

Financial Disclosure Statement

TAI YAU BANK, LIMITED

Reports and Financial Statements
For the year ended 31 December 2018

TAI YAU BANK, LIMITED

REPORTS AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018

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TAI YAU BANK, LIMITED

DIRECTORS' REPORT

The directors have pleasure in presenting their annual report and the audited financial statements for the year ended 31 December 2018.

PRINCIPAL ACTIVITIES

Tai Yau Bank, Limited (the "Bank") is a private limited liability company incorporated in Hong Kong. It is a licensed bank authorised under the Hong Kong Banking Ordinance. The Bank provides banking and other related financial services to its customers and placements with banks in Hong Kong.

BUSINESS REVIEW

Our business activities as mentioned above were carried out under prudent risk management. In view of the changing macroeconomic environment, the Bank has been closely monitoring the market volatility in order to manage its liquidity risks and enhance the return on assets.

ANALYSIS OF KEY FINANCIAL DATA

For the year ended 31 December 2018, profit before tax amounted to HK\$15,692,180 (2017: HK\$248,250,580) showing a decrease of 94% from the results in the previous year. Interest income derived from bank placements with annual interest rates ranging from 0.12% to 4.3% (2017: from 0.03% to 1.78%) amounted to HK\$38,866,593 (2017: HK\$19,697,875), which was 97% higher than that of last year. Total assets in the current year amounted to HK\$2,922,476,893 (2017: HK\$2,853,916,999), representing an increase of 2%.

In regards of the Bank's operating expenses, the directors' emoluments and staff costs amounted to HK\$9,040,417 (2017: HK\$8,378,131), showing an increase of 8% in the current year.

Total capital adequacy ratio of 139.10% (2017: 157.29%) decreased by 12% after the increase in our money market placement activities in 2018. Both Tier 1 capital ratio and Common Equity Tier 1 capital ratio were maintained at 139.08% (2017: 157.27%), representing a decrease of 12% in the current year.

For the year ended 31 December 2018, the net interest margin is 1.2% (2017: 0.74%) showing an increase of 62% from the results in the previous year. Return on average total assets is 0.45% (2017: 8.88%) decreased by 95%. Return on equities is 1.7% (2017: 31.6%) representing a decrease of 95%.

Overall, the Bank's core business lines and financial health are strong and sound. Its asset quality is good, capital adequacy ratio and liquidity maintenance ratio are well above the relevant statutory requirements.

TAI YAU BANK, LIMITED

ENVIRONMENTAL POLICIES AND PERFORMANCE

Sustainability and environmental conservation is an important issue for our customers, shareholders, government and the general public. Therefore the Bank is committed to reducing its carbon footprint and consumption of natural resources in all possible aspects of business operations.

Our environmental strategy is centered on achieving a balance between the quality and efficiency of our services and the minimisation of greenhouse gas emissions and environmental degradation. Accordingly, the Bank has taken a proactive approach to effect internal and external communications by means of telephone, emails or such other communication means which are efficient yet environmentally friendly. Consequently we are able to minimise physical printing.

At present, except for legal documents such as contracts and share certificates and documentary evidence for audit or legal purposes, the Bank avoids keeping duplicate of hardcopy of all documents and reports. All kinds of documents are scanned and saved in an electronic system for future retrieval.

E-mails and electronic messages have replaced letters for some formal and informal communications, both externally and internally.

COMPLIANCE WITH LAWS AND REGULATIONS

The Bank operates in a highly regulated sector where the risk of non-compliance with regulatory requirements could lead to the loss of operating licenses. Accordingly the effective management of the relationship between the Bank and its regulators could significantly impact the success of the Bank and its long term value. Therefore, we make it a top priority to ensure compliance with the relevant rules and regulations, and to stay up to date on new laws.

During the year under review, the Bank has, therefore, deployed considerable resources, as well as adopted and implemented relevant measures, to ensure that the relevant statutory and regulatory requirements are complied with and that a high standard of corporate governance practices is maintained.

Compliance with these laws, regulations and similar requirements may be onerous and expensive. Any such costs, which may rise in the future as a result of changes in these laws and regulations or in their interpretation could individually or in the aggregate make the Bank's services less attractive to the Bank's customers; delay the introduction of new services; or cause the Bank to change or limit its business practices. The Bank has implemented policies and procedures designed to ensure compliance with the most relevant laws and regulations, but there can be no assurance that the Bank's employees or agents will not violate such laws and regulations or the Bank's policies and procedures.

RELATIONSHIPS WITH EMPLOYEES

The employees of the Bank are one of the most important assets and stakeholders of the Bank and their contribution and support are valued at all times. The Bank regularly reviews compensation and benefit policies according to industry benchmark, financial results as well as the individual performance of employees. Other fringe benefits and mandatory provident fund are provided to retain loyal employees with the aim to form a professional staff and management team that can bring the Bank to new levels of success. Staff satisfaction can be seen by our low staff turnover. Furthermore, the Bank places great emphasis on the training and development of employees and regard excellent employees as a key factor in its competitiveness.

TAI YAU BANK, LIMITED

RELATIONSHIP WITH CUSTOMERS AND SUPPLIERS

Our directors believe that maintaining good relationships with customers has been one of the critical reasons for the Bank's success. Our mission is to provide the finest services to our customers. The Bank is constantly looking at ways to improve customer relationship through enhanced services. Through carrying out the above we hope to enhance our business opportunities with our customers and reach out for new potential clients.

The Bank has no major suppliers due to the nature of the principal activities of the Bank.

PRINCIPAL RISKS AND UNCERTAINTIES

The principal risks and uncertainties facing the Bank include strategic, operational and financial risks.

Strategic risks

The directors maintain a strategic plan together with a financial budget at the end of each financial year based on the knowledge to external environments and a number of forecast and estimates. Given the rapid change of unforeseeable external environments in the financial industry, the Bank is facing significant strategic risks on its business decisions and capital expenditures when changing the strategic plans to adapt to the unexpected changes of external environments.

Operational risks

The management regularly reviews the Bank's operations to ensure that the Bank's risk of losses, whether financial or otherwise, resulting from fraud, errors, omissions and other operational and compliance matters, are adequately managed. The Bank has also established its own business continuity plan to protect the Bank from the risk of interruption to its business continuity.

Financial risks

The principal financial risks are set out in note 4 to the financial statements heading "FINANCIAL RISK MANAGEMENT".

EVENT AFTER THE REPORTING PERIOD

No significant events occurred subsequent to the reporting period.

RESULTS AND APPROPRIATIONS

The results of the Bank for the year ended 31 December 2018 are set out in the statement of profit or loss and other comprehensive income on page 9.

TAI YAU BANK, LIMITED

SHARE CAPITAL

Details of the Bank's share capital are set out in note 19 to the financial statements. There was no movement in the Bank's share capital during the year.

DIVIDENDS

The Directors have declared the payment of final dividend of HK\$0.50 per ordinary share (2017: NIL) in respect of the financial year ended 31 December 2018.

DIRECTORS

The directors of the Bank during the year and up to the date of this report were:

Mr. Ko, Sai Kin Kenneth (Chairman)	(appointed on 1 July 2018)
Mr. Ko Fook Kau Eric	(retired on 30 June 2018)
Mr. Ko, Derek Fook Ying	
Mr. Ko, Arthur Sai Chun	
Mr. Ko, Sai Kit Larry	
Ms. Ko, Mang Yee Adaline	
Mrs. Cheung, Pauline	
Mr. Young, Tsan Shao	
Mr. Yuen, Man Ying	

In accordance with the Bank's Articles of Association, all directors retire and, being eligible, offer themselves for re-election.

ARRANGEMENTS TO PURCHASE SHARES OR DEBENTURES

At no time during the year was the Bank a party to any arrangements to enable the directors of the Bank to acquire benefits by means of the acquisition of shares in, or debentures of, the Bank or any other body corporate.

DIRECTORS' INTERESTS IN CONTRACTS OF SIGNIFICANCE

No contract of significance to which the Bank was a party and in which a director of the Bank had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

TAI YAU BANK, LIMITED

PERMITTED INDEMNITY PROVISION

In accordance with Article 126 of the Bank's Articles of Association, there is a permitted indemnity provision for the benefit of the directors of the Bank which is currently in force and was in force throughout the year.

AUDITOR

A resolution will be submitted to the annual general meeting to re-appoint Messrs. Deloitte Touche Tohmatsu as auditor of the Bank.

On behalf of the Board
Mr. Ko, Sai Kin Kenneth
CHAIRMAN

2 April 2019

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF TAI YAU BANK, LIMITED
(Incorporated in Hong Kong with limited liability)

Opinion

We have audited the financial statements of Tai Yau Bank, Limited (the "Bank") set out on pages 9 to 49, which comprise the statement of financial position as at 31 December 2018, and the statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the financial statements give a true and fair view of the financial position of the Bank as at 31 December 2018, and of its financial performance and its cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and have been properly prepared in compliance with the Hong Kong Companies Ordinance.

Basis for Opinion

We conducted our audit in accordance with Hong Kong Standards on Auditing ("HKSAAs") issued by the HKICPA. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Bank in accordance with the HKICPA's Code of Ethics for Professional Accountants (the "Code"), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other Information

The directors are responsible for the other information. The other information comprises the information included in the annual report, but does not include the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF TAI YAU BANK, LIMITED - continued

(Incorporated in Hong Kong with limited liability)

Responsibilities of Directors and Those Charged with Governance for the Financial Statements

The directors are responsible for the preparation of the financial statements that give a true and fair view in accordance with HKFRSs issued by the HKICPA and the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the Bank's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Bank or to cease operations, or have no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Bank's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion solely to you, as a body, in accordance with section 405 of the Hong Kong Companies Ordinance, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with HKSAAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Bank's internal control.

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF TAI YAU BANK, LIMITED - continued
(Incorporated in Hong Kong with limited liability)

Auditor's Responsibilities for the Audit of the Financial Statements - continued

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Bank's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Bank to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong
2 April 2019

TAI YAU BANK, LIMITED

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2018

	<u>NOTES</u>	<u>2018</u> HK\$	<u>2017</u> HK\$
Interest income	6	38,866,593	19,697,875
Interest expense	7	(8,524,924)	(2,659,596)
Net interest income		30,341,669	17,038,279
Other operating income	8	43,320	3,251,744
Operating income		30,384,989	20,290,023
Operating expenses	9	(14,392,809)	(12,967,350)
Impairment losses	10	(300,000)	-
Gain on disposal of an available-for-sale investment		-	240,927,907
Profit before tax		15,692,180	248,250,580
Income tax expense	11	(2,449,095)	(730,000)
Net profit for the year		<u>13,243,085</u>	<u>247,520,580</u>
Other comprehensive income for the year			
<i>Items that may be reclassified subsequently to profit or loss:</i>			
Available-for-sale investments			
Net fair value changes during the year		-	244,237,907
Reclassification adjustment to profit or loss on disposal		-	(240,927,907)
Other comprehensive income for the year		<u>-</u>	<u>3,310,000</u>
Total comprehensive income for the year		<u>13,243,085</u>	<u>250,830,580</u>

TAI YAU BANK, LIMITED

STATEMENT OF FINANCIAL POSITION
AT 31 DECEMBER 2018

	<u>NOTES</u>	<u>2018</u> HK\$	<u>2017</u> HK\$
ASSETS			
Cash and balances with banks and other financial institutions	12	315,428,625	562,071,620
Money at call and short notice	12	1,191,131,456	831,897,487
Placements with banks maturing between one and twelve months	12	1,402,154,520	1,451,728,820
Advances to customers and other accounts	13	8,957,021	4,363,678
Prepayment		76,667	-
Financial assets at fair value through profit or loss	14	3,400,000	-
Intangible asset		210,000	210,000
Available-for-sale investments	14	-	3,400,000
Deferred tax assets	15	245,394	245,394
Equipment and leasehold improvements	16	873,210	-
TOTAL ASSETS		<u>2,922,476,893</u>	<u>2,853,916,999</u>
LIABILITIES			
Deposits from customers	17	2,120,333,265	2,066,853,213
Other accounts and provisions	18	4,814,765	3,278,164
Tax payable		1,936,964	436,808
		<u>2,127,084,994</u>	<u>2,070,568,185</u>
CAPITAL RESOURCES			
Share capital	19	300,000,000	300,000,000
Reserves		495,391,899	483,348,814
SHAREHOLDERS' FUNDS		<u>795,391,899</u>	<u>783,348,814</u>
TOTAL LIABILITIES AND CAPITAL RESOURCES		<u>2,922,476,893</u>	<u>2,853,916,999</u>

The financial statements on pages 9 to 49 were approved and authorised for issue by the Board of Directors on 2 April 2019 and are signed on its behalf by:

DIRECTORS: KO, SAI KIN KENNETH
KO, DEREK FOOK YING
KO, ARTHUR SAI CHUN

TAI YAU BANK, LIMITED

**STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2018**

	Share capital HK\$	Retained profits HK\$	General reserve HK\$	Regulatory reserve HK\$	Capital reserve HK\$	Investments revaluation reserve HK\$	Total HK\$
At 1 January 2017	300,000,000	180,911,175	46,000,000	100,000	5,507,059	-	532,518,234
Profit for the year	-	247,520,580	-	-	-	-	247,520,580
Other comprehensive income for the year	-	-	-	-	-	3,310,000	3,310,000
Available-for-sale investments							
- Net fair value changes during the year	-	-	-	-	-	244,237,907	244,237,907
- Reclassification adjustment to profit or loss on disposal	-	-	-	-	-	(240,927,907)	(240,927,907)
At 31 December 2017	300,000,000	428,431,755	46,000,000	100,000	5,507,059	3,310,000	783,348,814
Impact of adopting HKFRS 9 (Note 2)	-	2,110,000	-	-	-	(3,310,000)	(1,200,000)
At 1 January 2018	300,000,000	430,541,755	46,000,000	100,000	5,507,059	-	782,148,814
Profit and other comprehensive income for the year	-	13,243,085	-	-	-	-	13,243,085
At 31 December 2018	300,000,000	443,784,840	46,000,000	100,000	5,507,059	-	795,391,899

Note: The regulatory reserve is set up in compliance with the Hong Kong Monetary Authority's requirements and is distributable to shareholders of the Bank subject to consultation with the Hong Kong Monetary Authority.

The general reserve and capital reserve comprised transfers from previous years' retained profits.

TAI YAU BANK, LIMITED

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2018

	<u>2018</u> HK\$	<u>2017</u> HK\$
OPERATING ACTIVITIES		
Profit before tax	15,692,180	248,250,580
Adjustments for:		
Interest income	(38,866,593)	(19,697,875)
Interest expense	8,524,924	2,659,596
Dividends from unlisted available-for-sale investments	-	(2,820,000)
Gain on disposal of an available-for-sale investment	-	(240,927,907)
Depreciation expenses	51,365	-
Impairment losses	300,000	-
	<u>(14,298,124)</u>	<u>(12,535,606)</u>
Operating cash flows before movements in working capital		
(Increase) decrease in money at call and short notice with original maturity more than three months	(569,750,000)	306,006,000
(Increase) decrease in placements with banks with original maturity more than three months	(54,361,712)	152,087,886
(Increase) decrease in advances to customers	(249,000)	221,000
Increase in prepayment	(76,667)	-
Increase (decrease) in deposits from customers	53,480,054	(54,264,156)
Increase in other accounts	245,557	408,058
	<u>(585,009,892)</u>	<u>391,923,182</u>
Net cash (used in) generated from operations	34,502,250	19,987,118
Interest received	(7,233,882)	(2,517,767)
Interest paid	(948,939)	(413,192)
Hong Kong Profits Tax paid		
NET CASH (USED IN) GENERATED FROM OPERATING ACTIVITIES	<u>(558,690,463)</u>	<u>408,979,341</u>
INVESTING ACTIVITIES		
Dividends received from unlisted available-for-sale investments	-	2,820,000
Proceeds on disposal of an available-for-sale investment	-	252,087,907
Purchase of equipment	(924,575)	-
	<u>(924,575)</u>	<u>254,907,907</u>
NET CASH (USED IN) GENERATED FROM INVESTING ACTIVITIES	<u>(924,575)</u>	<u>254,907,907</u>
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	(559,615,038)	663,887,248
CASH AND CASH EQUIVALENTS AT 1 JANUARY	<u>1,788,550,094</u>	<u>1,124,662,846</u>
CASH AND CASH EQUIVALENTS AT 31 DECEMBER	<u>1,228,935,056</u>	<u>1,788,550,094</u>
ANALYSIS OF THE BALANCES OF CASH AND CASH EQUIVALENTS		
Cash and balances with banks and other financial institutions	315,491,423	562,071,620
Money at call and short notice with original maturity at or less than three months	521,668,048	731,897,487
Placements with banks with original maturity at or less than three months	391,775,585	494,580,987
	<u>1,228,935,056</u>	<u>1,788,550,094</u>

TAI YAU BANK, LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018

1. GENERAL

Tai Yau Bank, Limited (the "Bank") is a private limited liability company incorporated in Hong Kong. It is a licensed bank authorised under the Hong Kong Banking Ordinance. The address of the registered office and principal place of business of the Bank is 29/F, Tai Tung Building, 8 Fleming Road, Wan Chai, Hong Kong.

The major business of our Bank are the provision of banking and other related financial services to its customers and placements with banks in Hong Kong.

The financial statements are presented in Hong Kong dollars ("HK\$"), which is the functional currency of the Bank.

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs")

New and Amendments to HKFRSs that are mandatorily effective for the current year

The Bank has applied the following new and amendments to HKFRS issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") for the first time in the current year.

HKFRS 9	Financial Instruments
HKFRS 15	Revenue from Contracts with Customers and the related Amendments
HK(IFRIC) - Int 22	Foreign Currency Transactions and Advance Consideration
Amendments to HKFRS 2	Classification and Measurement of Share-based Payment Transactions
Amendments to HKFRS 4	Applying HKFRS 9 Financial Instruments with HKFRS 4 Insurance Contracts
Amendments to HKAS 28	As part of the Annual Improvements to HKFRSs 2014 - 2016 Cycle
Amendments to HKAS 40	Transfers of Investment Property

Except as described below, the application of other new and amendments to HKFRSs in the current year has had no material impact on the Bank's financial performance and positions for the current and prior years and/or on the disclosures set out in these financial statements.

TAI YAU BANK, LIMITED

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") - continued

HKFRS 9 "Financial Instruments"

In the current year, the Bank has applied HKFRS 9 "Financial Instruments" and the related consequential amendments to other HKFRSs. HKFRS 9 introduces new requirements for 1) the classification and measurement of financial assets and financial liabilities, 2) expected credit losses ("ECL") for financial assets and 3) general hedge accounting.

The Bank has applied HKFRS 9 in accordance with the transition provisions set out in HKFRS 9, i.e. applied the classification and measurement requirements (including impairment under ECL model) retrospectively to instruments that have not been derecognised as at 1 January 2018 and has not applied the requirements to instruments that have already been derecognised as at 1 January 2018. The difference between carrying amounts as at 31 December 2017 and the carrying amounts as at 1 January 2018 are recognised in the opening accumulated losses and other components of equity, without restating comparative information.

Accordingly, certain comparative information may not be comparable as comparative information was prepared under HKAS 39 "Financial Instruments: Recognition and Measurement".

Accounting policies resulting from application of HKFRS 9 are disclosed in note 3.

Summary of effects arising from initial application of HKFRS 9

The table below illustrates the impacts on the retained profits at the date of initial adoption, 1 January 2018:

	<u>Impact of adopting HKFRS 9 on opening balance</u> HK\$
<u>Retained profits</u>	
Remeasurement of expected credit loss on financial assets measurement at amortised cost	(1,200,000)
Transfer from investment revaluation reserve	<u>3,310,000</u>
Net increase in retained profits at 1 January 2018	<u>2,110,000</u>
<u>Investment revaluation reserve</u>	
Transfer to retained profits	<u>(3,310,000)</u>
Net decrease in investment revaluation reserve at 1 January 2018	<u>(3,310,000)</u>

TAI YAU BANK, LIMITED

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") - continued

HKFRS 9 "Financial Instruments" - continued

Summary of effects arising from initial application of HKFRS 9 - continued

The table below illustrates the impacts on opening statement of financial position from the application of HKFRS 9.

	31 December 2017 HK\$	<u>Reclassification</u> From available- for-sale <u>investments</u> HK\$	<u>Remeasurement</u> Impairment charge under <u>ECL model</u> HK\$	1 January 2018 HK\$
<u>ASSETS</u>				
Cash and due from banks and other financial institutions	562,071,620	-	(61,473)	562,010,147
Money at call and short notice	831,897,487	-	(165,642)	831,731,845
Placements with banks maturing between one and twelve months	1,451,728,820	-	(963,600)	1,450,765,220
Advances to customers and other accounts	4,363,678	-	(9,285)	4,354,393
Financial assets at fair value through profit or loss	-	3,400,000	-	3,400,000
Intangible asset	-	210,000	-	210,000
Available-for-sale investments	3,610,000	(3,610,000)	-	-
Deferred tax assets	245,394	-	-	245,394
Equipment and leasehold improvements	-	-	-	-
Total assets	2,853,916,999	-	(1,200,000)	2,852,716,999
<u>LIABILITIES</u>				
Deposits from customer	2,066,853,213	-	-	2,066,853,213
Other accounts and provision	3,278,164	-	-	3,278,164
Tax payable	436,808	-	-	436,808
Total liabilities	2,070,568,185	-	-	2,070,568,185
<u>CAPITAL RESOURCES</u>				
Share capital	300,000,000	-	-	300,000,000
Reserves	483,348,814	-	(1,200,000)	482,148,814
Total liabilities and capital resources	2,853,916,999	-	(1,200,000)	2,852,716,999

a. Available-for-sale investments

Investment in club debenture with a fair value of HK\$3,400,000 were reclassified from available-for-sale investments to financial assets at fair value through profit or loss ("FVTPL"). This is because such club debenture is held within a business model whose objective is not achieved by both collecting contractual cash flows and selling of these assets and the contractual cash flows of such investment. Related fair value gains of HK\$3,310,000 were transferred from the investment revaluation reserve to retained profits as at 1 January 2018.

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") - continued

HKFRS 9 "Financial Instruments" - continued

Summary of effects arising from initial application of HKFRS 9 - continued

b. Impairment under ECL model

ECL for financial assets at amortised cost are assessed on 12-month ECL basis as there had been no significant increase in credit risk since initial recognition.

As at 1 January 2018, credit loss allowance of HK\$1,200,000 has been recognised against retained profits. The loss allowance is charged against the respective asset.

HKFRS 15 Revenue from Contracts with Customers

The Bank has applied HKFRS 15 for the first time in the current year. HKFRS 15 replaces HKAS 18, Revenue, which covered revenue arising from sale of goods and rendering of services, and HKAS 11, Construction contracts, which specified the accounting for construction contracts.

The Bank performed an assessment of the new standard and concluded that the current treatment of revenue from contracts with customers is consistent with the new principles. The adoption of HKFRS 15 does not have any material impact on the financial position and there is no transitional impact to retained profits.

New or revised standards and interpretations that have been issued but not yet effective

The Bank has not early applied the following new or amendments to HKFRSs that have been issued but are not yet effective.

HKFRS 16	Leases ¹
HKFRS 17	Insurance Contracts ³
HK(IFRIC) - Int 23	Uncertainty over Income Tax Treatments ¹
Amendments to HKFRS 3	Definition of a Business ⁴
Amendments to HKFRS 9	Prepayment Features with Negative Compensation ¹
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture ²
Amendments to HKAS 1 and HKAS 8	Definition of Material ⁵
Amendments to HKAS 19	Plan Amendment, Curtailment or Settlement ¹
Amendments to HKAS 28	Long-term Interests in Associates and Joint Ventures ¹
Amendments to HKFRSs	Annual Improvements to HKFRSs 2015 - 2017 Cycle ¹

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") - continued

New or revised standards and interpretations that have been issued but not yet effective
- continued

- ¹ Effective for annual periods beginning on or after 1 January 2019
- ² Effective for annual periods beginning on or after a date to be determined
- ³ Effective for annual periods beginning on or after 1 January 2021
- ⁴ Effective for business combinations and asset acquisitions for which the acquisition date is on or after the beginning of the first annual period beginning on or after 1 January 2020
- ⁵ Effective for annual periods beginning on or after 1 January 2020

Except for the new and amendments to HKFRSs mentioned above, the directors of the Bank anticipate that the application of all other new and amendments to HKFRSs will have no material impact on the financial statements in the foreseeable future.

