidiaries which are included within the regulatory scope of consolidation but not included within the accounting scope of consolidation as at 30 June 2016 (31 December 2015: Nil).

於 2016 年 6 月 30 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 (2015 年 12 月 31 日：無)。

Neither were there any 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 30 June 2016 (31 December 2015: Nil).

(B) 資本比率
(B) Capital ratio

		於 2016 年 6 月 30 日 At 30 June 2016	於 2015 年 12 月 31 日 At 31 December 2015
普通股權一級資本比率	CET1 capital ratio	<u>16.46%</u>	<u>16.20%</u>
一級資本比率	Tier 1 capital ratio	<u>16.46%</u>	<u>16.20%</u>
總資本比率	Total capital ratio	<u>18.57%</u>	<u>18.41%</u>

中期財務資料附註 (續) Notes to the Interim Financial Information (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:

		於 2016 年 6 月 30 日 At 30 June 2016	於 2015 年 12 月 31 日 At 31 December 2015
		港幣千元 HK\$'000	港幣千元 HK\$'000
普通股權一級資本：票據及儲備	CET1 capital: instruments and reserves		
直接發行的合資格普通股權一級資本票據	Directly issued qualifying CET1 capital instruments	3,144,517	3,144,517
保留溢利	Retained earnings	26,930,754	25,495,966
已披露的儲備	Disclosed reserves	<u>8,102,133</u>	<u>8,451,135</u>
監管扣減之前的普通股權一級資本	CET1 capital before regulatory deductions	<u>38,177,404</u>	<u>37,091,618</u>
普通股權一級資本：監管扣減	CET1 capital: regulatory deductions		
估值調整	Valuation adjustments	(10,054)	(8,617)
已扣除遞延稅項負債的遞延稅項資產	Deferred tax assets net of deferred tax liabilities	-	(5,962)
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	(1,032)	(537)
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)	(6,025,842)	(6,190,605)
一般銀行業務風險監管儲備	Regulatory reserve for general banking risks	<u>(2,243,818)</u>	<u>(2,255,673)</u>
對普通股權一級資本的監管扣減總額	Total regulatory deductions to CET1 capital	<u>(8,280,746)</u>	<u>(8,461,394)</u>
普通股權一級資本	CET1 capital	<u>29,896,658</u>	<u>28,630,224</u>

中期財務資料附註 (續) Notes to the Interim Financial Information (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)

		於 2016 年 6 月 30 日 At 30 June 2016	於 2015 年 12 月 31 日 At 31 December 2015
		港幣千元 HK\$'000	港幣千元 HK\$'000
一級資本	Tier 1 capital	29,896,658	28,630,224
二級資本：票據及準備金 合資格計入二級資本的集 體減值備抵及一般銀行 風險監管儲備	Tier 2 capital: instruments and provisions Collective impairment allowances and regulatory reserve for general banking risks eligible for inclusion in Tier 2 capital	1,127,972	1,109,458
監管扣減之前的二級資本	Tier 2 capital before regulatory deductions	1,127,972	1,109,458
二級資本：監管扣減 加回合資格計入二級資本 的因對土地及建築物 (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	2,711,629	2,785,772
對二級資本的監管扣減總額	Total regulatory deductions to Tier 2 capital	2,711,629	2,785,772
二級資本	Tier 2 capital	3,839,601	3,895,230
總資本	Total capital	33,736,259	32,525,454
防護緩衝資本比率分析如 下：	The capital buffer ratios are analysed as follows:	於 2016 年 6 月 30 日 At 30 June 2016	於 2015 年 12 月 31 日 At 31 December 2015
防護緩衝資本比率	Capital conservation buffer ratio	0.625%	0.000%
逆周期緩衝資本比率	Countercyclical capital buffer ratio	0.31%	0.00%

有關資本披露的補充資料
可於本銀行網頁
www.ncb.com.hk 中「監管
披露」一節瀏覽。

The additional information of capital disclosures is available under section "Regulatory Disclosures" on the Bank's website at www.ncb.com.hk.

中期財務資料附註 (續) Notes to the Interim Financial Information (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)
(C) 槓桿比率 (C) Leverage ratio

		於 2016 年 6 月 30 日 At 30 June 2016	於 2015 年 12 月 31 日 At 31 December 2015
		港幣千元 HK\$'000	港幣千元 HK\$'000
一級資本	Tier 1 capital	29,896,658	28,630,224
槓桿比率風險承擔	Leverage ratio exposure	340,586,718	339,678,093
槓桿比率	Leverage ratio	8.78%	8.43%

有關槓桿比率披露的補充資料可於本銀行網頁 www.ncb.com.hk 中「監管披露」一節瀏覽。

The additional information of leverage ratio disclosures is available under section "Regulatory Disclosures" on the Bank's website at www.ncb.com.hk.

中期財務資料附註 Notes to the Interim Financial Information (continued)
(續)**5. 金融資產和負債的公平價值 5. Fair values of financial assets and liabilities**

所有以公平值計量或在財務報表內披露的金融工具，均按香港財務報告準則第13號「公平值計量」的定義，於公平值層級表內分類。該等分類乃參照估值方法所採用的因素之可觀察性及重大性，並基於對整體公平值計量有重大影響之最低層級因素來釐定：

- 第一層級：相同資產或負債在活躍市場中的報價（未經調整）。此層級包括若干場內交易的衍生合約。
- 第二層級：乃基於估值技術所採用的最低層級因素（同時需對整體公平值計量有重大影響）可被直接或間接地觀察。此層級包括大部分場外交易的衍生合約、從估值服務供應商獲取價格的債務證券及存款證。
- 第三層級：乃基於估值技術所採用的最低層級因素（同時需對整體公平值計量有重大影響）屬不可被觀察。此層級包括有重大不可觀察因素的股份投資、衍生金融工具及債務工具。

All financial instruments for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy as defined in HKFRS 13, "Fair value measurement". The categorisation are determined with reference to the observability and significance of the inputs used in the valuation methods and based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1: based on quoted prices (unadjusted) in active markets for identical assets or liabilities. This category includes certain exchange-traded derivative contracts.
- Level 2: based on valuation techniques for which the lowest level input that is significant to the fair value measurement is observable, either directly or indirectly. This category includes majority of the over-the-counter ("OTC") derivative contracts, debt securities and certificates of deposit with quote from pricing services vendors.
- Level 3: based on valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable. This category includes equity investment, derivative financial instruments and debt instruments with significant unobservable components.

中期財務資料附註 Notes to the Interim Financial Information (continued)
(續)**5. 金融資產和負債的公平 5. Fair values of financial assets and liabilities (continued)**
值 (續)

對於以重複基準確認於財務報表的金融工具，本集團會於每一財務報告週期的結算日重新評估其分類（基於對整體公平值計量有重大影響之最低層級因素），以確定有否在公平值層級之間發生轉移。

For financial instruments that are recognised in the financial statements on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by reassessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

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。重大估值事項將向管理人員匯報。

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. Significant valuation issues are reported to Management.

中期財務資料附註 Notes to the Interim Financial Information (continued)
(續)

5. 金融資產和負債的公平值 (續) 5. Fair values of financial 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)

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。

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.

對於本集團所持有的金融工具，其估值技術使用的主要參數包括債券價格、利率、匯率、權益及股票價格、波幅、交易對手信貸息差及其他等，主要為可從公開市場觀察及獲取的參數。

The main parameters used in valuation techniques for financial instruments held by the Group include bond prices, interest rates, foreign exchange rates, equity and stock prices, volatilities, counterparty credit spreads and others, which are mostly observable and obtainable from open market.

用以釐定以下金融工具公平值的估值方法如下：

The technique used to calculate the fair value of the following financial instruments is as below:

債務證券及存款證

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。

Debt securities and certificates of deposit

The fair value of these instruments is determined by obtaining quoted market prices from exchange, dealer or independent pricing service vendors or using discounted cash flow technique. Discounted cash flow model is a valuation technique that measures present value using estimated expected future cash flows from the instruments and then discounts these flows using a discount rate or discount margin that reflects the credit spreads required by the market for instruments with similar risk. These inputs are observable or can be corroborated by observable or unobservable market data.

中期財務資料附註 Notes to the Interim Financial Information (continued)
(續)

5. 金融資產和負債的公平值 (續) 5. Fair values of financial 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、股票或商品的遠期、掉期及期權合約。衍生工具合約的價格主要由貼現現金流模型及期權計價模型等估值技術釐定。所使用的參數為可觀察或不可觀察市場數據。可觀察的參數包括利率、匯率、權益及股票價格、商品價格及波幅。

本集團對場外交易的衍生工具作出了信貸估值調整及債務估值調整。調整分別反映對市場因素變化、交易對手信譽及集團自身信貸息差的期望。有關調整主要是按每一交易對手，以未來預期敞口、違約率及收回率釐定。

Derivatives

OTC derivative contracts include forward, swap and option contracts on foreign exchange, interest rate, equity or commodity. The fair values of these contracts are mainly measured using valuation techniques such as discounted cash flow models and option pricing models. The inputs can be observable or unobservable market data. Observable inputs include interest rate, foreign exchange rates, equity and stock prices, commodity prices and volatilities.

Credit valuation adjustments ("CVA") and debit valuation adjustments ("DVA") are applied to the Group's OTC derivatives. These adjustments reflect market factors movement, expectations of counterparty creditworthiness and the Group's own credit spread respectively. They are mainly determined for each counterparty and are dependent on expected future values of exposures, default probabilities and recovery rates.

中期財務資料附註 Notes to the Interim Financial Information (continued)
(續)
5. 金融資產和負債的公平值 (續) 5. Fair values of financial assets and liabilities (continued)
5.1 以公平值計量的金融工具 (續) 5.1 Financial instruments measured at fair value (continued)
(A) 公平值的等級
(A) Fair value hierarchy

		於 2016 年 6 月 30 日 At 30 June 2016			
		第一層級 Level 1	第二層級 Level 2	第三層級 Level 3	總計 Total
		港幣千元 HK\$'000	港幣千元 HK\$'000	港幣千元 HK\$'000	港幣千元 HK\$'000
金融資產	Financial assets				
公平值變化計入損益之 金融資產 (附註 18)	Financial assets at fair value through profit or loss (Note 18)				
- 交易性資產	- Trading assets				
- 債務證券	- Debt securities	-	4,552,929	-	4,552,929
- 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				
- 債務證券	- Debt securities	-	247,877	-	247,877
衍生金融工具 (附註 19)	Derivative financial instruments (Note 19)	347,290	322,677	128	670,095
可供出售金融資產 (附註 21)	Available-for-sale financial assets (Note 21)				
- 債務證券及 存款證	- Debt securities and certificates of deposit	-	53,810,924	-	53,810,924
- 股份證券	- Equity securities	-	-	13,381	13,381
- 其他	- Others	-	-	1,284,021	1,284,021
金融負債	Financial liabilities				
公平值變化計入損益之 金融負債 (附註 25)	Financial liabilities at fair value through profit or loss (Note 25)				
- 交易性負債	- Trading liabilities	-	4,018,283	-	4,018,283
衍生金融工具 (附註 19)	Derivative financial instruments (Note 19)	100,530	163,960	-	264,490

中期財務資料附註 Notes to the Interim Financial Information (continued)
(續)
5. 金融資產和負債的公平值 (續) 5. Fair values of financial 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)

		於 2015 年 12 月 31 日 At 31 December 2015			
		第一層級 Level 1	第二層級 Level 2	第三層級 Level 3	總計 Total
		港幣千元 HK\$'000	港幣千元 HK\$'000	港幣千元 HK\$'000	港幣千元 HK\$'000
金融資產	Financial assets				
公平值變化計入損益之 金融資產 (附註 18)	Financial assets at fair value through profit or loss (Note 18)				
- 交易性資產	- Trading assets				
- 債務證券	- Debt securities	-	6,714,292	-	6,714,292
- 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				
- 債務證券	- Debt securities	-	249,280	-	249,280
衍生金融工具 (附註 19)	Derivative financial instruments (Note 19)	320,134	376,132	-	696,266
可供出售金融資產 (附註 21)	Available-for-sale financial assets (Note 21)				
- 債務證券及 存款證	- Debt securities and certificates of deposit	2,814,257	49,064,724	-	51,878,981
- 股份證券	- Equity securities	-	-	4,613	4,613
- 其他	- Others	-	-	472,067	472,067
金融負債	Financial liabilities				
公平值變化計入損益之 金融負債 (附註 25)	Financial liabilities at fair value through profit or loss (Note 25)				
- 交易性負債	- Trading liabilities	-	4,575,356	-	4,575,356
衍生金融工具 (附註 19)	Derivative financial instruments (Note 19)	103,804	199,140	-	302,944

本集團之金融資產及負債於期內均沒有第一層級及第二層級之間的轉移 (2015 年 12 月 31 日：無)。

There were no financial asset and liability transfers between level 1 and level 2 for the Group during the period (31 December 2015: Nil).

