

Statement of compliance

We have prepared this unaudited Disclosure Statement of Shinhan Bank, Hong Kong Branch (“the Branch”) as of 30 June 2021. It is compiled according to the Banking (Disclosure) Rules under the Banking Ordinance (Chapter 155M) effective from 1 January 2007.

As the Alternate 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



Alternate Chief Executive
Hong Kong
30 September 2021

Shinhan Bank, Hong Kong Branch
Financial Disclosure as of 30 June 2021

(Expressed in Thousand of Hong Kong dollars)

Branch Information (Hong Kong office only)

Profit and loss information

Income	<u>Jun 2021</u>	<u>Jun 2020</u>
Interest income	247,681	435,300
Interest expense	<u>82,978</u>	<u>302,706</u>
Net interest income	<u>164,703</u>	<u>132,594</u>
Other operating income		
- Gains less losses from trading in foreign currencies	12,743	22,647
- Gains less losses from non-trading activities in foreign currencies	246	422
- Gains less losses from trading in securities	20,462	11,768
- Gains less losses from non-trading activities in securities ^{Note}	45,108	(12,649)
- Gains less losses from other trading activities ^{Note}	<u>-</u>	<u>-</u>
	<u>78,559</u>	<u>22,188</u>
Net fee and commission income		
- Fee and commission income	39,551	39,248
- Fee and commission expense	<u>(3,226)</u>	<u>(3,165)</u>
	<u>36,325</u>	<u>36,083</u>
Other income	<u>2,240</u>	<u>2,047</u>
Total operating income	<u>281,827</u>	<u>192,912</u>
Expenses		
Operating expenses		
- Staff expenses	21,774	20,938
- Rental expenses	5,452	5,295
- Other operating expenses	<u>8,455</u>	<u>7,649</u>
Total Operating expenses	<u>35,681</u>	<u>33,882</u>
Operating profit before impairment losses	246,146	159,030
Impairment losses and charges for allowances on impaired loans and receivables		
- Collective impairment allowances	9,673	(1,557)
- Individual impairment allowances	<u>-</u>	<u>-</u>
	<u>9,673</u>	<u>(1,557)</u>
Gains less losses from the disposal of property, plant and equipment and investment properties	-	-
Profit before taxation	<u>236,473</u>	<u>160,587</u>
Tax expense	<u>37,941</u>	<u>25,648</u>
Profit after taxation	<u>198,532</u>	<u>134,939</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 2021	At 31 Dec 2020
Cash and balances with banks	9,166,482	2,886,110
Placements with banks which have a residual contractual maturity		
not more than 1 month	5,225,469	1,257,905
more than 1 month but not more than 1 year	3,940,882	1,628,046
more than 1 year	-	-
	<u>9,166,351</u>	<u>2,885,951</u>
Amount due from overseas offices of Shinhan Bank	1,144,399	2,294,131
Trade bills	9,768,720	6,608,398
Advances and other accounts		
- Advances to customers	16,443,151	15,481,938
- Advances to banks and other financial institutions	-	-
- Accrued interest and other accounts	57,271	60,541
- Collective allowances for impaired advances to customers	(85,025)	(71,583)
- Collective allowances for impaired advances to banks	-	-
- Individual allowances for impaired advances to customers	-	-
- Individual allowances for impaired advances to banks	-	-
	<u>16,415,397</u>	<u>15,470,896</u>
Investment Securities		
- Available-for-sale securities	8,203,823	8,496,334
	<u>8,203,823</u>	<u>8,496,334</u>
Property, plant and equipment and investment properties	802	976
Other assets	876,454	672,058
Total assets	<u>45,576,077</u>	<u>36,428,903</u>
Liabilities		
Deposits and balances from banks	19,448,076	11,769,749
Deposits from customers		
- Demand deposits and current accounts	106,118	10,465
- Savings deposits	353,836	673,841
- Time, call and notice deposits	6,519,299	2,530,015
	<u>6,979,253</u>	<u>3,214,321</u>
Amount due to overseas offices of Shinhan Bank	12,608,785	13,254,947
Certificates of deposit issued	8,754,481	5,502,778
Issued debt securities	4,114,867	5,039,190
Other liabilities	649,868	862,239
Provisions	-	-
Total liabilities	<u>45,576,077</u>	<u>36,428,903</u>

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I Additional Balance Sheet Information

(a) Loans and receivables	At 30 Jun 2021	At 31 Dec 2020
Advances to customers	16,443,151	15,481,938
Advances to banks	-	-
Accrued interest and other accounts	57,271	60,541
Impairment allowances for impaired advances		
- Collective allowances for impaired advances to customers	(85,025)	(71,583)
- Collective allowances for impaired advances to banks	-	-
- Individual allowances for impaired advances to customers	-	-
- Individual allowances for impaired advances to banks	-	-
	<u>16,415,397</u>	<u>15,470,896</u>

As at 30 Jun 2021	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)	-	-	-	0.00%

As at 30 Jun 2021	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 31 Dec 2020	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)	-	-	-	0.00%

As at 31 Dec 2020	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
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(Expressed in Thousand of Hong Kong dollars)