HKFRS 16 Leases

HKFRS 16 eliminates the current requirements for lessees to distinguish between on-balance sheet finance leases and off-balance sheet operating leases. They are to be replaced by a single, on-balance sheet accounting model instead. Lessees will recognise a right of use asset and a corresponding lease liability on the balance sheet. The right of use asset will be amortised over the length of the lease and the lease liability will be measured at amortised cost. As at 31 December 2018, the Bank has non-cancellable operating lease commitments of HK\$521,300 as disclosed in note 23.

3. SIGNIFICANT ACCOUNTING POLICIES

The financial statements have been prepared in accordance with HKFRSs issued by the HKICPA. In addition, the financial statements include applicable disclosures required by the Hong Kong Companies Ordinance ("CO").

The financial statements have been prepared on the historical cost basis. Historical cost is generally based on the fair value of the consideration given in exchange for goods or services.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Bank takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date.

For financial instruments which are transacted at fair value and a valuation technique that unobservable inputs are to be used to measure fair value in subsequent periods, the valuation technique is calibrated so that the results of the valuation technique equals the transaction price.

3. SIGNIFICANT ACCOUNTING POLICIES - continued

In addition, for financial reporting purposes, fair value measurements are categorised into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and
- Level 3 inputs are unobservable inputs for the asset or liability.

The principal accounting policies are set out below.

Interest income and expense

Interest income and expense for all financial instruments, excluding those financial assets at fair value through profit or loss (and available-for-sale investments before adoption of HKFRS 9 on 1 January 2018), are recognised in Interest income and Interest expense in the income statement (calculating by applying) the effective interest rate ("EIR") to the gross carrying amount of a financial asset, except for financial assets that have subsequently become credit-impaired. For financial assets that have subsequently become credit-impaired, interest income is recognised by applying the effective interest rate to the amortised cost of the financial asset from the next reporting period. If the credit risk on the credit-impaired financial instrument improves so that the financial asset is no longer credit-impaired, interest income is recognised by applying the effective interest rate to the gross carrying amount of the financial asset from the beginning of the reporting period following the determination that the asset is no longer credit impaired.

Equipment and leasehold improvements

Equipment and leasehold improvements is stated in the statement of financial position at cost less subsequent accumulated depreciation and amortisation and subsequent accumulated impairment losses, if any.

Depreciation is recognised so as to write off the cost of assets less their residual values over their estimated useful lives, using the straight-line method. The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimates accounted for on a prospective basis.

An item of equipment and leasehold improvements is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of equipment and leasehold improvements is determined as the difference between the sales proceeds and the carrying amount of the assets and is recognised in profit or loss.

3. SIGNIFICANT ACCOUNTING POLICIES - continued

Intangible assets

Intangible assets with finite useful lives that are acquired separately are carried at cost less accumulated amortisation and accumulated impairment losses. Amortisation is recognised on a straight-line basis over their estimated useful lives. The estimated useful life and amortisation method are reviewed at the end of each reporting period, with the effect of any changes in estimate being accounted for on a prospective basis. Intangible assets with indefinite useful lives that are acquired separately are carried at cost less accumulated impairment losses.

Financial instruments - before adoption of HKFRS 9 as at 1 January 2018

Financial assets and financial liabilities are recognised in the statement of financial position when the Bank becomes a party to the contractual provisions of the instrument.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets or financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

Financial assets

The Bank's financial assets are classified into loans and receivables and available-for-sale ("AFS") financial assets. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition. All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial asset and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees on points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial asset, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

Interest income is recognised on an effective interest basis for financial assets.

AFS financial assets

AFS financial assets are non-derivatives that are either designated as available-for-sale or are not classified as financial assets at FVTPL, loans and receivables or held-to-maturity investments.

3. SIGNIFICANT ACCOUNTING POLICIES - continued

Financial instruments - before adoption of HKFRS 9 as at 1 January 2018 - continued

Financial assets - continued

AFS financial assets - continued

Equity and debt securities held by the Bank that are classified as AFS financial assets are measured at fair value at the end of each reporting period except for unquoted equity investments whose fair value cannot be reliably measured. Changes in the carrying amount of AFS debt instruments relating to interest income calculated using the effective interest method, are recognised in profit or loss. Dividends on AFS equity instruments are recognised in profit or loss when the Bank's right to receive the dividends is established. Other changes in the carrying amount of AFS financial assets are recognised in other comprehensive income and accumulated under the heading of investments revaluation reserve. When the investment is disposed of or is determined to be impaired, the cumulative gain or loss previously accumulated in the investments revaluation reserve is reclassified to profit or loss.

AFS equity investments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured are measured at cost less any identified impairment losses at the end of each reporting period.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Loans and receivables (including cash and balances with banks and other financial institutions, money at call and short notice, placements with banks maturing between one and twelve months, and advances to customers and other accounts) are measured at amortised cost using the effective interest method, less any impairment.

Interest income is recognised by applying the effective interest rate, except for short-term receivables where the recognition of interest would be immaterial.

Impairment of financial assets

Financial assets other than those at FVTPL are assessed for indicators of impairment at the end of each reporting period. Financial assets are considered to be impaired when there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the financial assets have been affected.

For financial assets, objective evidence of impairment could include:

- significant financial difficulty of the issuer or counterparty; or
- breach of contract, such as a default or delinquency in interest or principal payments; or
- it becoming probable that the borrower will enter bankruptcy or financial re-organisation; or
- the disappearance of an active market for that financial asset because of financial difficulties.

3. SIGNIFICANT ACCOUNTING POLICIES - continued

Financial instruments - before adoption of HKFRS 9 as at 1 January 2018 - continued

Financial assets - continued

Impairment of financial assets - continued

For certain categories of financial asset, such as advances to customers, assets that are assessed not to be impaired individually are, in addition, assessed for impairment on a collective basis. Objective evidence of impairment for a portfolio of advances to customers could include the Bank's past experience of collecting payments and observable changes in national or local economic conditions that correlate with default on advances to customers.

For financial assets carried at amortised cost, the amount of the impairment loss recognised is the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the financial asset's original effective interest rate.

When an AFS financial asset is considered to be impaired, cumulative gains or losses previously recognised in other comprehensive income are reclassified to profit or loss in the period.

For financial assets measured at amortised cost, if, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment losses was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent that the carrying amount of the asset at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

In respect of AFS equity investments, impairment losses previously recognised in profit or loss are not reversed through profit or loss. Any increase in fair value subsequent to an impairment loss is recognised in other comprehensive income and accumulated under the heading of investments revaluation reserve. In respect of AFS debt investments, impairment losses are subsequently reversed through profit or loss if an increase in the fair value of the investment can be objectively related to an event occurring after the recognition of the impairment loss.

Financial liabilities and equity instruments

Debt and equity instruments issued by the Bank are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of the Bank after deducting all of its liabilities. Equity instruments issued by the Bank are recognised at the proceeds received, net of direct issue cost.

3. SIGNIFICANT ACCOUNTING POLICIES - continued

Financial instruments - before adoption of HKFRS 9 as at 1 January 2018 - continued

Financial liabilities and equity instruments - continued

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial liability, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

Interest expense is recognised on an effective interest basis.

Financial liabilities at amortised cost

Financial liabilities (including deposits from customers, interest payable and others) are subsequently measured at amortised cost using the effective interest method.

Financial guarantee contracts

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the terms of a debt instrument.

Financial guarantee contracts issued by the Bank are initially measured at their fair values and, if not designated as at FVTPL, are subsequently measured at the higher of :

- (i) the amount of obligation under the contract, as determined in accordance with HKAS 37 Provisions, Contingent liabilities and Contingent assets; and
- (ii) the amount initially recognised less, where appropriate, cumulative amortisation recognised over the guarantee period.

Derecognition

The Bank derecognises a financial asset only when the contractual rights to the cash flows from the asset expire or when it transfers the financial asset and substantially all the risks and rewards of ownership of the assets to another entity. If the Bank neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Bank recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the Bank retains substantially all the risks and rewards of ownership of a transferred financial asset, the Bank continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

3. SIGNIFICANT ACCOUNTING POLICIES - continued

Financial instruments - before adoption of HKFRS 9 as at 1 January 2018 - continued

Derecognition - continued

On derecognition of a financial asset, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognised in other comprehensive income and accumulated in equity is recognised in profit or loss.

The Bank derecognises financial liabilities when, and only when, the Bank's obligation are discharged, cancelled or have expired. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

Financial instruments - upon adoption of HKFRS 9 as at 1 January 2018

Financial assets and financial liabilities are recognised in the Bank's balance sheet when the Bank becomes a party to the contractual provisions of the instrument.

The Bank classifies its financial instruments under the following categories: cash and balances with banks and other financial institutions, money at call and short notice, placements with banks maturing between one and twelve months, advances to customers and other accounts, financial assets designated at fair value, and deposits from customers. The classification depends on the business model and the contractual cash flow characteristics of the financial assets, or the election of fair value option. Management determines the classification at initial recognition.

Financial assets measured at amortised cost

Financial assets that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal amount outstanding, are measured at amortised cost. These financial assets are initially recognised at fair value plus transaction costs, and are subsequently measured at amortised cost using the effective interest method. Impairment allowances are recognised in profit or loss with corresponding adjustment to an allowance account which reduces the carrying amounts of these assets. If the amount of impairment allowances decreases in subsequent periods, the impairment loss is reversed through profit or loss. This category includes cash and balances with banks and other financial institutions, money at call and short notice, placements with banks maturing between one and twelve months, and advances to customers and other accounts.

3. SIGNIFICANT ACCOUNTING POLICIES - continued

Financial instruments - upon adoption of HKFRS 9 as at 1 January 2018 - continued

Financial assets at fair value through profit or loss ("FVTPL")

Financial assets at FVTPL are:

- assets with contractual cash flows that are not solely payments of principal and interest; or/and
- assets that are held in a business model other than held to collect contractual cash flows or held to collect and sell; or
- assets designated at FVTPL using the fair value option.

These assets are measured at fair value, with any gains/losses arising on remeasurement recognised in profit or loss.

Impairment of financial assets at amortised cost

Expected credit losses (ECL) are recognised for cash and balances with banks and other financial institutions, money at call and short notice, placements with banks maturing between one and twelve months, and advances to customers and other accounts. At initial recognition, allowance (or provision in the case of some loan commitments and financial guarantees) is required for ECL resulting from default events that are possible within the next 12 months, or less, where the remaining life is less than 12 months (12-month ECL). In the event of a significant increase in credit risk, allowance (or provision) is required for ECL resulting from all possible default events over the expected life of the financial instrument (lifetime ECL). Financial assets where 12-month ECL is recognised are considered to be stage 1; financial assets that are considered to have experienced a significant increase in credit risk are in stage 2; and financial assets for which there is objective evidence of impairment so are considered to be in default or otherwise credit impaired are in stage 3.

Credit-impaired financial assets (Stage 3 assets)

A financial asset is 'credit-impaired' when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred. Credit-impaired financial assets are referred to as Stage 3 assets. Evidence of credit-impairment includes observable data about the following events:

- significant financial difficulty of the borrower or issuer;
- a breach of contract such as a default or past due event;
- the lender of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession that the lender would not otherwise consider;
- the disappearance of an active market for a security because of financial difficulties; or
- the purchase of a financial asset at a deep discount that reflects the incurred credit losses.

3. SIGNIFICANT ACCOUNTING POLICIES - continued

Financial instruments - upon adoption of HKFRS 9 as at 1 January 2018 - continued

Credit-impaired financial assets (Stage 3 assets) - continued

A loan is considered credit-impaired when a concession is granted to the borrower due to a deterioration in the borrower's financial condition, unless there is evidence that as a result of granting the concession the risk of not receiving the contractual cash flows has reduced significantly and there are no other indicators of impairment. For financial assets where concessions are contemplated but not granted the asset is deemed credit impaired when there is observable evidence of credit-impairment including meeting the definition of default. The definition of default (see below) includes unlikeliness to pay indicators and a back-stop if amounts are overdue for 90 days or more.

Definition of default

Critical to the determination of ECL is the definition of default. The definition of default is used in measuring the amount of ECL and in the determination of whether the loss allowance is based on 12-month or lifetime ECL, as default is a component of the probability of default ("PD") which affects both the measurement of ECLs and the identification of a significant increase in credit risk.

The Bank considers the following as constituting an event of default:

- the borrower is past due more than 90 days on any material credit obligation to the Bank;
or
- the borrower is unlikely to pay its credit obligations to the Bank in full.

Significant increase in credit risk

The Bank monitors all financial assets, issued loan commitments and financial guarantee contracts that are subject to the impairment requirements to assess whether there has been a significant increase in credit risk since initial recognition. If there has been a significant increase in credit risk the Bank will measure the loss allowance based on lifetime rather than 12-month ECL. The Bank's accounting policy is not to use the practical expedient that financial assets with 'low' credit risk at the reporting date are deemed not to have had a significant increase in credit risk. As a result the Bank monitors all financial assets, issued loan commitments and financial guarantee contracts that are subject to impairment for significant increase in credit risk.

In assessing whether the credit risk on a financial instrument has increased significantly since initial recognition, the Bank compares the risk of a default occurring on the financial instrument at the reporting date based on the remaining maturity of the instrument with the risk of a default occurring that was anticipated for the remaining maturity at the current reporting date when the financial instrument was first recognised. In making this assessment, the Bank considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort, based on the Bank's historical experience and expert credit assessment including forward-looking information.

3. SIGNIFICANT ACCOUNTING POLICIES - continued

Financial instruments - upon adoption of HKFRS 9 as at 1 January 2018 - continued

Significant increase in credit risk - continued

The quantitative information is a primary indicator of significant increase in credit risk and is based on the change in lifetime PD by comparing:

- the remaining lifetime PD at the reporting date; with
- the remaining lifetime PD for this point in time that was estimated based on facts and circumstances at the time of initial recognition of the exposure.

The PDs used are forward-looking and the Bank uses the same methodologies and data used to measure the loss allowance for ECL.

The qualitative factors that indicate significant increase in credit risk are reflected in PD models on a timely basis. However the Bank still considers separately some qualitative factors to assess if credit risk has increased significantly. For corporate lending there is particular focus on assets that are included on a 'watch list' given an exposure is on a watch list once there is a concern that the creditworthiness of the specific counterparty has deteriorated. For retail lending the Bank considers the expectation of forbearance and payment holidays, credit scores and events such as unemployment, bankruptcy, divorce or death.

As a back-stop when an asset becomes 30 days past due, the Bank considers that a significant increase in credit risk has occurred and the asset is in stage 2 of the impairment model, i.e. the loss allowance is measured as the lifetime ECL. In addition loans that are individually assessed and are included on a watch list are in stage 2 of the impairment model. As noted if there is evidence of credit-impairment the assets are at stage 3 of the impairment model.

Modification and derecognition of financial assets

A financial asset is modified when the contractual terms governing the cash flows of a financial asset are modified between initial recognition and maturity of the financial asset. The modified financial asset is derecognised if the existing agreement is cancelled and a new agreement is made on substantially different terms or if the terms of an existing agreement are modified such that the modified financial asset is a substantially different financial instrument. In the case where the modified financial asset is derecognised, the ECL is remeasured at the date of derecognition to determine the net carrying amount of the asset at that date. The difference between this revised carrying amount and the fair value of the new financial asset will lead to a gain/loss on derecognition.

The new financial asset will generally have an impairment allowance measured based on 12-month ECL. Where a modification does not lead to derecognition, the Bank calculates the modification gain/loss by comparing the gross carrying amount before and after the modification (excluding the ECL allowance). The Bank determines if the credit risk of the modified financial asset has increased significantly since initial recognition by comparing the risk of a default occurring at the reporting date (based on the modified contractual terms) and that at initial recognition (based on the original, unmodified contractual terms).

3. SIGNIFICANT ACCOUNTING POLICIES - continued

Financial instruments - upon adoption of HKFRS 9 as at 1 January 2018 - continued

Modification and derecognition of financial assets - continued

If the credit risk remains significantly higher than what was expected at initial recognition, the impairment allowance will continue to be measured at an amount equal to lifetime ECL. The impairment allowance will only be measured based on 12-month ECL when there is evidence of the borrower's improved repayment behaviour following modification leading to a reversal of the previous significant increase in credit risk.

Write-off

Financial assets are written off when the Bank has no reasonable expectations of recovering the financial asset (either in its entirety or a portion of it). This is the case when the Bank determines that the borrower does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off. A write-off constitutes a derecognition event. The Bank may apply enforcement activities to financial assets written off. Recoveries resulting from the Bank's enforcement activities will result in impairment gains, which will be presented in 'net impairment loss on financial assets' in the statement of profit or loss.

Presentation of allowance for ECL in the statement of financial position

Loss allowances for ECL are presented in the statement of financial position for financial assets measured at amortised cost as a deduction from the gross carrying amount of the assets.

Financial liabilities

Financial liabilities are classified as either financial liabilities 'at FVTPL' or 'other financial liabilities'.

For all financial liabilities the amount presented on the statement of financial position represent all amounts payable including interest accruals.

Other financial liabilities

A financial liability is a contractual obligation to deliver cash or another financial asset or to exchange financial assets or financial liabilities with another entity under conditions that are potentially unfavourable to the Bank or a contract that will or may be settled in the Bank's own equity instruments and is a non-derivative contract for which the Bank is or may be obliged to deliver a variable number of its own equity instruments, or a derivative contract over own equity that will or may be settled other than by the exchange of a fixed amount of cash (or another financial asset) for a fixed number of the Bank's own equity instruments.

Other financial liabilities, including deposits and borrowings, are initially measured at fair value, net of transaction costs. Other financial liabilities are subsequently measured at amortised cost using the effective interest method.

3. SIGNIFICANT ACCOUNTING POLICIES - continued

Financial instruments - upon adoption of HKFRS 9 as at 1 January 2018 - continued

Other financial liabilities - continued

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The EIR is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability, or, where appropriate, a shorter period, to the net carrying amount on initial recognition. For details on EIR see the "net interest income section" above.

Provisions

Provisions are recognised when the Bank has a present obligation (legal or constructive) as a result of a past event, it is probable that the Bank will be required to settle that obligation, and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. When a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows (where the effect of time value of money is material).

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, a receivable is recognised as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit before tax because of items of income or expense that are taxable or deductible in other years and items that are never taxable or deductible. The Bank's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised. Such deferred tax assets and liabilities are not recognised if the temporary difference arises from the initial recognition (other than in a business combination) of assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

3. SIGNIFICANT ACCOUNTING POLICIES - continued

Taxation - continued

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset realised, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Bank's expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Bank intends to settle its current tax assets and liabilities on a net basis.

Current and deferred tax are recognised in profit or loss, except when they relate to items that are recognised in other comprehensive income or directly in equity, in which case, the current and deferred tax are also recognised in other comprehensive income or directly in equity respectively.

Leases

Operating lease payments are recognised as an expense on a straight-line basis over the lease term, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

In the event that lease incentives are received to enter into operating leases, such incentives are recognised as a liability. The aggregate benefit of incentives is recognised as a reduction of rental expense on a straight-line basis, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

Foreign currencies

In preparing the financial statements of the Bank, transactions in currencies other than the Bank's functional currency (foreign currencies) are recognised at the rates of exchange prevailing on the dates of the transactions. At each balance sheet date, monetary assets and liabilities that are denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items carried at fair value that are denominated in foreign currencies are translated at the rates prevailing at the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

3. SIGNIFICANT ACCOUNTING POLICIES - continued

Foreign currencies - continued

Exchange differences are recognised in profit or loss in the period in which they arise except for:

- exchange differences on transactions entered into to hedge certain foreign currency risks; and
- exchange differences on monetary items receivable from or payable to a foreign operation for which settlement is neither planned nor likely to occur in the foreseeable future (therefore forming part of the net investment in the foreign operation), which are recognised initially in other comprehensive income ("OCI") and reclassified from equity to profit or loss on disposal or partial disposal of the net investment.

Retirement benefit costs

Payments to the Mandatory Provident Fund Scheme are recognised as expenses when employees have rendered service entitling them to the contributions.

Cash and cash equivalents

For the purposes of the statement of cash flows, cash and cash equivalents comprise balances with maturity from the date of acquisition at or less than three months, including cash, short-term funds, and placements with banks and other financial institutions.

4. FINANCIAL RISK MANAGEMENT

The Bank's activities expose it to a variety of financial risks and those activities involve the analysis, evaluation, acceptance and management of some degree of risk or combination of risks. The Bank's aim is therefore to achieve an appropriate balance between risk and return and minimise potential adverse effects on the Bank's financial performance.

The Bank's risk management policies are designed to identify and analyse these risks, to set appropriate risk limits and controls, and to monitor the risks and adherence to limits by means of reliable and up-to-date information systems. The Bank regularly reviews its risk management policies and systems to reflect changes in markets, products and emerging best practice.

Risk management is carried out by the Risk Committee under policies approved by the Board of Directors. The Risk Committee identifies, evaluates and hedges financial risks in close co-operation with the Bank's operating units. The Board provides written principles covering specific areas, such as foreign exchange risk, interest rate risk, credit risk, use of non-derivative financial instruments. In addition, internal audit is responsible for the independent review of risk management and the control environment. The most important types of risks from the use of financial instruments are credit risk, market risk and liquidity risk. Market risk includes currency risk, interest rate and other price risk.

4. FINANCIAL RISK MANAGEMENT - continued

Strategy in using financial instruments

By their nature, the Bank's activities are principally related to the use of financial instruments. The Bank accepts deposits from customers for various periods, and seeks to earn interest margins by investing these funds in high-quality assets. The Bank maintains sufficient liquidity to meet all claims that might fall due.

Credit risk

Credit risk is the risk that a customer or counterparty will default on its contractual obligation resulting in financial loss to the Bank. The Bank's main income generating activity is lending to customers and placement to other banks and therefore credit risk is a principal risk. Credit risk mainly arises from loans and advances to customers and other banks (including related commitments to lend such as loan), investments in debt securities and derivatives that are in an asset position. The Bank considers all elements of credit risk exposure such as counterparty default risk, geographical risk and sector risk for risk management purposes.

Credit risk management

The Bank's Credit, Asset and Liabilities Management Committee ("CALCO") is responsible for managing the Bank's credit risk by:

- Ensuring that the Bank has appropriate credit risk practices, including an effective system of internal control, to consistently determine adequate allowances in accordance with the Bank's stated policies and procedures, HKFRS and relevant supervisory guidance.
- Identifying, assessing and measuring credit risk across the Bank, from an individual instrument to a portfolio level.
- Creating credit policies to protect the Bank against the identified risks including the requirements to obtain collateral from borrowers, to perform robust ongoing credit assessment of borrowers and to continually monitor exposures against internal risk limits.
- Limiting concentrations of exposure by type of asset, counterparties, industry, credit rating, geographic location etc.
- Establishing a robust control framework regarding the authorisation structure for the approval and renewal of credit facilities.
- Developing and maintaining the Bank's risk grading to categorise exposures according to the degree of risk of default. Risk grades are subject to regular reviews.
- Developing and maintaining the Bank's processes for measuring ECL including monitoring of credit risk, incorporation of forward-looking information and the method used to measure ECL.

4. FINANCIAL RISK MANAGEMENT - continued

Credit risk management - continued

- Ensuring that the Bank has policies and procedures in place to appropriately maintain and validate models used to assess and measure ECL.
- Establishing a sound credit risk accounting assessment and measurement process that provides it with a strong basis for common systems, tools and data to assess credit risk and to account for ECL. Providing advice, guidance and specialist skills to business units to promote best practice throughout the Bank in the management of credit risk.

The internal audit function performs regular audits making sure that the established controls and procedures are adequately designed and implemented.

Significant increase in credit risk

As explained in note 3, the Bank monitors all financial assets that are subject to impairment requirements to assess whether there has been a significant increase in credit risk since initial recognition. If there has been a significant increase in credit risk the Bank will measure the expected credit loss allowance based on lifetime rather than 12-month ECL.