中期財務資料附註 Notes to the Interim Financial Information (continued)
(續)
5. 金融資產和負債的公平值 (續) 5. Fair values of financial 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) 第三層級的项目變動
(B) Reconciliation of level 3 items

		於 2016 年 6 月 30 日 At 30 June 2016		
		金融資產 Financial assets		
		衍生金融工具 (淨額) Derivative Financial Instruments (net)	可供出售金融資產 Available-for-sale financial assets	其他 Others
		港幣千元 HK\$'000	港幣千元 HK\$'000	港幣千元 HK\$'000
於 2016 年 1 月 1 日	At 1 January 2016	-	4,613	472,067
收益	Gains			
- 收益表	- Income statement	128	-	-
- 其他全面收益	- Other comprehensive income			
- 可供出售證券之 公平值變化	- Change in fair value of available-for-sale securities	-	(516)	(6,308)
買入	Purchases	-	9,284	4,083,645
賣出	Sales	-	-	(3,265,383)
轉入第三層級	Transfers into level 3	-	-	-
轉出第三層級	Transfers out of level 3	-	-	-
於 2016 年 6 月 30 日	At 30 June 2016	128	13,381	1,284,021
於 2016 年 6 月 30 日持 有的金融資產於期內 計入收益表的未實現 收益總額	Total unrealised gain for the period included in income statement for financial assets held as at 30 June 2016	128	-	-

中期財務資料附註 (續) Notes to the Interim Financial Information (continued)
5. 金融資產和負債的公平價值 (續) 5. Fair values of financial 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 2015 年 12 月 31 日 At 31 December 2015		
		金融資產 Financial assets		
		衍生金融工具 (淨額) Derivative Financial Instruments (net)	可供出售金融資產 Available-for-sale financial assets	
			股份證券 Equity securities	其他 Others
		港幣千元 HK\$'000	港幣千元 HK\$'000	港幣千元 HK\$'000
於 2015 年 1 月 1 日	At 1 January 2015	4	75,766	-
收益	Gains			
- 其他全面收益	- Other comprehensive income			
- 可供出售證券之 公平值變化	- Change in fair value of available-for-sale securities	-	11,679	-
買入	Purchases	-	-	472,067
賣出	Sales	-	(82,832)	-
結算	Settlements	(4)	-	-
於 2015 年 12 月 31 日	At 31 December 2015	-	4,613	472,067
於 2015 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 gain for the year included in income statement for financial assets held as at 31 December 2015	-	-	-

中期財務資料附註 **Notes to the Interim Financial Information (continued)**
(續)

5. 金融資產和負債的公平 **5. Fair values of financial assets and liabilities (continued)**
值 (續)

5.1 以公平值計量的金融工具 **5.1 Financial instruments measured at fair value (continued)**
(續)

(B) 第三層級的項目變動
(續)

(B) Reconciliation of level 3 items (continued)

於 2016 年 6 月 30 日及 2015 年 12 月 31 日，分類為第三層級的金融工具主要為債務工具及非上市股權。

As at 30 June 2016 and 31 December 2015, financial instruments categorised as level 3 are mainly comprised of debt instruments and unlisted equity shares.

對於某些低流動性債務工具，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，因此本集團將這些金融工具劃分至第三層級。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 debt instruments, the Group obtains valuation quotations from counterparties which may be based on unobservable inputs with significant impact on the valuation. Therefore, these instruments have been classified by the Group as level 3. The Group has established internal control procedures to control the Group's exposure to such financial instruments.

非上市可供出售股權的公平值乃參考可供比較的上市公司之平均市價／盈利倍數，或若沒有合適可供比較的公司，則按其資產淨值釐定。公平值與適合採用之可比較倍數比率或資產淨值存在正向關係。若股權投資的企業資產淨值增長／減少 5%，則本集團其他全面收益將增加／減少港幣 669,000 元（2015 年 12 月 31 日：港幣 231,000 元）。

The fair values of unlisted available-for-sale equity shares are determined with reference to multiples of comparable listed companies, such as average of the price/earning ratios of comparables, or net asset value, if appropriate comparables are not available. The fair value is positively correlated to the price/earning ratios of appropriate comparables or net asset values. Had the net asset value of the underlying equity investments increased/decreased by 5%, the Group's other comprehensive income would have increased/decreased by HK\$669,000 (31 December 2015: HK\$231,000).

中期財務資料附註 (續) Notes to the Interim Financial Information (continued)

5. 金融資產和負債的公平價值 (續) 5. Fair values of financial 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

大部分之客戶貸款是浮動利率，按市場息率計算利息，其賬面值與公平值相若。

持有至到期日證券

持有至到期日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採用之方法相同。

貸款及應收款

貸款及應收款的公平值釐定與附註 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。

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。

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

Substantially all the advances to customers are on floating rate terms, bear interest at prevailing market interest rates and their carrying value approximates fair value.

Held-to-maturity securities

The fair value of held-to-maturity securities 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.

Loans and receivables

The fair value of loans and receivables 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.

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.

中期財務資料附註 Notes to the Interim Financial Information (continued)
(續)
5. 金融資產和負債的公平價值 (續) 5. Fair values of financial assets and liabilities (continued)
5.2 非以公平值計量的金融工具 (續)

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 and 公平值。

5.2 Financial instruments not measured at fair value (continued)

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.

	於 2016 年 6 月 30 日 At 30 June 2016		於 2015 年 12 月 31 日 At 31 December 2015	
	賬面值 Carrying value	公平值 Fair value	賬面值 Carrying value	公平值 Fair value
	港幣千元 HK\$'000	港幣千元 HK\$'000	港幣千元 HK\$'000	港幣千元 HK\$'000
金融資產	Financial assets			
持有至到期日證券 (附註 21)				
貸款及應收款 (附註 21)				
	2,434,881	2,509,114	2,466,530	2,557,828
	394,881	394,369	585,792	586,376

**中期財務資料附註
(續)**
Notes to the Interim Financial Information (continued)
6. 淨利息收入
6. Net interest income

	半年結算至 2016年 6月30日 Half-year ended 30 June 2016 港幣千元 HK\$'000	半年結算至 2015年 6月30日 Half-year ended 30 June 2015 港幣千元 HK\$'000
利息收入	Interest income	
存放於同業及其他金融機構的款項	Due from banks and other financial institutions	
客戶貸款	Advances to customers	
證券投資及公平值變化計入損益之金額資產	Investment in securities and financial assets at fair value through profit and loss	
其他	Others	
	535,393	1,202,914
	2,494,855	2,642,065
	551,526	711,935
	4,524	9,770
	3,586,298	4,566,684
利息支出	Interest expense	
同業及其他金融機構存放的款項	Due to banks and other financial institutions	
客戶存款	Deposits from customers	
其他	Others	
	(166,328)	(437,040)
	(1,119,334)	(1,598,495)
	(122,257)	(151,214)
	(1,407,919)	(2,186,749)
淨利息收入	2,178,379	2,379,935

2016年上半年之利息收入包括被界定為減值貸款的應計利息收入港幣2,571,000元(2015年上半年:港幣485,000元)。

Included within interest income is HK\$2,571,000 (first half of 2015: HK\$485,000) of interest with respect to income accrued on advances classified as impaired for the first half of 2016.

非以公平值變化計入損益之金融資產與金融負債所產生的利息收入及利息支出分別為港幣3,576,275,000元(2015年上半年:港幣4,558,665,000元)及港幣1,404,444,000元(2015年上半年:港幣2,185,526,000元)。

Included within interest income and interest expense are HK\$3,576,275,000 (first half of 2015: HK\$4,558,665,000) and HK\$1,404,444,000 (first half of 2015: HK\$2,185,526,000), for financial assets and financial liabilities that are not recognised at fair value through profit or loss respectively.

中期財務資料附註 **Notes to the Interim Financial Information (continued)**
(續)
7. 淨服務費及佣金收入 **7. Net fee and commission income**

		半年結算至 2016年 6月30日 Half-year ended 30 June 2016 港幣千元 HK\$'000	半年結算至 2015年 6月30日 Half-year ended 30 June 2015 港幣千元 HK\$'000
服務費及佣金收入	Fee and commission income		
證券經紀	Securities brokerage	70,654	194,586
貸款佣金	Loan commissions	244,934	115,176
基金分銷	Funds distribution	68,254	105,735
匯票佣金	Bills commissions	76,589	99,376
保險	Insurance	155,630	79,388
信用卡業務	Credit card business	52,753	50,912
繳款服務	Payment services	27,553	33,481
保管箱	Safe deposit box	15,476	12,732
信託及託管服務	Trust and custody services	4,008	4,214
買賣貨幣	Currency exchange	269	283
其他	Others	92,500	66,861
		808,620	762,744
服務費及佣金支出	Fee and commission expense		
證券經紀	Securities brokerage	(10,593)	(26,114)
信用卡業務	Credit card business	(7,540)	(4,342)
保險	Insurance	(219)	(35)
其他	Others	(15,132)	(17,874)
		(33,484)	(48,365)
淨服務費及佣金收入	Net fee and commission income	775,136	714,379
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	233,889	101,270
- 服務費及佣金支出	- Fee and commission expense	(1,716)	(1,704)
		232,173	99,566
- 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	10,177	10,261
- 服務費及佣金支出	- Fee and commission expense	(734)	(604)
		9,443	9,657

中期財務資料附註 Notes to the Interim Financial Information (continued)
(續)
8. 淨交易性（虧損）／收益 8. Net trading gain/(loss)

	半年結算至 2016年 6月30日 Half-year ended 30 June 2016 港幣千元 HK\$'000	半年結算至 2015年 6月30日 Half-year ended 30 June 2015 港幣千元 HK\$'000
淨收益／（虧損）源自：		
- 外匯交易及外匯交易產品	4,096	(96,277)
- 利率工具	6,607	4,330
- 商品	4,248	(23)
- 股份權益工具	-	(1,589)
	14,951	(93,559)

9. 其他金融資產之淨收益 9. Net gain on other financial assets

	半年結算至 2016年 6月30日 Half-year ended 30 June 2016 港幣千元 HK\$'000	半年結算至 2015年 6月30日 Half-year ended 30 June 2015 港幣千元 HK\$'000
可供出售證券之淨收益	77,951	30,139
貸款及應收款之淨收益	17	-
其他	39,053	33,116
	117,021	63,255

**中期財務資料附註
(續)**
Notes to the Interim Financial Information (continued)
10. 其他經營收入
10. Other operating income

	半年結算至 2016年 6月30日 Half-year ended 30 June 2016 港幣千元 HK\$'000	半年結算至 2015年 6月30日 Half-year ended 30 June 2015 港幣千元 HK\$'000
證券投資股息收入		
- 非上市證券投資	1,438	6,336
投資物業之租金總收入	6,681	24,524
減：有關投資物業之支出	(1,172)	(1,453)
其他	4,838	1,832
	11,785	31,239

「有關投資物業之支出」包括期內未出租投資物業之直接經營支出港幣 78,000 元 (2015 年上半年：港幣 78,000 元)。

Included in the "Outgoings in respect of investment properties" is HK\$78,000 (first half of 2015: HK\$78,000) of direct operating expenses related to investment properties that were not let during the period.

「投資物業之租金總收入」包括或然租金港幣 191,000 元 (2015 年上半年：港幣 241,000 元)。

Contingent rent included in the "Gross rental income from investment properties" is HK\$191,000 (first half of 2015: HK\$241,000).

**中期財務資料附註
(續)**
Notes to the Interim Financial Information (continued)
11. 減值準備淨撥備
11. Net charge of impairment allowances

		半年結算至 2016年 6月30日 Half-year ended 30 June 2016 港幣千元 HK\$'000	半年結算至 2015年 6月30日 Half-year ended 30 June 2015 港幣千元 HK\$'000
客戶貸款	Advances to customers		
個別評估	Individually assessed		
- 新提準備	- new allowances	(281,810)	(595,103)
- 撥回	- releases	67,087	23,127
- 收回已撇銷賬項	- recoveries	27,783	6,489
按個別評估貸款減值準備 淨撥備	Net charge of individually assessed loan impairment allowances	<u>(186,940)</u>	<u>(565,487)</u>
組合評估	Collectively assessed		
- 新提準備	- new allowances	(111,871)	(32,350)
- 撥回	- releases	15,076	256,368
- 收回已撇銷賬項	- recoveries	348	383
按組合評估貸款減值準備 淨(撥備)/撥回	Net (charge)/reversal of collectively assessed loan impairment allowances	<u>(96,447)</u>	<u>224,401</u>
其他	Others	<u>(341)</u>	<u>-</u>
減值準備淨撥備	Net charge of impairment allowances	<u>(283,728)</u>	<u>(341,086)</u>

**中期財務資料附註
(續)**
Notes to the Interim Financial Information (continued)
12. 經營支出
12. Operating expenses

		半年結算至 2016年 6月30日 Half-year ended 30 June 2016 港幣千元 HK\$'000	半年結算至 2015年 6月30日 Half-year ended 30 June 2015 港幣千元 HK\$'000
人事費用 (包括董事酬金)	Staff costs (including directors' emoluments)		
- 薪酬及其他費用	- salaries and other costs	591,890	548,233
- 退休成本	- pension cost	76,483	73,763
		668,373	621,996
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	130,681	124,948
- 資訊科技	- information technology	106,304	85,389
- 其他	- others	28,622	26,001
		265,607	236,338
折舊	Depreciation	102,571	110,399
核數師酬金	Auditor's remuneration		
- 審計服務	- audit services	800	571
- 非審計服務	- non-audit services	800	112
其他經營支出	Other operating expenses	259,716	234,606
		1,297,867	1,204,022

中期財務資料附註 (續) Notes to the Interim Financial Information (continued)