I Additional Balance Sheet Information (continued)

(b) Overdue and rescheduled assets

	At 30 Jun 2021		At 31 Dec 2020	
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	-	-	-	-
- 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	-	-	-	-
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	-	-	-	-
Market value of collateral held against the secured overdue advances		Gross amount		Gross amount
		-		-
Secured overdue advances		-		-
Unsecured overdue advances		-		-
		-		-
Specific provision made on overdue advances		-		-
		-		-
Rescheduled advances				
Rescheduled advances to customers	Gross amount	% to total advances to customers	Gross amount	% to total advances to customers
	-	-	-	-
Rescheduled advances to banks	Gross amount	% to total advances to banks	Gross amount	% to total advances to banks
	-	-	-	-

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I Additional Balance Sheet Information (continued)

(b) Overdue and rescheduled assets (continued)

	At 30 Jun 2021		At 31 Dec 2020	
	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 30 Jun 2021

	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	22,750	-
- Financial concerns	-	-
- Stockbrokers	130,000	-
- Wholesale and retail trade	229,658	39,596
- Manufacturing	244,315	-
- Transport and transport equipment	18,633	-
- Recreational activities	175,702	-
- Information technology	217,520	-
- Others	70,000	70,000
Sub-total	1,408,578	109,596
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	1,408,578	109,596
Trade finance	-	-
Loans and advances for use outside Hong Kong	15,034,573	7,782,666
	16,443,151	7,892,262

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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 2020

	<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	26,000	-
- Financial concerns	-	-
- Stockbrokers	230,000	-
- Wholesale and retail trade	250,376	39,538
- Manufacturing	259,157	-
- Transport and transport equipment	31,010	-
- Recreational activities	191,786	-
- Information technology	217,520	-
- Others	-	-
Sub-total	<u>1,505,849</u>	<u>39,538</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>1,505,849</u>	<u>39,538</u>
Trade finance	-	-
Loans and advances for use outside Hong Kong	<u>13,976,089</u>	<u>5,988,694</u>
	<u>15,481,938</u>	<u>6,028,232</u>

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I Additional Balance Sheet Information (continued)

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

As at 30 Jun 2021			
	<u>Gross loans and advances</u>	<u>Overdue loans and advances to customers</u>	<u>Impaired loans (individually determined)</u>
- Asia & Pacific			
of which	15,654,367	-	-
- China	3,351,201	-	-
- Hong Kong	2,609,740	-	-
- South Korea	6,888,979	-	-
- Vietnam	1,288,202	-	-
- Caribbean			
of which	390,360	-	-
- Cayman Island	273,902	-	-
- Western Europe	398,424	-	-
- Others	-	-	-
Total	<u>16,443,151</u>	<u>-</u>	<u>-</u>
As at 31 Dec 2020			
	<u>Gross loans and advances</u>	<u>Overdue loans and advances to customers</u>	<u>Impaired loans (individually determined)</u>
- Asia & Pacific			
of which	13,912,628	-	-
- China	2,946,160	-	-
- Hong Kong	3,318,026	-	-
- South Korea	5,305,241	-	-
- Vietnam	809,765	-	-
- Caribbean			
of which	1,021,854	-	-
- Cayman Island	800,879	-	-
- North America	41,250	-	-
- Western Europe	506,206	-	-
- Others	-	-	-
Total	<u>15,481,938</u>	<u>-</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.

Shinhan Bank, Hong Kong Branch
Financial Disclosure as of 30 June 2021

(Expressed in Thousand of Hong Kong dollars)

I Additional Balance Sheet Information *(continued)*

(e) Non-bank Mainland China exposures

As at 30 Jun 2021

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)	92,432	-	92,432
2. Local governments, local government-owned entities and their subsidiaries and JVs	820,979	-	820,979
3. PRC nationals residing in Mainland China or other entities incorporated in Mainland China and their subsidiaries and JVs	1,659,717	15,929	1,675,646
4. Other entities of central government not reported in item 1 above	-	-	-
5. Other entities of local governments not reported in item 2 above	150,010	-	150,010
6. PRC nationals residing outside Mainland China or entities incorporated outside Mainland China where the credit is granted for use in Mainland China	2,228,877	237,045	2,465,922
7. Other counterparties where the exposures are considered by the reporting institution to be non-bank Mainland China exposures	-	-	-
Total	4,952,015	252,974	5,204,989
Total assets after provision	45,576,077		
On-balance sheet exposures as percentage of total assets	10.87%		

Shinhan Bank, Hong Kong Branch
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I Additional Balance Sheet Information (continued)

(e) Non-bank Mainland China exposures

As at 31 Dec 2020

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)	95,391	-	95,391
2. Local governments, local government-owned entities and their subsidiaries and JVs	782,089	-	782,089
3. PRC nationals residing in Mainland China or other entities incorporated in Mainland China and their subsidiaries and JVs	2,521,314	23,963	2,545,277
4. Other entities of central government not reported in item 1 above	-	-	-
5. Other entities of local governments not reported in item 2 above	150,010	-	150,010
6. PRC nationals residing outside Mainland China or entities incorporated outside Mainland China where the credit is granted for use in Mainland China	2,172,108	124,085	2,296,193
7. Other counterparties where the exposures are considered by the reporting institution to be non-bank Mainland China exposures	-	-	-
Total	5,720,912	148,048	5,868,960
Total assets after provision	36,428,903		
On-balance sheet exposures as percentage of total assets	15.70%		

