

Statement of compliance

We have prepared this unaudited Disclosure Statement of Shinhan Bank, Hong Kong Branch (“the Branch”) as of 30 June 2018. 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
30 September 2019

Shinhan Bank, Hong Kong Branch
Financial Disclosure as of 30 June 2019

(Expressed in Thousand of Hong Kong dollars)

Branch Information (Hong Kong office only)

Profit and loss information

Income	Jun 2019	Jun 2018
Interest income	492,184	269,649
Interest expense	373,887	207,669
Net interest income	<u>118,297</u>	<u>61,980</u>
Other operating income		
- Gains less losses from trading in foreign currencies	-	-
- Gains less losses from non-trading activities in foreign currencies	571	1,802
- Gains less losses from trading in securities	7,755	-
- Gains less losses from non-trading activities in securities ^{Note}	(451)	1,068
- Gains less losses from other trading activities ^{Note}	24,454	14,781
	<u>32,329</u>	<u>17,651</u>
Net fee and commission income		
- Fee and commission income	44,996	24,044
- Fee and commission expense	(4,564)	(1,311)
	<u>40,432</u>	<u>22,733</u>
Other income	531	99
Total operating income	<u>191,589</u>	<u>102,463</u>
Expenses		
Operating expenses		
- Staff expenses	18,671	5,992
- Rental expenses	5,252	2,678
- Other operating expenses	7,537	1,731
Total Operating expenses	<u>31,460</u>	<u>10,401</u>
Operating profit before impairment losses	160,129	92,062
Impairment losses and charges for allowances on impaired loans and receivables		
- Collective impairment allowances	9,620	(8,722)
- Individual impairment allowances	-	-
	<u>9,620</u>	<u>(8,722)</u>
Gains less losses from the disposal of property, plant and equipment and investment properties		-
Profit before taxation	<u>150,509</u>	<u>100,784</u>
Tax expense	<u>10,892</u>	<u>11,442</u>
Profit after taxation	<u>139,617</u>	<u>89,342</u>

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

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Branch Information (Hong Kong office only)

Balance sheet information

Assets	At 30 Jun 2019	At 31 Dec 2018
Cash and balances with banks	1,788,060	2,316,393
Placements with banks which have a residual contractual maturity		
not more than 1 month	1,552,139	1,257,510
more than 1 month but not more than 1 year	234,471	1,057,293
more than 1 year	-	-
	<u>1,786,610</u>	<u>2,314,803</u>
Amount due from overseas offices of Shinhan Bank	2,172,826	1,744,736
Trade bills	5,876,073	5,557,172
Advances and other accounts		
- Advances to customers	10,644,064	9,061,549
- Advances to banks and other financial institutions	-	-
- Accrued interest and other accounts	115,180	104,159
- Collective allowances for impaired advances to customers	(52,296)	(38,447)
- Collective allowances for impaired advances to banks	-	-
- Individual allowances for impaired advances to customers	-	-
- Individual allowances for impaired advances to banks	-	-
	<u>10,706,948</u>	<u>9,127,261</u>
Investment Securities		
- Available-for-sale securities	7,914,624	7,313,541
	<u>7,914,624</u>	<u>7,313,541</u>
Property, plant and equipment and investment properties	1,493	1,579
Other assets	352,671	267,478
Total assets	<u>28,812,695</u>	<u>26,328,160</u>
Liabilities		
Deposits and balances from banks	8,227,657	7,171,174
Deposits from customers		
- Demand deposits and current accounts	361,705	197,750
- Savings deposits	449,583	1,330,578
- Time, call and notice deposits	3,175,718	2,274,900
	<u>3,987,006</u>	<u>3,803,228</u>
Amount due to overseas offices of Shinhan Bank	8,340,951	8,823,972
Certificates of deposit issued	6,695,837	5,021,189
Issued debt securities	4,947,338	4,855,716
Other liabilities	600,912	456,109
Provisions	-	-
Total liabilities	<u>28,812,695</u>	<u>26,328,160</u>

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I Additional Balance Sheet Information

(a) Loans and receivables	At 30 Jun 2019	At 31 Dec 2018
Advances to customers	10,644,064	9,061,549
Advances to banks	-	-
Accrued interest and other accounts	115,180	104,159
Impairment allowances for impaired advances		
- Collective allowances for impaired advances to customers	(52,296)	(38,447)
- Collective allowances for impaired advances to banks	-	-
- Individual allowances for impaired advances to customers	-	-
- Individual allowances for impaired advances to banks	-	-
	<u>10,706,948</u>	<u>9,127,261</u>

As at 30 Jun 2019	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)	<u>-</u>	<u>-</u>	<u>-</u>	<u>0.00%</u>

As at 30 Jun 2019	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)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>