13. 投資物業出售／公平 值調整之淨收益		13. Net gain from disposal of/fair value adjustments on investment properties	
		半年結算至 2016年 6月30日 Half-year ended 30 June 2016	半年結算至 2015年 6月30日 Half-year ended 30 June 2015
		港幣千元 HK\$'000	港幣千元 HK\$'000
出售投資物業之淨收益	Net gain from disposal of investment properties	-	85,600
投資物業公平值調整之淨 收益	Net gain from fair value adjustments on investment properties	17,120	19,922
		17,120	105,522

14. 出售／重估物業、器材 及設備之淨收益		14. Net gain from disposal/revaluation of properties, plant and equipment	
		半年結算至 2016年 6月30日 Half-year ended 30 June 2016	半年結算至 2015年 6月30日 Half-year ended 30 June 2015
		港幣千元 HK\$'000	港幣千元 HK\$'000
出售房產之淨收益	Net gain from disposal of premises	1,105	17,664
出售設備、固定設施及裝備 之淨虧損	Net loss from disposal of equipment, fixtures and fittings	(168)	(547)
重估房產之淨收益	Net gain from revaluation of premises	1,875	1,351
		2,812	18,468

**中期財務資料附註
(續)**
Notes to the Interim Financial Information (continued)
15. 稅項
15. Taxation

收益表內之稅項組成如下：

Taxation in the income statement represents:

		半年結算至 2016年 6月30日 Half-year ended 30 June 2016 港幣千元 HK\$'000	半年結算至 2015年 6月30日 Half-year ended 30 June 2015 港幣千元 HK\$'000
本期稅項	Current tax		
香港利得稅	Hong Kong profits tax		
- 期內計入稅項	- current period taxation	209,031	206,783
海外稅項	Overseas taxation		
- 期內計入稅項	- current period taxation	9,588	16,984
- 往期不足／(超額) 撥備	- under/(over)-provision in prior periods	59	(5,499)
		218,678	218,268
遞延稅項	Deferred tax		
暫時性差額之產生及撥回	Origination and reversal of temporary differences	54,920	46,213
		273,598	264,481

香港利得稅乃按照截至2016年上半年估計應課稅溢利依稅率16.5%（2015年：16.5%）提撥。海外溢利之稅款按照2016年上半年估計應課稅溢利依本集團經營業務所在國家之現行稅率計算。

Hong Kong profits tax has been provided at the rate of 16.5% (2015: 16.5%) on the estimated assessable profits arising in Hong Kong for the first half of 2016. Taxation on overseas profits has been calculated on the estimated assessable profits for the first half of 2016 at the rates of taxation prevailing in the countries in which the Group operates.

**中期財務資料附註
(續)**
Notes to the Interim Financial Information (continued)
15. 稅項 (續)
15. Taxation (continued)

本集團除稅前溢利產生的實際稅項，與根據香港利得稅率計算的稅項差異如下：

The taxation on the Group's profit before taxation that differs from the theoretical amount that would arise using the taxation rate of Hong Kong is as follows:

		半年結算至 2016年 6月30日 Half-year ended 30 June 2016 港幣千元 HK\$'000	半年結算至 2015年 6月30日 Half-year ended 30 June 2015 港幣千元 HK\$'000
除稅前溢利	Profit before taxation	<u>1,533,958</u>	<u>1,672,808</u>
按稅率 16.5% (2015 年： 16.5%) 計算的稅項	Calculated at a taxation rate of 16.5% (2015: 16.5%)	253,103	276,013
其他國家稅率差異的影響	Effect of different taxation rates in other countries	16,136	12,135
無需課稅之收入	Income not subject to taxation	(8,437)	(55,762)
稅務上不可扣減之開支	Expenses not deductible for taxation purposes	12,596	15,469
未確認的稅務虧損	Tax losses not recognised	1	1
使用往年未確認的稅務虧損	Utilisation of previously unrecognised tax losses	(3)	(3)
往期不足／(超額)撥備	Under/(over)-provision in prior periods	59	(5,499)
海外預提稅	Foreign withholding tax	143	<u>22,127</u>
計入稅項	Taxation charge	<u>273,598</u>	<u>264,481</u>
實際稅率	Effective tax rate	<u>17.84%</u>	<u>15.81%</u>

中期財務資料附註 (續) Notes to the Interim Financial Information (continued)
16. 股息
16. Dividends

		半年結算至 2016年6月30日 Half-year ended 30 June 2016		半年結算至 2015年6月30日 Half-year ended 30 June 2015	
		每股 港幣 Per share HK\$	總額 港幣千元 Total HK\$'000	每股 港幣 Per share HK\$	總額 港幣千元 Total HK\$'000
中期股息	Interim dividend	-	-	77.5	542,500

於半年結算至2016年6月30日並無宣派股息。

No dividend was declared for the half-year ended 30 June 2016.

17. 庫存現金及存放銀行及其他金融機構的結餘
17. Cash and balances with banks and other financial institutions

		於2016年 6月30日 At 30 June 2016	於2015年 12月31日 At 31 December 2015
		港幣千元 HK\$'000	港幣千元 HK\$'000
庫存現金	Cash	633,015	594,148
存放中央銀行的結餘	Balances with central banks	20,627,713	16,038,647
存放銀行及其他金融機構的結餘	Balances with banks and other financial institutions	5,095,767	6,232,044
在銀行及其他金融機構一個月內到期之定期存放	Placements with banks and other financial institutions maturing within one month	28,780,955	31,379,966
		55,137,450	54,244,805

中期財務資料附註 Notes to the Interim Financial Information (continued)
(續)
18. 公平值變化計入損益之金融資產 18. Financial assets at fair value through profit or loss

		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				總計 Total	
		交易性資產 Trading assets					
		於 2016 年 6 月 30 日 At 30 June 2016	於 2015 年 12 月 31 日 At 31 December 2015	於 2016 年 6 月 30 日 At 30 June 2016	於 2015 年 12 月 31 日 At 31 December 2015	於 2016 年 6 月 30 日 At 30 June 2016	於 2015 年 12 月 31 日 At 31 December 2015
		港幣千元 HK\$'000	港幣千元 HK\$'000	港幣千元 HK\$'000	港幣千元 HK\$'000	港幣千元 HK\$'000	港幣千元 HK\$'000
按公平值列賬	At fair value						
庫券	Treasury bills	4,552,929	6,714,292	-	-	4,552,929	6,714,292
其他債務證券	Other debt securities	-	-	247,877	249,280	247,877	249,280
		4,552,929	6,714,292	247,877	249,280	4,800,806	6,963,572

證券總額按上市地之分類如下：

Total securities are analysed by place of listing as follows:

		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			
		交易性資產 Trading assets			
		於 2016 年 6 月 30 日 At 30 June 2016	於 2015 年 12 月 31 日 At 31 December 2015	於 2016 年 6 月 30 日 At 30 June 2016	於 2015 年 12 月 31 日 At 31 December 2015
		港幣千元 HK\$'000	港幣千元 HK\$'000	港幣千元 HK\$'000	港幣千元 HK\$'000
債務證券	Debt securities				
- 於香港上市	- Listed in Hong Kong	-	-	247,877	249,280
- 非上市	- Unlisted	4,552,929	6,714,292	-	-
		4,552,929	6,714,292	247,877	249,280

中期財務資料附註 (續) Notes to the Interim Financial Information (continued)
18. 公平值變化計入損益之金融資產 (續) 18. Financial assets at fair value through profit or loss (continued)

證券總額按發行機構之分類如下：

Total securities are analysed by type of issuer as follows:

		交易性資產 Trading assets		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	
		於 2016 年 6 月 30 日 At 30 June 2016	於 2015 年 12 月 31 日 At 31 December 2015	於 2016 年 6 月 30 日 At 30 June 2016	於 2015 年 12 月 31 日 At 31 December 2015
		港幣千元 HK\$'000	港幣千元 HK\$'000	港幣千元 HK\$'000	港幣千元 HK\$'000
官方實體	Sovereigns	4,552,929	6,714,292	-	-
公司企業	Corporate entities	-	-	247,877	249,280
		4,552,929	6,714,292	247,877	249,280

**中期財務資料附註
(續)****Notes to the Interim Financial Information (continued)****19. 衍生金融工具****19. Derivative financial instruments**

本集團訂立下列匯率、利率、商品及股份權益相關的衍生金融工具合約作買賣及風險管理之用：

貨幣遠期是指於未來某一日期買或賣外幣的承諾。

貨幣、利率及貴金屬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(如黃金掉期)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。

外匯期權是指期權的賣方(出讓方)為買方(持有方)提供在未來某一特定日期或未來一定時期內按約定的價格買進(認購期權)或賣出(認沽期權)一定數量的金融工具的權利(而非承諾)的一種協議。考慮到外匯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。

The Group enters into the following exchange rate, interest rate, commodity and equity related derivative financial instrument contracts for trading and risk management purposes:

Currency forwards represent commitments to purchase and sell foreign currency on a future date.

Currency, interest rate and precious metal 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, gold 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 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 risk, the seller receives a premium from the purchaser. Options are negotiated over-the-counter between the Group and its counterparty.

**中期財務資料附註
(續)****Notes to the Interim Financial Information (continued)****19. 衍生金融工具 (續)****19. Derivative financial instruments (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公平值資產或負債的對比基礎。但是，這並不反映所涉及的未來的現金流或當前的公平值，因而也不能反映本集團所面臨的信貸風險或市場風險。隨著與衍生金融工具合約條款相關的匯率、市場利率、貴金屬價格或股份權益價格的波動，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。

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 fair value 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, metal prices or equity prices relative to their terms. The aggregate fair values of derivative financial instruments can fluctuate significantly from time to time.

中期財務資料附註 (續) Notes to the Interim Financial Information (continued)
19. 衍生金融工具 (續) 19. Derivative financial instruments (continued)

下表概述各類衍生金融工具於 2016 年 6 月 30 日及 2015 年 12 月 31 日之合約 / 名義數額：

The following tables summarise the contract/notional amounts of each class of derivative financial instrument as at 30 June 2016 and 31 December 2015:

		於 2016 年 6 月 30 日 At 30 June 2016		
		買賣 Trading	不符合採用 對沖會計法 Not qualified for hedge accounting	總計 Total
		港幣千元 HK\$'000	港幣千元 HK\$'000	港幣千元 HK\$'000
匯率合約	Exchange rate contracts			
即期及遠期	Spot and forwards	15,130,053	-	15,130,053
掉期	Swaps	35,707,411	-	35,707,411
外匯交易期權	Foreign currency options			
- 買入期權	- Options purchased	29,363	-	29,363
- 賣出期權	- Options written	29,363	-	29,363
		<u>50,896,190</u>	<u>-</u>	<u>50,896,190</u>
利率合約	Interest rate contracts			
掉期	Swaps	22,701,679	231,996	22,933,675
商品合約	Commodity contracts	90,283	-	90,283
		<u>73,688,152</u>	<u>231,996</u>	<u>73,920,148</u>

中期財務資料附註 (續) Notes to the Interim Financial Information (continued)
19. 衍生金融工具 (續) 19. Derivative financial instruments (continued)

		於 2015 年 12 月 31 日 At 31 December 2015		
		買賣 Trading	不符合採用 對沖會計法 Not qualified for hedge accounting	總計 Total
		港幣千元 HK\$'000	港幣千元 HK\$'000	港幣千元 HK\$'000
匯率合約	Exchange rate contracts			
即期及遠期	Spot and forwards	8,420,500	-	8,420,500
掉期	Swaps	37,601,988	-	37,601,988
外匯交易期權	Foreign currency options			
- 買入期權	- Options purchased	9,135	-	9,135
- 賣出期權	- Options written	9,135	-	9,135
		<u>46,040,758</u>	<u>-</u>	<u>46,040,758</u>
利率合約	Interest rate contracts			
掉期	Swaps	33,758,773	231,725	33,990,498
商品合約	Commodity contracts	26,438	-	26,438
		<u>79,825,969</u>	<u>231,725</u>	<u>80,057,694</u>

不符合採用對沖會計法：為遵循《銀行業（披露）規則》要求，需獨立披露不符合採用對沖會計法資格，但與指定以公平價值經收益表入賬的金融工具一併管理的衍生工具合約。

Not qualified for hedge accounting: derivative contracts which do not qualify as hedges for accounting purposes but are managed in conjunction with the financial instruments designated at fair value through profit or loss are separately disclosed in compliance with the requirements set out in the Banking (Disclosure) Rules.

