

Statement of compliance

We have prepared this unaudited Disclosure Statement of Shinhan Bank, Hong Kong Branch (“the Branch”) as of 30 June 2022. 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 2022

Shinhan Bank, Hong Kong Branch
Financial Disclosure as of 30 June 2022

(Expressed in Thousand of Hong Kong dollars)

Branch Information (Hong Kong office only)

Profit and loss information

Income	Jun 2022	Jun 2021
Interest income	305,255	247,681
Interest expense	141,754	82,978
Net interest income	<u>163,501</u>	<u>164,703</u>
Other operating income		
- Gains less losses from trading in foreign currencies	19,287	12,743
- Gains less losses from non-trading activities in foreign currencies	287	246
- Gains less losses from trading in securities	18,679	20,462
- Gains less losses from non-trading activities in securities ^{Note}	27,402	45,108
- Gains less losses from other trading activities ^{Note}	-	-
	<u>65,655</u>	<u>78,559</u>
Net fee and commission income		
- Fee and commission income	34,585	39,551
- Fee and commission expense	(3,836)	(3,226)
	<u>30,749</u>	<u>36,325</u>
Other income	3,815	2,240
Total operating income	<u>263,720</u>	<u>281,827</u>
Expenses		
Operating expenses		
- Staff expenses	22,101	21,774
- Rental expenses	5,542	5,452
- Other operating expenses	8,231	8,455
Total Operating expenses	<u>35,874</u>	<u>35,681</u>
Operating profit before impairment losses	227,846	246,146
Impairment losses and charges for allowances on impaired loans and receivables		
- Collective impairment allowances	(2,175)	9,673
- Individual impairment allowances	-	-
	<u>(2,175)</u>	<u>9,673</u>
Gains less losses from the disposal of property, plant and equipment and investment properties	-	-
Profit before taxation	<u>230,021</u>	<u>236,473</u>
Tax expense	<u>35,409</u>	<u>37,941</u>
Profit after taxation	<u>194,612</u>	<u>198,532</u>

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

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

Branch Information (Hong Kong office only)

Balance sheet information

Assets	At 30 Jun 2022	At 31 Dec 2021
Cash and balances with banks	1,796,500	1,624,262
Placements with banks which have a residual contractual maturity		
not more than 1 month	941,008	534,548
more than 1 month but not more than 1 year	855,344	1,089,576
more than 1 year	-	-
	<u>1,796,352</u>	<u>1,624,124</u>
Amount due from overseas offices of Shinhan Bank	1,670,143	1,736,358
Trade bills	8,600,076	8,883,700
Advances and other accounts		
- Advances to customers	18,036,334	17,380,892
- Advances to banks and other financial institutions	-	-
- Accrued interest and other accounts	94,297	53,004
- Collective allowances for impaired advances to customers	(72,054)	(73,764)
- Collective allowances for impaired advances to banks	-	-
- Individual allowances for impaired advances to customers	-	-
- Individual allowances for impaired advances to banks	-	-
	<u>18,058,577</u>	<u>17,360,132</u>
Investment Securities		
- Available-for-sale securities	8,078,180	7,205,169
	<u>8,078,180</u>	<u>7,205,169</u>
Property, plant and equipment and investment properties	855	640
Other assets	1,153,769	1,092,753
Total assets	<u>39,358,100</u>	<u>37,903,014</u>
Liabilities		
Deposits and balances from banks	10,447,696	11,908,229
Deposits from customers		
- Demand deposits and current accounts	1,930	59,103
- Savings deposits	622,616	624,782
- Time, call and notice deposits	1,842,548	1,940,825
	<u>2,467,094</u>	<u>2,624,710</u>
Amount due to overseas offices of Shinhan Bank	12,449,210	14,486,720
Certificates of deposit issued	6,326,656	4,971,020
Issued debt securities	9,495,112	5,614,560
Other liabilities	639,426	922,485
Provisions	-	-
Total liabilities	<u>39,358,100</u>	<u>37,903,014</u>