The Bank uses different criteria to determine whether credit risk has increased significantly per portfolio of assets. The criteria used are both quantitative changes in PDs and credit default swap ("CDS") spread as well as qualitative indicators which are external credit rating, significant adverse change in regulatory, economic or technological environment, adverse change in business and financial conditions and changes in performance behaviour of borrower or portfolio.

The Bank presumes that the credit risk on a financial asset has increased significantly since initial recognition when contractual payments are more than 30 days past due unless the Bank has reasonable and supportable information that demonstrates otherwise.

The Bank has monitoring procedures in place to make sure that the criteria used to identify significant increases in credit risk are effective, meaning that significant increase in credit risk is identified before the exposure is defaulted or when the asset becomes 30 days past due.

The Bank has controls and procedures in place to identify when the credit risk of an asset improves and the definition of significant increase in credit risk is no longer met. When this is the case the asset may move back to stage 1 from stage 2, subject to payments being up to date and the ability of the borrower to make future payments on time.

Measurement of ECL

The key inputs used for measuring ECL are:

- probability of default ("PD"); and
- loss given default ("LGD").

4. FINANCIAL RISK MANAGEMENT - continued

Measurement of ECL - continued

As explained above these figures are generally derived from statistical models and other historical external data and they are adjusted to reflect probability-weighted forward-looking information.

PD is an estimate of the likelihood of default over a given time horizon. It is estimated as at a point in time. The calculation is based on statistical rating models, and assessed using rating tools tailored to the various categories of counterparties and exposures. These statistical models are based on market data, as well as internal data comprising both quantitative and qualitative factors. PDs are estimated considering the contractual maturities of exposures and estimated prepayment rates. The estimation is based on current conditions, adjusted to take into account estimates of future conditions that will impact PD.

LGD is an estimate of the loss arising on default. It is based on the difference between the contractual cash flows due and those that the lender would expect to receive, taking into account cash flows from any collateral. The LGD models for secured assets consider forecasts of future collateral valuation taking into account sale discounts, time to realisation of collateral, cross collateralisation and seniority of claim, cost of realisation of collateral and cure rates (i.e. exit from non-performing status). LGD models for unsecured assets consider time of recovery, recovery rates and seniority of claims. The calculation is on a discounted cash flow basis, where the cash flows are discounted by the original EIR of the loan.

The Bank measures ECL considering the risk of default over the maximum contractual period (including extension options) over which the entity is exposed to credit risk and not a longer period, even if contact extension or renewal is common business practice.

Credit quality

The Bank monitors credit risk per class of financial instrument. The table below outlines the classes identified, as well as the financial statement line item and the note that provides an analysis of the items included in the financial statement line for each class of financial instrument.

<u>Class of financial instrument</u>	<u>Financial statement line</u>	<u>Note</u>
Loans and advances to banks at amortised cost	Cash and balances with banks and other financial institutions Money at call and short notice Placements with banks maturing between one and twelve months	12
Loans and advances to customers at amortised cost	Advances to customers and other accounts	13

TAI YAU BANK, LIMITED

4. FINANCIAL RISK MANAGEMENT - continued

Credit quality - continued

An analysis of the Bank's credit risk concentrations per class of financial asset is provided in the following tables. For financial assets, the amounts in the table represent gross carrying amounts. Loans and advances to banks at amortised cost represent cash and balances with banks and other financial institutions, money at call and short notice and placements with banks maturing between one and twelve months while loans and advances to customers at amortised cost represent term loans granted to employees of the Bank.

	<u>2018</u> HK\$	<u>2017</u> HK\$
Loans and advances to banks at amortised cost		
Concentration by sector		
- Hong Kong Monetary Authority ("HKMA")	298,615,119	546,522,979
- Foreign banks	9,676,490	9,898,122
- Local banks	2,597,493,870	2,285,189,817
	<u>2,905,785,479</u>	<u>2,841,610,918</u>
Concentration by region		
- Hong Kong	2,896,108,989	2,831,712,796
- United States	8,362,185	8,436,020
- United Kingdom	829,783	875,234
- Canada	484,522	586,868
	<u>2,905,785,479</u>	<u>2,841,610,918</u>
Loans and advances to customers at amortised cost	<u>1,166,500</u>	<u>917,500</u>

There were no overdue, rescheduled and repossessed assets as at 31 December 2018 and 31 December 2017.

Investment in club membership at FVTPL

The maximum exposure to credit risk of the investment at FVTPL is its carrying amount of HK\$3,400,000 at 31 December 2018 (available-for-sale investment at 31 December 2017: HK\$3,400,000).

Collateral held as security

The Bank does not hold collateral or other credit enhancements associated with financial assets.

TAI YAU BANK, LIMITED

4. FINANCIAL RISK MANAGEMENT - continued

Market risk

The Bank takes on exposure to market risks, which is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risks arise from open positions in interest rate and currency, all of which are exposed to general and specific market movements and changes in the level of volatility of market factors, such as foreign exchange rates, interest rates, credit spreads, equity prices and commodity prices.

The Bank's market risk exposures mainly arise from the interest rate risk and foreign exchange risk.

Management of market risk

The management of market risk is principally undertaken in treasury function using risk limits approved by the Board of Directors. The Bank has dedicated standards, policies and procedures in place to control and monitor the market risk. The market risks arise on the operation are assessed and managed under the supervision of CALCO. The Bank has met all the de minimise exemption criteria for calculation of market risk as set out in Banking (Capital) Rules issued by the Hong Kong Monetary Authority.

Foreign exchange risk

The Bank undertakes certain transactions denominated in foreign currencies; hence exposures to exchange rate fluctuations arise. Exchange rate exposures are managed within approved policy parameters utilising forward foreign exchange contracts where appropriate. The Board of Directors sets limits on the level of exposure by currency and in total for both overnight and intra-day positions, which are monitored daily.

The following table illustrates the carrying amount of the Bank's foreign currency denominated monetary assets and liabilities. It indicates the concentration of currency risk at the end of the reporting period.

	<u>HK\$</u> HK\$'000	<u>US\$</u> HK\$'000	<u>GBP</u> HK\$'000	<u>CAD</u> HK\$'000	<u>Total</u> HK\$'000
<u>2018</u>					
<u>ASSETS</u>					
Cash and balances with banks and other financial institutions	305,754	8,361	830	484	315,429
Money at call and short notice	1,019,756	78,924	84,650	7,801	1,191,131
Placements with banks maturing between one and twelve months	1,298,941	14,814	88,399	-	1,402,154
Advances to customers and other accounts	8,413	366	177	1	8,957
Financial asset at fair value through profit or loss	3,400	-	-	-	3,400
	<u>2,636,264</u>	<u>102,465</u>	<u>174,056</u>	<u>8,286</u>	<u>2,921,071</u>
<u>LIABILITIES</u>					
Deposits from customers	1,854,043	87,330	172,410	6,550	2,120,333
Other accounts and provisions	3,047	230	96	-	3,373
	<u>1,857,090</u>	<u>87,560</u>	<u>172,506</u>	<u>6,550</u>	<u>2,123,706</u>
Net on-balance sheet position	<u>779,174</u>	<u>14,905</u>	<u>1,550</u>	<u>1,736</u>	<u>797,365</u>

TAI YAU BANK, LIMITED

4. FINANCIAL RISK MANAGEMENT - continued

Foreign exchange risk - continued

	<u>HK\$</u> HK\$'000	<u>US\$</u> HK\$'000	<u>GBP</u> HK\$'000	<u>CAD</u> HK\$'000	<u>Total</u> HK\$'000
<u>2017</u>					
<u>ASSETS</u>					
Cash and balances with banks and other financial institutions	552,174	8,436	875	587	562,072
Money at call and short notice	710,000	29,640	83,880	8,377	831,897
Placements with banks maturing between one and twelve months	1,350,000	4,680	97,049	-	1,451,729
Advances to customers and other accounts	4,207	57	99	1	4,364
Available-for-sale investments	3,400	-	-	-	3,400
	<u>2,619,781</u>	<u>42,813</u>	<u>181,903</u>	<u>8,965</u>	<u>2,853,462</u>
<u>Liabilities</u>					
Deposits from customers	1,850,906	28,265	180,601	7,081	2,066,853
Other accounts and provisions	1,773	16	47	-	1,836
	<u>1,852,679</u>	<u>28,281</u>	<u>180,648</u>	<u>7,081</u>	<u>2,068,689</u>
Net on-balance sheet position	<u>767,102</u>	<u>14,532</u>	<u>1,255</u>	<u>1,884</u>	<u>784,773</u>

Foreign currency sensitivity

The Bank is exposed to US\$ and no sensitivity analysis is prepared as the management considered that the effect is insignificant under the linked exchange rate system.

In addition, the following table details the Bank's sensitivity to a 5% increase and decrease in HK\$ against GBP and CAD. The 5% is the sensitivity rate used when reporting the foreign currency risk internally to key management personnel and represent management's assessment of the reasonably possible change in foreign exchange rates. The sensitivity analysis includes only outstanding foreign currencies denominated monetary items and adjust their translation at the year end at 5% change in foreign currency rates. For a 5% weakening/strengthening of the HK\$ against the relevant currencies, the impact on the profit after tax would be as follows:

	<u>Impact</u>	
	<u>2018</u> HK\$'000	<u>2017</u> HK\$'000
Profit after tax	137/(137)	131/(131)

TAI YAU BANK, LIMITED

4. FINANCIAL RISK MANAGEMENT - continued

Interest rate risk

Cash flow interest rate risk is the risk that the future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Fair value interest rate risk is the risk that the value of a financial instrument will fluctuate because of changes in market interest rates. The Bank takes on exposure to the effects of fluctuations in the prevailing levels of market interest rates on cash flow risks. Interest margins may increase as a result of such changes but may reduce or create losses in the event that unexpected movements arise. Limits are set on the level of mismatch of interest rate repricing that may be undertaken, which is monitored regularly.

The Bank measures the exposure of its assets and liabilities to fluctuations in interest rates primarily by way of gap analysis which provides the Bank with a static view of the maturity and re-pricing characteristics of these positions. The daily maturity profile reports are prepared by classifying all assets and liabilities into various time period categories according to contracted maturities or anticipated repricing dates whichever is earlier. The difference in the amount of assets and liabilities maturing or being re-priced in any time period category would then give the Bank an indication of the extent to which the Bank is exposed to the risk of potential changes in the net interest income.

The tables below summarise the Bank's exposure to interest rate risk. Included in the tables are the Bank's financial assets and financial liabilities at carrying amounts, categorised by the earlier of contractual repricing or maturity dates.

	Up to <u>1 month</u> HK\$'000	1 - 3 <u>months</u> HK\$'000	3 - 12 <u>months</u> HK\$'000	1 - 5 <u>years</u> HK\$'000	Over <u>5 years</u> HK\$'000	Non- interest <u>bearing</u> HK\$'000	<u>Total</u> HK\$'000
<u>At 31 December 2018</u>							
<u>ASSETS</u>							
Cash and balances with banks and other financial institutions	-	-	-	-	-	315,429	315,429
Money at call and short notice	1,191,131	-	-	-	-	-	1,191,131
Placements with banks maturing between one and twelve months	-	1,312,264	89,890	-	-	-	1,402,154
Advances to customers and other accounts	4,036	3,298	753	771	99	-	8,957
Financial asset at fair value through profit or loss	-	-	-	-	-	3,400	3,400
	<u>1,195,167</u>	<u>1,315,562</u>	<u>90,643</u>	<u>771</u>	<u>99</u>	<u>318,829</u>	<u>2,921,071</u>
<u>LIABILITIES</u>							
Deposits from customers	1,365,145	621,824	-	-	-	133,364	2,120,333
Other accounts and provisions	-	-	-	-	-	3,373	3,373
	<u>1,365,145</u>	<u>621,824</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>136,737</u>	<u>2,123,706</u>
Total interest sensitivity gap	<u>(169,978)</u>	<u>693,738</u>	<u>90,643</u>	<u>771</u>	<u>99</u>	<u>182,092</u>	<u>797,365</u>

TAI YAU BANK, LIMITED

4. FINANCIAL RISK MANAGEMENT - continued

Interest rate risk - continued

	Up to <u>1 month</u> HK\$'000	1 - 3 <u>months</u> HK\$'000	3 - 12 <u>months</u> HK\$'000	1 - 5 <u>years</u> HK\$'000	Over <u>5 years</u> HK\$'000	Non- interest <u>bearing</u> HK\$'000	Total HK\$'000
<u>At 31 December 2017</u>							
<u>ASSETS</u>							
Cash and balances with banks and other financial institutions	-	-	-	-	-	562,072	562,072
Money at call and short notice	831,897	-	-	-	-	-	831,897
Placements with banks maturing between one and twelve months	-	1,261,729	190,000	-	-	-	1,451,729
Advances to customers and other accounts	1,440	1,656	566	662	40	-	4,364
Available-for-sale investments	-	-	-	-	-	3,400	3,400
	<u>833,337</u>	<u>1,263,385</u>	<u>190,566</u>	<u>662</u>	<u>40</u>	<u>565,472</u>	<u>2,853,462</u>
<u>LIABILITIES</u>							
Deposits from customers	1,417,973	524,838	-	-	-	124,042	2,066,853
Other accounts and provisions	-	-	-	-	-	1,836	1,836
	<u>1,417,973</u>	<u>524,838</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>125,878</u>	<u>2,068,689</u>
Total interest sensitivity gap	<u>(584,636)</u>	<u>738,547</u>	<u>190,566</u>	<u>662</u>	<u>40</u>	<u>439,594</u>	<u>784,773</u>

Interest rate sensitivity

The sensitivity analysis below has been determined based on the exposure to floating interest rates at the end of the reporting period. The analysis is prepared assuming the financial instruments outstanding at the end of the reporting period were outstanding for the whole year. A 25 basis point (2017: 25 basis points) increase is used when reporting interest rate risk internally to management and represents management's assessment of the reasonably possible charge in interest rates.

If interest rates had been 25 basis points (2017: 25 basis points) higher and all other variables were held constant, the impact on the profit after tax, mainly attributable to the Bank's exposure to interest rates on its variable rate customer deposits, would be as follows:

	<u>Impacts</u>	
	<u>2018</u> HK\$'000	<u>2017</u> HK\$'000
Profit after tax	(1,658)	(1,997)

4. FINANCIAL RISK MANAGEMENT - continued

Liquidity risk

Liquidity risk is the risk that the Bank does not have sufficient financial resources to meet its obligations as they fall due, or will have to do so at an excessive cost. This risk arises from mismatches in the timing of cash flows which is inherent in all banking operations and can be affected by a range of market-wide events.

Management of liquidity risk

Management is responsible for monitoring the Bank's liquidity position, and does so through the periodic review of the statutory liquidity maintenance ratio, the maturity profile of assets and liabilities, loan-to-deposit ratio and inter-bank transactions. Liquidity policy is monitored by management and reviewed regularly by the Risk Committee and Board of Directors of the Bank. The Bank's policy is to maintain a conservative level of liquid funds on a daily basis so that the Bank is prepared to meet its obligations when they fall due in the normal course of business and to satisfy statutory liquidity maintenance ratio requirements, and also to deal with any funding crises that may arise. Limits are set on the minimum proportion of maturing funds available to meet all the calls on cash resources such as overnight deposits, current accounts and on the minimum level of inter-bank and other borrowing facilities that should be in place to cover withdrawals at unexpected levels of demand.

The Bank's management sets internal target levels in respect of the daily and monthly average liquidity maintenance ratios. The Bank's accountant is responsible for monitoring these ratios and, where a liquidity position falls under the internal limits, the accountant reports his findings to the management who decides the appropriate corrective actions to be taken.

Liquidity table

The following table details the Bank's remaining contractual maturity for its non-derivative financial liabilities. The tables below have been drawn up based on the undiscounted contractual maturities of the financial liabilities including interest that will accrue to those liabilities except where the Bank is entitled and intends to repay the liability before its maturity.

	Less than <u>1 month</u> HK\$'000	1 - 3 <u>months</u> HK\$'000	3 months to <u>1 year</u> HK\$'000	1 - 5 <u>years</u> HK\$'000	Over <u>5 years</u> HK\$'000	<u>Total</u> HK\$'000	<u>Carrying amount</u> HK\$'000
FINANCIAL LIABILITIES							
<u>As at 31 December 2018</u>							
Deposits from customers	1,499,949	623,338	-	-	-	2,123,287	2,120,333
Other payables	2,885	488	-	-	-	3,373	3,373
	<u>1,502,834</u>	<u>623,826</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,126,660</u>	<u>2,123,706</u>
<u>As at 31 December 2017</u>							
Deposits from customers	1,542,244	525,309	-	-	-	2,067,553	2,066,853
Other payables	1,700	136	-	-	-	1,836	1,836
	<u>1,543,944</u>	<u>525,445</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,069,389</u>	<u>2,068,689</u>

TAI YAU BANK, LIMITED

4. FINANCIAL RISK MANAGEMENT - continued

Off-balance sheet items

The dates of the contractual amounts of the Bank's off-balance sheet financial instruments that commit it to extend credit to customers and other facilities, financial guarantees (based on the earliest contractual maturity date) are summarised in the table below.

	No later than 1 year HK\$'000	1-5 years HK\$'000	Total HK\$'000
<u>At 31 December 2018 and 31 December 2017</u>			
Guarantee, acceptances and other financial facilities	3,490	-	3,490

Analysis of assets and liabilities by remaining maturity

The maturity analysis based on the remaining period at the end of the reporting period to the contractual maturity date in accordance with the guideline issued by the Hong Kong Monetary Authority is shown below.

	Maturity Date						Undated HK\$'000	Carrying Amount HK\$'000
	Repayable on demand HK\$'000	One month or less HK\$'000	Three months or less but over one month HK\$'000	One year or less but over three months HK\$'000	Five years or less but over one year HK\$'000	Over five years HK\$'000		
<u>At 31 December 2018</u>								
<u>ASSETS</u>								
Cash and balances with banks and other financial institutions	315,429	-	-	-	-	-	-	315,429
Money at call and short notice	-	1,191,131	-	-	-	-	-	1,191,131
Placements with banks maturing between one and twelve months	-	-	1,312,264	89,890	-	-	-	1,402,154
Advances to customers and other accounts	-	4,036	3,298	753	771	99	-	8,957
Financial asset at fair value through profit or loss	-	-	-	-	-	-	3,400	3,400
Intangible asset	-	-	-	-	-	-	210	210
Deferred tax assets	-	-	-	-	-	-	245	245
Prepayment	-	-	-	77	-	-	-	77
Equipment and leasehold improvements	-	-	-	-	873	-	-	873
	<u>315,429</u>	<u>1,195,167</u>	<u>1,315,562</u>	<u>90,720</u>	<u>1,644</u>	<u>99</u>	<u>3,855</u>	<u>2,922,476</u>
<u>LIABILITIES</u>								
Deposits from customers	928,973	569,536	621,824	-	-	-	-	2,120,333
Other accounts and provisions	1,769	1,116	488	-	-	-	1,442	4,815
Tax payable	-	-	-	1,937	-	-	-	1,937
	<u>930,742</u>	<u>570,652</u>	<u>622,312</u>	<u>1,937</u>	<u>-</u>	<u>-</u>	<u>1,442</u>	<u>2,127,085</u>
Net liquidity gap	<u>(615,313)</u>	<u>624,515</u>	<u>693,250</u>	<u>88,783</u>	<u>1,644</u>	<u>99</u>	<u>2,413</u>	<u>795,391</u>

TAI YAU BANK, LIMITED

4. FINANCIAL RISK MANAGEMENT - continued

Analysis of assets and liabilities by remaining maturity - continued

	Maturity Date						Undated HK\$'000	Carrying Amount HK\$'000
	Repayable on demand HK\$'000	One month or less HK\$'000	Three months or less but over one month HK\$'000	One year or less but over three months HK\$'000	Five years or less but over one year HK\$'000	Over five years HK\$'000		
<u>At 31 December 2017</u>								
ASSETS								
Cash and balances with banks and other financial institutions	562,072	-	-	-	-	-	-	562,072
Money at call and short notice	-	831,897	-	-	-	-	-	831,897
Placements with banks maturing between one and twelve months	-	-	1,261,729	190,000	-	-	-	1,451,729
Advances to customers and other accounts	-	1,440	1,656	566	662	40	-	4,364
Available-for-sale investments	-	-	-	-	-	-	3,400	3,400
Intangible asset	-	-	-	-	-	-	210	210
Deferred tax assets	-	-	-	-	-	-	245	245
Equipment and leasehold improvements	-	-	-	-	-	-	-	-
	<u>562,072</u>	<u>833,337</u>	<u>1,263,385</u>	<u>190,566</u>	<u>662</u>	<u>40</u>	<u>3,855</u>	<u>2,853,917</u>
LIABILITIES								
Deposits from customers	1,081,879	460,136	524,838	-	-	-	-	2,066,853
Other accounts and provisions	1,523	177	136	-	-	-	1,442	3,278
Tax payable	-	-	-	437	-	-	-	437
	<u>1,083,402</u>	<u>460,313</u>	<u>524,974</u>	<u>437</u>	<u>-</u>	<u>-</u>	<u>1,442</u>	<u>2,070,568</u>
Net liquidity gap	<u>(521,330)</u>	<u>373,024</u>	<u>738,411</u>	<u>190,129</u>	<u>662</u>	<u>40</u>	<u>2,413</u>	<u>783,349</u>

Fair value of financial assets and liabilities

The fair value of other financial assets and other financial liabilities are determined in accordance with generally accepted pricing models on discounted cash flow analysis.

The directors considered that the carrying amounts of financial assets and financial liabilities recorded at amortised cost in the financial statements are approximately their fair values.

Capital management

The Bank has adopted a policy of maintaining a strong capital base to:

- comply with the capital requirements under the Banking (Capital) Rules of the Banking Ordinance; and
- support the Bank's stability so as to provide reasonable returns for shareholders.

Capital adequacy ratio, computed as a ratio of total regulatory capital to the risk-weighted assets, has remained well above the statutory minimum ratio for the past two years.

Capital adequacy position and the use of regulatory capital are monitored closely by the Bank's management, employing techniques based on the Banking (Capital) Rules. The required information is filed with the Hong Kong Monetary Authority on a quarterly basis in the form of a statistical return.

The Bank has an established business planning process to assess the adequacy of its capital to support current and future activities. The process states the Bank's capital adequacy goals in relation to risk, taking into account its strategic focus and business plan.

5. FAIR VALUE MEASUREMENTS OF FINANCIAL INSTRUMENTS

This note provides information about how the Bank determines fair values of various financial assets and financial liabilities.

Some of the Bank's financial instruments are measured at fair value for financial reporting purposes. In estimating the fair value, the Bank uses market-observable data to the extent it is available. Where Level 1 inputs are not available, the Bank measures the fair value with reference to the quote from second hand market.

Fair value measurements recognised in the statement of financial position

The following table provides an analysis of financial instruments that are measured subsequent to initial recognition at fair value, grouped into Levels 1 to 3 based on the degree to which the fair value is observable.

	Fair value			Total fair value HK\$
	Level 1 HK\$	Level 2 HK\$	Level 3 HK\$	
<u>31 December 2018</u>				
Financial asset at FVTPL - club membership	-	3,400,000	-	3,400,000
<u>31 December 2017</u>				
Available-for-sale investments - club membership	-	3,400,000	-	3,400,000

During the current year, there was no transfers of financial instruments between Level 1 and Level 2.

In estimating the fair value of the club membership classified as Level 2, the fair value is arrived at with reference to the quote from secondary market. The financial asset at FVTPL (2017: available-for-sale investments) were measured at market value as at 31 December 2018.