中期財務資料附註 (續) Notes to the Interim Financial Information (continued)
19. 衍生金融工具 (續) 19. Derivative financial instruments (continued)

下表概述各類衍生金融工具於 2016 年 6 月 30 日及 2015 年 12 月 31 日之公平值：

The following tables summarise the fair values of each class of derivative financial instrument as at 30 June 2016 and 31 December 2015:

		於 2016 年 6 月 30 日 At 30 June 2016					
		公平值資產 Fair value assets			公平值負債 Fair value liabilities		
		不符合採用 對沖會計法 Not qualified for hedge accounting		總計 Total	不符合採用 對沖會計法 Not qualified for hedge accounting		總計 Total
		買賣 Trading	買賣 Trading	買賣 Trading	買賣 Trading	買賣 Trading	買賣 Trading
		港幣千元 HK\$'000	港幣千元 HK\$'000	港幣千元 HK\$'000	港幣千元 HK\$'000	港幣千元 HK\$'000	港幣千元 HK\$'000
匯率合約	Exchange rate contracts						
即期及遠期	Spot and forwards	449,307	-	449,307	(189,667)	-	(189,667)
掉期	Swaps	209,935	-	209,935	(49,423)	-	(49,423)
外匯交易期權	Foreign currency options						
- 買入期權	- Options purchased	388	-	388	-	-	-
- 賣出期權	- Options written	-	-	-	(388)	-	(388)
		659,630	-	659,630	(239,478)	-	(239,478)
利率合約	Interest rate contracts						
掉期	Swaps	7,876	-	7,876	(7,965)	(14,233)	(22,198)
商品合約	Commodity contracts	2,589	-	2,589	(2,814)	-	(2,814)
		670,095	-	670,095	(250,257)	(14,233)	(264,490)

中期財務資料附註 **Notes to the Interim Financial Information (continued)**
(續)
19. 衍生金融工具 (續) **19. Derivative financial instruments (continued)**

於 2015 年 12 月 31 日

At 31 December 2015

		公平值資產 Fair value assets			公平值負債 Fair value liabilities		
		不符合採用 對沖會計法 Not qualified for hedge accounting			不符合採用 對沖會計法 Not qualified for hedge accounting		
		買賣 Trading	總計 Total	買賣 Trading	總計 Total		
		港幣千元 HK\$'000	港幣千元 HK\$'000	港幣千元 HK\$'000	港幣千元 HK\$'000	港幣千元 HK\$'000	港幣千元 HK\$'000
匯率合約	Exchange rate contracts						
即期及遠期	Spot and forwards	373,801	-	373,801	(207,309)	-	(207,309)
掉期	Swaps	311,226	-	311,226	(65,690)	-	(65,690)
外匯交易期權	Foreign currency options						
- 買入期權	- Options purchased	15	-	15	-	-	-
- 賣出期權	- Options written	-	-	-	(15)	-	(15)
		<u>685,042</u>	<u>-</u>	<u>685,042</u>	<u>(273,014)</u>	<u>-</u>	<u>(273,014)</u>
利率合約	Interest rate contracts						
掉期	Swaps	11,135	-	11,135	(12,296)	(17,516)	(29,812)
商品合約	Commodity contracts	89	-	89	(118)	-	(118)
		<u>696,266</u>	<u>-</u>	<u>696,266</u>	<u>(285,428)</u>	<u>(17,516)</u>	<u>(302,944)</u>

中期財務資料附註 (續) Notes to the Interim Financial Information (continued)
19. 衍生金融工具 (續) 19. Derivative financial instruments (continued)

下表列出上述衍生金融工具之信貸風險加權數額，並參照有關資本充足比率之金管局報表的填報指示而編製。

The table below gives the credit risk-weighted amounts of the above derivative financial instruments and is prepared with reference to the completion instructions for the HKMA return of capital adequacy ratio.

		於 2016 年 6 月 30 日 At 30 June 2016	於 2015 年 12 月 31 日 At 31 December 2015
		港幣千元 HK\$'000	港幣千元 HK\$'000
匯率合約	Exchange rate contracts		
遠期	Forwards	130,859	60,422
掉期	Swaps	179,038	190,122
外匯交易期權	Foreign currency options		
- 買入期權	- Options purchased	370	23
		310,267	250,567
利率合約	Interest rate contracts		
掉期	Swaps	8,273	10,111
		318,540	260,678

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 amounts are calculated in accordance with the Banking (Capital) Rules. The amounts are dependent upon the status of the counterparty and the maturity characteristics of each type of contract.

本集團與有效雙邊淨額結算協議有關的衍生交易公平值總額為港幣 422,866,000 元(2015 年 12 月 31 日: 港幣 190,872,000 元)，有效雙邊淨額結算協議的效果為港幣 119,609,000 元(2015 年 12 月 31 日: 港幣 19,879,000 元)。

The total fair values of derivatives subject to valid bilateral netting agreements for the Group amounted to HK\$422,866,000 (31 December 2015: HK\$190,872,000) and the effect of valid bilateral netting agreements amounted to HK\$119,609,000 (31 December 2015: HK\$19,879,000).

**中期財務資料附註
(續)**
Notes to the Interim Financial Information (continued)
20. 貸款及其他賬項
20. Advances and other accounts

		於 2016 年 6 月 30 日 At 30 June 2016	於 2015 年 12 月 31 日 At 31 December 2015
		港幣千元 HK\$'000	港幣千元 HK\$'000
個人貸款	Personal loans and advances	36,175,211	34,515,588
公司貸款	Corporate loans and advances	<u>131,350,883</u>	<u>121,721,186</u>
客戶貸款	Advances to customers	167,526,094	156,236,774
貸款減值準備	Loan impairment allowances		
- 按個別評估	- Individually assessed	(464,176)	(433,567)
- 按組合評估	- Collectively assessed	<u>(966,916)</u>	<u>(951,336)</u>
		166,095,002	154,851,871
貿易票據	Trade bills	<u>10,386,627</u>	<u>14,072,143</u>
		<u>176,481,629</u>	<u>168,924,014</u>

於 2016 年 6 月 30 日，客戶貸款包括應計利息港幣 472,949,000 元（2015 年 12 月 31 日：港幣 396,489,000 元）。

As at 30 June 2016, advances to customers included accrued interest of HK\$472,949,000 (31 December 2015: HK\$396,489,000).

於 2016 年 6 月 30 日，沒有對貿易票據作出任何減值準備（2015 年 12 月 31 日：無）。

As at 30 June 2016, no impairment allowance was made in respect of trade bills (31 December 2015: Nil).

**中期財務資料附註
(續)**
Notes to the Interim Financial Information (continued)
21. 金融投資
21. Financial investments

		於 2016 年 6 月 30 日 At 30 June 2016			
		按公平值列賬 At fair value	按攤銷成本列賬 At amortised cost		
		可供出售 金融資產 Available- for-sale financial assets	持有至 到期日證券 Held-to- maturity securities	貸款及應收款 Loans and receivables	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
庫券	Treasury bills	20,775,496	2,221,100	-	22,996,596
其他債務證券	Other debt securities	23,588,721	213,781	394,881	24,197,383
		44,364,217	2,434,881	394,881	47,193,979
存款證	Certificates of deposit	9,446,707	-	-	9,446,707
債務證券及存款證總額	Total debt securities and certificates of deposit	53,810,924	2,434,881	394,881	56,640,686
股份證券	Equity securities	13,381	-	-	13,381
其他	Others	1,284,021	-	-	1,284,021
		55,108,326	2,434,881	394,881	57,938,088

**中期財務資料附註
(續)**
Notes to the Interim Financial Information (continued)
21. 金融投資 (續)
21. Financial investments (continued)

		於 2015 年 12 月 31 日 At 31 December 2015			
		按公平值列賬 At fair value	按攤銷成本列賬 At amortised cost		
		可供出售 金融資產 Available- for-sale financial assets	持有至 到期日證券 Held-to- maturity securities	貸款及應收款 Loans and receivables	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
庫券	Treasury bills	18,118,392	2,257,798	-	20,376,190
其他債務證券	Other debt securities	22,716,901	208,732	585,792	23,511,425
		40,835,293	2,466,530	585,792	43,887,615
存款證	Certificates of deposit	11,043,688	-	-	11,043,688
債務證券及存款證總額	Total debt securities and certificates of deposit	51,878,981	2,466,530	585,792	54,931,303
股份證券	Equity securities	4,613	-	-	4,613
其他	Others	472,067	-	-	472,067
		52,355,661	2,466,530	585,792	55,407,983

**中期財務資料附註
(續)**
Notes to the Interim Financial Information (continued)
21. 金融投資 (續)
21. Financial investments (continued)

金融投資按上市地之分類如下：

Financial investments is analysed by place of listing as follows:

		於 2016 年 6 月 30 日 At 30 June 2016		
		可供出售 金融資產 Available- for-sale financial assets	持有至 到期日證券 Held-to- maturity securities	貸款及應收款 Loans and receivables
		港幣千元 HK\$'000	港幣千元 HK\$'000	港幣千元 HK\$'000
債務證券及存款證	Debt securities and certificates of deposit			
- 於香港上市	- Listed in Hong Kong	3,972,175	-	-
- 於香港以外上市	- Listed outside Hong Kong	7,750,573	99,815	-
		11,722,748	99,815	-
- 非上市	- Unlisted	42,088,176	2,335,066	394,881
		53,810,924	2,434,881	394,881
股份證券	Equity securities			
- 非上市	- Unlisted	13,381	-	-
其他	Others			
- 非上市	- Unlisted	1,284,021	-	-
總計	Total	55,108,326	2,434,881	394,881
持有至到期日之上市證券 市值	Market value of listed held-to-maturity securities		102,044	

**中期財務資料附註
(續)**
Notes to the Interim Financial Information (continued)
21. 金融投資 (續)
21. Financial investments (continued)

		於 2015 年 12 月 31 日 At 31 December 2015		
		可供出售 金融資產 Available- for-sale financial assets	持有至 到期日證券 Held-to- maturity securities	貸款及應收款 Loans and receivables
		港幣千元 HK\$'000	港幣千元 HK\$'000	港幣千元 HK\$'000
債務證券及存款證	Debt securities and certificates of deposit			
- 於香港上市	- Listed in Hong Kong	3,219,469	-	-
- 於香港以外上市	- Listed outside Hong Kong	6,265,404	42,543	-
		9,484,873	42,543	-
- 非上市	- Unlisted	42,394,108	2,423,987	585,792
		51,878,981	2,466,530	585,792
股份證券	Equity securities			
- 非上市	- Unlisted	4,613	-	-
其他	Others			
- 非上市	- Unlisted	472,067	-	-
總計	Total	52,355,661	2,466,530	585,792
持有至到期日之上市證券 市值	Market value of listed held-to-maturity securities		43,286	

**中期財務資料附註
(續)**
Notes to the Interim Financial Information (continued)
21. 金融投資 (續)
21. Financial investments (continued)

金融投資按發行機構之分類如下：

Financial investments is analysed by type of issuer as follows:

		於 2016 年 6 月 30 日 At 30 June 2016		
		可供出售 金融資產 Available- for-sale financial assets	持有至 到期日證券 Held-to- maturity securities	貸款及應收款 Loans and receivables
		港幣千元 HK\$'000	港幣千元 HK\$'000	港幣千元 HK\$'000
官方實體	Sovereigns	17,460,164	1,669,863	-
公營單位*	Public sector entities*	3,267,211	113,966	-
銀行及其他金融機構	Banks and other financial institutions	27,924,755	551,237	394,881
公司企業	Corporate entities	6,456,196	99,815	-
		55,108,326	2,434,881	394,881

		於 2015 年 12 月 31 日 At 31 December 2015		
		可供出售 金融資產 Available- for-sale financial assets	持有至 到期日證券 Held-to- maturity securities	貸款及應收款 Loans and receivables
		港幣千元 HK\$'000	港幣千元 HK\$'000	港幣千元 HK\$'000
官方實體	Sovereigns	17,267,770	1,690,727	-
公營單位*	Public sector entities*	1,397,813	111,195	-
銀行及其他金融機構	Banks and other financial institutions	27,633,868	567,071	355,393
公司企業	Corporate entities	6,056,210	97,537	230,399
		52,355,661	2,466,530	585,792

* 包括在《銀行業(資本)規則》內分類為認可公營單位的可供出售金融資產港幣 3,267,211,000 元(2015 年 12 月 31 日:港幣 1,397,813,000 元)及持有至到期日證券港幣 113,966,000 元(2015 年 12 月 31 日:港幣 111,195,000 元)。

* Included available-for-sale financial assets of HK\$3,267,211,000 (31 December 2015: HK\$1,397,813,000) and held-to-maturity securities of HK\$113,966,000 (31 December 2015: HK\$111,195,000) which are eligible to be classified as public sector entities under the Banking (Capital) Rules.