Shinhan Bank, Hong Kong Branch
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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 2021	Banks and others financial institutions	Public sector entities	Others	Total
- Asia & Pacific excluding Hong Kong				
of which	21,381	-	17,868	39,249
- China	5,200	-	2,974	8,174
- South Korea	11,218	-	12,997	24,215
- Japan	1,446	-	-	1,446
- Vietnam	109	-	1,288	1,397
- Taiwan	2,126	-	-	2,126
- North America	282	-	210	492
- Middle East	76	-	-	76
- Caribbean	-	-	-	-
- Western Europe	322	-	722	1,044
	<u>22,061</u>	<u>-</u>	<u>18,800</u>	<u>40,861</u>

As at 31 Dec 2020	Banks and others financial institutions	Public sector entities	Others	Total
- Asia & Pacific excluding Hong Kong				
of which	13,297	-	19,604	32,901
- China	1,397	-	3,570	4,967
- South Korea	8,923	-	13,727	22,650
- Japan	532	-	-	532
- Vietnam	53	-	811	864
- North America	313	-	118	431
- Middle East	138	-	-	138
- Caribbean	-	-	-	-
- Western Europe	348	-	515	863
	<u>14,096</u>	<u>-</u>	<u>20,237</u>	<u>34,333</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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III Currency risk

As at 30 Jun 2021

	HK\$ Million Equivalent			Total
	US Dollar	JPY & Others	CNY	
Spot assets	38,263	5,889	20	44,172
Spot liabilities	(41,882)	(83)	(19)	(41,984)
Forward purchases	6,704	-	-	6,704
Forward sales	(3,081)	(5,801)	-	(8,882)
Net option position	-	-	-	-
Net long / (net short) position	4	5	1	10
Structural position	-	-	-	-

As at 31 Dec 2020

	HK\$ Million Equivalent			Total
	US Dollar	JPY & Others	CNY	
Spot assets	31,271	3,810	11	35,092
Spot liabilities	(35,470)	(235)	(11)	(35,716)
Forward purchases	4,924	-	-	4,924
Forward sales	(719)	(3,576)	-	(4,295)
Net option position	-	-	-	-
Net long / (net short) position	6	(1)	-	5
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 2021</u>	<u>At 31 Dec 2020</u>
Contingent liabilities and commitments		
- Direct credit substitutes	-	-
- Transaction-related contingencies	714,567	744,768
- Trade-related contingencies	573,262	983,188
- Note issuance and revolving underwriting facilities	-	-
- Other commitments	2,081,567	1,443,033

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 2021</u>	<u>At 31 Dec 2020</u>
Derivative transactions		
- Exchange rate-related derivative contracts (exclude forward foreign exchange contracts arising from swap deposit arrangements)	19,480,706	11,374,152
- Interest rate derivative contracts	-	-
- Others	567,579	574,350

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 2021</u>	<u>At 31 Dec 2020</u>
- Exchange rate-related derivative contracts	80,464	91,281
- Interest rate derivative contracts	-	-

No bilateral netting arrangements for above derivative transactions.

V Liquidity

	<u>2nd Quarter</u> <u>Ended 30</u> <u>Jun 2021</u>	<u>2nd Quarter</u> <u>Ended 30</u> <u>Jun 2020</u>
The average liquidity maintenance ratio for the period (Calculation period from April to June)	121.63%	189.55%

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 2021
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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>30 Jun 2021</u>	<u>31 Dec 2020</u>
(a) Capital and Capital Adequacy		
(i) Capital adequacy ratio	16.51%	15.77%
(ii) Total share capital	20,384,404	21,161,548
(iii) Total amount of shareholder funds	332,690,143	330,342,051
(b) Other Financial Information		
(i) Total assets	4,296,958,402	4,313,605,786
(ii) Total liabilities	3,964,267,573	3,983,263,735
(iii) Total loans and advances	2,597,677,787	2,553,048,528
(iv) Total deposits	2,367,876,167	2,326,365,709
	<u>30 Jun 2021</u>	<u>31 Dec 2020</u>
(v) Pre-tax profit	23,163,097	33,876,577

- 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 2021 is 145.68
- 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 2021

	<u>Amount</u>	<u>Number of Beneficiaries</u>
- Fixed Remuneration	6,076	22
- Variable Remuneration	1,580	-
- Deferred Remuneration	-	-
Total	<u>7,656</u>	<u>22</u>

As at 31 Dec 2020

	<u>Amount</u>	<u>Number of Beneficiaries</u>
- Fixed Remuneration	12,359	22
- Variable Remuneration	1,612	-
- Deferred Remuneration	-	-
Total	<u>13,971</u>	<u>22</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.