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

I Additional Balance Sheet Information

(a) Loans and receivables	<u>At 30 Jun 2022</u>	<u>At 31 Dec 2021</u>
Advances to customers	18,036,334	17,380,892
Advances to banks	-	-
Accrued interest and other accounts	94,297	53,004
Impairment allowances for impaired advances		
- Collective allowances for impaired advances to customers	(72,054)	(73,764)
- Collective allowances for impaired advances to banks	-	-
- Individual allowances for impaired advances to customers	-	-
- Individual allowances for impaired advances to banks	-	-
	<u>18,058,577</u>	<u>17,360,132</u>

As at 30 Jun 2022

	<u>Gross amount</u>	<u>Impairment allowances (individually)</u>	<u>Market Value of collateral held</u>	<u>% to total loans and advances to customers</u>
Impaired loans and advances to customers (individually determined)	-	-	-	-

	<u>Gross amount</u>	<u>Impairment allowances (individually)</u>	<u>Market Value of collateral held</u>	<u>% to total loans and advances to banks</u>
Impaired loans and advances to banks (individually determined)	-	-	-	-

As at 31 Dec 2021

	<u>Gross amount</u>	<u>Impairment allowances (individually)</u>	<u>Market Value of collateral held</u>	<u>% to total loans and advances to customers</u>
Impaired loans and advances to customers (individually determined)	-	-	-	-

	<u>Gross amount</u>	<u>Impairment allowances (individually)</u>	<u>Market Value of collateral held</u>	<u>% to total loans and advances to banks</u>
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 2022		At 31 Dec 2021	
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	-	-	-	-
- more than 1 year	-	-	-	-
Total overdue advances	16,950	0.09%	-	-
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	-	-	-	-
	Gross amount		Gross amount	
Market value of collateral held against the secured overdue advances	-		-	
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
	-	-	-	-
	-	-	-	-

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 2022		At 31 Dec 2021	
	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 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	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	1,283,804	264,673
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	1,283,804	264,673
Trade finance	-	-
Loans and advances for use outside Hong Kong	16,752,530	11,178,884
	18,036,334	11,443,557

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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 31 Dec 2021

	<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	230,000	-
- Wholesale and retail trade	134,898	39,770
- Manufacturing	202,347	-
- Transport and transport equipment	17,779	-
- Recreational activities	158,154	-
- Information technology	-	-
- Others	70,000	70,000
Sub-total	<u>1,113,178</u>	<u>109,770</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>1,113,178</u>	<u>109,770</u>
Trade finance	-	-
Loans and advances for use outside Hong Kong	<u>16,267,714</u>	<u>9,634,806</u>
	<u>17,380,892</u>	<u>9,744,576</u>

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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 2022

	<u>Gross loans and advances</u>	<u>Overdue loans and advances to customers</u>	<u>Impaired loans (individually determined)</u>
- 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><u>18,036,334</u></u>	<u><u>16,950</u></u>	<u><u>-</u></u>

As at 31 Dec 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	16,486,153	-	-
- China	2,524,972	-	-
- Hong Kong	2,682,916	-	-
- South Korea	8,628,034	-	-
- Vietnam	1,209,480	-	-
- Caribbean			
of which	441,689	-	-
- Cayman Island	441,689	-	-
- Western Europe	453,050	-	-
- Others	-	-	-
Total	<u><u>17,380,892</u></u>	<u><u>-</u></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 2022

(Expressed in Thousand of Hong Kong dollars)

I Additional Balance Sheet Information (continued)

(e) Non-bank Mainland China exposures

As at 30 Jun 2022	On-balance sheet exposure	Off-balance sheet exposure	Total
Types of counterparties			
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>		

Shinhan Bank, Hong Kong Branch
Financial Disclosure as of 30 June 2022
(Expressed in Thousand of Hong Kong dollars)

I Additional Balance Sheet Information (continued)

