

Statement of compliance

We have prepared this unaudited Disclosure Statement of Shinhan Bank, Hong Kong Branch (“the Branch”) as of 31 December 2022. It is compiled according to the Banking (Disclosure) Rules under the Banking Ordinance (Chapter 155M) effective from 1 January 2007.

As the Chief Executive of the Branch, I confirm, to the best of my knowledge, that the information contained in the Disclosure Statement is correctly compiled in accordance with the Banking (Disclosure) Rules requirement and consistent with the books and records of the Branch.

Shinhan Bank, Hong Kong Branch



Chief Executive
Hong Kong
28 April 2023

Shinhan Bank, Hong Kong Branch
Financial Disclosure as of 31 December 2022

(Expressed in Thousand of Hong Kong dollars)

Branch Information (Hong Kong office only)

Profit and loss information

Income	<u>Dec 2022</u>	<u>Dec 2021</u>
Interest income	998,246	490,656
Interest expense	<u>739,762</u>	<u>153,770</u>
Net interest income	<u>258,484</u>	<u>336,886</u>
Other operating income		
- Gains less losses from trading in foreign currencies	50,088	31,625
- Gains less losses from non-trading activities in foreign currencies	863	453
- Gains less losses from trading in securities	37,702	49,584
- Gains less losses from non-trading activities in securities ^{Note}	(9,758)	100,378
- Gains less losses from other trading activities ^{Note}	-	-
	<u>78,895</u>	<u>182,040</u>
Net fee and commission income		
- Fee and commission income	66,296	84,035
- Fee and commission expense	<u>(8,177)</u>	<u>(8,925)</u>
	<u>58,119</u>	<u>75,110</u>
Other income	<u>7,321</u>	<u>4,218</u>
Total operating income	<u>402,819</u>	<u>598,254</u>
Expenses		
Operating expenses		
- Staff expenses	42,564	41,833
- Rental expenses	11,052	10,988
- Other operating expenses	<u>16,598</u>	<u>19,403</u>
Total Operating expenses	<u>70,214</u>	<u>72,224</u>
Operating profit before impairment losses	332,605	526,030
Impairment losses and charges for allowances on impaired loans and receivables		
- Collective impairment allowances	(7,199)	(2,372)
- Individual impairment allowances	-	-
	<u>(7,199)</u>	<u>(2,372)</u>
Gains less losses from the disposal of property, plant and equipment and investment properties	-	-
Profit before taxation	<u>339,804</u>	<u>528,402</u>
Tax expense	<u>56,571</u>	<u>73,140</u>
Profit after taxation	<u>283,233</u>	<u>455,262</u>

Note : including gains less losses from changes of fair value of derivative instruments

Shinhan Bank, Hong Kong Branch
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Branch Information (Hong Kong office only)

Balance sheet information

Assets	At 31 Dec 2022	At 30 Jun 2022
Cash and balances with banks	5,518,204	1,796,500
Placements with banks which have a residual contractual maturity		
not more than 1 month	348,790	941,008
more than 1 month but not more than 1 year	5,169,278	855,344
more than 1 year	-	-
	<u>5,518,068</u>	<u>1,796,352</u>
Amount due from overseas offices of Shinhan Bank	1,273,404	1,670,143
Trade bills	8,033,711	8,600,076
Advances and other accounts		
- Advances to customers	15,309,024	18,036,334
- Advances to banks and other financial institutions	-	-
- Accrued interest and other accounts	217,415	94,297
- Collective allowances for impaired advances to customers	(66,537)	(72,054)
- Collective allowances for impaired advances to banks	-	-
- Individual allowances for impaired advances to customers	-	-
- Individual allowances for impaired advances to banks	-	-
	<u>15,459,902</u>	<u>18,058,577</u>
Investment Securities		
- Available-for-sale securities	7,548,209	8,078,180
	<u>7,548,209</u>	<u>8,078,180</u>
Property, plant and equipment and investment properties	1,098	855
Other assets	1,140,013	1,153,769
Total assets	<u>38,974,541</u>	<u>39,358,100</u>
Liabilities		
Deposits and balances from banks	9,902,005	10,447,696
Deposits from customers		
- Demand deposits and current accounts	3,657	1,930
- Savings deposits	524,319	622,616
- Time, call and notice deposits	4,968,837	1,842,548
	<u>5,496,813</u>	<u>2,467,094</u>
Amount due to overseas offices of Shinhan Bank	9,062,706	12,449,210
Certificates of deposit issued	5,035,170	6,326,656
Issued debt securities	13,995,256	9,495,112
Other liabilities	979,404	639,426
Provisions	-	-
Total liabilities	<u>38,974,541</u>	<u>39,358,100</u>