6. INTEREST INCOME

	2018 HK\$	2017 HK\$
Interest on deposits with banks	38,865,802	19,697,348
Interest on advances to customers	791	527
	<u>38,866,593</u>	<u>19,697,875</u>

TAI YAU BANK, LIMITED

7.	INTEREST EXPENSE	<u>2018</u> HK\$	<u>2017</u> HK\$
	Interest on deposits from customers	8,524,924	2,659,596
		<u>8,524,924</u>	<u>2,659,596</u>
8.	OTHER OPERATING INCOME	<u>2018</u> HK\$	<u>2017</u> HK\$
	Dividends from unlisted available-for-sale investments	-	2,820,000
	Fees and commission income	34,875	32,950
	Other income	8,445	398,794
		<u>43,320</u>	<u>3,251,744</u>
9.	OPERATING EXPENSES	<u>2018</u> HK\$	<u>2017</u> HK\$
	Auditor's remuneration	650,000	550,000
	Depreciation and amortisation of equipment and leasehold improvements	51,365	-
	Net exchange loss arising from foreign currencies position	74,462	-
	Directors' emoluments		
	- fees	450,000	420,000
	- other emoluments	1,288,000	1,120,000
	Other operating expenses	3,254,813	2,772,670
	Operating lease payments	1,321,752	1,266,549
	Staff costs		
	- salaries and bonus	7,077,428	6,632,380
	- contributions to Mandatory Provident Fund	224,989	205,751
		<u>14,392,809</u>	<u>12,967,350</u>
10.	IMPAIRMENT LOSSES	<u>2018</u> HK\$	<u>2017</u> HK\$
	Cash and balances with banks and other financial institutions	557	-
	Money at call and short notice	12,605	-
	Placements with banks maturing one to twelve months	276,123	-
	Advances to customers	10,715	-
		<u>300,000</u>	<u>-</u>

TAI YAU BANK, LIMITED

11. INCOME TAX EXPENSE

The tax charge comprises:

	<u>2018</u> HK\$	<u>2017</u> HK\$
Hong Kong Profits Tax		
- Current year	2,508,318	730,000
- Overprovision in prior years	(59,223)	-
	<u>2,449,095</u>	<u>730,000</u>

The tax charge for the year can be reconciled to the profit per the statement of profit or loss and other comprehensive income as follows:

	<u>2018</u> HK\$	<u>2017</u> HK\$
Profit before tax	<u>15,692,180</u>	<u>248,250,580</u>
Tax at Hong Kong Profits Tax rate (Note)	2,424,210	40,961,346
Tax effect of income not taxable	-	(40,218,405)
Overprovision in respect of prior years	(59,223)	-
Others	84,108	(12,941)
	<u>2,449,095</u>	<u>730,000</u>

Note: In 2018, Hong Kong Profits Tax was calculated at 8.25% on estimated profits up to HK\$2,000,000 and 16.5% on any part of estimated profits over HK\$2,000,000. In 2017, Hong Kong Profits Tax was calculated at 16.5% of the entire estimated profit.

12. CASH AND BALANCES AND PLACEMENTS WITH AND LOANS AND ADVANCES TO BANKS

	<u>2018</u> HK\$	<u>2017</u> HK\$
At amortised cost		
Cash and balances with banks and other financial institutions		
- Cash	4,056,631	1,883,933
- Due from HKMA	298,615,119	546,522,979
- Interbank Clearing Account	352,492	2,203,076
- Due from foreign banks	9,676,490	9,898,122
- Due from local banks - on demand	2,790,691	1,563,510
Less: Impairment losses - Stage 1	(62,798)	-
	<u>315,428,625</u>	<u>562,071,620</u>
Money at call and short notice	1,191,418,048	831,897,487
Less: Impairment losses - Stage 1	(286,592)	-
	<u>1,191,131,456</u>	<u>831,897,487</u>

TAI YAU BANK, LIMITED

12. CASH AND BALANCES AND PLACEMENTS WITH AND LOANS AND ADVANCES TO BANKS - continued

	<u>2018</u> HK\$	<u>2017</u> HK\$
Placements with banks maturing		
- between 1-3 months	1,313,285,130	1,261,728,820
- between 3-6 months	80,000,000	120,000,000
- between 6-12 months	10,000,000	70,000,000
Less: Impairment losses - Stage 1	(1,130,610)	-
	<u>1,402,154,520</u>	<u>1,451,728,820</u>
Total	<u>2,908,714,601</u>	<u>2,845,697,927</u>

13. ADVANCES TO CUSTOMERS AND OTHER ACCOUNTS

The advances to customers and other accounts comprise:

	<u>2018</u> HK\$	<u>2017</u> HK\$
Advances to staff	1,166,500	917,500
Less: Impairment allowance - stage 1	(20,000)	-
	<u>1,146,500</u>	<u>917,500</u>
Interest receivable	7,810,521	3,446,178
	<u>8,957,021</u>	<u>4,363,678</u>

14. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS/AVAILABLE-FOR-SALE INVESTMENTS

	<u>2018</u> HK\$	<u>2017</u> HK\$
Unlisted securities:		
- club membership (financial assets at fair value through profit or loss)	3,400,000	-
- club membership (available-for-sale investments)	-	3,400,000
	<u>3,400,000</u>	<u>3,400,000</u>
Total	<u>3,400,000</u>	<u>3,400,000</u>

The unlisted securities is issued by a corporate entity in Hong Kong. As at 31 December 2018, the fair value of club membership remained unchanged with reference to the quote from secondary market.

TAI YAU BANK, LIMITED

15. DEFERRED TAXATION

The followings are the major deferred tax assets and deferred tax liabilities recognised by the Bank.

	<u>Accelerated tax depreciation</u> HK\$	<u>Provision for long service payments</u> HK\$	<u>Total</u> HK\$
At 1 January 2017, 31 December 2017 and 31 December 2018	<u>(1,391)</u>	<u>246,785</u>	<u>245,394</u>

The directors consider movements in deferred tax assets and liabilities during the current and prior years are not significant.

16. EQUIPMENT AND LEASEHOLD IMPROVEMENTS

	<u>Leasehold improvements</u> HK\$	<u>Equipment</u> HK\$	<u>Total</u> HK\$
COST			
At 1 January 2017 and 31 December 2017	1,472,938	738,924	2,211,862
Additions	-	924,575	924,575
At 31 December 2018	<u>1,472,938</u>	<u>1,663,499</u>	<u>3,136,437</u>
ACCUMULATED DEPRECIATION AND AMORTISATION			
At 1 January 2017 and 31 December 2017	1,472,938	738,924	2,211,862
Additions	-	51,365	51,365
At 31 December 2018	<u>1,472,938</u>	<u>790,289</u>	<u>2,263,227</u>
CARRYING AMOUNT			
At 31 December 2018	<u>-</u>	<u>873,210</u>	<u>873,210</u>
At 31 December 2017	<u>-</u>	<u>-</u>	<u>-</u>

The above items of equipment are depreciated and amortised on a straight-line basis at 33.3% per annum.

17. DEPOSITS FROM CUSTOMERS

	<u>2018</u> HK\$	<u>2017</u> HK\$
Current accounts	133,364,537	124,041,599
Savings deposits	795,608,901	957,837,010
Time, call and notice deposits	1,191,359,827	984,974,604
	<u>2,120,333,265</u>	<u>2,066,853,213</u>

TAI YAU BANK, LIMITED

18. OTHER ACCOUNTS AND PROVISIONS

	<u>2018</u> HK\$	<u>2017</u> HK\$
Interests payable to time, call and notice deposits	1,604,445	313,403
Provisions for long service payments	1,441,633	1,441,633
Other accounts:		
- Accounts payable	1,480,590	1,097,394
- Cashier orders	261,251	395,467
- Gift Cheques	18,500	21,500
- Others	8,346	8,767
	<u>1,768,687</u>	<u>1,523,128</u>
	<u>4,814,765</u>	<u>3,278,164</u>

19. SHARE CAPITAL

	<u>2018</u>		<u>2017</u>	
	Number of <u>shares</u>	<u>Amount</u> HK\$	Number of <u>shares</u>	<u>Amount</u> HK\$
Issued and fully paid:				
Ordinary shares				
At beginning and end of year	<u>3,000,000</u>	<u>300,000,000</u>	<u>3,000,000</u>	<u>300,000,000</u>

There was no movement in the Bank's share capital for both years.

20. RELATED PARTY TRANSACTIONS

The Bank has undertaken a number of transactions, which include principally the acceptance of deposits, with its related parties, including key management personnel and their close family members and companies controlled or significantly influenced by them.

During the year, the Bank entered into the following transactions with related parties:

	<u>2018</u> HK\$	<u>2017</u> HK\$
Interest expense on deposits	8,375,123	2,625,319
Rental and other related expenses	1,321,752	1,266,549
Gain on disposal on an available-for-sale-investment	-	240,927,907
	<u> </u>	<u> </u>

TAI YAU BANK, LIMITED

20. RELATED PARTY TRANSACTIONS - continued

At the end of the reporting period, the Bank had the following outstanding balances with related parties:

	<u>2018</u> HK\$	<u>2017</u> HK\$
Current accounts	120,294,447	115,990,283
Savings deposits	711,384,489	906,262,078
Time, call and notice deposits	1,174,817,037	977,058,968
	<u>2,006,495,973</u>	<u>1,999,311,329</u>

The balance of current accounts is non-interest bearing and repayable on demand. The balance of savings deposits is interest bearing at 0.125% (2017: 0.01%) and repayable on demand. The balance of time, call and notice deposits is interest bearing ranging from 0.01% to 2.20% (2017: 0.05% to 0.90%) with maturity from within one month to three months.

The transactions were carried out on terms similar to those applicable to transactions with unrelated parties.

The Bank had issued letters of guarantee, majority to utility companies in lieu of deposits amounting to HK\$3,490,000 (2017: HK\$3,490,000) for a company connected with directors of the Bank and of which the Bank was a shareholder before the disposal of interest during the year.

Key management compensation

	<u>2018</u> HK\$	<u>2017</u> HK\$
Salaries and allowances (including directors' fees)	<u>5,378,380</u>	<u>4,636,760</u>

There was no sign-on awards and severance payments provided during the year ended 31 December 2018 (2017: HK\$Nil).

21. OFF-BALANCE SHEET EXPOSURES

At the end of the reporting period, the Bank had the following outstanding contractual amounts of contingent liabilities and commitments:

	<u>2018</u> HK\$	<u>2017</u> HK\$
Direct credit substitutes	<u>3,490,000</u>	<u>3,490,000</u>

The credit risk weighted amount of contingent liabilities and commitments was HK\$Nil (2017: HK\$Nil).

TAI YAU BANK, LIMITED

22. RETIREMENT BENEFITS PLAN

The Bank operates a Mandatory Provident Fund Scheme (the "Scheme") for all qualifying employees. The assets of the Scheme are held separately from those of the Bank, in funds under the control of trustees. The Bank contributes 5% of relevant payroll costs to the Scheme, and the related contribution is matched by the respective employee.

Contributions payable to the Scheme by the Bank for the year amounting to HK\$224,989 (2017: HK\$205,751) had been charged to the statement of profit or loss and other comprehensive income.

23. OPERATING LEASE COMMITMENTS

At the end of the reporting period, the Bank had commitments for future minimum lease payments under non-cancellable operating leases for office premises which fall due as follows:

	<u>2018</u> HK\$	<u>2017</u> HK\$
Within one year	521,300	1,251,120
In the second to fifth years inclusive	-	521,300
	<u>521,300</u>	<u>1,772,420</u>

Operating lease payments represent rentals payable by the Bank for its office premises. The current lease will expire in May 2019 and rent is fixed for the lease period.

24. DIVIDENDS

Subsequent to the end of the reporting periods, a final dividend in respect of the year ended 31 December 2018 of HK\$0.50 (2017: Nil) per ordinary share, in an aggregate amount of HK\$1,500,000 (2017: Nil), has been declared by the directors of the Bank.

25. CLASSIFICATIONS

Certain reclassifications have been made to the financial statements for the year ended 31 December 2017 to conform to the classifications used in the financial statements for the year ended 31 December 2018.

TAI YAU BANK, LIMITED

Unaudited Supplementary Financial Information
For the year ended 31 December 2018

TAI YAU BANK, LIMITED

UNAUDITED SUPPLEMENTARY FINANCIAL INFORMATION
FOR THE YEAR ENDED 31 DECEMBER 2018

The unaudited supplementary financial information regarding corporate governance and other financial information disclosed pursuant to the Banking (Disclosures) Rules issued by the Hong Kong Monetary Authority is as follows:

1. CORPORATE GOVERNANCE

The Board of Directors is assisted by the Audit Committee, Remuneration Committee, Risk Committee, Nomination Committee, Executive Committee and Credit, Asset and Liability Management Committee in corporate governance matters.

The Audit Committee consists of three independent non-executive directors and one non-executive director who report regularly to the Board. It monitors compliance with policies approved by the Board and other internal and statutory regulations. It provides an oversight of the Bank's internal and external auditors and thereby assists the Board in providing independent review of the effectiveness of the financial reporting process and internal control systems of the Bank.

The Bank has established a Remuneration Committee with specific written Terms of Reference which deal clearly with its authority and duties. The Remuneration Committee consists of three independent non-executive directors and one non-executive director who report regularly to the Board. The Remuneration Committee is responsible for making recommendations to the Board on the Bank's policy, practices and structure for all remunerations of Directors and members of Senior Management, and determining their specific remuneration packages. The Bank will ensure that no Director or any of his associates is involved in deciding his own remuneration and at least an annual review of the Bank's remuneration system and its operation is carried out independently of management. During the year 2018, two meetings were held and attended by all committee members.

The Remuneration Committee is provided with sufficient resources to discharge its duties. The following is a summary of the work performed during the year:

- (i) Reviewed the remuneration systems and its operations of the Bank;
- (ii) Reviewed annual salary payment for the year;
- (iii) Reviewed the remuneration of senior management, key personnel and other staff; and
- (iv) Reviewed the remuneration policy.

The Bank has reviewed its remuneration policy for all employees of the Bank. The remuneration policy covers guidelines and procedures that are commensurate with the business of the Bank. It also supports the Bank's ethical values, objectives, strategies and control environment. The remuneration structure is designed to encourage employee behavior that supports the Bank's risk management framework and long-term financial soundness. There was no change to our remuneration policy during the year.

1. CORPORATE GOVERNANCE - continued

The remuneration package of the Bank consists entirely of fixed salary payable in cash only. In considering the remuneration structure, the Bank has regarded to the seniority, role, responsibilities and activities of the employees and the need to promote behavior among employees that supports the Bank's risk management framework and long-term financial soundness.

A systematic role evaluation methodology is used to establish each employee's appropriate level of remuneration. By means of an annual/periodic performance review, the degree to which each employee is satisfying the requirements of the role and the degree to which established performance objectives have been achieved are to be assessed. The Bank will reward employees' achievement by directly linking pay to performance outcomes. Poor performance may affect the level of remuneration increment in the coming year.

The senior management consisting of eleven persons and key personnel of four persons were paid with fixed remuneration in cash of HK\$3,561,360 and HK\$1,817,020 respectively during the year, totalling HK\$5,378,380 (2017: HK\$4,636,760). We did not provide other form of remuneration including guaranteed bonuses, sign-on awards and severance payments during the year.

The Risk Committee stands at the highest level of the Bank's risk governance structure under the Board. It consists of three independent non-executive directors and one non-executive director. The Risk Committee provides direct oversight over the formulation of the Bank's risk appetite and ensures that the risk appetite is reflected in the policies and procedures. The Risk Committee also regularly reviews the Bank's risk management framework and ensures that all important risk-related tasks are performed according to established policies with appropriate resources.

The Nomination Committee is responsible for recommending to the Board on relevant matters relating to identify, select, nominate and recommend suitable individuals to the Board for directorships and senior management positions. The Nomination Committee also performs evaluation of the Board performance and Directors' contribution to the effectiveness of the Board.

The Nomination Committee comprises four members and three of them are independent non-executive directors and one non-executive director.

The Executive Committee consists of at least three, but no more than five executive directors including the Chairman. The Committee ensures the continuity in the management of the business and affairs of the Bank and carries the full power and authority of the Board on matters requiring urgent approval or other action of the Board in between board meetings.

The Credit, Asset and Liabilities Management Committee comprises the Managing Director, Alternative Chief Executive, the General Manager, the Manager, the Treasurer and the Heads of Accounts and Operations. The Committee is established to implement and maintain the overall risk management framework relating to credit, liquidity positions, cash flows, maturities, interest rate as well as exchange rate trends and compliance functions. It also acts as support for the Remuneration Committee.

The directors of the Bank are of the opinion that the Bank has complied with the Supervisory Policy Manual "Corporate Governance of Locally Incorporated AIs" issued by the Hong Kong Monetary Authority.

TAI YAU BANK, LIMITED

2. SEGMENTAL INFORMATION

(a) By geographical area

All the business operations of the Bank are in Hong Kong.

(b) By class of business

The Bank operates predominantly in the commercial banking business.

(c) Advances to customers - by industry sectors

The information concerning advances to customers by industry sectors has been classified according to the usage of the loan and is stated gross of any provisions.

	<u>2018</u> HK\$	<u>2017</u> HK\$
Loans for use in Hong Kong		
Individuals - other private purposes	<u>1,166,500</u>	<u>917,500</u>

The loan borrowers are predominantly located in Hong Kong.

3. OTHER FINANCIAL INFORMATION

(a) Liquidity position

The average liquidity maintenance ratio is the simple average of each calendar month's average liquidity maintenance ratio. Each monthly average liquidity maintenance ratio is calculated as the ratio of the average liquefiable assets to the average qualifying liabilities after relevant deductions in accordance with the Banking (Liquidity) Rules.

	<u>2018</u> %	<u>2017</u> %
Average liquidity maintenance ratio for the year	<u>75.66</u>	<u>71.25</u>

TAI YAU BANK, LIMITED

3. OTHER FINANCIAL INFORMATION - continued

(b) Capital adequacy

Capital adequacy ratios were calculated on a solo basis, in accordance with the Banking (Capital) Rules (the "Capital Rules") issued by the HKMA. The ratios were compiled in accordance with the amended Capital Rules for the implementation of the "Basel III" capital accord. The Bank has adopted the basic approach for the calculation of the risk-weighted assets for credit risk and the basic indicator approach for the calculation of operational risk.

	<u>2018</u> %	<u>2017</u> %
Total capital ratio	<u>139.10</u>	<u>157.29</u>
Tier 1 capital ratio	<u>139.08</u>	<u>157.27</u>
Common Equity Tier 1 capital ratio	<u>139.08</u>	<u>157.27</u>

The detailed disclosures required by the Banking (Disclosure) Rules will be disclosed under "Regulatory Disclosures" on the website of the Bank (www.tybhk.com.hk).

(c) Leverage ratio

The bank is required under the Banking (Disclosure) Rules to disclose its leverage ratio. Leverage ratio was calculated on a solo basis, in accordance with the Capital Rules issued by the HKMA.

	<u>31.12.2018</u> %	<u>31.12.2017</u> %
Leverage ratio	<u>27.18</u>	<u>27.41</u>

The detailed disclosures can be viewed under "Regulatory Disclosures" on the website of the Bank (www.tybhk.com.hk).

(d) Capital conservation buffer ratio

The Capital conservation buffer ratio for calculating the Bank's buffer level is 1.875% as at 31 December 2018 (2017: 1.250%) in accordance with the Banking (Capital) Rules.

TAI YAU BANK, LIMITED

3. OTHER FINANCIAL INFORMATION - continued

(e) Countercyclical capital buffer ratio

The countercyclical capital buffer ratio was compiled in accordance with the Banking (Capital) Rules.

	<u>31.12.2018</u>	<u>31.12.2017</u>
	%	%
Countercyclical capital buffer ratio	<u>1.875</u>	<u>1.250</u>

The detailed disclosures can be viewed under "Regulatory Disclosures" on the website of the Bank (www.tybhk.com.hk).

(f) Capital charge for operational risk

The capital charge for operational risk calculated in accordance with the basic indicator approach at the end of the reporting period is:

	<u>2018</u>	<u>2017</u>
	HK\$'000	HK\$'000
Capital charge for operational risk	<u>3,459</u>	<u>2,691</u>

4. OPERATIONAL RISK

Operational risk is the risk of unexpected losses attributable to human error, systems failures, fraud, or inadequate internal controls and procedures.

Risk management is carried out by the Risk Committee under the policies approved by the Board of Directors to manage operational risks through proper human resources policies, delegation of authorities, segregation of duties, and timely and accurate management information.

A comprehensive contingency plan is available to ensure that key business functions continue and normal operations are restored effectively and efficiently in the event of business interruption.

TAI YAU BANK, LIMITED

5. INTERNATIONAL CLAIMS

The information of international claims discloses exposures to counterparties on which the ultimate risk lies, and is derived according to the location of the counterparties after taking into account any transfer of risk. In general, such transfer of risk takes place if the claims are guaranteed by a party in a country which is different from that of the counterparty or if the claims are on an overseas branch of a bank whose head office is located in another country. Only countries constituting 10% or more of the aggregated international claims are disclosed.

	<u>Banks</u> HK\$'000
<u>As at 31 December 2018</u>	
Developed countries	680,617
- of which: Japan	471,751
Canada	200,504
Offshore centres	281,180
- of which: Hong Kong	181,125
Singapore	100,055
Developing Asia and Pacific	989,077
- of which: China	483,710
Taiwan	244,764
Malaysia	260,603
<u>As at 31 December 2017</u>	
Developed countries	409,456
- of which: Japan	400,433
Offshore centres	189,407
- of which: Hong Kong	189,407
Developing Asia and Pacific	797,369
- of which: China	562,771
Malaysia	200,221

TAI YAU BANK, LIMITED

6. CURRENCY RISK

Foreign currency exposure arising from non-trading and structural positions which constitute 10% or more of the total net position in all foreign currencies are as follows:

	<u>At 31 December 2018</u> (Equivalent in HK\$)			<u>Total</u>
	<u>USD</u>	<u>GBP</u>	<u>CAD</u>	
Spot assets	102,483,992	174,151,272	8,288,570	284,923,834
Spot liabilities	(87,560,425)	(172,505,696)	(6,549,815)	(266,615,936)
Net long position	<u>14,923,567</u>	<u>1,645,576</u>	<u>1,738,755</u>	<u>18,307,898</u>
Net structural position	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>

	<u>At 31 December 2017</u> (Equivalent in HK\$)			<u>Total</u>
	<u>USD</u>	<u>GBP</u>	<u>CAD</u>	
Spot assets	42,813,301	181,903,196	8,965,748	233,682,245
Spot liabilities	(28,280,419)	(180,648,106)	(7,081,677)	(216,010,202)
Net long position	<u>14,532,882</u>	<u>1,255,090</u>	<u>1,884,071</u>	<u>17,672,043</u>
Net structural position	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>

7. OVERDUE AND RESCHEDULED LOANS AND OTHER ASSETS

As at the end of the reporting period, the Bank had no overdue or rescheduled loans and other assets.

8. MAINLAND ACTIVITIES

As at the end of the reporting period, the Bank had no non-bank exposures in the Mainland.

9. COMPLIANCE WITH DISCLOSURE REQUIREMENTS

In preparing the financial statements for the year ended 31 December 2018, the Bank has fully complied with the requirements set out in the Banking (Disclosure) Rules issued by the Hong Kong Monetary Authority.