中期財務資料附註 (續) Notes to the Interim Financial Information (continued)
22. 投資物業
22. Investment properties

		於 2016 年 6 月 30 日 At 30 June 2016	於 2015 年 12 月 31 日 At 31 December 2015
		港幣千元 HK\$'000	港幣千元 HK\$'000
於 1 月 1 日	At 1 January	414,736	1,280,271
增置	Additions	-	2,903
出售	Disposals	-	(901,200)
公平值收益	Fair value gains	17,120	35,446
重新分類轉至物業、器材 及設備 (附註 23)	Reclassification to properties, plant and equipment (Note 23)	(85,385)	(1,498)
匯兌差額	Exchange difference	(271)	(1,186)
於期/年末	At period/year end	346,200	414,736

中期財務資料附註 (續) Notes to the Interim Financial Information (continued)
23. 物業、器材及設備 23. Properties, plant and equipment

		房產 Premises	設備、固定 設施及裝備 Equipment, fixtures and fittings	總計 Total
		港幣千元 HK\$'000	港幣千元 HK\$'000	港幣千元 HK\$'000
於 2016 年 1 月 1 日之 賬面淨值	Net book value at 1 January 2016	6,773,252	234,768	7,008,020
增置	Additions	47,856	29,724	77,580
出售	Disposals	(53,178)	(1,372)	(54,550)
重估	Revaluation	(51,468)	-	(51,468)
本期折舊 (附註 12)	Depreciation for the period (Note 12)	(61,699)	(40,872)	(102,571)
重新分類轉自投資物業 (附註 22)	Reclassification from investment properties (Note 22)	85,385	-	85,385
匯兌差額	Exchange difference	(6,567)	(1,731)	(8,298)
於 2016 年 6 月 30 日之 賬面淨值	Net book value at 30 June 2016	<u>6,733,581</u>	<u>220,517</u>	<u>6,954,098</u>
於 2016 年 6 月 30 日 成本值或估值	At 30 June 2016 Cost or valuation	6,733,581	836,197	7,569,778
累計折舊	Accumulated depreciation	-	(615,680)	(615,680)
於 2016 年 6 月 30 日之 賬面淨值	Net book value at 30 June 2016	<u>6,733,581</u>	<u>220,517</u>	<u>6,954,098</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 2016 年 6 月 30 日 按成本值	At 30 June 2016 At cost	-	836,197	836,197
按估值	At valuation	6,733,581	-	6,733,581
		<u>6,733,581</u>	<u>836,197</u>	<u>7,569,778</u>

**中期財務資料附註
(續)**
Notes to the Interim Financial Information (continued)
**23. 物業、器材及設備
(續)**
23. Properties, plant and equipment (continued)

		房產 Premises	設備、固定 設施及裝備 Equipment, fixtures and fittings	總計 Total
		港幣千元 HK\$'000	港幣千元 HK\$'000	港幣千元 HK\$'000
於 2015 年 1 月 1 日之 賬面淨值	Net book value at 1 January 2015	7,035,310	293,187	7,328,497
增置	Additions	27,237	47,003	74,240
出售	Disposals	(381,098)	(650)	(381,748)
重估	Revaluation	377,219	-	377,219
年度折舊	Depreciation for the year	(127,328)	(95,489)	(222,817)
重新分類轉自投資物業 (附註 22)	Reclassification from investment properties (Note 22)	1,498	-	1,498
匯兌差額	Exchange difference	(26,857)	(9,283)	(36,140)
分類為待出售資產	Classified as assets held for sale	(132,729)	-	(132,729)
於 2015 年 12 月 31 日之 賬面淨值	Net book value at 31 December 2015	<u>6,773,252</u>	<u>234,768</u>	<u>7,008,020</u>
於 2015 年 12 月 31 日 成本值或估值	At 31 December 2015 Cost or valuation	6,773,252	820,038	7,593,290
累計折舊	Accumulated depreciation	<u>-</u>	<u>(585,270)</u>	<u>(585,270)</u>
於 2015 年 12 月 31 日之 賬面淨值	Net book value at 31 December 2015	<u>6,773,252</u>	<u>234,768</u>	<u>7,008,020</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 2015 年 12 月 31 日 按成本值	At 31 December 2015 At cost	-	820,038	820,038
按估值	At valuation	<u>6,773,252</u>	<u>-</u>	<u>6,773,252</u>
		<u>6,773,252</u>	<u>820,038</u>	<u>7,593,290</u>

中期財務資料附註 (續) Notes to the Interim Financial Information (continued)
24. 其他資產
24. Other assets

		於 2016 年 6 月 30 日 At 30 June 2016	於 2015 年 12 月 31 日 At 31 December 2015
		港幣千元 HK\$'000	港幣千元 HK\$'000
收回資產	Repossessed assets	91,010	98,469
貴金屬	Precious metals	63,971	53,393
應收賬項及預付費用	Accounts receivable and prepayments	1,133,698	4,143,369
		1,288,679	4,295,231

**25. 公平值變化計入損益
之金融負債**
25. Financial liabilities at fair value through profit or loss

		於 2016 年 6 月 30 日 At 30 June 2016	於 2015 年 12 月 31 日 At 31 December 2015
		港幣千元 HK\$'000	港幣千元 HK\$'000
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	4,018,283	4,575,356

於 2016 年 6 月 30 日，沒有界定為以公平值變化計入損益之金融負債（2015 年 12 月 31 日：無）。

At 30 June 2016, there was no financial liabilities designated at fair value through profit or loss (31 December 2015: Nil).

**中期財務資料附註
(續)**
Notes to the Interim Financial Information (continued)
26. 客戶存款
26. Deposits from customers

		於 2016 年 6 月 30 日 At 30 June 2016	於 2015 年 12 月 31 日 At 31 December 2015
		港幣千元 HK\$'000	港幣千元 HK\$'000
即期存款及往來存款	Demand deposits and current accounts		
- 公司	- corporate	38,653,934	26,763,884
- 個人	- personal	2,661,460	2,767,262
		41,315,394	29,531,146
儲蓄存款	Savings deposits		
- 公司	- corporate	18,870,855	19,930,314
- 個人	- personal	38,162,435	39,071,432
		57,033,290	59,001,746
定期、短期及通知存款	Time, call and notice deposits		
- 公司	- corporate	84,145,275	81,285,911
- 個人	- personal	47,570,933	48,443,180
		131,716,208	129,729,091
		230,064,892	218,261,983

27. 其他賬項及準備
27. Other accounts and provisions

		於 2016 年 6 月 30 日 At 30 June 2016	於 2015 年 12 月 31 日 At 31 December 2015
		港幣千元 HK\$'000	港幣千元 HK\$'000
其他應付賬項	Other accounts payable	14,081,696	12,901,186
準備	Provisions	71,744	73,614
		14,153,440	12,974,800

中期財務資料附註 (續) Notes to the Interim Financial Information (continued)
28. 遞延稅項

遞延稅項是根據香港會計準則第12號「所得稅」計算，就資產負債之稅務基礎與其在本中期財務資料內賬面值兩者之暫時性差額作提撥。

資產負債表內之遞延稅項（資產）／負債主要組合，以及其在2016年上半年及截至2015年12月31日止年度之變動如下：

28. Deferred taxation

Deferred tax is recognised in respect of the temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in this interim financial information 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 first half of 2016 and the year ended 31 December 2015 are as follows:

		於2016年6月30日					
		At 30 June 2016					
		加速折舊 免稅額 Accelerated tax depreciation	物業重估 Property revaluation	虧損 Losses	減值準備 Impairment allowance	其他 暫時性差額 Other temporary differences	總計 Total
		港幣千元 HK\$'000	港幣千元 HK\$'000	港幣千元 HK\$'000	港幣千元 HK\$'000	港幣千元 HK\$'000	港幣千元 HK\$'000
於2016年 1月1日	At 1 January 2016	18,156	1,054,384	(33,609)	(136,641)	(95,900)	806,390
借記收益表 (附註15)	Charged to income statement (Note 15)	3,689	8,865	12,953	1,786	27,627	54,920
貸記其他全面 收益	Credited to other comprehensive income	-	(13,898)	-	-	(8,832)	(22,730)
匯兌差額	Exchange difference	-	(875)	569	701	50	445
於2016年 6月30日	At 30 June 2016	<u>21,845</u>	<u>1,048,476</u>	<u>(20,087)</u>	<u>(134,154)</u>	<u>(77,055)</u>	<u>839,025</u>

中期財務資料附註 (續) Notes to the Interim Financial Information (continued)
28. 遞延稅項 (續) 28. Deferred taxation (continued)

		於 2015 年 12 月 31 日 At 31 December 2015					
		加速折舊 免稅額 Accelerated tax depreciation	物業重估 Property revaluation	虧損 Losses	減值準備 Impairment allowance	其他 暫時性差額 Other temporary differences	總計 Total
		港幣千元 HK\$'000	港幣千元 HK\$'000	港幣千元 HK\$'000	港幣千元 HK\$'000	港幣千元 HK\$'000	港幣千元 HK\$'000
於 2015 年 1 月 1 日	At 1 January 2015	30,906	1,090,064	-	(258,170)	(28,498)	834,302
(貸記)/借記 收益表	(Credited)/charged to income statement	(12,750)	(11)	(34,976)	116,781	(83,214)	(14,170)
(貸記)/借記 其他全面 收益	(Credited)/charged to other comprehensive income	-	(10,657)	-	-	15,548	4,891
匯兌差額	Exchange difference	-	(3,128)	1,367	4,748	264	3,251
分類為待出售 資產之相關 負債	Classified as liabilities associated with assets held for sale	-	(21,884)	-	-	-	(21,884)
於 2015 年 12 月 31 日	At 31 December 2015	<u>18,156</u>	<u>1,054,384</u>	<u>(33,609)</u>	<u>(136,641)</u>	<u>(95,900)</u>	<u>806,390</u>

**中期財務資料附註
(續)**
Notes to the Interim Financial Information (continued)
28. 遞延稅項 (續)
28. Deferred taxation (continued)

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:

		於 2016 年 6 月 30 日 At 30 June 2016	於 2015 年 12 月 31 日 At 31 December 2015
		港幣千元 HK\$'000	港幣千元 HK\$'000
遞延稅項資產	Deferred tax assets	-	(5,962)
遞延稅項負債	Deferred tax liabilities	839,025	812,352
		839,025	806,390

		於 2016 年 6 月 30 日 At 30 June 2016	於 2015 年 12 月 31 日 At 31 December 2015
		港幣千元 HK\$'000	港幣千元 HK\$'000
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	-	-
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	914,477	914,145
		914,477	914,145

於 2016 年 6 月 30 日，本集團未確認遞延稅項資產之稅務虧損為港幣 2,489,000 元 (2015 年 12 月 31 日：港幣 2,503,000 元)。按照現行稅例，有關稅務虧損沒有作廢期限。

As at 30 June 2016, the Group has not recognised deferred tax assets in respect of tax losses amounting to HK\$2,489,000 (31 December 2015: HK\$2,503,000). These tax losses do not expire under the current tax legislation.

中期財務資料附註 (續) **Notes to the Interim Financial Information (continued)**

29. 股本

29. Share capital

		於 2016 年 6 月 30 日 At 30 June 2016	於 2015 年 12 月 31 日 At 31 December 2015
		港幣千元 HK\$'000	港幣千元 HK\$'000
已發行及繳足： 7,000,000 股普通股	Issued and fully paid: 7,000,000 ordinary shares	3,144,517	3,144,517

中期財務資料附註 **Notes to the Interim Financial Information (continued)**
(續)
30. 簡要綜合現金流量表附註 **30. Notes to condensed 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**

	半年結算至 2016年 6月30日 Half-year ended 30 June 2016	半年結算至 2015年 6月30日 Half-year ended 30 June 2015
	港幣千元 HK\$'000	港幣千元 HK\$'000
經營溢利	1,514,026	1,548,818
折舊	102,571	110,399
減值準備淨撥備	283,728	341,086
折現減值準備回撥	(2,571)	(485)
已撇銷之貸款(扣除收回款額)	(217,431)	(613,370)
原到期日超過3個月之存放銀行及其他金融機構的結餘之變動	(1,502,198)	179,772
原到期日超過3個月之在銀行及其他金融機構之定期存放之變動	2,272,777	2,513,676
公平值變化計入損益之金融資產之變動	2,325,349	1,753,560
衍生金融工具之變動	(12,283)	81,022
貸款及其他賬項之變動	(7,603,804)	(12,748,920)
金融投資之變動	(4,633,864)	(8,511,128)
其他資產之變動	3,006,211	(5,019,146)
銀行及其他金融機構之存款及結餘之變動	(7,036,185)	(2,457,488)
公平值變化計入損益之金融負債之變動	(557,073)	(277,831)
客戶存款之變動	11,802,909	13,460,536
其他賬項及準備之變動	1,178,640	1,874,456
匯率變動之影響	56,771	61,598
除稅前經營現金之流入/(流出)	<u>977,573</u>	<u>(7,703,445)</u>
經營業務之現金流量中包括：		
- 已收利息	3,675,174	4,875,451
- 已付利息	(1,715,077)	(2,225,524)
- 已收股息	1,438	6,336

中期財務資料附註 **Notes to the Interim Financial Information (continued)**
(續)
30. 簡要綜合現金流量表 **30. Notes to condensed consolidated cash flow statement (continued)**
附註 (續)
(b) 現金及等同現金項目
結存分析
(b) Analysis of the balances of cash and cash equivalents

		於 2016 年 6 月 30 日 At 30 June 2016	於 2015 年 6 月 30 日 At 30 June 2015
		港幣千元 HK\$'000	港幣千元 HK\$'000
庫存現金及原到期日 在 3 個月內之存放 銀行及其他金融機 構的結餘	Cash and balances with banks and other financial institutions with original maturity within three months	43,450,617	36,328,995
原到期日在 3 個月內之 在銀行及其他金融 機構之定期存放	Placements with banks and other financial institutions with original maturity within three months	4,441,166	4,110,852
原到期日在 3 個月內之 庫券	Treasury bills with original maturity within three months	6,638,730	4,768,994
		54,530,513	45,208,841

**中期財務資料附註
(續)**
Notes to the Interim Financial Information (continued)
31. 或然負債及承擔
31. Contingent liabilities and commitments

或然負債及承擔乃參照有關資本充足比率之金管局報表的填報指示而編製，其每項重要類別之合約數額及總信貸風險加權數額概述如下：

The following is a summary of the contractual amounts of each significant class of contingent liability and commitment and the aggregate credit risk-weighted amount and is prepared with reference to the completion instructions for the HKMA return of capital adequacy ratio.