Shinhan Bank, Hong Kong Branch
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I Additional Balance Sheet Information

(a) Loans and receivables	At 31 Dec 2022	At 30 Jun 2022
Advances to customers	15,309,024	18,036,334
Advances to banks	-	-
Accrued interest and other accounts	217,415	94,297
Impairment allowances for impaired advances		
- Collective allowances for impaired advances to customers	(66,537)	(72,054)
- Collective allowances for impaired advances to banks	-	-
- Individual allowances for impaired advances to customers	-	-
- Individual allowances for impaired advances to banks	-	-
	<u>15,459,902</u>	<u>18,058,577</u>

As at 31 Dec 2022	Gross amount	Impairment allowances (individually)	Market Value of collateral held	% to total loans and advances to customers
Impaired loans and advances to customers (individually determined)	-	-	-	-

As at 31 Dec 2022	Gross amount	Impairment allowances (individually)	Market Value of collateral held	% to total loans and advances to banks
Impaired loans and advances to banks (individually determined)	-	-	-	-

As at 30 Jun 2022	Gross amount	Impairment allowances (individually)	Market Value of collateral held	% to total loans and advances to customers
Impaired loans and advances to customers (individually determined)	-	-	-	-

As at 30 Jun 2022	Gross amount	Impairment allowances (individually)	Market Value of collateral held	% to total loans and advances to banks
Impaired loans and advances to banks (individually determined)	-	-	-	-

Shinhan Bank, Hong Kong Branch
Financial Disclosure as of 31 December 2022

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I Additional Balance Sheet Information (continued)

(b) Overdue and rescheduled assets

	At 31 Dec 2022		At 30 Jun 2022	
Overdue advances				
Advances to customers overdue for	Gross amount	% to total advances to customers	Gross amount	% to total advances to customers
- not more than 3 months	-	-	16,950	0.09%
- more than 3 months but not more than 6 months	-	-	-	-
- more than 6 months but not more than 1 year	16,841	0.11%	-	-
- more than 1 year	-	-	-	-
Total overdue advances	<u>16,841</u>	<u>0.11%</u>	<u>16,950</u>	<u>0.09%</u>
Advances to banks overdue for	Gross amount	% to total advances to banks	Gross amount	% to total advances to banks
- not more than 3 months	-	-	-	-
- more than 3 months but not more than 6 months	-	-	-	-
- more than 6 months but not more than 1 year	-	-	-	-
- more than 1 year	-	-	-	-
Total overdue advances	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Market value of collateral held against the secured overdue advances		Gross amount		Gross amount
		-		-
Secured overdue advances		-		-
Unsecured overdue advances		-		-
		<u>-</u>		<u>-</u>
Specific provision made on overdue advances		-		-
		<u>-</u>		<u>-</u>
Rescheduled advances				
Rescheduled advances to customers	Gross amount	% to total advances to customers	Gross amount	% to total advances to customers
	-	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Rescheduled advances to banks	Gross amount	% to total advances to banks	Gross amount	% to total advances to banks
	-	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>

Shinhan Bank, Hong Kong Branch
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(Expressed in Thousand of Hong Kong dollars)

I Additional Balance Sheet Information (continued)

(b) Overdue and rescheduled assets (continued)

	At 31 Dec 2022		At 30 Jun 2022	
	Gross amount	% to total other assets	Gross amount	% to total other assets
Other overdue assets				
Other assets overdue for				
- not more than 3 months	-	-	-	-
- more than 3 months but not more than 6 months	-	-	-	-
- more than 6 months but not more than 1 year	-	-	-	-
- more than 1 year	-	-	-	-
Total other overdue assets	-	-	-	-
Repossessed assets				
Repossessed assets held		Gross amount		Gross amount
		-		-