財務披露報表

大有銀行有限公司

截至 2018 年 12 月 31 日止年度之
報告書及財務報表

大有銀行有限公司

報告書及財務報表

截至 2018 年 12 月 31 日止年度

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大有銀行有限公司

董事會報告書

董事會現呈截至 2018 年 12 月 31 日止年度之年報及經審核之財務報表。

主要業務

大有銀行有限公司（「本銀行」）是於香港註冊成立之私人有限公司，是一間根據香港銀行條例授權註冊的持牌銀行。本銀行為客戶提供銀行與財務有關的服務及香港同業存放。

業務回顧

本銀行之上述業務活動均在審慎的風險管理下進行。鑑於經濟環境轉變迅速，本銀行就市場波動作出密切監察，以監控流動性風險以及促進資產收益。

關鍵財務資料分析

截至2018年12月31日，除稅前的經營溢利為15,692,180 港幣（2017年：248,250,580港幣），較上財政年度下降94%。同業存放之存款利息年利率從0.12%至4.3%（2017年：從0.03%至1.78%）金額為38,866,593 港幣（2017年：19,697,875港幣），較上財政年度高97%。本年度的資產總值為2,922,476,893港幣，較上財政年度上升2%（2017年：2,853,916,999港幣）。

就本銀行之經營支出而言，當中董事酬金以及員工費用為9,040,417港幣（2017年：8,378,131港幣），本年度較上財政年度有8%增加。

本銀行貨幣市場存放業務增加後，本年度總資本比率為139.10%（2017年：157.29%）較上財政年度下降12%。而一級資本比率和普通股權一級資本比率均維持於139.08%（2017年：157.27%）較上財政年度下降12%。

截至2018年12月31日，淨利息收益率為1.2%（2017年：0.74%），較上財政年度上升62%。平均資產回報率為0.45%較上財政年度下降95%（2017年：8.88%）。股本回報率為1.7%較上財政年度下降95%（2017年：31.60%）。

整體而言，本銀行有著穩健的業務及良好的財務狀況，而且擁有良好的資產水準，資本充足比率及平均流動性維持比率均較相關法定要求高。

環境政策和表現

可持續發展和保護環境對本銀行的客戶、股東、政府和普羅大眾是重要議題。因此，本銀行在業務營運的每個可行範疇均致力減少碳足跡和天然資源的消耗。

本銀行的環保策略重點是在提供優質高效服務與致力減低溫室氣體排放和損害環境之間取得平衡。從而，本銀行已採取積極主動的做法，以電話、電子郵件或其他高效環保的通訊方式進行內部和對外通訊。因此，我們能夠將印刷減至最低。

目前，除合同及股票等法律文件以及就審核或法律目的所需的文件憑證外，本銀行避免保存所有文件和報告的印刷本。各類文件均掃描並在電子系統中保存以便未來檢索。

電子郵件和電子訊息已取代部份正式和非正式通訊（不論是對外或內部）中所使用的信件。

遵守法律法規

本銀行所經營的行業受到嚴格規管，若不符監管規定，我們可能被吊銷營業執照。從而，我們與監管機構之間關係的有效管理能左右本銀行的成就及其長遠價值。因此，我們將遵守相關規則和規例列作首要任務並恪守新法律。

於回顧年度，為確保銀行已遵守有關規則和規例並保持高品質的企業管治水平，我們已通過和實施相關措施並進行有效的資源調配。

遵守此等法律、法規和類似規定可能甚為繁瑣和所費不菲。任何有關成本（可能因為此等法律法規或相關詮釋的改變而產生）可單獨或合計使到本銀行的服務對客戶的吸引力減少；新服務因此須延期推出；或導致本銀行改變或限制其商業慣常做法。本銀行已實行旨在遵守最相關法律法規的政策和程序，惟無法保證本銀行的僱員或代理將不會違反有關法律法規或本銀行的政策和程序。

僱傭關係

本銀行的僱員是本銀行最重要的資產和持份者之一，銀行一直珍視彼等的貢獻和支持。本銀行根據行業基準、財務業績以及僱員個人表現定期檢討薪酬和福利政策。本銀行亦提供其他附帶福利及強制性公積金以挽留忠誠僱員，務求構建專業的員工和管理團隊，推動本銀行續創佳績。從銀行的低員工流失率可見員工樂意留效本銀行。此外，本銀行十分重視僱員的培訓和發展，並視優秀僱員為其競爭力的關鍵要素。

大有銀行有限公司

與客戶和供應商的關係

董事相信，與客戶保持融洽關係一直是本銀行取得佳績的關鍵因素之一。我們的使命是為客戶提供最出色的服務。本銀行不斷尋找方法，通過提升服務水平而增進客戶關係。通過上文所述，我們冀望促進與現有客戶的商機並招徠新的潛在客戶。

本銀行因主要業務的性質並無主要供應商。

主要風險和不確定因素

本銀行面對的主要風險和不確定因素包括策略、營運和財務風險。

策略風險

董事根據其時所知的外部環境以及多項預測和估計而在各財政年度年結時訂有策略計劃及財務預算。鑑於金融業的不可預見外部環境的轉變迅速，本銀行在更改策略計劃以應對外部環境中未能預見的轉變時，乃就本身的商業決定及資本開支需求面對顯著的策略風險。

營運風險

管理層定期審視本銀行的營運，以確保本銀行因欺詐、錯誤、遺漏以及其他營運和合規事宜而蒙受損失（無論是財務或其他方面）的風險得到充分管控。本銀行亦制訂本身的業務永續計劃，以就本銀行業務持續運作受到中斷的風險提供保障。

財務風險

主要財務風險載於財務報表附註4「財務風險管理」。

報告期後事項

報告期後無重大事項發生。

業績及分配

本銀行截至 2018 年 12 月 31 日止年度之業績詳列載於第 9 頁之損益及其他全面收益表內。

大有銀行有限公司

股本

本銀行之股本詳情詳列載於財務報表附註 19 內。本年內沒有任何股本變動。

股息

董事會宣佈每普通股按 0.50 港幣（2017 年：無）支付截至 2018 年 12 月 31 日止年度之最終股息。

董事

本年內及於本報告書發表時，本銀行董事如下：

高世堅先生(主席)	(於 2018 年 7 月 1 日就任)
高福球先生	(於 2018 年 6 月 30 日退任)
高福楹先生	
高世準先生	
高世杰先生	
高孟儀女士	
張鄭寶蓮女士	
楊贊韶先生	
阮民英先生	

根據本銀行之組織章程，現有董事將會退任，惟符合資格並願意參選連任。

認購股份及債券權益之安排

本銀行在本年內任何時間，並未涉及任何使本銀行的董事可透過認購本銀行或其他法人團體之股份或債券而獲取利益的合約安排。

董事在重要合約之利益

於年結日或本年度內任何時間，本銀行各董事概無直接或間接在本銀行所訂立之重要合約中享有重大的直接或間接利益。

大有銀行有限公司

獲准許之彌償條文

按照本銀行組織章程第 126 條的規定，本銀行之董事現在及本年度均獲有效之彌償條文。

核數師

本銀行將於股東週年大會上提呈續聘德勤·關黃陳方會計師行為本銀行核數師之決議案。

承董事會命
高世堅先生
主席

2019 年 4 月 2 日

獨立核數師報告書

致大有銀行有限公司股東
(於香港註冊成立之有限公司)

意見

本核數師（以下簡稱「我們」）已審核列載於 9 至 48 頁的大有銀行有限公司（以下簡稱「貴銀行」）的財務報表，此財務報表包括於 2018 年 12 月 31 日的財務狀況表與截至該日止年度的損益及其他全面收益表、股東權益變動表和現金流量表，以及財務報表附註，包括主要會計政策概要。

我們認為，該財務報表已根據香港會計師公會頒佈的《香港財務報告準則》真實而中肯地反映了貴銀行於 2018 年 12 月 31 日的財務狀況及截至該日止年度的財務表現及現金流量，並已遵照香港《公司條例》妥為擬備。

意見的基礎

我們已根據香港會計師公會頒佈的《香港審核準則》進行審核。我們在該等準則下承擔的責任已在本報告「核數師就審核財務報表承擔的責任」部分中作進一步闡述。根據香港會計師公會頒佈的《專業會計師道德守則》（以下簡稱「守則」），我們獨立於貴銀行，並已履行守則中的其他專業道德責任。我們相信，我們所獲得的審核憑證能充足及適當地為我們的審核意見提供基礎。

其他信息

貴銀行董事需對其他信息負責。其他信息包括刊載於年報內的信息，但不包括財務報表及我們的核數師報告。

我們對財務報表的意見並不涵蓋其他信息，我們亦不對該等其他信息發表任何形式的鑒證結論。

結合我們對財務報表的審核，我們的責任是閱讀其他信息，在此過程中，考慮其他信息是否與財務報表或我們在審核過程中所瞭解的情況存在重大抵觸或者似乎存在重大錯誤陳述的情況。基於我們已執行的工作，如果我們認為其他信息存在重大錯誤陳述，我們需要報告該事實。在這方面，我們沒有任何報告。

獨立核數師報告書

致大有銀行有限公司股東 - 續
(於香港註冊成立之有限公司)

董事及治理層就財務報表須承擔的責任

貴銀行董事須負責根據香港會計師公會頒佈的《香港財務報告準則》及香港《公司條例》擬備真實而中肯的財務報表，並對其認為為使財務報表的擬備不存在由於欺詐或錯誤而導致的重大錯誤陳述所需的內部控制負責。

在擬備財務報表時，董事負責評估貴銀行持續經營的能力，並在適用情況下披露與持續經營有關的事項，以及使用持續經營為會計基礎，除非董事有意將貴銀行清盤或停止經營，或別無其他實際的替代方案。

治理層須負責監督貴銀行的財務報告過程。

核數師就審核財務報表承擔的責任

我們的目標，是對財務報表整體是否不存在由於欺詐或錯誤而導致的重大錯誤陳述取得合理保證，並按照香港《公司條例》第 405 條的規定僅向全體成員出具包括我們意見的核數師報告。除此以外，我們的報告不可用作其他用途。本行並不就本行報告之內容對任何其他人士承擔任何責任或接受任何義務。合理保證是高水平的保證，但不能保證按照《香港審核準則》進行的審核，在某一重大錯誤陳述存在時總能發現。錯誤陳述可以由欺詐或錯誤引起，如果合理預期它們單獨或匯總起來可能影響財務報表使用者依賴財務報表所作出的經濟決定，則有關的錯誤陳述可被視作重大。

在根據《香港審核準則》進行審核的過程中，我們運用了專業判斷，保持了專業懷疑態度。我們亦：

- 識別和評估由於欺詐或錯誤而導致財務報表存在重大錯誤陳述的風險，設計及執行審核程序以應對這些風險，以及獲取充足和適當的審核憑證，作為我們意見的基礎。由於欺詐可能涉及串謀、偽造、蓄意遺漏、虛假陳述，或凌駕於內部控制之上，因此未能發現因欺詐而導致的重大錯誤陳述的風險高於未能發現因錯誤而導致的重大錯誤陳述的風險。
- 瞭解與審核相關的內部控制，以設計適當的審核程序，但目的並非對貴銀行內部控制的有效性發表意見。

獨立核數師報告書

致大有銀行有限公司股東 - 續
(於香港註冊成立之有限公司)

核數師就審核財務報表承擔的責任 - 續

- 評價董事所採用會計政策的恰當性及作出會計估計和相關披露的合理性。
- 對董事採用持續經營會計基礎的恰當性作出結論。根據所獲取的審核憑證，確定是否存在與事項或情況有關的重大不確定性，從而可能導致對貴銀行的持續經營能力產生重大疑慮。如果我們認為存在重大不確定性，則有必要在核數師報告中提請使用者注意財務報表中的相關披露。假若有關的披露不足，則我們應當發表非無保留意見。我們的結論是基於核數師報告日止所取得的審核憑證。然而，未來事項或情況可能導致貴銀行不能持續經營。
- 評價財務報表的整體列報方式、結構和內容，包括披露，以及財務報表是否中肯反映交易和事項。

我們與治理層溝通了計劃的審核範圍、時間安排、重大審核發現等，包括我們在審核中識別出內部控制的任何重大缺陷。

德勤·關黃陳方會計師行

執業會計師

香港

2019年4月2日

大有銀行有限公司

損益及其他全面收益表
截至 2018 年 12 月 31 日止年度

	附註	2018 港幣	2017 港幣
利息收入	6	38,866,593	19,697,875
利息支出	7	(8,524,924)	(2,659,596)
淨利息收入		30,341,669	17,038,279
其他經營收入	8	43,320	3,251,744
經營收入		30,384,989	20,290,023
經營支出	9	(14,392,809)	(12,967,350)
減值損失	10	(300,000)	-
處置可供出售投資之收益		-	240,927,907
除稅前溢利		15,692,180	248,250,580
利得稅支出	11	(2,449,095)	(730,000)
本年溢利淨額		13,243,085	247,520,580
本年其他全面收益總額			
<i>可於其後重新分類為損益之項目:</i>			
可供出售投資			
本年公允價值變動之淨額		-	244,237,907
重分類調整處置損益		-	(240,927,907)
本年其他全面收益總額		-	3,310,000
本年全面收益總額		13,243,085	250,830,580

大有銀行有限公司

財務狀況表

截至 2018 年 12 月 31 日止年度

	附註	2018 港幣	2017 港幣
資產			
庫存現金及與銀行及其他金融機構的結存	12	315,428,625	562,071,620
即期及短期同業存放	12	1,191,131,456	831,897,487
一至十二個月內到期之定期同業存放	12	1,402,154,520	1,451,728,820
客戶貸款及其他賬項	13	8,957,021	4,363,678
預付款項		76,667	-
以公允價值計量且其變動計入當期損益的金融資產	14	3,400,000	-
無形資產		210,000	210,000
可供出售投資	14	-	3,400,000
遞延稅項資產	15	245,394	245,394
設備及租賃物業裝修	16	873,210	-
資產總額		<u>2,922,476,893</u>	<u>2,853,916,999</u>
負債			
客戶存款	17	2,120,333,265	2,066,853,213
其他賬項及撥備	18	4,814,765	3,278,164
應付稅款		1,936,964	436,808
		<u>2,127,084,994</u>	<u>2,070,568,185</u>
資本來源			
股本	19	300,000,000	300,000,000
儲備		495,391,899	483,348,814
股東權益		<u>795,391,899</u>	<u>783,348,814</u>
負債及資本來源總額		<u>2,922,476,893</u>	<u>2,853,916,999</u>

載於第 9 頁至第 48 頁之財務報表已於 2019 年 4 月 2 日獲董事會審核通過並授權簽署及印發。

董事：高世堅
高福楹
高世準

大有銀行有限公司

股東權益變動表

截至 2018 年 12 月 31 日止年度

	股本 港幣	保留溢利 港幣	一般儲備 港幣	法定儲備 港幣	資本儲備 港幣	投資重估 儲備 港幣	合計 港幣
於 2017 年 1 月 1 日結餘	300,000,000	180,911,175	46,000,000	100,000	5,507,059	-	532,518,234
全年溢利	-	247,520,580	-	-	-	-	247,520,580
其他全面收益總額	-	-	-	-	-	3,310,000	3,310,000
可供出售投資							
- 本年累計公允價值變動淨額	-	-	-	-	-	244,237,907	244,237,907
- 重分類調整處置損益	-	-	-	-	-	(240,927,907)	(240,927,907)
於 2017 年 12 月 31 日結餘	300,000,000	428,431,755	46,000,000	100,000	5,507,059	3,310,000	783,348,814
應用 香港財務報告準則 第 9 號 之影響 (附注 2)	-	2,110,000	-	-	-	(3,310,000)	(1,200,000)
於 2018 年 1 月 1 日結餘	300,000,000	430,541,755	46,000,000	100,000	5,507,059	-	782,148,814
全年溢利及其他全面收益總額	-	13,243,085	-	-	-	-	13,243,085
於 2018 年 12 月 31 日結餘	300,000,000	443,784,840	46,000,000	100,000	5,507,059	-	795,391,899

附註：法定儲備是根據香港金融管理局之要求而成立及派發予本銀行股東前須諮詢香港金融管理局之意見。
一般儲備和法定儲備來自以往年度之保留溢利。

大有銀行有限公司

現金流量表
截至 2018 年 12 月 31 日止年度

	<u>2018</u> 港幣	<u>2017</u> 港幣
經營業務		
稅前溢利	15,692,180	248,250,580
調整項目：		
利息收入	(38,866,593)	(19,697,875)
利息支出	8,524,924	2,659,596
非上市可供出售投資股息	-	(2,820,000)
處置可供出售投資之收益	-	(240,927,907)
折舊支出	51,365	-
減值損失	300,000	-
營運資金變動前之經營業務現金流量	(14,298,124)	(12,535,606)
原定到期日逾三個月之即期及短期同業存放之 (增加)減少	(569,750,000)	306,006,000
原定到期日逾三個月之定期同業存放之 (增加)減少	(54,361,712)	152,087,886
客戶貸款之 (增加)減少	(249,000)	221,000
預付款項之增加	(76,667)	-
客戶存款之增加 (減少)	53,480,054	(54,264,156)
其他賬項之增加	245,557	408,058
來自 (用於) 業務之現金淨額	(585,009,892)	391,923,182
已收利息	34,502,250	19,987,118
已支利息	(7,233,882)	(2,517,767)
已支付香港利得稅	(948,939)	(413,192)
來自 (用於) 經營業務之現金淨額	(558,690,463)	408,979,341
投資業務		
非上市可供出售投資股息	-	2,820,000
處置可供出售投資所得款項	-	252,087,907
購買設備	(924,575)	-
來自 (用於) 投資業務之現金淨額	(924,575)	254,907,907
淨現金及等同現金項目之 (減少) 增加	(559,615,038)	663,887,248
1 月 1 日的現金及等同現金項目	1,788,550,094	1,124,662,846
12 月 31 日的現金及等同現金項目	1,228,935,056	1,788,550,094
現金及等同現金項目分析		
庫存現金及與銀行及其他金融機構的結存	315,491,423	562,071,620
原定到期日至三個月或以下之即期及短期同業存放	521,668,048	731,897,487
原定到期日至三個月或以下之定期同業存放	391,775,585	494,580,987
	1,228,935,056	1,788,550,094

1. 一般事項

大有銀行有限公司（「本銀行」）是於香港註冊成立之私人有限公司，是一間根據香港銀行條例授權註冊的持牌銀行。本銀行之註冊地址及主要營業地點為香港灣仔菲林明道 8 號大同大廈 29 樓。

本銀行主要業務為客戶提供銀行與財務有關的服務及香港同業存放。

本銀行之財務報表是以港幣呈列，及主要交易項目亦均以港幣結算。

2. 採用新頒佈及經修訂香港財務報告準則

本年度採用新頒佈及經修訂的香港財務報告準則

本銀行已於本年度首次採用由香港會計師公會頒佈的新頒佈及經修訂香港財務報告準則。

香港財務報告準則第 9 號	金融工具
香港財務報告準則第 15 號	客戶合同之收入及相關修訂
香港財務報告解釋公告第 22 號	外幣交易及預付對價
香港財務報告準則第 2 號(修訂)	以股份為基礎的支付之分類及其計量
香港財務報告準則第 4 號(修訂)	根據香港財務報告準則第 4 號-保險合同應用 香港財務報告準則第 9 號-金融工具
香港會計準則第 28 號(修訂)	香港財務報告準則年度改進之 一部分：2014 - 2016 年週期
香港會計準則第 40 號(修訂)	投資物業轉換

除下文所述以外，預期於本年度應用其他新訂或修訂香港財務報告準則對本銀行本年度及之前年度財務表現及狀況及/或本財務報表中列載之披露無重大影響。

2. 採用新頒佈及經修訂香港財務報告準則 - 續

香港財務報告準則第 9 號「金融工具」

於本年度內，本銀行應用了香港財務報告準則第 9 號「金融工具」及對香港財務報告準則之其他相關重要修訂。香港財務報告準則第 9 號引入了 1) 金融資產和金融負債分類和計量，2) 金融資產預期信貸損失，3) 一般對沖會計法之新規定。

本銀行已根據香港財務報告準則第 9 號載列之過渡條款採用該準則，即：對截至 2018 年 1 月 1 日（首次應用日）尚未終止確認之工具採用回溯法應用分類及計量要求（包括預期信貸損失下的減值要求），但對及截至 2018 年 1 月 1 日已終止確認之工具不應用該等要求。截至 2017 年 12 月 31 日之賬面值與截至 2018 年 1 月 1 日之賬面值之間的差異於期初留存溢利及其他權益部分中予以確認，未對比較信息加以重述。

因此，由於比較信息系根據「香港會計準則第 39 號-金融工具：確認與計量」編制，部分比較信息可能缺乏可比性。

應用香港財務報告準則第 9 號之會計政策載於附注 3。

首次應用香港財務報告準則第 9 號之影響概述

下表列述了於首次應用日，即 2018 年 1 月 1 日對保留溢利之影響。

	應用香港財務報告準則 第 9 號 <u>對期初餘額之影響</u> 港幣
<u>保留溢利</u>	
重新計量按攤銷成本計量的金融資產之預期信貸損失	(1,200,000)
由投資重估儲備轉入	<u>3,310,000</u>
2018 年 1 月 1 日保留溢利之淨增長	<u>2,110,000</u>
<u>投資重估儲備</u>	
轉入保留溢利	<u>(3,310,000)</u>
2018 年 1 月 1 日投資重估儲備之淨減少	<u>(3,310,000)</u>

2. 採用新頒佈及經修訂香港財務報告準則 - 續

香港財務報告準則第 9 號「金融工具」 - 續

首次應用香港財務報告準則第 9 號之影響概述 - 續

下表列述了應用香港財務報告準則第 9 號對財務狀況表期初餘額的影響。

	2017 年 12 月 31 日 港幣	自可供出售 投資 重分類 港幣	預期信貸損失 模型下 減值損失之 重新計量 港幣	2018 年 1 月 1 日 港幣
<u>資產</u>				
庫存現金及與銀行及其他 金融機構的結存	562,071,620	-	(61,473)	562,010,147
即期及短期同業存放 一至十二個月內到期之	831,897,487	-	(165,642)	831,731,845
定期同業存放	1,451,728,820	-	(963,600)	1,450,765,220
客戶貸款及其他賬項	4,363,678	-	(9,285)	4,354,393
	<hr/>	<hr/>	<hr/>	<hr/>
以公允價值計量且其變動 計入損益的金融資產	-	3,400,000	-	3,400,000
無形資產	-	210,000	-	210,000
可供出售投資	3,610,000	(3,610,000)	-	-
遞延稅項資產	245,394	-	-	245,394
設備及租賃物業裝修	-	-	-	-
	<hr/>	<hr/>	<hr/>	<hr/>
資產總額	2,853,916,999	-	(1,200,000)	2,852,716,999
<u>負債</u>				
客戶存款	2,066,853,213	-	-	2,066,853,213
其他賬項及撥備	3,278,164	-	-	3,278,164
應付稅款	436,808	-	-	436,808
	<hr/>	<hr/>	<hr/>	<hr/>
負債總額	2,070,568,185	-	-	2,070,568,185
<u>資本來源</u>				
股本	300,000,000	-	-	300,000,000
儲備	483,348,814	-	(1,200,000)	482,148,814
	<hr/>	<hr/>	<hr/>	<hr/>
負債及資本來源總額	2,853,916,999	-	(1,200,000)	2,852,716,999

甲. 可供出售投資

公允價值為 3,400,000 港幣之俱樂部債券投資從可供出售投資重分類為以公允價值計量且其變動計入當期損益的金融資產。這是因為持有此俱樂部債券的商業模式其目標既不是收取合同現金流量，又不是收取合同現金流量並出售該等資產以及上述投資的合同現金流量。於 2018 年 1 月 1 日，相關公允價值收益為 3,310,000 港幣，已從投資重估儲備轉入保留溢利。

2. 採用新頒佈及經修訂香港財務報告準則 - 續

香港財務報告準則第 9 號「金融工具」 - 續

首次應用香港財務報告準則第 9 號之影響概述 - 續

乙. 預期信貸損失模式項下之減值

因自初始確認以來信貸風險並無顯著增長，故按攤銷成本計量的金融資產之預期信貸損失乃基於 12 個月之預期信貸損失進行評估。

於 2018 年 1 月 1 日，於保留溢利中確認信貸損失準備金 1,200,000 港幣。且從相關資產中扣除該筆損失準備金。

香港財務報告準則第 15 號「客戶合同之收入」

本銀行已於本年度首次應用香港財務報告準則第 15 號。香港財務報告準則第 15 號取代了香港會計準則第 18 號-收入（該準則涵蓋銷售商品及提供服務之收入），香港會計準則第 11 號-建築合約（該準則明確規定建築合約相關會計處理）。

本銀行對新準則進行評估並認定當前客戶合同之收入相關會計處理與新原則一致。應用香港財務報告準則第 15 號未對財務狀況產生重大影響且對保留溢利無過渡影響。

已頒佈但尚未生效之新頒佈及經修訂準則及詮釋

本銀行並無提早採用以下已頒佈但尚未生效之新頒佈或經修訂香港財務報告準則：

香港財務報告準則第 16 號	租賃 ¹
香港財務報告準則第 17 號	保險合約 ³
香港財務報告解釋公告第 23 號	所得稅處理的不確定性 ¹
香港財務報告準則第 3 號(修訂)	業務定義 ⁴
香港財務報告準則第 9 號(修訂)	具有負補償的提前還款特性 ¹
香港財務報告準則第 10 號 及香港會計準則第 28 號(修訂)	投資者與其合營企業或聯營企業 之間的資產出售或投入 ²
香港會計準則第 1 號 及香港會計準則第 8 號(修訂)	重要性定義 ⁵
香港會計準則第 19 號(修訂)	計劃修訂，削減或結算 ¹
香港會計準則第 28 號(修訂)	於合營企業及聯營企業中的長期權益 ¹
香港財務報告準則之修訂	香港財務報告準則年度改進：2015 - 2017 年週期 ¹