As at 31 Dec 2018	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)	<u>-</u>	<u>-</u>	<u>-</u>	<u>0.00%</u>

As at 31 Dec 2018	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)	<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

	<u>At 30 Jun 2019</u>		<u>At 31 Dec 2018</u>	
Overdue advances				
Advances to customers overdue for	<u>Gross amount</u>	<u>% to total advances to customers</u>	<u>Gross amount</u>	<u>% to total advances to customers</u>
- 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>
Advances to banks overdue for	<u>Gross amount</u>	<u>% to total advances to banks</u>	<u>Gross amount</u>	<u>% to total advances to banks</u>
- 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		<u>Gross amount</u>		<u>Gross amount</u>
		-		-
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	<u>Gross amount</u>	<u>% to total advances to customers</u>	<u>Gross amount</u>	<u>% to total advances to customers</u>
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Rescheduled advances to banks	<u>Gross amount</u>	<u>% to total advances to banks</u>	<u>Gross amount</u>	<u>% to total advances to banks</u>
	<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 30 Jun 2019		At 31 Dec 2018	
	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		Gross amount		Gross amount
Repossessed assets held		-		-

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

As at 30 Jun 2019

	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	378,157	121,143
- Civil engineering works	29,250	35,819
- Financial concerns	-	-
- Stockbrokers	-	-
- Wholesale and retail trade	331,325	45,010
- Manufacturing	58,213	47,051
- Transport and transport equipment	54,710	-
- Recreational activities	42,986	-
- Information technology	227,737	-
- Others	470,111	117,236
Sub-total	1,592,489	366,259
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	1,592,489	366,259
Trade finance	-	-
Loans and advances for use outside Hong Kong	9,051,575	2,425,844
	10,644,064	2,792,103

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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 31 Dec 2018

	<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	-	-
- Civil engineering works	32,500	12,000
- Financial concerns	-	-
- Stockbrokers	-	-
- Wholesale and retail trade	502,579	34,097
- Manufacturing	80,190	89,674
- Transport and transport equipment	101,813	-
- Recreational activities	-	-
- Information technology	227,737	-
- Others	599,381	150,377
Sub-total	<u>1,544,200</u>	<u>286,148</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>1,544,200</u>	<u>286,148</u>
Trade finance	-	-
Loans and advances for use outside Hong Kong	7,517,349	1,907,196
	<u>9,061,549</u>	<u>2,193,344</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 30 Jun 2019	Gross loans and advances	Overdue loans and advances to customers	Impaired loans (individually determined)	Collectively assessed impairment allowances
- Asia & Pacific of which	9,301,963	-	-	34,304
- China	2,496,546	-	-	22,905
- Hong Kong	3,828,634	-	-	5,597
- South Korea	557,131	-	-	323
- Vietnam	1,071,265	-	-	4,229
- Caribbean of which	1,127,015	-	-	333
- Cayman Island	896	-	-	266
- North America of which	215,086	-	-	111
- United States	215,085	-	-	111
- Others	-	-	-	-
Total	10,644,064	-	-	34,748
As at 31 Dec 2018	Gross loans and advances	Overdue loans and advances to customers	Impaired loans (individually determined)	Collectively assessed impairment allowances
- Asia & Pacific of which	8,099,746	-	-	24,496
- China	1,790,048	-	-	3,797
- Hong Kong	3,872,710	-	-	12,945
- South Korea	384,788	-	-	133
- Vietnam	9,999,823	-	-	4,485
- Caribbean of which	762,081	-	-	5,347
- Cayman Island	683,763	-	-	5,138
- North America of which	199,722	-	-	473
- United States	199,722	-	-	473
- Others	-	-	-	-
Total	9,061,549	-	-	30,316

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.

Shinhan Bank, Hong Kong Branch
Financial Disclosure as of 30 June 2019

(Expressed in Thousand of Hong Kong dollars)

I Additional Balance Sheet Information (continued)

(e) Non-bank Mainland China exposures

As at 30 Jun 2019			
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)	234,549	-	234,549
2. Local governments, local government-owned entities and their subsidiaries and JVs	481,070	-	481,070
3. PRC nationals residing in Mainland China or other entities incorporated in Mainland China and their subsidiaries and JVs	2,717,722	72,394	2,790,116
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	2,244,288	205,573	2,449,861
7. Other counterparties where the exposures are considered by the reporting institution to be non-bank Mainland China exposures	-	-	-
Total	5,677,629	277,967	5,955,596
Total assets after provision	28,812,695		
On-balance sheet exposures as percentage of total assets	19.71%		