(c) The breakdown of the gross amount of loans and advances to customers by industry categories

As at 31 Dec 2022

	Gross advances	Extent advances are covered by collateral or other security
Loans and advances for use in Hong Kong		
Industrial, commercial and financial		
- Property development	-	-
- Property investment	300,000	-
- Civil engineering works	-	-
- Financial concerns	-	-
- Stockbrokers	230,000	-
- Wholesale and retail trade	360,204	279,125
- Manufacturing	-	-
- Transport and transport equipment	16,841	-
- Recreational activities	157,344	-
- Information technology	-	-
- Others	-	-
Sub-total	1,064,389	279,125
Individuals		
- Loans for the purchase of flats in the Home Ownership Scheme, Private Sector Participation Scheme and Tenants Purchase Scheme or their respective successor schemes	-	-
- Loans for the purchase of other residential properties	-	-
- Credit card advances	-	-
- Others	-	-
Sub-total	-	-
Total loans and advances for use in Hong Kong	1,064,389	279,125
Trade finance	-	-
Loans and advances for use outside Hong Kong	14,244,635	10,436,748
	15,309,024	10,715,873

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(Expressed in Thousand of Hong Kong dollars)

I Additional Balance Sheet Information (continued)

(c) The breakdown of the gross amount of loans and advances to customers by industry categories
(continued)

As at 30 Jun 2022

	<u>Gross advances</u>	<u>Extent advances are covered by collateral or other security</u>
Loans and advances for use in Hong Kong		
Industrial, commercial and financial		
- Property development	-	-
- Property investment	300,000	-
- Civil engineering works	-	-
- Financial concerns	-	-
- Stockbrokers	150,000	-
- Wholesale and retail trade	322,512	201,673
- Manufacturing	187,866	-
- Transport and transport equipment	16,950	-
- Recreational activities	172,851	-
- Information technology	-	-
- Others	133,625	63,000
Sub-total	<u>1,283,804</u>	<u>264,673</u>
Individuals		
- Loans for the purchase of flats in the Home Ownership Scheme, Private Sector Participation Scheme and Tenants Purchase Scheme or their respective successor schemes	-	-
- Loans for the purchase of other residential properties	-	-
- Credit card advances	-	-
- Others	-	-
Sub-total	<u>-</u>	<u>-</u>
Total loans and advances for use in Hong Kong	<u>1,283,804</u>	<u>264,673</u>
Trade finance	-	-
Loans and advances for use outside Hong Kong	16,752,530	11,178,884
	<u>18,036,334</u>	<u>11,443,557</u>

Shinhan Bank, Hong Kong Branch
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(Expressed in Thousand of Hong Kong dollars)

I Additional Balance Sheet Information (continued)

(d) Analysis of gross loans and advances to customer by geographical areas

As at 31 Dec 2022

	Gross loans and advances	Overdue loans and advances to customers	Impaired loans (individually determined)
- Asia & Pacific of which	14,819,667	16,841	-
- China	2,805,497	-	-
- Hong Kong	1,043,456	16,841	-
- South Korea	9,629,656	-	-
- Vietnam	720,877	-	-
- Caribbean of which	153,445	-	-
- Cayman Island	153,445	-	-
- Western Europe	335,912	-	-
- Others	-	-	-
Total	<u>15,309,024</u>	<u>16,841</u>	<u>-</u>

As at 30 Jun 2022

	Gross loans and advances	Overdue loans and advances to customers	Impaired loans (individually determined)
- Asia & Pacific of which	17,358,828	16,950	-
- China	3,437,256	-	-
- Hong Kong	1,193,563	16,950	-
- South Korea	11,033,773	-	-
- Vietnam	767,285	-	-
- Caribbean of which	251,794	-	-
- Cayman Island	251,794	-	-
- Western Europe	425,712	-	-
- Others	-	-	-
Total	<u>18,036,334</u>	<u>16,950</u>	<u>-</u>

Note: Classification of gross amount of loans and advances to customers by countries or geographical areas constitutes 10% or more of the relevant disclosure amount. The analysis is based on the location of the counterparty.