1 於 2019 年 1 月 1 日或以後開始之會計年度生效。

2 於將予釐定之日期或以後開始之年度期間生效。

3 於 2021 年 1 月 1 日或以後開始之會計年度生效。

4 對收購日期於 2020 年 1 月 1 日或以後開始之會計年度發生的業務合併和資產收購生效。

5 於 2020 年 1 月 1 日或以後開始之會計年度生效

除上述新訂及經修訂香港財務報告準則外，本銀行董事預期應用所有其他新訂及經修訂香港財務報告準則在可預見未來不會對財務報表產生重大影響。

2. 採用新頒佈及經修訂香港財務報告準則 - 續

香港財務報告準則第 16 號「租賃」

香港財務報告準則第 16 號取消了當前對承租人區分資產負債表內金融租賃與資產負債表外經營租賃的相關規定。該等規定被單一資產負債表內會計模型取代。承租人在資產負債表內確認資產使用權及相應的租賃負債。資產使用權在租賃期內進行攤銷，租賃負債按攤銷成本計量。截至 2018 年 12 月 31 日，本銀行之不可撤銷經營租賃承擔額為 521,300 港幣，請參閱附註 23 之披露。

3. 主要會計政策

本財務報表乃按照香港會計師公會頒佈之香港財務報告準則中生效的條文編製，亦因應香港《公司條例》（以下稱「香港《公司條例》」）而作相關披露。

本財務報表乃按照歷史成本基準編製。歷史成本一般以交換貨品及服務時所付代價之公允值為根據。

公允價值為市場參與者於計量日期在有序交易中出售資產可能收取或轉讓負債可能支付之價格，不論該價格是否直接可觀察或使用另一項估值方法估計。估計資產或負債之公平價值時，本行考慮了市場參與者在計量日期為該資產或負債進行定價時將會考慮的資產或負債特徵。

對於以公允價值轉移的金融工具和採用不可觀察輸入資料計量以後期間公允價值的估值技術，通過校準估值技術，以使估值技術的結果等於交易價格。

此外，就財務報告而言，公允價值計量根據公允價值計量輸入資料的可觀察程度及輸入資料對公允價值計量之整體重要性分類為第一級，第二級或第三級，載述如下：

- 第一級輸入資料為實體在計量日可以存取的相同資產或負債在活躍市場之報價（未經調整）；
- 第二級輸入資料是就資產或負債直接或間接地可觀察之輸入資料（第一級內包括的報價除外）；及
- 第三級輸入資產或負債的不可觀察輸入資料。

3. 主要會計政策 - 續

主要會計政策如下:

利息收入及支出

除以公允價值計量且其變動計入損益的金融資產（及於 2018 年 1 月 1 日其採用香港財務報告準則第 9 號以前之可供出售投資）外，其他所有金融工具之利息收入及支出於利潤表中確認為利息收入和利息支出，並按實際利率乘以金融資產（隨後發生信貸減值的金融資產除外）之賬面值總額計算。對於隨後發生信貸減值的金融資產，按實際利率乘以下一報告期金融資產之攤銷成本，確認利息收入。倘信貸減值之金融工具的信貸風險得到改善，金融資產不再發生信貸減值，則自確定該資產不再發生信貸減值的報告期開始，按實際利率乘以金融資產賬面值總額，確認利息收入。

設備及租賃物業裝修

設備及租賃物業裝修乃以成本減相關累計折舊及攤銷及期後之累計減值虧損於財務狀況表內入賬。

根據設備及租賃物業裝修估計可使用年期扣減估計剩餘價值，確認折舊，並以直線法攤銷其成本。每逢報告期末時，銀行均會覆核估計可使用年期、剩餘價值及折舊的計算方法，以未來适用法核算估計變動之影响。

設備及租賃物業裝修於出售時或當繼續使用該資產預期不會產生任何日後經濟利益時終止確認。出售或報銷任何物業及設備時，按該項目之出售款額及賬面值間之差額計算其損益。

無形資產

單獨收購、具有有限可使用年期之無形資產按成本減累計攤銷及累計減值虧損列賬。攤銷按其估計可使用年期以直線法確認。估計可使用年期及攤銷方法會於每年報告期末回顧，以預期任何更改估計的理據。單獨收購、具有無限可使用年期的無形資產按成本減累計減值虧損列賬。

3. 主要會計政策 - 續

金融工具 - 於 2018 年 1 月 1 日應用香港財務報告準則第 9 號之前

當本銀行成為金融工具合約其中一方時，確認金融資產及金融負債。

金融資產及金融負債初步按公允價值計量。於初步確認時應直接計入收購或發行金融資產及金融負債之交易成本 (除了以公允價值計量且其變動計入損益的金融資產或金融負債之外)，適當地加入或從金融資產或金融負債之公平值扣減。直接歸屬於以公允價值計量且其變動計入損益的金融資產或金融負債之交易費用會立即確認於損益賬。

金融資產

本銀行金融資產分為貸款及應收款項及可供出售之金融資產。根據金融資產的性質及目的予以分類，並於初始確認時決定。所有從正常管道購買或出售的金融資產均須於交易日確認或終止確認。從正常管道購買或出售之金融資產須於法例或市場慣例訂立的期間內交付。

實際利率法

實際利率法乃計算金融資產之攤銷及於有關期間分配利息收入之方法。有效利率乃對初步確認的賬面值用以準確折讓金融資產之預計年期或適用之較短期間之預計未來現金收入 (包括構成整體有效利率之一切已付或已收利率差價費用、交易成本及其他溢價及折讓) 之利率。

金融資產的利息收入以有效利率基準確認。

可供出售金融資產

可供出售金融資產是指指派為可供出售或者未分類為以公允價值計量且其變動計入當期損益的金融資產、貸款及應收款項或持作到期投資的一種非衍生工具。

本行持有的被劃分為可供出售金融資產的權益和債務證券在每個報告期末均按照公允價值計量，但公允價值不能可靠計量且沒有活躍市場標價的權益投資除外。與按實際利率法計算的利息收入相關的可供出售金融債務工具賬面價值的變動在損益中確認。可供出售權益工具的股息於本行收取股息的權利確立時於損益內確認。可供出售金融資產賬面金額的其他變動於其他全面收入內確認並於投資重估儲備中累計。當投資被處置或被確定為減值時，先前累計於投資重估儲備的累計收益或虧損會重新分類至損益。

在活躍市場上沒有市場報價且公允價值不能可靠計量的可供出售投資，會於報告期末以成本減任何已確認減值虧損來進行計量。

3. 主要會計政策 - 續

金融工具 - 於 2018 年 1 月 1 日應用香港財務報告準則第 9 號之前 - 續

金融資產 - 續

貸款及應收款項

貸款及應收款項屬非衍生工具金融資產，其固定或待議定之付款無須於交投活躍的市場作報價。貸款及應收款項（包括庫存現金及與銀行及其他金融機構的結存、即期及短期同業存放、一至十二個月內到期之定期同業存放、客戶貸款及其他賬項）均按實際利率法攤銷後之成本，並減去任何減值入賬。

利息收入採用實際利率法確認，但確認利息不重大的短期應收款項時除外。

金融資產減值

金融資產(以公允價值計量且其變動計入當期損益的金融資產除外)於每個報告期末據其減值跡象作出評估。倘有客觀證據顯示，金融資產之估計未來現金流量因初步確認金融資產後發生之一項或多項事件而受到影響，該金融資產則被視為已經減值。

就金融資產而言，減值客觀證據可包括：

- 發行人或交易對手出現嚴重財困；或
- 違約，如無力支付或拖欠利息或本金；或
- 借貸人有可能破產或進行財務重組；或
- 因財政困難而導致該金融資產的市場不再活躍。

若干之金融資產如客戶貸款被評為不會個別減值之資產會另外彙集作減值評估。客戶貸款組合減值之客觀證據可包括本銀行收取還款之過往經驗，以及觀察客戶貸款出現違約之相關國家或本地經濟環境變動。

就按攤銷成本列賬之金融資產而言，其減值虧損會以資產賬面值與按該金融資產原有效利率折現未來現金流量預算之現值兩者之差額計算，並予以確認。

當可供出售金融資產被視為出現減值時，先前於其他全面收益內確認的累計收益或虧損於期內重新分類至損益。

3. 主要會計政策 - 續

金融工具 - 於 2018 年 1 月 1 日應用香港財務報告準則第 9 號之前 - 續

金融資產 - 續

金融資產減值 - 續

就按攤銷成本計量之金融資產而言，倘於期後減值虧損有所減少，並且其減少與確認該減值虧損後發生的事項有客觀關係，早前確認的減值虧損可透過損益賬撥回，但減值撥回以撥回當天之資產賬面值為限，不得超過該項資產未確認減值前原來之已攤銷成本。

就可供出售權益投資而言，先前於損益內確認的減值虧損不會通過損益撥回。減值虧損後公允價值的任何增加於其他全面收益確認，並於投資重估儲備中累計。就可供出售投資的債務投資而言，倘投資的公允價值增加客觀上與確認減值虧損後發生的事件相關，則減值虧損會於損益中轉回。

金融負債及股本工具

由本銀行發行的債務及股本工具乃根據所訂合約安排的內容及金融負債及股本工具的定義分類為金融負債或權益。

股本工具

股本工具證明本銀行資產於削減其所有負債後之剩餘權益之任何合約，均為股本工具的證明。由本銀行發行的股本工具以已收得款項減除直接發行成本後記錄。

實際利率法

實際利率法乃計算金融負債之攤銷成本及於有關期間分配利息支出之方法。有效利率乃對初步確認的賬面值用以準確折讓金融負債之預計年期或適用之較短期間之預計未來現金收入（包括構成整體有效利率之一切已付或已收利率差價費用、交易成本及其他溢價及折讓）之利率。

利息支出以有效利率基準確認。

按攤銷成本計量的金融負債

金融負債（包括客戶存款、應付利息及其他賬項），以實際利率法按攤銷成本計量。

3. 主要會計政策 - 續

金融工具 - 於 2018 年 1 月 1 日應用香港財務報告準則第 9 號之前 - 續

財務擔保合約

財務擔保合約泛指當合約持有人因指定債務人未能按債務工具的條款支付到期還款而蒙受損失時，發行人須向持有人償付指定款項的合約。

本銀行發行之財務擔保合約按公平值作計量，如未透過損益賬指定其公平值，將會以兩者中較高者計量財務擔保合約：

- (i) 根據香港會計準則第 37 條「撥備、或有負債及或有資產」合約所訂之金額；或
- (ii) 初始確認價值減根據在擔保期間收入確認政策所確認之累計攤銷後金額。

終止確認

僅於自資產獲得現金流的合約權利屆滿，或金融資產已轉讓而本銀行已將幾乎所有風險及回報擁有權同時轉讓另一實體時，本銀行方會終止確認該金融資產。如果本銀行既不轉讓同時也不保留所有風險及回報擁有權，但又繼續管有已轉讓資產，本銀行會確認其對該資產的留存權益及其可能支付的金額的相關負債。如果本銀行保留轉移金融資產的所有風險和報酬所有權，本銀行將繼續確認該金融資產，並確認所收到的收益為抵押借款。

當金融資產完全被終止確認，其賬面值及已收代價及已直接於其他全面收益內確認累計收益或虧損總和之差額，而累計權益則於損益賬確認。

本銀行終止確認金融負債，是指當有關合約指定本銀行承擔之債務被解除、註銷或已經屆滿時，終止確認金融負債賬面值與已付或應付代價之差額，於損益賬確認。

金融工具 - 自 2018 年 1 月 1 日應用香港財務報告準則第 9 號起

當本銀行成為金融工具合約其中一方時，於本銀行資產負債表中確認金融資產及金融負債。

本銀行將其金融工具分類為：庫存現金及與銀行及其他金融機構的結存、即期及短期同業存放、一至十二個月內到期之定期同業存放、客戶貸款及其他賬項、指定為以公允價值計量的金融資產和客戶存款。上述分類取決於根據業務模式、金融資產之合約現金流量特徵或選擇的公允價值選擇權。管理層於初始確認時釐定上述分類。

3. 主要會計政策 - 續

金融工具 - 自 2018 年 1 月 1 日應用香港財務報告準則第 9 號起 - 續

按攤銷成本計量之金融資產

倘在某業務模式下持有金融資產之目標為收取合約現金流量，且合約現金流量僅為償還剩餘本金之本金和利息，該金融資產按攤銷成本計量。該等金融資產按公允價值加交易成本進行初始計量，按照攤銷成本使用實際利率法進行後續計量。減值準備金計入損益，且對撥備賬項進行相應調整，減少上述資產之賬面值。若減值準備金金額於後續期間減少，減值損失通過損益轉回。此類金融資產包括庫存現金及與銀行及其他金融機構的結存、即期及短期同業存放、一至十二個月內到期之定期同業存放和客戶貸款及其他賬項。

以公允價值計量且其變動計入當期損益之金融資產

以公允價值計量且其變動計入當期損益之金融資產為：

- 合約現金流量不僅為支付本金和利息款項的資產：或/及
- 商業模式下持有的資產而非為收取合約現金流量或為出售而持有的資產；或
- 使用公允價值選擇權指定為以公允價值計量且其變動計入損益的資產。

上述資產以公允價值計量，重新計量之收益/損失計入損益。

按攤銷成本計量金融資產之減值

就庫存現金及與銀行及其他金融機構的結存、即期及短期同業存放、一至十二個月內到期之定期同業存放和客戶貸款及其他賬項確認預期信貸損失。初始確認時，需對於等於十二個月內或少於十二個月可能發生（剩餘存續期間等於十二個月或少於十二個月）之違約事件導致的預期信貸損失計提供減值準備金（或對某些貸款承擔及財務擔保進行撥備）。若信貸風險顯著增長，需對金融工具預計存續期間所有可能發生的違約事件（存續期預期信貸損失）導致的預期信貸損失提供準備金（或撥備）。確認十二個月預期信貸損失的金融資產被視作處於第一階段；信貸風險被認為已發生顯著增長的金融資產處於第二階段；若有客觀證據表明金融資產減值，認為該等資產已違約或信貸減值，是處於第三階段。

3. 主要會計政策 - 續

金融工具 - 自 2018 年 1 月 1 日應用香港財務報告準則第 9 號起 - 續

信貸減值之金融資產（第三階段資產）

當發生一項或多項事件對金融資產的預計未來現金流量產生不利影響，該金融資產即發生信貸減值。信貸減值之金融資產為第三階段資產。信貸減值的證據包括下列事件之可觀察數據：

- 發行方或債務人發生嚴重財務困難；
- 違反合約條款，如違約或逾期事件等；
- 債權人出於經濟或合約等方面因素的考慮，對發生財務困難的債務人作出讓步(而在其他情況下不會作此讓步)
- 因財務困難導致證券無法活躍地在市場繼續交易；或
- 以反映所發生減值損失的高度折扣購買金融資產。

除非有證據表明，做出讓步會使未收到合同現金流量之風險顯著降低，且沒有其他減值跡象，否則，當對發生財務困難的債務人作出讓步時，貸款被視為發生信貸減值。對於計劃做出但並未做出讓步的金融資產，當存在可觀察信貸減值證據（包括符合違約定義）時，該資產被視為發生信貸減值。違約之定義（參見下文）包括不可能支付跡象以及金額已逾期90天或更長時間。

違約之定義

違約定義乃釐定預期信貸損失之關鍵。違約之定義用於計量預期信貸損失金額並釐定損失準備金是基於十二個月預期信貸損失還是基於存續期預期信貸損失做出，原因是違約乃違約概率之組成部分之一，而違約概率會影響預期信貸損失之計量及信貸風險顯著增加之識別。

本銀行將下述情況視為違約事件:

- 債務人對本銀行的重大信貸義務已逾期九十天；或
- 債務人有可能不能全額支付其對本銀行的信貸義務。

3. 主要會計政策 - 續

金融工具 - 自 2018 年 1 月 1 日應用香港財務報告準則第 9 號起 - 續

信貸風險之顯著增長

本銀行監控所有符合減值要求之金融資產，已發行貸款承諾及財務擔保合約，以評估自初始確認後信貸風險是否顯著增長。倘信貸風險顯著增長，本銀行將按照存續期預期信貸損失而非12個月預期信貸損失來釐定損失準備金。本銀行會計政策並不是使用實務操作，即報告日具有“低”信貸風險的金融資產被視為信貸風險未顯著增長。因此，本銀行監控所有符合因信貸風險顯著增長而須減值之金融資產，已發行貸款承諾及財務擔保合約。

評估自初始確認以來金融工具之信貸風險是否顯著增長時，本銀行將金融工具首次確認後基於工具剩餘期限確定之報告日金融工具發生違約之風險與當前報告日預期剩餘期限內發生違約之風險加以比較。進行此評估時，本銀行根據歷史經驗和專家信貸評估（包括前瞻性信息），考慮了合理有據的定性定量信息，包括無需付出不當成本及努力就可獲得的歷史經驗和前瞻性信息。

定量信息是信貸風險顯著增長的主要指示，通過比較下述指標基於存續期的違約概率變化釐定：

- 報告日剩餘存續期之違約概率；及
- 根據風險初始確認時之事實和情況估計現時之剩餘存續期之違約概率。

使用的違約概率為前瞻性信息，本銀行所使用的方法和資料與根據預期信貸損失計量損失準備金所使用的方法和資料相同。

表明信用風險顯著增加的定性因素及時反映在違約概率模型中。然而，本行仍然分別考慮一些定性因素，以評估信貸風險是否顯著增加。對於企業貸款，特別關注列入“觀察名單”的資產，因為一旦擔心特定交易對手的信譽惡化，就會有一個風險出現在觀察名單上。對於零售貸款，銀行考慮了對寬容和還款假期，信用評分以及失業，破產，離婚或死亡等事件的預期。

作為資產到期30天後之備選方案，本銀行認為信貸風險已顯著增長且資產處於減值模型的第2階段，即損失準備金按存續期預期信貸損失計量。此外，單獨評估及已列入觀察名單之貸款亦處於減值模型第2階段。如上所述，如果存在信貸減值跡象，則資產處於減值模型第3階段。

3. 主要會計政策 - 續

金融工具 - 自 2018 年 1 月 1 日應用香港財務報告準則第 9 號起 - 續

金融資產修改及終止確認

倘在金融資產初始確認及到期日之間，支配金融資產現金流量之合約條款予以修改，則金融資產亦予以修改。倘現有協議被取消且新協議條款存在實質性不同，或現有協議條款修改後，經修改之金融資產為實質上不同之金融工具，則終止確認經修改金融資產。倘已終止確認經修改金融資產，則於終止確認日期重新計量預期信貸損失，以釐定該日此資產之賬面淨值。經修改之賬面值與新金融資產之公允價值之差額將確認為終止確認收益/虧損。

新金融資產減值撥備之計量依據一般為 12 個月預期信貸損失。倘金融資產修改後並不會導致終止確認，則本銀行將比較修改前後之總賬面值（不包括預期信貸損失準備金），計算修改收益/虧損。通過比較報告日違約風險（基於經修改合約條款）和初始確認時違約風險（基於未修改之合約條款），本銀行釐定自初始確認後經修改之金融資產其信貸風險是否顯著增長。

倘信貸風險顯著高於初始確認之預期，則減值撥備將繼續按照存續期預期信貸損失計量。僅當有證據表明金融資產修改後債務人還款行為有所改善，使先前大幅增長至信貸風險有所轉回，減值撥備才可按照 12 個月預期信貸損失計量。

核銷

金融資產將在本銀行合理預期無法收回金融資產（全部或部分金融資產）時予以核銷。在本銀行確定債務人無資產或收入來源可以產生足夠的現金流量償還核銷金額時，為此種情況。核銷構成終止確認事件。本行可以對已核銷之金融資產採取強制執行活動。通過本銀行強制執行活動收回的資產將產生減值收益，其在損益表中列報為“金融資產減值損失淨額”中。

財務狀況表中預期信貸損失準備金之列報

財務狀況表中列報的金融資產預期信貸損失之損失準備金按攤銷成本計量，自相關資產賬面值總額中扣除。

3. 主要會計政策 - 續

金融工具 - 自 2018 年 1 月 1 日應用香港財務報告準則第 9 號起 - 續

金融負債

金融負債被分類為「以公允價值計量且其變動計入當期損益的金融負債」或「其他金融負債」。

於財務狀況表中呈列之金融負債金額代表含應計利息在內之應付金額。

其他金融負債

金融負債乃合約義務，為本銀行處於潛在不利條件下，需向其他實體支付現金、其他金融資產或交換金融資產或對其他實體之金融負債；或將/可由本銀行自身股權工具結算的合約，本銀行有/可能有義務支付可變數量之自身股份工具的非衍生工具合約，或關於自身股份的衍生工具合約-該合約將/可通過以固定現金（或其他金融資產）交換固定數量之本銀行自身股份工具以外的方式結算。

其他金融負債，如存款及借款，按公允價值扣除交易成本進行初始計量。其他金融負債以攤銷成本用實際利率法進行後續計量。

實際利率法是指計算金融負債攤銷成本及攤銷各期利息收入或支出的方法。實際利率是指將金融負債在預期存續期間或適用的更短期間內的未來現金流量，折現為該金融負債當前賬面價值所使用的利率。實際利率詳情請參考上述「淨利息收入章節」。

撥備

當本銀行因對過往事件須於當期承擔債項(法律或推定的)，而且本銀行可能會被要求償還該債項，並能夠就該債項金額作出可靠預算，有關撥備則可予以確認。

撥備的計量是考慮過圍繞該債項之風險及不明朗因素，就履行當期還款責任於報告期末作出最佳預算撥備的估計。若撥備之計量乃利用估計現金流以償付當期債項，其賬面值則為該等現金流之現值（當資金的時間價值對本行帶來重大影響）。

當結算撥備所需要的一些或所有經濟利益可從第三方收回，如該報銷的收入是幾乎肯定而且應收的金額能夠可靠地計量，應收賬款將被確認為一項資產。

3. 主要會計政策 - 續

稅項

稅項開支指當期應繳稅項及遞延稅項之總和。

當期應繳稅項乃按本年度應課稅溢利計算。由於隨後年期應課稅或可扣稅之收入或支出賬項及從未課稅或扣稅的項目之緣故，應課稅溢利不同於「除稅前溢利」。本銀行之本期稅務負債乃採用於報告期末已頒佈或實際頒佈之稅率計算。

遞延稅項是指財務報表內的資產和負債賬面值與計算應課稅溢利所用之相應稅基的臨時差額。遞延稅項負債泛指所有應課稅的臨時差額。而遞延稅項資產一般指所有可扣減臨時差額，惟該差額不得超過將來可能用作抵銷可扣稅臨時差額的應課稅溢利。倘暫時差額乃因初次確認交易（業務合併除外）中之遞延稅項資產及負債所產生，且不會對應課稅溢利或會計溢利構成影響，則該等遞延稅項資產及負債將不予確認。

遞延稅項資產之賬面值會於每年報告期末回顧，並減低至預期沒有足夠應課稅溢利以扣減全部或部份相關資產的稅項。

遞延稅項資產和負債乃按照於償還負債或兌現資產時期間適用之稅率，以及報告期末已頒佈或實際頒佈之稅率（及稅法）計算。

遞延稅項及資產之計算反映本銀行預期於報告期末的稅務影響，以收回其資產或清償其負債之賬面值。

若本銀行擁有法定權利抵消當前稅項資產及負債，且當前稅項資產及負債與同一稅收徵管部門徵收的所得稅相關，且本銀行意圖以淨額結算當期所得稅資產和負債時，遞延稅項資產及負債被抵銷。