(e) Non-bank Mainland China exposures

As at 31 Dec 2021	On-balance sheet exposure	Off-balance sheet exposure	Total
Types of counterparties			
1. Central government, central government-owned entities and their subsidiaries and joint ventures (JVs)	88,348	-	88,348
2. Local governments, local government-owned entities and their subsidiaries and JVs	788,370	-	788,370
3. PRC nationals residing in Mainland China or other entities incorporated in Mainland China and their subsidiaries and JVs	1,498,330	237,839	1,736,169
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	1,771,732	365,791	2,137,523
7. Other counterparties where the exposures are considered by the reporting institution to be non-bank Mainland China exposures	-	-	-
Total	<u>4,296,790</u>	<u>603,630</u>	<u>4,900,420</u>
Total assets after provision	<u>37,903,014</u>		
On-balance sheet exposures as percentage of total assets	<u>11.34%</u>		

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 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>

As at 31 Dec 2021	Banks and others financial institutions	Public sector entities	Others	Total
- Asia & Pacific excluding Hong Kong				
of which	13,412	-	19,127	32,539
- China	431	-	2,971	3,402
- South Korea	12,366	-	14,555	26,921
- Japan	358	-	-	358
- Vietnam	-	-	521	521
- North America	367	-	281	648
- Middle East	272	-	-	272
- Caribbean	20	-	-	20
- Western Europe	625	-	455	1,080
	<u>14,696</u>	<u>-</u>	<u>19,863</u>	<u>34,559</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.

Shinhan Bank, Hong Kong Branch
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(Expressed in Million Hong Kong dollars)

III Currency risk

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	112	2	-	114
Structural position	-	-	-	-

As at 31 Dec 2021	HK\$ Million Equivalent			Total
	US Dollar	JPY & Others	CNY	
Spot assets	31,832	4,863	10	36,705
Spot liabilities	(36,315)	(151)	(23)	(36,489)
Forward purchases	5,642	-	12	5,654
Forward sales	(1,163)	(4,703)	-	(5,866)
Net option position	-	-	-	-
Net long / (net short) position	(4)	9	(1)	4
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 2022</u>	<u>At 31 Dec 2021</u>
Contingent liabilities and commitments		
- Direct credit substitutes	-	-
- Transaction-related contingencies	685,331	705,259
- Trade-related contingencies	975,930	156,026
- Note issuance and revolving underwriting facilities	-	-
- Other commitments	1,867,681	2,295,498

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 2022</u>	<u>At 31 Dec 2021</u>
Derivative transactions		
- Exchange rate-related derivative contracts (exclude forward foreign exchange contracts arising from swap deposit arrangements)	13,972,352	13,520,284
- Interest rate derivative contracts	-	-
- Others	994,233	794,794

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 2022</u>	<u>At 31 Dec 2021</u>
- Exchange rate-related derivative contracts	96,802	82,761
- Interest rate derivative contracts	-	-

No bilateral netting arrangements for above derivative transactions.

V Liquidity

	<u>2nd Quarter Ended 30 Jun 2022</u>	<u>2nd Quarter Ended 30 Jun 2021</u>
The average liquidity maintenance ratio for the period (Calculation period from April to June)	126.23%	121.63%

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.

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(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 2022</u>	<u>31 Dec 2021</u>
(a) Capital and Capital Adequacy		
(i) Capital adequacy ratio	15.87%	16.08%
(ii) Total share capital	17,919,382	19,456,201
(iii) Total amount of shareholder funds	299,893,193	324,565,289
(b) Other Financial Information		
(i) Total assets	4,123,270,577	4,246,558,344
(ii) Total liabilities	3,823,377,987	3,921,993,055
(iii) Total loans and advances	2,460,958,243	2,560,574,592
(iv) Total deposits	2,255,954,019	2,390,727,249
	<u>30 Jun 2022</u>	<u>31 Dec 2021</u>
(v) Pre-tax profit	22,589,911	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 30 June 2022 is 165.72.
- 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 2022

	<u>Amount</u>	<u>Number of Beneficiaries</u>
- Fixed Remuneration	5,415	19
- Variable Remuneration	1,986	-
- Deferred Remuneration	-	-
Total	<u>7,401</u>	<u>19</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.