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Financial Disclosure as of 31 December 2022

(Expressed in Thousand of Hong Kong dollars)

I Additional Balance Sheet Information (continued)

(e) Non-bank Mainland China exposures

As at 31 Dec 2022			
Types of counterparties	On-balance sheet exposure	Off-balance sheet exposure	Total
1. Central government, central government-owned entities and their subsidiaries and joint ventures (JVs)	-	-	-
2. Local governments, local government-owned entities and their subsidiaries and JVs	288,270	-	288,270
3. PRC nationals residing in Mainland China or other entities incorporated in Mainland China and their subsidiaries and JVs	815,736	331,777	1,147,513
4. Other entities of central government not reported in item 1 above	-	-	-
5. Other entities of local governments not reported in item 2 above	-	-	-
6. PRC nationals residing outside Mainland China or entities incorporated outside Mainland China where the credit is granted for use in Mainland China	1,684,783	38,770	1,723,553
7. Other counterparties where the exposures are considered by the reporting institution to be non-bank Mainland China exposures	-	-	-
Total	<u>2,788,789</u>	<u>370,547</u>	<u>3,159,336</u>
Total assets after provision	<u>38,974,541</u>		
On-balance sheet exposures as percentage of total assets	<u>7.16%</u>		

Shinhan Bank, Hong Kong Branch
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(Expressed in Thousand of Hong Kong dollars)

I Additional Balance Sheet Information (continued)

(e) Non-bank Mainland China exposures

As at 30 Jun 2022			
Types of counterparties	On-balance sheet exposure	Off-balance sheet exposure	Total
1. Central government, central government-owned entities and their subsidiaries and joint ventures (JVs)	-	-	-
2. Local governments, local government-owned entities and their subsidiaries and JVs	524,215	-	524,215
3. PRC nationals residing in Mainland China or other entities incorporated in Mainland China and their subsidiaries and JVs	1,010,303	239,340	1,249,643
4. Other entities of central government not reported in item 1 above	-	-	-
5. Other entities of local governments not reported in item 2 above	150,013	-	150,013
6. PRC nationals residing outside Mainland China or entities incorporated outside Mainland China where the credit is granted for use in Mainland China	1,721,289	42,098	1,763,387
7. Other counterparties where the exposures are considered by the reporting institution to be non-bank Mainland China exposures	-	-	-
Total	<u>3,405,820</u>	<u>281,438</u>	<u>3,687,258</u>
Total assets after provision	<u>39,358,100</u>		
On-balance sheet exposures as percentage of total assets	<u>8.65%</u>		

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(Expressed in Million of Hong Kong dollars)

II Cross-border claims (excluding claims from Head Office, branches and subsidiaries) by geographical areas after taking into consideration of transfer of risks

Cross-border claims are on-balance sheet exposures to counterparties after taking into account the transfer of risk.

As at 31 Dec 2022	Banks and others financial institutions	Public sector entities	Others	Total
- Asia & Pacific excluding Hong Kong				
of which	17,157	-	17,947	35,104
- China	2,636	-	335	2,971
- South Korea	12,559	-	17,037	29,596
- Japan	408	-	-	408
- Vietnam	331	-	151	482
- North America	435	-	-	435
- Middle East	115	-	-	115
- Caribbean	401	-	823	1,224
- Western Europe	689	-	337	1,026
	<u>18,797</u>	<u>-</u>	<u>19,107</u>	<u>37,904</u>
As at 30 Jun 2022	Banks and others financial institutions	Public sector entities	Others	Total
- Asia & Pacific excluding Hong Kong				
of which	14,671	-	20,714	35,385
- China	798	-	1,754	2,552
- South Korea	12,066	-	18,339	30,405
- Japan	424	-	-	424
- Vietnam	217	-	165	382
- North America	388	-	126	514
- Middle East	76	-	-	76
- Caribbean	272	-	668	940
- Western Europe	806	-	426	1,232
	<u>16,213</u>	<u>-</u>	<u>21,934</u>	<u>38,147</u>

Note: Amounts represent cross-border claims based on countries or geographical classification and constitutes 10% or more of the total amount. Claims arising between branches and subsidiaries are excluded.