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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 31 Dec 2018			
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	224,205	-	-
3. PRC nationals residing in Mainland China or other entities incorporated in Mainland China and their subsidiaries and JVs	1,522,572	-	1,522,572
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	1,068,354	-	-
7. Other counterparties where the exposures are considered by the reporting institution to be non-bank Mainland China exposures	1,898,718	779,891	2,678,609
Total	4,713,849	779,891	4,201,181
Total assets after provision	26,328,160		
On-balance sheet exposures as percentage of total assets	17.90%		

Shinhan Bank, Hong Kong Branch
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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 30 Jun 2019	Banks and others financial institutions	Public sector entities	Others	Total
- Asia & Pacific excluding Hong Kong				
of which	3,747	-	14,508	18,255
- China	1,755	-	2,161	3,916
- South Korea	547	-	11,070	11,617
- Japan	500	-	84	584
- Vietnam	448	-	-	448
- North America	415	-	262	677
- Middle East	234	-	-	234
- Caribbean	-	-	-	-
- Western Europe	120	-	-	120
	4,516	-	14,770	19,286

As at 31 Dec 2018	Banks and others financial institutions	Public sector entities	Others	Total
- Asia & Pacific excluding Hong Kong				
of which	9,782	-	8,618	18,400
- China	650	-	1,811	2,461
- South Korea	8,386	-	5,065	13,451
- Vietnam	219	-	1,000	1,219
- North America	264	-	302	566
- Middle East	650	-	-	650
- Caribbean	-	-	-	-
- Western Europe	425	-	43	468
	11,121	-	8,963	20,084

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 30 Jun 2019

	HK\$ Million Equivalent			Total
	US Dollar	JPY & Others	CNY	
Spot assets	24,860	2,633	7	27,500
Spot liabilities	(26,301)	(103)	-	(26,404)
Forward purchases	2,648	-	-	2,648
Forward sales	(1,217)	(2,524)	-	(3,741)
Net option position	-	-	-	-
Net long / (net short) position	(10)	6	7	3
Structural position	-	-	-	-

As at 31 Dec 2018

	HK\$ Million Equivalent			Total
	US Dollar	JPY & Others	CNY	
Spot assets	23,718	1,565	5	25,288
Spot liabilities	(23,892)	(370)	(5)	(24,267)
Forward purchases	1,224	11	-	1,235
Forward sales	(1,033)	(1,206)	-	(2,239)
Net option position	-	-	-	-
Net long / (net short) position	17	-	-	17
Structural position	-	-	-	-

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 30 Jun 2019</u>	<u>At 31 Dec 2018</u>
Contingent liabilities and commitments		
- Direct credit substitutes	-	-
- Transaction-related contingencies	885,740	768,353
- Trade-related contingencies	2,056,174	238,203
- Note issuance and revolving underwriting facilities	-	-
- Other commitments	1,643,364	1,145,140

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 30 Jun 2019</u>	<u>At 31 Dec 2018</u>
Derivative transactions		
- Exchange rate-related derivative contracts (exclude forward foreign exchange contracts arising from swap deposit arrangements)	7,738,569	4,993,249
- Interest rate derivative contracts		
- Others	424,925	525,369

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 30 Jun 2019</u>	<u>At 31 Dec 2018</u>
- Exchange rate-related derivative contracts	14,503	13,749
- Interest rate derivative contracts	-	-

No bilateral netting arrangements for above derivative transactions.

V Liquidity

	<u>30 Jun 2019</u>	<u>30 June 2018</u>
The average liquidity maintenance ratio for the period (Calculation period from April to June)	137.63%	332.18%

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 30 June 2019
(Expressed in thousand Hong Kong dollars)

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>30 Jun 2019</u>	<u>31 Dec 2018</u>
(a) Capital and Capital Adequacy		
(i) Capital adequacy ratio	14.30%	14.90%
(ii) Total share capital	18,462,588	18,597,012
(iii) Total amount of shareholder funds	275,249,054	257,741,482
(b) Other Financial Information		
(i) Total assets	3,582,086,635	3,092,085,919
(ii) Total liabilities	3,306,837,581	2,845,459,365
(iii) Total loans and advances	2,041,844,595	2,015,671,905
(iv) Total deposits	1,894,473,480	1,782,832,279
	<u>30 Jun 2019</u>	<u>31 Dec 2018</u>
(v) Pre-tax profit	18,490,345	30,049,852

- 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 30 June 2019 is 148.00
- 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 30 Jun 2019

	<u>Amount</u>	<u>Number of Beneficiaries</u>
- Fixed Remuneration	10,721	17
- Variable Remuneration	165	-
- Deferred Remuneration	-	-
Total	<u>10,886</u>	<u>17</u>

As at 31 Dec 2018

	<u>Amount</u>	<u>Number of Beneficiaries</u>
- Fixed Remuneration	8,201	17
- Variable Remuneration	300	-
- Deferred Remuneration	-	-
Total	<u>8,501</u>	<u>17</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.