	於 2016 年 6 月 30 日 At 30 June 2016	於 2015 年 12 月 31 日 At 31 December 2015
	港幣千元 HK\$'000	港幣千元 HK\$'000
直接信貸替代項目	14,551,295	21,262,146
與交易有關之或然負債	1,266,890	1,830,203
與貿易有關之或然負債	8,824,890	7,801,271
有追索權的資產出售	5,752,485	5,419,397
不需事先通知的無條件 撤銷之承諾	82,697,684	75,313,331
其他承擔，原到期日為		
- 1 年或以下	2,798,830	1,983,255
- 1 年以上	8,604,318	9,083,933
	124,496,392	122,693,536
信貸風險加權數額	17,995,099	21,148,878

信貸風險加權數額是根據《銀行業（資本）規則》計算。此數額取決於交易對手之情況及各類合約之期限特性。

The credit risk-weighted amount is calculated in accordance with the Banking (Capital) Rules. The amount is dependent upon the status of the counterparty and the maturity characteristics of each type of contract.

**中期財務資料附註
(續)**
Notes to the Interim Financial Information (continued)
32. 資本承擔
32. Capital commitments

本集團未於本中期財務資料中撥備之資本承擔金額如下：

The Group has the following outstanding capital commitments not provided for in this interim financial information:

	於 2016 年 6 月 30 日 At 30 June 2016	於 2015 年 12 月 31 日 At 31 December 2015
	港幣千元 HK\$'000	港幣千元 HK\$'000
已批准及簽約但未撥備	10,530	8,571
已批准但未簽約	4,762	232
	15,292	8,803

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.

33. 經營租賃承擔
33. Operating lease commitments
(a) 作為承租人
(a) As lessee

根據不可撤銷之經營租賃合約，下列為本集團未來有關租賃承擔所須支付之最低租金：

The Group has commitments to make the following future minimum lease payments under non-cancellable operating leases:

	於 2016 年 6 月 30 日 At 30 June 2016	於 2015 年 12 月 31 日 At 31 December 2015
	港幣千元 HK\$'000	港幣千元 HK\$'000
土地及樓宇		
- 不超過 1 年	255,512	244,631
- 1 年以上至 5 年內	629,697	604,033
- 5 年後	76,568	92,977
	961,777	941,641
其他承擔		
- 不超過 1 年	597	877
- 1 年以上至 5 年內	45	96
	962,419	942,614

中期財務資料附註 (續) Notes to the Interim Financial Information (continued)
33. 經營租賃承擔 (續) 33. Operating lease commitments (continued)
(b) 作為出租人

根據不可撤銷之經營租賃合約，下列為本集團與租客簽訂合約之未來有關租賃之最低應收租金：

土地及樓宇
- 不超過 1 年
- 1 年以上至 5 年內

本集團以經營租賃形式租出投資物業（附註 22）；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。

(b) As lessor

The Group has contracted with tenants for the following future minimum lease receivables under non-cancellable operating leases:

	於 2016 年 6 月 30 日 At 30 June 2016	於 2015 年 12 月 31 日 At 31 December 2015
	港幣千元 HK\$'000	港幣千元 HK\$'000
Land and buildings		
- not later than one year	14,703	14,911
- later than one year but not later than five years	14,414	17,315
	29,117	32,226

The Group leases its investment properties (Note 22) 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.

**中期財務資料附註
(續)****Notes to the Interim Financial Information (continued)****34. 分類報告****34. Segmental reporting****(a) 按營運分類****(a) By operating segment**

本集團業務拆分為四個主要分類，分別為個人銀行、企業銀行、財資業務及投資。

The Group divides its business into four major segments, Personal Banking, Corporate Banking, Treasury and Investment.

個人銀行和企業銀行業務線均會提供全面的銀行服務，個人銀行業務線是服務個人客戶，而企業銀行業務線是服務非個人客戶。至於財資業務線，除了自營買賣外，還負責管理本集團的資本、流動資金、利率和外匯敞口。財資業務部門管理本集團的融資活動和資本，為其他業務線提供資金，並接收從個人銀行和企業銀行業務線的吸收存款活動中所取得的資金。這些業務線之間的資金交易主要按集團內部資金轉移價格機制釐定。在本附註呈列的財資業務損益資料，已包括上述業務線之間的收支交易，但其資產負債資料並未反映業務線之間的借貸（換言之，不可以把財資業務的損益資料與其資產負債資料比較）。

Both Personal Banking and Corporate Banking provide general banking services. Personal Banking serves individual customers while Corporate Banking deals with non-individual customers. The Treasury segment is responsible for managing the capital, liquidity, and the interest rate and foreign exchange positions of the Group in addition to proprietary trades. It provides funds to other business segments and receives funds from deposit taking activities of Personal Banking and Corporate Banking. These inter-segment funding is charged according to the internal funds transfer pricing mechanism of the Group. The assets and liabilities of Treasury have not been adjusted to reflect the effect of inter-segment borrowing and lending (i.e. the profit and loss information in relation to Treasury is not comparable to the assets and liabilities information about Treasury).

投資包括本集團的房地產和支援單位所使用的設備。對於佔用本集團的物業，其他業務線需要按照每平方米呎的市場價格向投資業務線支付費用。由本集團附屬公司—南商（中國）之資本金所產生及已於其收益賬確認的貨幣換算差額，已包括於此業務分類內。

Investment includes bank premises and equipment used by supporting units. Charges are paid to this segment from other business segments based on market rates per square foot for their occupation of the Group's premises. The exchange difference arising from capital of our subsidiary, NCB (China), which is recognised in its income statement, is also included in this class.

「其他」為集團其他營運及主要包括有關本集團整體但與其餘四個業務線無關的項目。

“Others” refers to other group operations and mainly comprises of items related to the Group as a whole and totally independent of the other four business segments.

一個業務線的收入及支出，主要包括直接歸屬於該業務線的項目。至於管理費用，會根據合理基準攤分。

Revenues and expenses of any business segment mainly include items directly attributable to the segment. For management overheads, allocations are made on reasonable bases.

中期財務資料附註 **Notes to the Interim Financial Information (continued)**
(續)
34. 分類報告 (續)
34. Segmental reporting (continued)
(a) 按營運分類 (續)
(a) By operating segment (continued)

	個人銀行 Personal Banking	企業銀行 Corporate Banking	財資業務 Treasury	投資 Investment	其他 Others	小計 Subtotal	合併抵銷 Eliminations	綜合 Consolidated
	港幣千元 HK\$'000	港幣千元 HK\$'000	港幣千元 HK\$'000	港幣千元 HK\$'000	港幣千元 HK\$'000	港幣千元 HK\$'000	港幣千元 HK\$'000	港幣千元 HK\$'000
半年結算至	Half-year ended							
2016年6月30日	30 June 2016							
淨利息(支出)/收入	Net interest (expense)/income							
- 外來	167,366	1,425,757	585,256	-	-	2,178,379	-	2,178,379
- 跨業務	313,033	62,185	(375,218)	-	-	-	-	-
	480,399	1,487,942	210,038	-	-	2,178,379	-	2,178,379
淨服務費及佣金收入/ (支出)	350,984	381,889	43,353	22	(1,112)	775,136	-	775,136
淨交易性收益/(虧損)	20,061	41,886	(74,262)	27,772	(506)	14,951	-	14,951
界定為以公平值變化計 入損益之金融工具淨 虧損	-	-	(1,651)	-	-	(1,651)	-	(1,651)
其他金融資產之淨收益	-	39,053	77,968	-	-	117,021	-	117,021
其他經營收入	76	-	-	69,074	4,760	73,910	(62,125)	11,785
提取減值準備前之淨經 營收入	851,520	1,950,770	255,446	96,868	3,142	3,157,746	(62,125)	3,095,621
減值準備淨撥備	(59,047)	(224,681)	-	-	-	(283,728)	-	(283,728)
淨經營收入	792,473	1,726,089	255,446	96,868	3,142	2,874,018	(62,125)	2,811,893
經營支出	(479,771)	(536,740)	(142,794)	(95,482)	(105,205)	(1,359,992)	62,125	(1,297,867)
經營溢利/(虧損)	312,702	1,189,349	112,652	1,386	(102,063)	1,514,026	-	1,514,026
投資物業出售/公平值 調整之淨收益	-	-	-	17,120	-	17,120	-	17,120
出售/重估物業、器材 及設備之淨收益	-	-	-	2,812	-	2,812	-	2,812
除稅前溢利/(虧損)	312,702	1,189,349	112,652	21,318	(102,063)	1,533,958	-	1,533,958
於2016年6月30日	At 30 June 2016							
資產	Assets							
分部資產	38,168,266	140,403,662	125,610,857	7,342,934	198,658	311,724,377	-	311,724,377
負債	Liabilities							
分部負債	89,985,842	153,095,904	28,762,821	4,251	1,691,946	273,540,764	-	273,540,764
半年結算至	Half-year ended							
2016年6月30日	30 June 2016							
其他資料	Other information							
資本性支出	-	-	-	77,580	-	77,580	-	77,580
折舊	8,005	4,113	170	95,478	(5,195)	102,571	-	102,571
證券攤銷	-	-	144,024	-	-	144,024	-	144,024

中期財務資料附註 (續) Notes to the Interim Financial Information (continued)

34. 分類報告 (續) 34. Segmental reporting (continued)

(a) 按營運分類 (續) (a) By operating segment (continued)

	個人銀行 Personal Banking	企業銀行 Corporate Banking	財資業務 Treasury	投資 Investment	其他 Others	小計 Subtotal	合併抵銷 Eliminations	綜合 Consolidated
	港幣千元 HK\$'000	港幣千元 HK\$'000	港幣千元 HK\$'000	港幣千元 HK\$'000	港幣千元 HK\$'000	港幣千元 HK\$'000	港幣千元 HK\$'000	港幣千元 HK\$'000
半年結算至	Half-year ended							
2015年6月30日	30 June 2015							
淨利息(支出)/收入	Net interest (expense)/income							
- 外來	(100,680)	1,225,558	1,255,057	-	-	2,379,935	-	2,379,935
- 跨業務	576,629	43,480	(620,109)	-	-	-	-	-
	475,949	1,269,038	634,948	-	-	2,379,935	-	2,379,935
淨服務費及佣金收入/ (支出)	409,684	292,476	12,543	22	(346)	714,379	-	714,379
淨交易性收益/(虧損)	22,688	39,629	(160,379)	4,544	(41)	(93,559)	-	(93,559)
界定為以公平值變化計 入損益之金融工具淨 虧損	-	-	(1,323)	-	-	(1,323)	-	(1,323)
其他金融資產之淨收益	-	33,115	30,140	-	-	63,255	-	63,255
其他經營收入	168	-	-	88,630	1,664	90,462	(59,223)	31,239
提取減值準備前之淨經 營收入	908,489	1,634,258	515,929	93,196	1,277	3,153,149	(59,223)	3,093,926
減值準備淨撥備	(39,574)	(301,512)	-	-	-	(341,086)	-	(341,086)
淨經營收入	868,915	1,332,746	515,929	93,196	1,277	2,812,063	(59,223)	2,752,840
經營支出	(451,700)	(533,783)	(141,015)	(101,760)	(34,987)	(1,263,245)	59,223	(1,204,022)
經營溢利/(虧損)	417,215	798,963	374,914	(8,564)	(33,710)	1,548,818	-	1,548,818
投資物業公平值調整之 淨收益	-	-	-	105,522	-	105,522	-	105,522
出售/重估物業、器材 及設備之淨收益	-	-	-	18,468	-	18,468	-	18,468
除稅前溢利/(虧損)	417,215	798,963	374,914	115,426	(33,710)	1,672,808	-	1,672,808
於2015年12月31日	At 31 December 2015							
資產	Assets							
分部資產	39,504,331	134,505,455	123,466,694	7,458,268	129,316	305,064,064	-	305,064,064
待出售資產	-	-	-	132,729	-	132,729	-	132,729
	39,504,331	134,505,455	123,466,694	7,590,997	129,316	305,196,793	-	305,196,793
負債	Liabilities							
分部負債	91,688,294	138,648,224	36,023,296	4,335	1,711,990	268,076,139	-	268,076,139
待出售資產之相關負債	-	-	-	-	21,884	21,884	-	21,884
	91,688,294	138,648,224	36,023,296	4,335	1,733,874	268,098,023	-	268,098,023
半年結算至	Half-year ended							
2015年6月30日	30 June 2015							
其他資料	Other information							
資本性支出	-	-	-	29,721	-	29,721	-	29,721
折舊	6,996	3,683	361	101,754	(2,395)	110,399	-	110,399
證券攤銷	-	-	41,646	-	-	41,646	-	41,646

**中期財務資料附註
(續)**
Notes to the Interim Financial Information (continued)
34. 分類報告 (續)
34. Segmental reporting (continued)
(b) 按地理區域劃分
(b) By geographical area

以下資料是根據附屬公司的主要營業地點分類，如屬本銀行之資料，則依據負責申報業績或將資產記賬之分行所在地分類：

The following information is presented based on the principal places of operations of the subsidiaries, or in the case of the Bank, on the locations of the branches responsible for reporting the results or booking the assets:

		半年結算至 2016 年 6 月 30 日 Half-year ended 30 June 2016		半年結算至 2015 年 6 月 30 日 Half-year ended 30 June 2015	
		提取減值準備前 之淨經營收入 Net operating income before impairment allowances	除稅前 溢利 Profit before taxation	提取減值準備前 之淨經營收入 Net operating income before impairment allowances	除稅前 溢利 Profit before taxation
		港幣千元 HK\$'000	港幣千元 HK\$'000	港幣千元 HK\$'000	港幣千元 HK\$'000
香港	Hong Kong	1,919,029	1,277,830	1,935,219	1,434,500
中國內地	Mainland of China	1,137,099	226,483	1,125,307	216,267
其他	Others	39,493	29,645	33,400	22,041
合計	Total	3,095,621	1,533,958	3,093,926	1,672,808