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(Expressed in Million Hong Kong dollars)

III Currency risk

As at 31 Dec 2022	HK\$ Million Equivalent			Total
	US Dollar	JPY & Others	CNY	
Spot assets	34,714	3,648	8	38,370
Spot liabilities	(37,090)	(145)	(19)	(37,254)
Forward purchases	3,828	-	10	3,838
Forward sales	(1,553)	(3,489)	-	(5,042)
Net option position	-	-	-	-
Net long / (net short) position	<u>(101)</u>	<u>14</u>	<u>(1)</u>	<u>(88)</u>
Structural position	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>

As at 30 Jun 2022	HK\$ Million Equivalent			Total
	US Dollar	JPY & Others	CNY	
Spot assets	34,687	3,763	13	38,463
Spot liabilities	(36,466)	(129)	(25)	(36,620)
Forward purchases	4,468	-	12	4,480
Forward sales	(2,577)	(3,632)	-	(6,209)
Net option position	-	-	-	-
Net long / (net short) position	<u>112</u>	<u>2</u>	<u>-</u>	<u>114</u>
Structural position	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>

Shinhan Bank, Hong Kong Branch
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IV Off-balance sheet exposures

(a) The contractual or notional amounts of each of the following class of off-balance sheet exposures outstanding are:

	<u>At 31 Dec 2022</u>	<u>At 30 Jun 2022</u>
Contingent liabilities and commitments		
- Direct credit substitutes	-	-
- Transaction-related contingencies	805,121	685,331
- Trade-related contingencies	1,227,617	975,930
- Note issuance and revolving underwriting facilities	-	-
- Other commitments	1,776,629	1,867,681

Contingent liabilities and commitments arises from credit-related instruments which include letters of credit, guarantees and commitments to extend credit. The risk involved in these credit-related instruments is essentially the same as the credit risk involved in extending loan facilities to customers. The contract amounts represent the amounts at risk should the contract be fully drawn upon and the customers default. As the facilities may expire without being drawn upon, the contracts amounts do not represent expected future cash flows.

	<u>At 31 Dec 2022</u>	<u>At 30 Jun 2022</u>
Derivative transactions		
- Exchange rate-related derivative contracts (exclude forward foreign exchange contracts arising from swap deposit arrangements)	10,869,995	13,972,352
- Interest rate derivative contracts	-	-
- Others	1,193,527	994,233

The above derivative contracts amounts are the notional amount of the contract, they do not represent amounts at risk. All the derivative contracts held by the Branch are to offset gains/losses on fixed rate bonds and loans.

(b) The total fair value of the above derivative transactions	<u>At 31 Dec 2022</u>	<u>At 30 Jun 2022</u>
- Exchange rate-related derivative contracts	(104,662)	96,802
- Interest rate derivative contracts	-	-

No bilateral netting arrangements for above derivative transactions.

V Liquidity

	<u>Year ended 31 Dec 2022</u>	<u>Year ended 31 Dec 2021</u>
The average liquidity maintenance ratio for the period	125.97%	118.86%
The average liquidity maintenance ratio for 4th quarter	124.90%	94.23%

The liquidity maintenance ratio (LMR) is calculated in accordance with the Banking (Liquidity) Rules effective from 01 January 2015.

The average liquidity maintenance ratio is the arithmetic mean of each calendar month's average LMR as reported in the "Return of Liquidity Position of an Authorized Institution".

Liquidity Risk Management

The Branch has established a Liquidity Risk Management Policy which is reviewed and approved by the senior management. This policy requires the Branch to maintain a conservative level of liquid funds on a daily basis to meet all financial obligations, and setup the action plan on liquidity contingency.

The liquidity position is monitored through statutory liquidity ratios, cash flow analysis, and inter-bank transactions undertaken by our Branch. The Branch also perform the testing on various type of stress scenarios on monthly basis according to our Liquidity Stress Testing Policy.

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The key elements of the liquidity risk framework are:

Liquidity Stress Testing

The Branch performs liquidity stress testing on a regular basis, to evaluate the effect of both general market wide and institutional specific disruptions on the Branch's liquidity position. The internal stress testing is to ensure sufficient liquidity for the Branch under different adverse scenarios. The Branch's liquidity stress tests consider the effect of changes in funding assumptions, and the market value of liquidity assets, the results of which are reviewed by senior management and are considered in making liquidity management decisions. Based on the result of the liquidity stress test, the Branch takes necessary (if needed) rebalancing, restructuring actions by risk mitigation or contingency plans.