當期及遞延稅項於損益賬內確認，惟當期與於其他全面收益確認或直接於權益確認之項目有關時，當期及遞延稅項亦會分別於其他全面收益確認或直接於權益確認。

租賃

除非另有系統基準更能代表租賃資產使用所產生的經濟利益之時間模式，經營租賃租金按有關租期以直線法確認為開支。

倘訂立經營租賃時收取租賃優惠，則有關優惠確認為負債，除非另有系統基準更能代表租賃資產使用所產生的經濟利益之時間模式，優惠總利益以直線法於租金開支內扣減。

3. 主要會計政策 - 續

外幣

於編製本銀行之財務報表時，倘交易之貨幣並非本銀行之功能貨幣（外幣），均按交易日匯率換算為其功能貨幣入賬。以外幣為單位之貨幣項目會於報告期末按當天之匯率重新折算。以公允價值計量的外幣非貨幣性項目，採用公允價值確定日的即期匯率折算，以歷史成本計量的外幣非貨幣性項目不再進行折算。

匯兌差額計入起發生期間之當期損益，除非：

- 已確認的折算匯兌差額用於對沖若干外匯風險；及
- 應向於可預見將來無意結算或不大可能進行結算的外國公司收取或支付之貨幣項目匯兌差額（結果形成於外國公司淨投資的一部分），應於其他全面收入中進行初始確認並從股權重分類至處置損或部分處置淨投資之損益。

退休福利成本

當僱員提供服務並享有供款時，強積金計劃之供款將確認為支出。

現金及現金等值項目

就現金流量表而言，現金及現金等值項目指由購入日起三個月內到期之款項，包括現金、短期資金以及在銀行和其他金融機構的結餘。

4. 財務風險管理

本銀行面對各種財務風險，主要涉及分析、評估接受和管理相當程度的風險或組合風險之承擔及管理。本銀行目標旨在適當地平衡風險與回報，並減低對本銀行財務業績潛在的不良影響。

本銀行的風險管理政策旨在識別並分析風險，設定合適的風險規限及控制，以及利用可靠及先進的信息系統監察風險並嚴守規限。本銀行會定期審核其風險管理政策及系統，以反映市場、產品及最佳慣例之變化。

4. 財務風險管理 - 續

風險管理乃遵循董事會批准之政策，由風險委員會執行。風險委員會與本銀行的營運部門緊密合作，認明、評估及對沖金融風險。董事會提供書面準則涵蓋指定範疇，例如外匯風險、利率風險、信貸風險及應用非衍生金融工具。另外，內部審核負責對風險管理及環境控制作獨立審核。應用金融工具而產生的最主要風險類別為信貸風險、市場風險和流動資金風險。市場風險包括外匯風險、利率風險和其他定價風險。

應用金融工具之策略

本銀行活動主要與應用金融工具有關。本銀行接受客戶在不同週期的存款，並利用該資金投放於高質素資產以賺取息差。本銀行保持足夠流動資金應付所有到期之提取。

信貸風險

信貸風險為客戶或交易對手會違反約定義務從而給本銀行帶來財務虧損的風險。為本銀行帶來主要收入的業務活動乃向客戶提供貸款及向其他銀行提供同業存放，因此信貸風險為主要風險。信貸風險主要來自客戶和其他銀行貸款（包括借貸相關承擔，如貸款）、債務證券投資及資產狀態衍生工具。為進行風險管理，本銀行將對手違約風險、地域風險及行業風險等信貸風險因素考慮在內。

信貸風險管理

本銀行之信貸、資產及債務管理委員會負責透過下列方式管理信貸風險：

- 確保本銀行擁有恰當的信貸風險實操（如有效的內控體系）一貫根據本銀行聲明的政策和程式、香港財務報告準則及相關監督指引釐定足夠的撥備。
- 從個別工具至組合層面，識別、評估及計量本銀行全部信貸風險。
- 為使本銀行免遭已識別的風險，設定信貸政策，如從債務人取得抵押品、對債務人執行強健持續的信貸評估及持續監控風險抵禦內部風險額度等規定。
- 通過資產類型、交易對手、行業、信貸評級、地域分佈等現值風險集中程度。
- 就融通便利之批准和續期，建立強健的授權結構控制架構。

4. 財務風險管理 - 續

信貸風險管理 - 續

- 根據違約風險程度，設立並維護風險評級對本銀行風險進行分類。定期覆核風險等級。
- 設立並維護本銀行之預期信貸損失計量流程，如監控信貸風險、形成前瞻性資料及預期信貸損失計量方法等。
- 確保本銀行的政策和程式準備就緒妥當，維護評估和計量預期信貸損失的模型並使該等模型行之有效。
- 建立完善的信貸風險會計評估和計量流程，對評估信貸風險及對預期信貸損失進行會計處理的普通系統、工具及資料提供有力基礎。向業務單元提供意見、指引及專家技術促進本銀行管理信貸風險之最佳實務操作。

內部審核功能部門執行定期審核以保證充分設計和執行了已確立的控制和程式。

信貸風險之顯著增長

如附註 3 所述，本銀行監控應遵守減值規定的所有金融資產，以評估自初始確認以來信貸風險是否已顯著增長。倘若信貸風險已顯著增長，本銀行將根據存續期而非 12 個月的預期信貸損失計提預期信貸損失準備金。

本銀行使用不同標準確定各資產組合之信貸風險是否顯著增長。所採用之標準既有違約概率及信貸違約互換利差之定量變動，也有外部信貸評級、監管、經濟或技術環境之重大不利變化，業務及財務狀況之不利變化及債務人或組合表現行為之變化等定性指標。

本銀行假定，倘付款逾期超過約定時間 30 日以上，則自初始確認以來金融資產之信貸風險已顯著增長，除非本銀行有合理有據的信息證明並非如此。

本銀行的監控程序已就緒，以確保用於識別信貸風險顯著增長的標準有效，在風險違約前或資產逾期 30 日時識別信貸風險是否已顯著增長。

本銀行的控制和程式已就緒，以識別何時資產之信貸風險改善及何時已不符合信貸風險顯著增長的定義，如：根據迄今支付的款項及債務人未來及時付款的能力，資產可能從第一階段轉回第二階段。

4. 財務風險管理 - 續

預期信貸損失之計量

計量預期信貸損失使用之關鍵輸入值如下：

- 違約概率；及
- 違約虧損率。

如上所述，該等資料主要源自於統計模型及其他歷史外部資料，且對其進行調整以反映概率加權前瞻性信息。

違約概率為對給定時間範圍內違約可能性的估計，在某時點及時進行估計。根據統計評級模型，使用按照各類交易對手及風險定制的評級工具評估和計算違約概率。該等統計模型乃基於市場資料、包含定量及定性因素之內部資料。考慮風險之約定期限及估計預付款率，估計違約概率。估計乃基於當前條件，並考慮將影響違約概率的未來條件之估計後進行調整。

違約虧損率為對違約導致的損失的估計，為到期合約現金流量與（考慮抵押品產生的現金流量後）貸方預期收到的現金流量之差額。擔保資產之違約虧損率模型考慮對未來抵押品價值的預測，該預測亦須考慮銷售折扣、兌現抵押品的時間、交叉抵押和債權年資、兌現抵押品的成本及恢復率（如：退出不良狀態）。無擔保資產之違約虧損率模型考慮回收時間、回收率及債權年資。根據折現現金流量計算違約虧損率，該現金流量乃根據貸款之原始實際利率折現。

本銀行考慮最大合約期間（包括展期期權）之違約風險後計量預期信貸損失，即便合約展期或續約乃商業慣例，企業乃在前述期間（而不是更長期間內）存在信貸風險。

信貸質素

本銀行監控各類金融工具之信貸風險。下表概括了已識別的種類、財務報表單列項目和附注，且附注就財務報表單列項目之財務工具種類進行了分析。

<u>財務工具種類</u>	<u>財務報表單列</u>	<u>附註</u>
按攤銷成本計量之銀行貸款	庫存現金及與銀行及其他金融機構結存 即期及短期同業存放 一至十二個月內到期之定期同業存放	12
按攤銷成本計量之客戶貸款	客戶貸款及其他賬項	13

4. 財務風險管理 - 續

信貸質素 - 續

下表陳述了各類金融資產信貸風險集中性分析。就金融資產而言，表中所列金額代表賬面值總額。按攤銷成本計量之銀行貸款為庫存現金及與銀行及其他金融機構結存、即期及短期同業存放和一至十二個月內到期之定期同業存放，而按攤銷成本計量之客戶貸款代表本銀行批予僱員之定期貸款。

	<u>2018</u> 港幣	<u>2017</u> 港幣
按攤銷成本計量之銀行貸款		
按部門劃分之風險集中性		
- 香港金融管理局	298,615,119	546,522,979
- 外國銀行	9,676,490	9,898,122
- 本地銀行	2,597,493,870	2,285,189,817
	<u>2,905,785,479</u>	<u>2,841,610,918</u>
按地區劃分之風險集中性		
- 香港	2,896,108,989	2,831,712,796
- 美國	8,362,185	8,436,020
- 英國	829,783	875,234
- 加拿大	484,522	586,868
	<u>2,905,785,479</u>	<u>2,841,610,918</u>
按攤銷成本計量之客戶貸款	<u>1,166,500</u>	<u>917,500</u>

於 2017 年 12 月 31 日及 2018 年 12 月 31 日，並無過期、重組及收回資產。

以公允價值計量且其變動計入損益之會所會員身份投資

於 2018 年 12 月 31 日，以公允價值計量且其變動計入損益投資之信貸風險賬面值為 3,400,000 港幣（於 2017 年 12 月 31 日之可供出售投資：3,400,000 港幣）。

作擔保之抵押品

本銀行未持有與金融資產相關之抵押品或其他提高信譽之物品作擔保。

4. 財務風險管理 - 續

市場風險

本銀行所面對之市場風險乃因市場價格變動而導致金融工具的公平值或未來現金流波動之風險。市場風險來自利率及貨幣產品的未平盤額，所有承受的風險為一般及指定市場變動與市場因數的波動水準，如外匯、利率、信貸溢價、股權價格及商品價格。

本銀行面對之市場風險主要來自利率風險及外匯風險。

市場風險管理

市場風險管理主要按照董事會批准的風險限制執行財資活動。本銀行致力遵照準則、政策及程序以控制並監察市場風險。經營業務所引起的市場風險均由信貸、資產及債務管理委員會監督下作評估及管理。本銀行符合香港金融管理局頒佈之銀行業（資本）規則低額豁免下計算市場風險的所有條件。

外匯風險

由於本銀行若干交易以外幣為主要貨幣，因而導致本銀行須面對匯價波動的風險。匯率風險受限於董事會利用遠期外匯合約批准的政策參數。董事會就所面對的貨幣風險以及每天監察的隔夜及日內所維持的匯率總和，均設定限制。

下表列明本銀行以外幣計值資產和負債之賬面值，且顯示報告期末的集中貨幣風險：

	<u>港幣</u> 港幣千元	<u>美元</u> 港幣千元	<u>英鎊</u> 港幣千元	<u>加幣</u> 港幣千元	<u>合計</u> 港幣千元
2018					
<u>資產</u>					
庫存現金及與銀行及 其他金融機構結存	305,754	8,361	830	484	315,429
即期及短期同業	1,019,756	78,924	84,650	7,801	1,191,131
一至十二個月內到期之 定期同業存放	1,298,941	14,814	88,399	-	1,402,154
客戶貸款及其他賬項 以公允價值計量且其變動 計入損益的金融資產	8,413	366	177	1	8,957
	3,400	-	-	-	3,400
	<u>2,636,264</u>	<u>102,465</u>	<u>174,056</u>	<u>8,286</u>	<u>2,921,071</u>
<u>負債</u>					
客戶存款	1,854,043	87,330	172,410	6,550	2,120,333
其他賬項及撥備	3,047	230	96	-	3,373
	<u>1,857,090</u>	<u>87,560</u>	<u>172,506</u>	<u>6,550</u>	<u>2,123,706</u>
資產負債表內持倉淨額	<u>779,174</u>	<u>14,905</u>	<u>1,550</u>	<u>1,736</u>	<u>797,365</u>

4. 財務風險管理 - 續

外匯風險 - 續

	港幣 港幣千元	美元 港幣千元	英鎊 港幣千元	加幣 港幣千元	合計 港幣千元
<u>2017</u>					
<u>資產</u>					
庫存現金及與銀行及 其他金融機構結存	552,174	8,436	875	587	562,072
即期及短期同業存放 一至十二個月內到期之 定期同業存放	710,000	29,640	83,880	8,377	831,897
客戶貸款及其他賬項	1,350,000	4,680	97,049	-	1,451,729
可供出售投資	4,207	57	99	1	4,364
	3,400	-	-	-	3,400
	<u>2,619,781</u>	<u>42,813</u>	<u>181,903</u>	<u>8,965</u>	<u>2,853,462</u>
<u>負債</u>					
客戶存款	1,850,906	28,265	180,601	7,081	2,066,853
其他賬項及撥備	1,773	16	47	-	1,836
	<u>1,852,679</u>	<u>28,281</u>	<u>180,648</u>	<u>7,081</u>	<u>2,068,689</u>
資產負債表內持倉淨額	<u>767,102</u>	<u>14,532</u>	<u>1,255</u>	<u>1,884</u>	<u>784,773</u>

外幣敏感度

本銀行主要面對美元的外匯風險，但由於管理層認為在聯繫匯率下沒有明顯影響，所以沒有準備其敏感度之分析。

此外，下表詳列本銀行面對港幣兌英鎊及加幣時上升及下降5%之敏感度。高級管理人員彙報管理層對以外幣匯率可能變動進行評估時採用之影響率為5%。敏感度分析僅包括以外幣列值之未償貨幣項目及於年末以外幣匯率5%之變動進行換算調整。至於港幣兌換相關貨幣處於5%弱勢/強勢時，對稅後利潤之影響詳列如下：

	影響	
	<u>2018</u> 港幣千元	<u>2017</u> 港幣千元
除稅後溢利	137/(137)	131/(131)

4. 財務風險管理 - 續

利率風險

現金流利率風險為因市場利率改變而導致金融工具未來現金流波動產生的風險。公平值利率風險為因市場利率改變而導致金融工具價值波動產生的風險。本銀行的現金流量風險因應市場利率現行水平波動之影響而承擔風險。息差可能會因變動而上升，但亦可因產生預計以外之波動而減少或造成虧損。管理層就可能承擔之重訂利率錯配水平設定限制，並定期監控。

本銀行量度其資產及負債在利率波動下所面對的風險時，主要以差距分析，以提供本銀行之該等狀況的到期情況及重訂價格特點的靜態資料。到期還款數據日報表把所有資產和負債按根據合約到期日或預計重新定價日期兩者較早者，以各時期分類。於任何時期類別之到期或重新定價的資產及負債的金額差別，均可指示出本銀行在淨利息收入之潛在改變時所面對的風險。

下表概括本銀行面對之利率風險，包括本銀行的金融資產及金融負債的賬面值，以合約重新訂價或到期日兩者中較前者分類。

	1 個月 或以下 港幣千元	1 個月 至 3 個月 港幣千元	3 個月 至 12 個月 港幣千元	1 年 至 5 年 港幣千元	5 年以上 港幣千元	不計利息 港幣千元	合計 港幣千元
<u>於 2018 年 12 月 31 日</u>							
<u>資產</u>							
庫存現金及與銀行及 其他金融機構結存	-	-	-	-	-	315,429	315,429
即期及短期同業存放	1,191,131	-	-	-	-	-	1,191,131
一至十二個月內到期之 定期同業存放	-	1,312,264	89,890	-	-	-	1,402,154
客戶貸款及其他賬項 以公允價值計量且其變動 計入損益的金融資產	4,036	3,298	753	771	99	-	8,957
	-	-	-	-	-	3,400	3,400
	<u>1,195,167</u>	<u>1,315,562</u>	<u>90,643</u>	<u>771</u>	<u>99</u>	<u>318,829</u>	<u>2,921,071</u>
<u>負債</u>							
客戶存款	1,365,145	621,824	-	-	-	133,364	2,120,333
其他賬項及撥備	-	-	-	-	-	3,373	3,373
	<u>1,365,145</u>	<u>621,824</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>136,737</u>	<u>2,123,706</u>
利息敏感差距	<u>(169,978)</u>	<u>693,738</u>	<u>90,643</u>	<u>771</u>	<u>99</u>	<u>182,092</u>	<u>797,365</u>

4. 財務風險管理 - 續

利率風險 - 續

	1 個月 或以下 港幣千元	1 個月 至 3 個月 港幣千元	3 個月 至 12 個月 港幣千元	1 年 至 5 年 港幣千元	5 年以上 港幣千元	不計利息 港幣千元	合計 港幣千元
於 2017 年 12 月 31 日							
<u>資產</u>							
庫存現金及與銀行及 其他金融機構結存	-	-	-	-	-	562,072	562,072
即期及短期同業存放 一至十二個月內到期之 定期同業存放	831,897	-	-	-	-	-	831,897
客戶貸款及其他賬項 可供出售投資	-	1,261,729	190,000	-	-	-	1,451,729
	1,440	1,656	566	662	40	-	4,364
	-	-	-	-	-	3,400	3,400
	<u>833,337</u>	<u>1,263,385</u>	<u>190,566</u>	<u>662</u>	<u>40</u>	<u>565,472</u>	<u>2,853,462</u>
<u>負債</u>							
客戶存款	1,417,973	524,838	-	-	-	124,042	2,066,853
其他賬項及撥備	-	-	-	-	-	1,836	1,836
	<u>1,417,973</u>	<u>524,838</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>125,878</u>	<u>2,068,689</u>
利息敏感差距	<u>(584,636)</u>	<u>738,547</u>	<u>190,566</u>	<u>662</u>	<u>40</u>	<u>439,594</u>	<u>784,773</u>

利率敏感度

下列敏感度分析乃基於報告期末面對的浮動利率風險，並假設於報告期末未償金融工具於整個年度內一直尚未償還。利用增加 25 基點（2017：25 基點），對利率風險假設所得的結果，管理層作內部報告及評估利率之可能變動。

若利率增加 25 基點（2017：25 基點）並假設其它因素不變，因客戶存款的浮動利率而對稅後利潤之影響詳列如下：

	<u>影響</u>	
	<u>2018</u> 港幣千元	<u>2017</u> 港幣千元
除稅後溢利	(1,658)	(1,997)

4. 財務風險管理 - 續

流動資金風險

流動資金風險為本銀行缺乏充足財務資源依期履行其責任或是依期履行其責任需要付出過高代價之風險。以上風險乃由於現金流量時點的錯配導致，該錯配乃銀行業營運之固有風險且受整個市場上一系列事件的影響。

流動性風險管理

管理層負責監控本銀行之流動資金狀況，並通過定期覆核法定流動性維持比率、資產和負債之到期還款資料、貸款與存款比率以及同業交易以監控情況。流動資金政策由管理層監察，並由風險委員會與本銀行董事會覆核。本銀行之政策旨在每天維持保守程度的流動資金，使本銀行可以隨時履行其在正常業務運作中到期之責任，並符合法定流動性維持比率要求，需要時亦可以處理任何資金危機。可應用到期資金的限制設於最低比例，以應付所有現金資源回收，例如隔夜存款、往來賬戶；並以最低水平的同業和其他借款工具，補充預料以外的提款。

本銀行管理層就每日和每月之平均流動性維持比率，設定內部目標水平。本銀行會計主管負責監察該等比率，並當流動資金少於內部限額時，會計主管會向管理層作彙報，而管理層諮詢信貸、資產及債務管理委員會後，便會決定採取合適的行動以作修正。

流動資金表

下表詳列本銀行非衍生金融負債之餘下合約到期期限。乃根據金融負債之合約期限的未折現還款額而制定，包括該等負債可能導致的利息，惟本銀行已享有的利息和其打算在期限前還款所採用利息除外。

	1 個月 以下 港幣千元	1 個月以上 至 3 個月 港幣千元	3 個月以上 至 1 年 港幣千元	1 年以上 至 5 年 港幣千元	5 年以上 港幣千元	合計 港幣千元	賬面值 港幣千元
金融負債							
<u>於 2018 年 12 月 31 日</u>							
客戶存款	1,499,949	623,338	-	-	-	2,123,287	2,120,333
其他應繳款項	2,885	488	-	-	-	3,373	3,373
	<u>1,502,834</u>	<u>623,826</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,126,660</u>	<u>2,123,706</u>
<u>於 2017 年 12 月 31 日</u>							
客戶存款	1,542,244	525,309	-	-	-	2,067,553	2,066,853
其他應繳款項	1,700	136	-	-	-	1,836	1,836
	<u>1,543,944</u>	<u>525,445</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,069,389</u>	<u>2,068,689</u>

4. 財務風險管理 - 續

資產負債表外項目

下表概述本銀行資產負債表外向客戶承諾延長信貸的合約金額日期，以及其他融資和財務擔保（按最早之合約期滿日計算）總結如下：

	<u>1年以內</u> 港幣千元	<u>1年至5年</u> 港幣千元	<u>合計</u> 港幣千元
於2018年12月31日及2017年12月31日			
擔保、承兌及其他財務工具	<u>3,490</u>	<u>-</u>	<u>3,490</u>

以餘下到期還款分析資產及負債

根據香港金融管理局頒佈的指引，基於在報告期末前餘下之合約期限到期還款作以下分析：

	即時還款 港幣千元	1個月 或以下 港幣千元	到期期限				無注明 日期 港幣千元	賬面值 港幣千元
			1個月 以上至 3個月 或以下 港幣千元	3個月 以上至 1年 或以下 港幣千元	1年 以上至 5年 或以下 港幣千元	5年 以上 港幣千元		
於2018年12月31日								
資產								
庫存現金及與銀行及其他 金融機構結存	315,429	-	-	-	-	-	-	315,429
即期及短期同業存放 一至十二個月內到期之 定期同業存放	-	1,191,131	-	-	-	-	-	1,191,131
客戶貸款及其他賬項 以公允價值計量且其變動計入當期 損益的金融資產	-	4,036	1,312,264	89,890	771	99	-	1,402,154
無形資產	-	-	-	-	-	-	3,400	3,400
遞延稅項資產	-	-	-	-	-	-	210	210
預付款項	-	-	-	77	-	-	-	77
設備及租賃物業裝修	-	-	-	-	873	-	-	873
	<u>315,429</u>	<u>1,195,167</u>	<u>1,315,562</u>	<u>90,720</u>	<u>1,644</u>	<u>99</u>	<u>3,855</u>	<u>2,922,476</u>
負債								
客戶存款	928,973	569,536	621,824	-	-	-	-	2,120,333
其他賬項及撥備	1,769	1,116	488	-	-	-	1,442	4,815
應付稅款	-	-	-	1,937	-	-	-	1,937
	<u>930,742</u>	<u>570,652</u>	<u>622,312</u>	<u>1,937</u>	<u>-</u>	<u>-</u>	<u>1,442</u>	<u>2,127,085</u>
流動資金差距	<u>(615,313)</u>	<u>624,515</u>	<u>693,250</u>	<u>88,783</u>	<u>1,644</u>	<u>99</u>	<u>2,413</u>	<u>795,391</u>

4. 財務風險管理 - 續

以餘下到期還款分析資產及負債 - 續

	到期期限							賬面值 港幣千元
	即時還款 港幣千元	1個月 或以下 港幣千元	1個月 以上至 3個月 或以下 港幣千元	3個月 以上至 1年 或以下 港幣千元	1年 以上至 5年 或以下 港幣千元	5年 以上 港幣千元	無注明 日期 港幣千元	
於 2017 年 12 月 31 日								
資產								
庫存現金及與銀行及其他 金融機構結存	562,072	-	-	-	-	-	-	562,072
即期及短期同業存放 一至十二個月內到期之 定期同業存放	-	831,897	-	-	-	-	-	831,897
客戶貸款及其他賬項	-	-	1,261,729	190,000	-	-	-	1,451,729
可供出售投資	-	1,440	1,656	566	662	40	-	4,364
無形資產	-	-	-	-	-	-	3,400	3,400
遞延稅項資產	-	-	-	-	-	-	210	210
設備及租賃物業裝修	-	-	-	-	-	-	245	245
	<u>562,072</u>	<u>833,337</u>	<u>1,263,385</u>	<u>190,566</u>	<u>662</u>	<u>40</u>	<u>3,855</u>	<u>2,853,917</u>
負債								
客戶存款	1,081,879	460,136	524,838	-	-	-	-	2,066,853
其他賬項及撥備	1,523	177	136	-	-	-	1,442	3,278
應付稅款	-	-	-	437	-	-	-	437
	<u>1,083,402</u>	<u>460,313</u>	<u>524,974</u>	<u>437</u>	<u>-</u>	<u>-</u>	<u>1,442</u>	<u>2,070,568</u>
流動資金差距	<u>(521,330)</u>	<u>373,024</u>	<u>738,411</u>	<u>190,129</u>	<u>662</u>	<u>40</u>	<u>2,413</u>	<u>783,349</u>