中期財務資料附註 (續) Notes to the Interim Financial Information (continued)
34. 分類報告 (續) 34. Segmental reporting (continued)
(b) 按地理區域劃分(續) (b) By geographical area (continued)

		於 2016 年 6 月 30 日 At 30 June 2016			
		總資產 Total assets	總負債 Total liabilities	非流動資產 Non-current assets	或然負債和承擔 Contingent liabilities and commitments
		港幣千元 HK\$'000	港幣千元 HK\$'000	港幣千元 HK\$'000	港幣千元 HK\$'000
香港	Hong Kong	186,857,647	163,836,665	6,622,162	38,269,356
中國內地	Mainland of China	122,249,153	109,572,449	768,757	86,218,307
其他	Others	2,617,577	131,650	1,870	8,729
合計	Total	311,724,377	273,540,764	7,392,789	124,496,392
		於 2015 年 12 月 31 日 At 31 December 2015			
		總資產 Total assets	總負債 Total liabilities	非流動資產 Non-current assets	或然負債和承擔 Contingent liabilities and commitments
		港幣千元 HK\$'000	港幣千元 HK\$'000	港幣千元 HK\$'000	港幣千元 HK\$'000
香港	Hong Kong	188,707,746	165,544,765	6,733,035	39,662,023
中國內地	Mainland of China	114,108,360	102,324,412	786,367	82,596,097
其他	Others	2,380,687	228,846	2,034	435,416
合計	Total	305,196,793	268,098,023	7,521,436	122,693,536

**中期財務資料附註
(續)****Notes to the Interim Financial Information (continued)****35. 已抵押資產****35. Assets pledged as security**

於2016年6月30日，本集團之負債港幣3,206,368,000元（2015年12月31日：港幣4,581,856,000元）是以存放於中央保管系統以方便結算之資產作抵押。此外，本集團通過售後回購協議的債務證券及票據抵押之負債為港幣931,567,000元（2015年12月31日：港幣478,835,000元）。本集團為擔保此等負債而質押之資產金額為港幣4,156,342,000元（2015年12月31日：港幣5,084,230,000元），並主要於「交易性資產」、「金融投資」及「貿易票據」內列賬。

As at 30 June 2016, the liabilities of the Group amounting to HK\$3,206,368,000 (31 December 2015: HK\$4,581,856,000) were secured by assets deposited with central depositories to facilitate settlement operations. In addition, the liabilities of the Group amounting to HK\$931,567,000 (31 December 2015: HK\$478,835,000) were secured by debt securities and bills related to sale and repurchase arrangements. The amount of assets pledged by the Group to secure these liabilities was HK\$4,156,342,000 (31 December 2015: HK\$5,084,230,000) mainly included in "Trading assets", "Financial investments" and "Trade bills".

**中期財務資料附註
(續)**
Notes to the Interim Financial Information (continued)
36. 金融工具之抵銷
36. Offsetting financial instruments

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。

The following tables present details of the Group's financial instruments subject to offsetting, enforceable master netting arrangements and similar agreements.

		於 2016 年 6 月 30 日 At 30 June 2016					
		於資產負債表中 抵銷之已確認 金融負債總額 Gross amounts of recognised 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	
		港幣千元 HK\$'000	港幣千元 HK\$'000	港幣千元 HK\$'000	金融工具 Financial instruments	已收取之 現金押品 Cash collateral received	港幣千元 HK\$'000
資產	Assets						
衍生金融工具	Derivative financial instruments	285,562	-	285,562	(83,569)	-	201,993
其他資產	Other assets	1,213,957	(815,406)	398,551	-	-	398,551
總計	Total	1,499,519	(815,406)	684,113	(83,569)	-	600,544

		於 2016 年 6 月 30 日 At 30 June 2016					
		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	
		港幣千元 HK\$'000	港幣千元 HK\$'000	港幣千元 HK\$'000	金融工具 Financial instruments	已抵押之 現金押品 Cash collateral pledged	港幣千元 HK\$'000
負債	Liabilities						
衍生金融工具	Derivative financial instruments	93,270	-	93,270	(83,569)	-	9,701
其他負債	Other liabilities	940,484	(815,406)	125,078	-	-	125,078
總計	Total	1,033,754	(815,406)	218,348	(83,569)	-	134,779

中期財務資料附註 Notes to the Interim Financial Information (continued)
(續)
36. 金融工具之抵銷 (續) 36. Offsetting financial instruments (continued)

		於 2015 年 12 月 31 日 At 31 December 2015					
		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	
		港幣千元 HK\$'000	港幣千元 HK\$'000	港幣千元 HK\$'000	金融工具 Financial instruments	已收取之 現金押品 Cash collateral received	港幣千元 HK\$'000
資產	Assets						
衍生金融工具	Derivative financial instruments	338,260	-	338,260	(59,230)	-	279,030
其他資產	Other assets	1,352,506	(986,109)	366,397	-	-	366,397
總計	Total	1,690,766	(986,109)	704,657	(59,230)	-	645,427
		於 2015 年 12 月 31 日 At 31 December 2015					
		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	
		港幣千元 HK\$'000	港幣千元 HK\$'000	港幣千元 HK\$'000	金融工具 Financial instruments	已抵押之 現金押品 Cash collateral pledged	港幣千元 HK\$'000
負債	Liabilities						
衍生金融工具	Derivative financial instruments	154,121	-	154,121	(59,230)	-	94,891
其他負債	Other liabilities	994,352	(986,109)	8,243	-	-	8,243
總計	Total	1,148,473	(986,109)	162,364	(59,230)	-	103,134

按本集團簽訂有關場外衍生工具和售後回購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 and sale and repurchase 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.

**中期財務資料附註
(續)**

Notes to the Interim Financial Information (continued)

37. 主要之有關連人士交易

37. Significant related party transactions

母公司的基本資料：

General information of the parent companies:

本集團前直接控股公司中銀香港將持有本集團的全部股權出售予中國信達，並已於2016年5月30日(「生效日」)進行交割，本集團股權轉讓自該日起正式生效。

BOCHK, the Group's former immediate holding company, disposed all its interests in the Group to China Cinda. The transaction was completed and the share transfer of the Group effected on 30 May 2016 ("effective date").

本集團由中國信達間接控制，而中國信達是由中華人民共和國財政部(「財政部」)在中華人民共和國(「中國」)成立的國有金融企業，其股份亦在香港聯合交易所有限公司(「香港聯交所」)上市交易。

The Group is indirectly controlled by China Cinda, which is a state-owned financial enterprise established in the People's Republic of China (the "PRC") by the Ministry of Finance (the "MOF") and its shares are listed on the Main Board of The Stock Exchange of Hong Kong Limited ("Hong Kong Stock Exchange").

(a) 與母公司及母公司控制之其他公司進行的交易

(a) Transactions with the parent companies and the other companies controlled by the parent companies

(i) 本集團生效日前之直接控股公司是中銀香港，而中銀香港是受中國銀行股份有限公司(「中國銀行」)控制。中央匯金投資有限責任公司(「匯金」)是中國銀行之控股公司，亦是中國投資有限責任公司(「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。

(i) The Group's former immediate holding company is BOCHK, which is in turn controlled by Bank of China Limited ("BOC"). Central Huijin Investment Ltd. ("Central Huijin") is the controlling entity of BOC, and it is a wholly-owned subsidiary of China Investment Corporation ("CIC") which is a wholly state-owned company engaging in foreign currency investment management.

匯金於某些內地實體均擁有控制權益。

Central Huijin has controlling equity interests in certain other entities in the PRC.

中期財務資料附註
(續)

Notes to the Interim Financial Information (continued)

37. 主要之有關連人士交易 (續)

37. Significant related party transactions (continued)

(a) 與母公司及母公司控制之其他公司進行的交易 (續)

(a) Transactions with the parent companies and the other companies controlled by the parent companies (continued)

大部分與中國銀行進行的交易源自貨幣市場活動。2016年截至生效日前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13,387,000元(2015年上半年：港幣65,531,000元)及港幣45,056,000元(2015年上半年：港幣122,919,000元)。

The majority of transactions with BOC arises from money market activities. The aggregate amounts of income and expenses of the Group arising from these transactions with BOC for the period of 2016 before effective date were HK\$13,387,000 (first half of 2015: HK\$65,531,000) and HK\$45,056,000 (first half of 2015: HK\$122,919,000) respectively.

大部分與中銀香港進行的交易源自貨幣市場活動。2016年截至生效日前與中銀香港做此類業務過程中產生的收入及支出總額分別為港幣1,700,000元(2015年上半年：港幣1,748,000元)及港幣55,251,000元(2015年上半年：港幣230,050,000元)。

The majority of transactions with BOCHK arises from money market activities. The aggregate amounts of income and expenses of the Group arising from these transactions with BOCHK for the period of 2016 before effective date were HK\$1,700,000 (first half of 2015: HK\$1,748,000) and HK\$55,251,000 (first half of 2015: HK\$230,050,000) respectively.

於2016年截至生效日前，本集團出售若干房產予中銀香港，出售價為港幣187,012,000元，相關出售房產之淨收益約為港幣1,105,000元，交易按市場一般商業條款進行。

During the period of 2016 before effective date, the Group sold certain premises to BOCHK with selling price amounting to HK\$187,012,000. The gain from disposal of premises were approximately HK\$1,105,000. The transactions were entered on normal commercial terms.

中期財務資料附註
(續)

Notes to the Interim Financial Information (continued)

37. 主要之有關連人士交易 (續)

37. Significant related party transactions (continued)

(a) 與母公司及母公司控制之其他公司進行的交易 (續)

(a) Transactions with the parent companies and the other companies controlled by the parent companies (continued)

大部分與生效日前之母公司控制之其他公司的交易源自客戶存款。2016年截至生效日前敝做此類業務過程中產生的支出總額為港幣 39,799,000 元 (2015年上半年：港幣 66,457,000 元)。

The majority of transactions with other companies controlled by the former parent companies arises from deposits from customers. The aggregate amount of expenses arising from these transactions for the period of 2016 before effective date was HK\$39,799,000 (first half of 2015: HK\$66,457,000).

(ii) 本集團之直接控股公司是信達金融控股有限公司(「信達金控」)，而信達金控是受中國信達(香港)控股有限公司(「信達香港」)控制。中國信達是信達香港之控股公司，其主要股東及實際控制人為財政部，財政部是中華人民共和國國務院的組成部門，主要負責國家財政收支和稅收政策等。

(ii) The Group's immediate holding company is Cinda Financial Holdings Co., Limited, ("Cinda Financial Holdings") which is in turn controlled by China Cinda (HK) Company Holdings Ltd ("Cinda Hong Kong"). China Cinda is the controlling entity of Cinda Hong Kong and its major shareholder and de facto controller is MOF, which is one of the ministries under the State Council of the PRC Government, primarily responsible for state fiscal revenue and expenditures, and taxation policies.

中國信達於某些內地實體均擁有控制權益。

China Cinda has controlling equity interests in certain other entities in the PRC.

大部分與中國信達進行的交易源自客戶存款。於2016年6月30日，本集團相關款項總額為港幣 437,564,000 元。自生效日起至2016年6月30日與中國信達敝做此類業務過程中產生的支出總額為港幣 443,000 元。

The majority of transactions with China Cinda arises from deposits from customers. As at 30 June 2016, the related aggregate amounts of the Group were HK\$437,564,000. The aggregate amounts of expenses of the Group arising from these transactions with China Cinda from effective date to 30 June 2016 were HK\$443,000.

中期財務資料附註 **Notes to the Interim Financial Information (continued)**
(續)

37. 主要之有關連人士交易 (續) **37. Significant related party transactions (continued)**

(a) 與母公司及母公司控制之其他公司進行的交易 (續)

大部分與信達香港進行的交易源客戶存款。於 2016 年 6 月 30 日，本集團相關款項總額為港幣 2,423,448,000 元。自生效日起至 2016 年 6 月 30 日與信達香港做此類業務過程中產生的支出總額為港幣 1,692,000 元。

大部分與母公司控制之其他公司的交易源自客戶貸款及客戶存款。於 2016 年 6 月 30 日，本集團相關款項總額分別為港幣 733,984,000 元及港幣 914,963,000 元。自生效日起至 2016 年 6 月 30 日與母公司控制之其他公司做此類業務過程中產生的收入及支出總額分別為港幣 4,274,000 元及港幣 326,000 元。

除上述披露外，與其他母公司及母公司控制之其他公司進行的交易並不重大。

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。

(a) Transactions with the parent companies and the other companies controlled by the parent companies (continued)

The majority of transactions with Cinda Hong Kong arises from deposits from customers. As at 30 June 2016, the related aggregate amounts of the Group were HK\$2,423,448,000. The aggregate amounts of expenses of the Group arising from these transactions with Cinda Hong Kong from effective date to 30 June 2016 were HK\$1,692,000.

The majority of transactions with other companies controlled by the parent companies arises from advances to customers and deposits from customers. As at 30 June 2016, the related aggregate amount of the Group was HK\$733,984,000 and HK\$914,963,000 respectively. The aggregate amount of income and expenses of the Group arising from these transactions with other companies controlled by the parent companies from effective date to 30 June 2016 was HK\$4,274,000 and HK\$326,000 respectively.