Contingency Planning

The Branch maintains the liquidity contingency funding plan in case it faces liquidity problem as part of liquidity risk management. The liquidity contingency plan specifies an approach for monitoring and evaluation of actual and potential liquidity events. The plan outlines liquidity identification, monitoring, and measurement of liquidity events. The plan also specifies possible measures, internal and external communication and action to be taken at various stages of crisis.

Funding Diversification

Apart from taking customer deposits as major sources of funding, the Branch boardens its funding source in retail market, money market and capital market by different terms. The Branch also holds a pool of highly liquid, unencumbered assets that can be readily sold or pledged to secure borrowings under stressed conditions.

Oversight and Reporting

The results of stress testing, Liquidity Maintenance Ratio(LMR) and liquidity gap are reported to the management and head office on a regular basis.

The details of maturity profile refer to Appendix I

Financial Disclosure as of 31 December 2022

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VI Bank information (Consolidated basis)

The following table shows the consolidated capital adequacy ratio and the amount of shareholders' funds of Shinhan Financial Group. The basis of preparation is in accordance with the Korean-International Financial Reporting Standards.

	<u>31 Dec 2022</u>	<u>At 30 Jun 2022</u>
(a) Capital and Capital Adequacy		
(i) Capital adequacy ratio	15.99%	15.87%
(ii) Total share capital	18,350,120	17,919,382
(iii) Total amount of shareholder funds	315,951,307	299,893,193
(b) Other Financial Information		
(i) Total assets	4,176,576,655	4,123,270,577
(ii) Total liabilities	3,860,625,348	3,823,377,987
(iii) Total loans and advances	2,562,446,394	2,460,958,243
(iv) Total deposits	2,366,749,058	2,255,954,019
	<u>31 Dec 2022</u>	<u>31 Dec 2021</u>
(v) Pre-tax profit	39,234,382	36,583,241

1 Shareholders' fund is the sum total of capital and reserves.

2 Total liabilities are equal to total assets minus shareholders' fund.

3 The conversion rate of HKD/KRW as at 31 December 2022 is 161.83.

4 The consolidated capital adequacy ratio was calculated in accordance with the Korean-International Financial Reporting Standards adopting Basel III approach.

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VII Disclosure on Remuneration for CG-5 Guideline on a Sound Remuneration System issued by the HKMA

Pursuant to section 3 of CG-5 Guideline on a Sound Remuneration System issued by the HKMA, the following disclosures are made:

a) The design and implementation of the remuneration systems:

The Bank adopts the remuneration policy and systems which are established by the Remuneration Committee of our Head Office for overseas branch. The objective of the remuneration policy is to attract, motivate reward and retain quality staff. The Board ensures that the remuneration policies are in line with the strategic objectives and corporate values of the Bank, and do not give rise to conflicts between the objectives of the Bank and the interests of individual Directors and key executives.

The Remuneration Committee reviews the performance of management and directors over the past fiscal year and settles on remuneration that is proportionate to the individual's responsibilities. It also make sure that the remuneration is on a proper level that improves the long-term interests of the Group and its shareholders.

b) Aggregate quantitative information on remuneration for senior management and key personnel (Note 1) are as follows:

As at 31 Dec 2022

	<u>Amount</u>	<u>Number of Beneficiaries</u>
- Fixed Remuneration	14,371	20
- Variable Remuneration	3,124	-
- Deferred Remuneration	-	-
Total	<u>17,495</u>	<u>20</u>

As at 31 Dec 2021

	<u>Amount</u>	<u>Number of Beneficiaries</u>
- Fixed Remuneration	10,945	21
- Variable Remuneration	1,617	-
- Deferred Remuneration	-	-
Total	<u>12,562</u>	<u>21</u>

No senior management or key personnel has been awarded with new sign-on or severance payments.

Note 1: As defined in CG5 Guideline on a Sound Remuneration System issued by the HKMA, senior management are those who are responsible for oversight of either the Bank's company-wide strategy or activities or those of the Bank's main business lines. Key Personnel are individual employees whose duties or activities in the course of their employment involve the assumption of material risk or the taking on of material exposures on behalf of the Bank.