金融資產及負債的公允價值

其他金融資產與其他金融負債的公允價值，是根據折現現金使用分析一般採納的價格模式所釐定。

董事會認為以攤銷成本記錄於財務報表內的金融資產及金融負債之賬面值與其公平值相約。

資本管理

本銀行採納維持充足資金基礎的政策以：

- 合乎銀行業條例的銀行業（資本）規則要求；及
- 維持本銀行之穩定以提供合理回報予股東。

按法定資本與風險性資產比例作計算的資本充足比率於過去兩年均保持在法定下限比例以上。

資本充足狀況與法定資本的使用，均由本銀行管理層運用以銀行業（資本）規則為基礎的技巧緊密監察。所需資料會以統計表形式於每季定期呈交香港金融管理局。

本銀行已制定商業計劃程序以評估其資本是否足夠應付現時和未來之銀行活動。該程序按其策略重點與商業計劃，訂出本銀行與風險相關的充足資本目標。

5. 金融工具之公允價值計量

本附註提供有關本行如何確定各種金融資產和金融負債的公允價值的信息。

為了財務報告的目的，銀行的部分金融工具以公允價值計量。在估計公允價值時，本行在可獲得的範圍內使用市場可觀察資料。當一級輸入資料不可用時，本行參考二手市場的報價計量公允價值。

公允價值計量在財務狀況表中確認

下表提供了按初始確認後以公允價值計量的金融工具分析，根據公允價值可觀察程度分為一至三級。

	公允價值			合計 公允價值 港幣
	一級 港幣	二級 港幣	三級 港幣	
<u>於 2018 年 12 月 31 日</u>				
以公允價值計量且其變動計入當期 損益的金融資產				
- 會所會員身份	-	3,400,000	-	3,400,000
<u>於 2017 年 12 月 31 日</u>				
可供出售投資				
- 會所會員身份	-	3,400,000	-	3,400,000

於本年度，金融工具在一級和二級之間沒有轉移。

在評估分類為第二級的會所會員身份的公允價值時，公允價值是參考二手市場的報價得出的。於 2018 年 12 月 31 日，以公允價值計量且其變動計入當期損益的金融資產（2017 年：可供出售投資），按市場價值計量。

6. 利息收入

	<u>2018</u> 港幣	<u>2017</u> 港幣
同業存放之存款利息	38,865,802	19,697,348
客戶貸款之利息	791	527
	<u>38,866,593</u>	<u>19,697,875</u>

大有銀行有限公司

7.	利息支出		
		<u>2018</u> 港幣	<u>2017</u> 港幣
	客戶存款利息	<u>8,524,924</u>	<u>2,659,596</u>
8.	其他經營收入		
		<u>2018</u> 港幣	<u>2017</u> 港幣
	非上市可供出售投資之股息收入	-	2,820,000
	收費及佣金收入	34,875	32,950
	其他收入	<u>8,445</u>	<u>398,794</u>
		<u>43,320</u>	<u>3,251,744</u>
9.	經營支出		
		<u>2018</u> 港幣	<u>2017</u> 港幣
	核數師酬金	650,000	550,000
	設備及租賃物業裝修折舊及攤銷	51,365	-
	因持有外幣所產生的匯兌損失	74,462	-
	董事酬金		
	- 袍金	450,000	420,000
	- 其他酬金	1,288,000	1,120,000
	其他經營支出	3,254,813	2,772,670
	經營租賃付款	1,321,752	1,266,549
	員工費用		
	- 薪金及花紅	7,077,428	6,632,380
	- 強積金供款	<u>224,989</u>	<u>205,751</u>
		<u>14,392,809</u>	<u>12,967,350</u>
10.	減值損失		
		<u>2018</u> 港幣	<u>2017</u> 港幣
	庫存現金及與銀行及其他金融機構的結存	557	-
	即期及短期同業存放	12,605	-
	一至十二個月內到期之定期同業存放	276,123	-
	客戶貸款	<u>10,715</u>	-
		<u>300,000</u>	<u>-</u>

11. 利得稅支出

稅項支出為：

	<u>2018</u> 港幣	<u>2017</u> 港幣
香港利得稅		
- 本年度應課稅	2,508,318	730,000
- 以往年度準備過剩	<u>(59,223)</u>	<u>-</u>
	<u>2,449,095</u>	<u>730,000</u>

根據本年度損益及其他全面收益表與稅前溢利對照如下：

	<u>2018</u> 港幣	<u>2017</u> 港幣
稅前溢利	<u>15,692,180</u>	<u>248,250,580</u>
按本地利得稅稅率計算之稅項（附註）	2,424,210	40,961,346
免課稅的收入之稅務影響	-	(40,218,405)
以往年度準備過剩	(59,223)	-
其他	<u>84,108</u>	<u>(12,941)</u>
	<u>2,449,095</u>	<u>730,000</u>

註：2018 年度之香港利得稅，若年度預計溢利低於 2,000,000 港幣，以年度之預計溢利，按 8.25% 之稅率計算；年度預計溢利高於 2,000,000 港幣的部分，則以年度之預計溢利，按 16.5% 之稅率計算。2017 年度之香港利得稅，以年度之預計溢利，按 16.5% 之稅率計算。

12. 庫存現金及與銀行及其他金融機構的結存

	<u>2018</u> 港幣	<u>2017</u> 港幣
按攤銷成本		
庫存現金及與銀行及其他金融機構的結存		
- 庫存現金	4,056,631	1,883,933
- 來自香港金融管理局之應收款	298,615,119	546,522,979
- 銀行間結算賬項	352,492	2,203,076
- 來自外國銀行之應收款	9,676,490	9,898,122
- 來自本地銀行之應收款- 即時	2,790,691	1,563,510
減：減值損失 - 第一階段	<u>(62,798)</u>	<u>-</u>
	<u>315,428,625</u>	<u>562,071,620</u>
即期及短期同業存放	1,191,418,048	831,897,487
減：減值損失 - 第一階段	<u>(286,592)</u>	<u>-</u>
	<u>1,191,131,456</u>	<u>831,897,487</u>

12. 庫存現金及與銀行及其他金融機構的結存 - 續

	<u>2018</u> 港幣	<u>2017</u> 港幣
於下列期間到期之定期同業存放		
- 1 至 3 個月	1,313,285,130	1,261,728,820
- 3 至 6 個月	80,000,000	120,000,000
- 6 至 12 個月	10,000,000	70,000,000
減：減值損失 - 第一階段	(1,130,610)	-
	<u>1,402,154,520</u>	<u>1,451,728,820</u>
合計	<u>2,908,714,601</u>	<u>2,845,697,927</u>

13. 客戶貸款及其他賬項

客戶貸款及其他賬項包括：

	<u>2018</u> 港幣	<u>2017</u> 港幣
員工貸款	1,166,500	917,500
減：減值準備金 - 第一階段	(20,000)	-
	<u>1,146,500</u>	<u>917,500</u>
應收利息	<u>7,810,521</u>	<u>3,446,178</u>
	<u>8,957,021</u>	<u>4,363,678</u>

14. 以公允價值計量且其變動計入當期損益的金融資產/可供出售投資

	<u>2018</u> 港幣	<u>2017</u> 港幣
非上市證券：		
- 會所會員身份(以公允價值計量且其變動計入當期損益的金融資產)	3,400,000	-
- 會所會員身份(可供出售投資)	-	3,400,000
合計	<u>3,400,000</u>	<u>3,400,000</u>

非上市證券由香港商營機構發行。於 2018 年 12 月 31 日，會所會員身份的公允價值參考二手市場的報價，仍保持不變。

15. 遞延稅項

以下為本銀行確認之主要遞延稅項資產與遞延稅項負債。

	加速 稅務折舊 港幣	長期 服務金 撥備 港幣	合計 港幣
於 2017 年 1 月 1 日、2017 年 12 月 31 日 及 2018 年 12 月 31 日	(1,391)	246,785	245,394

董事會認為本年度和過往年度期間遞延稅項資產與負債的變動並不顯著。

16. 設備及租賃物業裝修

	租賃物業裝修 港幣	設備 港幣	合計 港幣
成本			
於 2017 年 1 月 1 日及 12 月 31 日	1,472,938	738,924	2,211,862
購置	-	924,575	924,575
於 2018 年 12 月 31 日	1,472,938	1,663,499	3,136,437
累計折舊及攤銷			
於 2017 年 1 月 1 日及 12 月 31 日	1,472,938	738,924	2,211,862
購置	-	51,365	51,365
於 2018 年 12 月 31 日	1,472,938	790,289	2,263,227
賬面價值			
於 2018 年 12 月 31 日	-	873,210	873,210
於 2017 年 12 月 31 日	-	-	-

上述折舊及攤銷乃按設備以直線法計算，每年折舊率為 33.3%。

17. 客戶存款

	2018 港幣	2017 港幣
往來賬戶	133,364,537	124,041,599
儲蓄存款	795,608,901	957,837,010
定期、即期及通知存款	1,191,359,827	984,974,604
	2,120,333,265	2,066,853,213

18. 其他賬項及撥備

	<u>2018</u> 港幣	<u>2017</u> 港幣
定期、即期及通知存款應付利息	1,604,445	313,403
長期服務金撥備	1,441,633	1,441,633
其他賬項：		
- 應付賬款	1,480,590	1,097,394
- 本票	261,251	395,467
- 禮卷	18,500	21,500
- 其他	8,346	8,767
	<u>1,768,687</u>	<u>1,523,128</u>
	<u>4,814,765</u>	<u>3,278,164</u>

19. 股本

	<u>2018</u>		<u>2017</u>	
	<u>發行的</u> <u>股份數目</u>	<u>金額</u> 港幣	<u>發行的</u> <u>股份數目</u>	<u>金額</u> 港幣
已發行及已繳足股本：				
於年度之首尾普通股	<u>3,000,000</u>	<u>300,000,000</u>	<u>3,000,000</u>	<u>300,000,000</u>

於本年度和過往年度期間，本銀行之股份數目並無變動。

20. 關聯人士的交易

本銀行與關聯人士（包括主要管理人員與其直系親屬，以及由其控制或具有重大影響力的公司）進行多項交易，當中主要為接受其存款。

本銀行於本年度與關聯人士進行之交易如下：

	<u>2018</u> 港幣	<u>2017</u> 港幣
客戶存款利息支出	8,375,123	2,625,319
租金及其他相關支出	1,321,752	1,266,549
處置可供出售投資之收益	-	240,927,907
	<u>-</u>	<u>240,927,907</u>

20. 關聯人士的交易 - 續

本銀行於報告期末尚有與關聯人士的餘額如下：

	<u>2018</u> 港幣	<u>2017</u> 港幣
往來賬戶	120,294,447	115,990,283
儲蓄存款	711,384,489	906,262,078
定期、即期及通知存款	<u>1,174,817,037</u>	<u>977,058,968</u>
	<u>2,006,495,973</u>	<u>1,999,311,329</u>

往來賬戶存款結餘為非付利息計算及需應要求即時付還。儲蓄存款結餘年利率為 0.125%（2017 年：0.01%）及需應要求即時付還。定期、即期及通知存款結餘年利率為介乎 0.01% 至 2.20%（2017 年：0.05% 至 0.90%）及於一至三個月內到期。

此類交易按與適用於與非關聯人士交易類似的條款進行。

本銀行向一家關連公司發出保證書，主要對象是公用事業公司，金額為 3,490,000 港幣（2017 年：3,490,000 港幣）。本銀行及其董事均為該關連公司的股東。

主要管理人員酬金

	<u>2018</u> 港幣	<u>2017</u> 港幣
薪金及津貼（包括董事袍金）	<u>5,378,380</u>	<u>4,636,760</u>

截至 2018 年 12 月 31 日，本銀行並無提供簽約獎金和遣散費（2017 年：零港幣）。

21. 資產負債表外之風險

於報告期末，本銀行尚有下列或有負債及承付款項之重要的合約金額：

	<u>2018</u> 港幣	<u>2017</u> 港幣
直接信貸替代項目	<u>3,490,000</u>	<u>3,490,000</u>

或有負債及承付款項之信貸風險加權金額為零港幣（2017 年：零港幣）。

22. 退休福利計劃

本銀行參與一個根據職業退休計劃條例註冊之退休計劃，保障所有合資格僱員。計劃的資產與本銀行資產分開處理，以基金形式受託管人管核。本銀行向計劃提供有關薪金之百份之五供款，僱員亦以相同數目向計劃供款。

本銀行本年度的有關計劃供款為 224,989 港幣（2017 年： 205,751 港幣），該款項已列入損益及其他全面收益表內。

23. 經營租賃承擔

根據不可撤銷之經營租賃合約，下列為本銀行於報告期末未來有關租賃承擔所有所須支付之最低租金：

	<u>2018</u> 港幣	<u>2017</u> 港幣
一年以內	521,300	1,251,120
第二年至第五年內（包括首尾兩年）	-	521,300
	<u>521,300</u>	<u>1,772,420</u>

經營租賃付款即本銀行租用其辦公處所應繳租金。現行租賃於 2019 年 5 月到期，而租賃期內租金維持不變。

24. 股息

於報告期末後，本銀行董事會宣告就截至 2018 年 12 月 31 日止年度派發每普通股 0.50 港幣（2017 年：零港幣），合共 1,500,000 港幣（2017 年：零港幣）之年末股息。

25. 分類

已就截至 2017 年 12 月 31 日止年度之財務報表進行若干種分類，以使其符合截至 2018 年 12 月 31 日止年度之財務報表中所使用的分類。

大有銀行有限公司

截至 2018 年 12 月 31 日止年度之
未經審核補充財務資料

以下為有關企業管治及依據香港金融管理局頒佈的《銀行業（披露）規則》披露的其他信息，這些補充財務資料未經審核：

1. 企業管治

審核委員會、薪酬委員會、風險委員會、提名委員會、執行委員會及信貸、資產及債務管理委員會在企業管治事情上協助董事會。

審核委員會成員包括三名獨立非執行董事、及一名非執行董事，並向董事會定期匯報。審核委員會監察經董事會通過之政策及其他內部與法定規條的遵守。並監察本銀行內部及外聘核數師工作，從而就本銀行之財務匯報程序及內部管控系統的效益向董事會提供獨立意見。

本銀行成立薪酬委員會，並以書面列明其職權範圍，釐清其權力及職責。薪酬委員會由三名獨立非執行董事與一名非執行董事組成，並定期向董事會匯報。薪酬委員會負責向董事會就本銀行所有董事和高級管理人員的薪酬政策、慣例及架構提出建議，以釐定其薪酬待遇。本銀行會確保任何董事或其下屬均不得參與其個人的薪酬制定，並且每年最少有一次覆核本銀行之薪酬系統及其運作。在 2018 年間，薪酬委員會召開兩次會議，薪酬委員會所有成員均有出席會議。

薪酬委員會獲充足資源以履行其職責。薪酬委員會於 2018 年之工作概述如下：

- (i) 檢討本銀行薪酬制度及其運作；
- (ii) 檢討年度薪金支付情況；
- (iii) 檢討高級管理層、主要人員及其他員工的薪酬；及
- (iv) 檢討薪酬政策

本行已審核本行全體員工的薪酬政策。該政策涵蓋與本銀行業務相稱的指引和程序，同時支援本銀行的道德價值、目標、策略和控制環境。薪酬架構的設計旨在鼓勵員工支持本銀行風險管理架構和財政長遠穩健。本銀行之薪酬政策於年內並無任何改變。

1. 企業管治 - 續

本銀行之薪酬待遇中僅包含以現金支付之固定薪酬，本銀行因應員工之職級、職務、職責及負責業務和促進員工以支援本銀行的風險管理及長期財政健全之需要，以制定有關薪酬架構。

本銀行以有系統的評估方法定立每個僱員的適當薪酬。通過每年或定期檢討員工的表現，評估每個僱員在工作上的要求和工作表現的目標是否已經達到。本銀行將以薪酬作為獎勵員工的成就。表現不佳的員工，其來年的薪酬遞增水平可能會受到影響。

本銀行有 11 人為高級管理人員及 4 人為關鍵人員，均給予固定薪酬，於本年內以現金支付金額分別為港幣 3,561,360 元及港幣 1,817,020 元，合共港幣 5,378,380 元（2017 年：港幣 4,636,760 元）。本銀行於年內並無提供任何保證花紅、簽約獎金及遣散費。

風險委員會處於董事會之下，為本銀行風險管治體系的最高層級，由三名獨立非執行董事和一名非執行董事組成。風險委員會直接監督本銀行風險偏好之形成，且確保銀行政策和程式中反映了該風險偏好。風險委員會亦定期審核本銀行之風險管理架構並確保根據已定政策使用恰當人力資源執行所有重要風險相關任務。

提名委員會負責就識別、挑選、提名及推薦合適的董事及高級管理人員相關事宜向董事會提供建議。提名委員會亦對董事會之表現及董事對董事會效力之貢獻進行評價。

提名委員會有四人，其中三人為獨立非執行董事，另外一人為非執行董事。

執行委員會由不少於三個，但不超過，包括主席在內的五名執行董事。該委員會確保銀行在董事會會議之間的業務和事務之連續性，並擁有董事會的授權及享有同等權力以批核事項或採取合適行動。

信貸、資產及債務管理委員會之成員包括本銀行之行政總裁、副總裁、總經理、經理、司庫和會計及營運主管。該委員會旨在執行及維持有關信貸、流動資金狀況、現金流量、到期項目、利率及匯率趨勢以及法規遵守職能的整體風險管理架構。該委員會亦會支援薪酬委員會。

本銀行董事會認為本銀行已完全遵守香港金融管理局監管政策手冊的《本地註冊認可機構的企業管治》。

2. 分部資料

(甲) 按地區劃分

本銀行所有業務皆於香港運作。

(乙) 按業務劃分

本銀行主要經營商業銀行業務。

(丙) 客戶貸款—以行業劃分

客戶貸款的行業類別是按該等貸款用途分類，未減除任何撥備。

	<u>2018</u> 港幣	<u>2017</u> 港幣
在香港使用的貸款		
個人—其他私人用途	<u>1,166,500</u>	<u>917,500</u>

貸款客戶主要位於香港。

3. 其他財務資料

(甲) 流動資金狀況

按照《銀行業(流動性)規則》計算，平均流動性維持比率是每月平均流動性維持比率的簡單平均數，每月平均流動性維持比率按平均流動資產與經作出相關扣除後之平均限定負債之比例計算。

	<u>2018</u> %	<u>2017</u> %
平均流動性維持比率	<u>75.66</u>	<u>71.25</u>

3. 其他財務資料 - 續

(乙) 資本充足

資本充足比率是按照香港金融管理局頒佈的《銀行業（資本）規則》以獨立基礎計算。該比率乃根據《巴塞爾資本協定 III》而修訂的《銀行業（資本）規則》所編製。本銀行採納基本方法以計算信貸風險的風險加權資產，並以基本指標方法計算營運風險。

	<u>2018</u> %	<u>2017</u> %
總資本比率	<u>139.10</u>	<u>157.29</u>
一級資本比率	<u>139.08</u>	<u>157.27</u>
普通股權一級資本比率	<u>139.08</u>	<u>157.27</u>

本銀行於本網站內設立「監管披露」一節以披露《銀行業（披露）規則》有關資本的資料。以上資料可見於本銀行網站 (www.tybhk.com.hk)。

(丙) 槓桿比率

槓桿比率是按照香港金融管理局頒佈的《銀行業（資本）規則》以獨立基礎計算。該比率之披露乃根據《銀行業（披露）規則》所編制。

	<u>31.12.2018</u> %	<u>31.12.2017</u> %
槓桿比率	<u>27.18</u>	<u>27.41</u>

槓桿比率的資料披露可於本銀行網站 (www.tybhk.com.hk) 之「監管披露」內瀏覽。

(丁) 防衛緩衝資本比率

於 2018 年 12 月 31 日，本銀行的防衛緩衝資本比率為 1.875%（2017 年：1.250%）乃按照《銀行業（資本）規則》計算。

3. 其他財務資料 - 續

(戊) 逆週期緩衝資本比率

逆週期緩衝資本比率是按照《銀行業（資本）規則》計算。

	<u>31.12.2018</u>	<u>31.12.2017</u>
	%	%
逆週期緩衝資本比率	<u>1.875</u>	<u>1.250</u>

逆週期緩衝資本比率的資料披露可於本銀行網站 (www.tybhk.com.hk) 之「監管披露」內瀏覽。

(己) 營運風險的資本支出

報告期末之營運風險的資本支出按基本指標方法計算如下：

	<u>2018</u>	<u>2017</u>
	港幣千元	港幣千元
營運風險的資本支出	<u>3,459</u>	<u>2,691</u>

4. 營運風險

營運風險涉及人為錯誤、系統失靈、欺詐、或內部監控及程式不善所引致的不可預見之損失。

依照董事會批核的政策，風險管理是由風險委員會負責。該委員會透過妥善的人力資源政策、授權、權責劃分和最新準確的信息，以管理營運風險。

一旦業務受到任何干預，現有一套全面的應變計劃，確保重要業務繼續運作，日常營運亦可以及時有效地回復正常。

5. 國際債權

國際債權資料披露對交易對手風險額最終風險的所在地，並已顧及轉移風險因素。一般而言，在以下所述的情況下才轉移風險，有關貸款的債權獲得並非交易對手所在地的國家的一方擔保。或該債權的履行對象是某銀行的海外分行，而該銀行的總辦事處並非設於交易對手的所在地。當某一國家的風險額佔總風險額 10%或以上，該國家的風險額便予以披露。

	銀行 港幣千元
<u>於 2018 年 12 月 31 日</u>	
發達國家	680,617
- 其中： 日本	471,751
加拿大	200,504
離岸中心	281,180
- 其中： 香港	181,125
新加坡	100,055
發展中的亞洲和太平洋地區	989,077
- 其中： 中國	483,710
臺灣	244,764
馬來西亞	260,603
<u>於 2017 年 12 月 31 日</u>	
發達國家	409,456
- 其中： 日本	400,433
離岸中心	189,407
- 其中： 香港	189,407
發展中的亞洲和太平洋地區	797,369
- 其中： 中國	562,771
馬來西亞	200,221

6. 貨幣風險

下表列明因非買賣及結構性倉盤而承受的外匯風險額，而該等外匯淨額佔所持有外匯淨盤總額的 10%或以上者：

	於 2018 年 12 月 31 日 (港幣同值)			合計
	美元	英鎊	加幣	
現貨資產	102,483,992	174,151,272	8,288,570	284,923,834
現貨負債	(87,560,425)	(172,505,696)	(6,549,815)	(266,615,936)
長盤淨額	<u>14,923,567</u>	<u>1,645,576</u>	<u>1,738,755</u>	<u>18,307,898</u>
結構性倉盤淨額	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
	於 2017 年 12 月 31 日 (港幣同值)			合計
	美元	英鎊	加幣	
現貨資產	42,813,301	181,903,196	8,965,748	233,682,245
現貨負債	(28,280,419)	(180,648,106)	(7,081,677)	(216,010,202)
長盤淨額	<u>14,532,882</u>	<u>1,255,090</u>	<u>1,884,071</u>	<u>17,672,043</u>
結構性倉盤淨額	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>

7. 逾期及重整貸款和其他資產

於報告期末，本銀行並無逾期及重整貸款和其他資產。

8. 中國內地活動

於報告期末，本銀行並無對中國內地非銀行風險承擔。

9. 遵守信息披露規定

本銀行擬定截至 2018 年 12 月 31 日止年度之財務報表時，完全遵守香港金融管理局的《銀行業（披露）規則》所載之規定。