Save as disclosed above, transactions with other parent companies and the other companies controlled by the parent companies are not considered material.

The Group enters into banking transactions with these entities in the normal course of business which include loans, investment securities and money market transactions.

**中期財務資料附註
(續)****Notes to the Interim Financial Information (continued)****37. 主要之有關連人士交易 (續)****37. 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****(b) Transactions with government authorities, agencies, affiliates and other state controlled entities**

中華人民共和國國務院通過中投及匯金、財政部對本集團實施控制，二者亦通過政府機構、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。

The Group is subject to the control of State Council of the PRC Government through CIC and Central Huijin and the control of the MOF, both of 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.

這些交易包括但不局限於下列各項：

These transactions include, but are not limited to, the following:

- 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。

- lending, provision of credits and guarantees, and deposit taking;
- inter-bank balance taking and placing;
- sales, purchase, 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.

**中期財務資料附註
(續)**
Notes to the Interim Financial Information (continued)
37. 主要之有關連人士交易 (續)
37. Significant related party transactions (continued)
(c) 主要高層人員
(c) Key management personnel

主要高層人員是指某些能直接或間接擁有權力及責任來計劃、指導及掌管集團業務之人士，包括董事及高層管理人員。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。於期內及往期，本集團並沒有與本銀行及其控股公司之主要高層人員或其有關連人士進行重大交易。

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the Group, directly or indirectly, including Directors and Senior Management. The Group accepts deposits from and grants loans and credit facilities to key management personnel in the ordinary course of business. During both the current and prior periods, no material transaction was conducted with key management personnel of the Bank and its holding companies, as well as parties related to them.

主要高層人員之薪酬如下：

The compensation of key management personnel is detailed as follows:

	半年結算至 2016年 6月30日 Half-year ended 30 June 2016 港幣千元 HK\$'000	半年結算至 2015年 6月30日 Half-year ended 30 June 2015 港幣千元 HK\$'000
薪酬及其他短期員工福利	17,634	15,146
退休福利	853	807
	18,487	15,953

(d) 與附屬公司的結餘
(d) Balances with subsidiaries

於2016年6月30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2,390,664,000元（2015年12月31日：港幣1,440,338,000元）及港幣319,629,000元（2015年12月31日：港幣226,650,000元）。

As at 30 June 2016, 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\$2,390,664,000 (31 December 2015: HK\$1,440,338,000) and HK\$319,629,000 (31 December 2015: HK\$226,650,000) respectively.

中期財務資料附註 (續) Notes to the Interim Financial Information (continued)
38. 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區分佈。其總和包括所有貨幣之跨國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。

本集團的個別國家或區域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：

38. 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 country different from the counterparty, the risk will be transferred to the country of the guarantor. For a claim on an overseas branch of a bank whose head office is located in another country, the risk will be transferred to the country where its head office is located.

Claims on individual countries or areas, after risk transfer, amounting to 10% or more of the aggregate international claims of the Group are shown as follows:

		於 2016 年 6 月 30 日 At 30 June 2016				
		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
中國內地	Mainland of China	28,084,649	1,590,341	218,806	16,772,033	46,665,829
香港	Hong Kong	3,127,893	62,380	2,162,167	32,662,596	38,015,036
		於 2015 年 12 月 31 日 At 31 December 2015				
		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
中國內地	Mainland of China	34,617,405	859,966	286,850	25,347,925	61,112,146
香港	Hong Kong	1,581,719	25,114	2,392,489	32,771,230	36,770,552

**中期財務資料附註
(續)**
Notes to the Interim Financial Information (continued)
39. 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。此報表僅計及本銀行及其從事銀行業務之附屬公司之內地風險承擔。

39. Non-bank Mainland exposures

The analysis of non-bank Mainland exposures is based on the categories of non-bank counterparties and the type of direct exposures with reference to the completion instructions for the HKMA return of Mainland activities, which includes the Mainland exposures extended by the Bank and its banking subsidiary.

		於 2016 年 6 月 30 日 At 30 June 2016			
金管局報表 項目 Items in the HKMA return		資產負債 表內的 風險承擔 On-balance sheet exposure	資產負債 表外的 風險承擔 Off-balance sheet exposure	總風險承擔 Total exposure	
		港幣千元 HK\$'000	港幣千元 HK\$'000		港幣千元 HK\$'000
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	21,688,463	1,770,045	23,458,508
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	13,877,030	2,942,794	16,819,824
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	54,779,516	21,369,458	76,148,974
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	744,446	-	744,446
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	15,446	-	15,446
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	8,010,211	2,965,929	10,976,140
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	4,940,269	-	4,940,269
總計	Total	8	<u>104,055,381</u>	<u>29,048,226</u>	<u>133,103,607</u>
扣減準備金後的資產總額	Total assets after provision	9	<u>321,037,380</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>32.41%</u>		

中期財務資料附註 (續) Notes to the Interim Financial Information (continued)
39. 非銀行的內地風險承擔 (續) 39. Non-bank Mainland exposures (continued)

		於 2015 年 12 月 31 日 At 31 December 2015			
金管局報表 項目 Items in the HKMA return	資產負債 表內的 風險承擔 On-balance sheet exposure 港幣千元 HK\$'000	資產負債 表外的 風險承擔 Off-balance sheet exposure 港幣千元 HK\$'000	總風險承擔 Total exposure 港幣千元 HK\$'000		
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	23,932,429	2,995,217	26,927,646
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	13,890,604	2,709,320	16,599,924
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	47,421,978	27,853,433	75,275,411
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	2,623,361	-	2,623,361
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	15,330	-	15,330
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	7,511,143	1,037,765	8,548,908
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	5,245,489	-	5,245,489
總計	Total	8	<u>100,640,334</u>	<u>34,595,735</u>	<u>135,236,069</u>
扣減準備金後的資產總額	Total assets after provision	9	<u>313,731,968</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>32.08%</u>		

中期財務資料附註 (續) **Notes to the Interim Financial Information (continued)**

40. 符合香港會計準則第 34 號 **40. Compliance with HKAS 34**

截至 2016 年上半年止的未經審計中期財務資料符合香港會計師公會所頒佈之香港會計準則第 34 號「中期財務報告」之要求。

The unaudited interim financial information for the first half of 2016 complies with HKAS 34 “Interim Financial Reporting” issued by the HKICPA.

41. 法定賬目 **41. Statutory accounts**

此中期業績報告所載為未經審計資料，並不構成法定賬目。截至 2015 年 12 月 31 日止之法定賬目，已送呈公司註冊處及金管局。核數師於 2016 年 3 月 18 日對該法定賬目發出無保留意見的核數師報告。

The information in this Interim Report is unaudited and does not constitute statutory accounts. The statutory accounts for the year ended 31 December 2015 have been delivered to the Registrar of Companies and the HKMA. The auditor expressed an unqualified opinion on those statutory accounts in the report dated 18 March 2016.



Ernst & Young
22/F, CITIC Tower
1 Tim Mei Avenue
Central, Hong Kong

安永會計師事務所
香港中環添美道1號
中信大廈 22 樓

Tel 電話: +852 2846 9888
Fax 傳真: +852 2868 4432
ey.com

獨立審閱報告

中期財務資料的審閱報告 致南洋商業銀行有限公司董事會 (於香港註冊成立的有限公司)

引言

本核數師(以下簡稱「我們」)已審閱列載於第 1 至 110 頁的中期財務資料,此中期財務資料包括南洋商業銀行有限公司(「貴銀行」)及其子公司(合稱「貴集團」)於 2016 年 6 月 30 日的簡要綜合資產負債表與截至該日止 6 個月期間的相關簡要綜合收益表、簡要綜合全面收益表、簡要綜合權益變動表和簡要綜合現金流量表,以及其他附註解釋。貴銀行董事須負責根據香港會計師公會頒佈的香港會計準則第 34 號「中期財務報告」(「香港會計準則第 34 號」)編製及列報該等中期財務資料。我們的責任是根據我們的審閱對該等中期財務資料作出結論。我們按照委聘之條款僅向整體董事會報告,除此之外本報告別無其他目的。我們不會就本報告的內容向任何其他人士負上或承擔任何責任。

審閱範圍

我們已根據香港會計師公會頒佈的香港審閱準則第 2410 號「由實體的獨立核數師執行中期財務資料審閱」進行審閱。審閱中期財務資料包括主要向負責財務和會計事務的人員作出查詢,及應用分析性和其他審閱程序。審閱的範圍遠較根據香港審計準則進行審計的範圍為小,故不能令我們可保證我們將知悉在審計中可能被發現的所有重大事項。因此,我們不會發表審計意見。

結論

按照我們的審閱,我們並無發現任何事項,令我們相信中期財務資料在各重大方面未有根據香港會計準則第34號編製。

安永會計師事務所
執業會計師
香港, 2016 年 8 月 30 日



Ernst & Young
22/F, CITIC Tower
1 Tim Mei Avenue
Central, Hong Kong

安永會計師事務所
香港中環添美道1號
中信大廈 22 樓

Tel 電話: +852 2846 9888
Fax 傳真: +852 2868 4432
ey.com

Independent Review Report

Report on review of interim financial information

To the board of directors of Nanyang Commercial Bank, Limited

(Incorporated in Hong Kong with limited liability)

Introduction

We have reviewed the interim financial information set out on pages 1 to 110, which comprises the condensed consolidated balance sheet of Nanyang Commercial Bank, Limited (the "Bank") and its subsidiaries (together, the "Group") as at 30 June 2016 and the related condensed consolidated income statement, the condensed consolidated statement of comprehensive income, the condensed consolidated statement of changes in equity and the condensed consolidated cash flow statement for the six-month period then ended, and other explanatory notes. The directors of the Bank are responsible for the preparation and presentation of this interim financial information in accordance with Hong Kong Accounting Standard 34 "Interim Financial Reporting" ("HKAS 34") issued by the Hong Kong Institute of Certified Public Accountants. Our responsibility is to express a conclusion on this interim financial information based on our review. Our report is made solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Scope of review

We conducted our review in accordance with Hong Kong Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Hong Kong Institute of Certified Public Accountants. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the interim financial information is not prepared, in all material respects, in accordance with HKAS 34.

Ernst & Young

Certified Public Accountants

Hong Kong, 30 August 2016

ISSUER

Nanyang Commercial Bank, Limited
151 Des Voeux Road Central
Hong Kong

INDEPENDENT AUDITORS

Ernst & Young
22nd Floor, CITIC Tower
1 Tim Mei Avenue
Central
Hong Kong

JOINT GLOBAL COORDINATORS, JOINT BOOKRUNNERS AND JOINT LEAD MANAGERS

UBS AG Hong Kong Branch
52nd Floor, Two International
Finance Centre
8 Finance Street
Central
Hong Kong

BOCI Asia Limited
20/F, Bank of China Tower
1 Garden Road
Hong Kong

CLSA Limited
Level 18
One Pacific Place
88 Queensway
Hong Kong

Credit Suisse (Hong Kong) Limited
Level 88, International
Commerce Centre
1 Austin Road, Kowloon
Hong Kong

Merrill Lynch International
2 King Edward Street
London EC1A 1HQ
United Kingdom

Cinda International Capital Limited
45th Floor, COSCO Tower
183 Queen's Road Central
Hong Kong

Cinda International Securities Limited
45th Floor, COSCO Tower
183 Queen's Road Central
Hong Kong

JOINT BOOKRUNNERS AND JOINT LEAD MANAGERS

**CCB International Capital
Limited**
12/F, CCB Tower
3 Connaught Road Central
Central, Hong Kong

**Australia and New Zealand
Banking Group Limited**
22/F, Three Exchange Square
8 Connaught Place
Central
Hong Kong

**Morgan Stanley & Co.
International plc**
25 Cabot Square
Canary Wharf
London E14 4QA
United Kingdom

**Wells Fargo Securities
International Limited**
One Plantation Place
30 Fenchurch Street
London, EC3M 3BD
United Kingdom

**China International Capital
Corporation Hong Kong
Securities Limited**
29th Floor, One International
Finance Centre
1 Harbour View Street
Central, Hong Kong

**Deutsche Bank AG, Hong Kong
Branch**
52/F, International Commerce
Centre
1 Austin Road West, Kowloon
Hong Kong

TRUSTEE, PRINCIPAL PAYING AGENT AND CALCULATION AGENT

The Bank of New York Mellon, London Branch

One Canada Square
London E14 5AL
United Kingdom

REGISTRAR AND TRANSFER AGENT

The Bank of New York Mellon SA/NV, Luxembourg Branch

Vertigo Building — Polaris
2-4 rue Eugène Ruppert
L-2453 Luxembourg

LEGAL ADVISERS

*To the Issuer
as to English and Hong Kong law*

Linklaters
10th Floor, Alexandra House
Chater Road
Hong Kong

*To the Joint Lead Managers
as to English and Hong Kong law*

Allen & Overy
9/F, Three Exchange Square
Central
Hong Kong

*To the Issuer
as to PRC Law*

King & Wood Mallesons
17th Floor, One ICC Shanghai ICC
999 Huai Hai Road (M)
Shanghai, PRC

*To the Joint Lead Managers
as to PRC Law*

Haiwen & Partners
2104, Tower Two, Kerry Plaza,
1 Zhong Xin Si Road
Futian District, Shenzhen, China

To the Trustee as to English law

Clifford Chance
27/F, Jardine House
One Connaught Place
Central
Hong Kong