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This announcement and the listing document referred to herein are for information purposes only as required by the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Listing Rules”) and do not constitute an offer to sell or acquire or the solicitation of an offer to buy any securities. Neither this announcement nor anything referred to herein (including the listing document) forms the basis for any contract or commitment whatsoever.

For the avoidance of doubt, the publication of this announcement and the listing document referred to herein shall not be deemed to be an offer of securities made pursuant to a prospectus issued by or on behalf of the Issuer (as defined below) for the purposes of the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Cap. 32) of Hong Kong nor shall it constitute an advertisement, invitation or document containing an invitation to the public to enter into or offer to enter into an agreement to acquire, dispose of, subscribe for or underwrite securities for the purposes of the Securities and Futures Ordinance (Cap. 571) of Hong Kong.

This announcement and the listing document referred to herein are for informational purposes only and do not constitute or form a part of an offer to sell or the solicitation of an offer to buy any securities in the United States or any other jurisdiction in which such offer, solicitation or sale would be unlawful prior to registration or qualification under the securities laws of any such jurisdiction. The securities referred to herein have not been and will not be registered under the U.S. Securities Act of 1933, as amended (the “Securities Act”), or the securities laws of any state of the United States or any other jurisdiction. If any offer proceeds, the securities will only be offered and sold outside the United States in reliance on Regulation S under the Securities Act and may not be offered or sold within the United States absent registration under, or an applicable exemption from, or in a transaction not subject to, the registration requirements under the Securities Act and applicable state or local securities laws of the United States. No public offering of the securities referred to herein will be made in the United States or in any other jurisdiction where such an offering is restricted or prohibited or where such offer would be unlawful prior to registration or qualification under the securities laws of such jurisdiction.

Notice to Hong Kong investors: The Issuer confirms that the Notes (as defined below) are intended for purchase by professional investors (as defined in Chapter 37 of the Listing Rules) (the “Professional Investors”) only and have been listed on The Stock Exchange of Hong Kong Limited (the “Hong Kong Stock Exchange”) on that basis. Accordingly, the Issuer confirms that the Notes are not appropriate as an investment for retail investors in Hong Kong. Investors should carefully consider the risks involved.

PUBLICATION OF THE OFFERING CIRCULAR



NANYANG COMMERCIAL BANK, LIMITED

南洋商業銀行有限公司

(the “Issuer”)

(Incorporated in Hong Kong with limited liability)

U.S.\$700,000,000 Tier 2 Subordinated Notes due 2034 (the “Notes”)
(Stock Code: 5147)

Joint Global Coordinators, Joint Bookrunners and Joint Lead Managers

Nanyang Commercial Bank	BOC International	BofA Securities	Cinda International	China Securities International
CCB International	ABC International	BNP PARIBAS	BOCOM International	

Joint Bookrunners and Joint Lead Managers

ANZ	Bank of China (Hong Kong)	The Bank of East Asia, Limited	Central China International	
China CITIC Bank International	China Everbright Bank Hong Kong Branch	China International Capital Corporation	Citigroup	
CITIC Securities	CMB International	CMB Wing Lung Bank Limited	CMBC Capital	
CNCB Capital	Crédit Agricole CIB	DBS Bank Ltd.	GF Securities	
Guotai Junan International	HSBC	ICBC International	Industrial Bank Co., Ltd. Hong Kong Branch	
Mizuho	SMBC Nikko	SPDB International	Standard Chartered Bank	UBS

This announcement is issued pursuant to Rule 37.39A of the Listing Rules.

Please refer to the offering circular dated 30 July 2024 in relation to the issue of the Notes (the “**Offering Circular**”) appended herein. The Offering Circular is published in English only. No Chinese version of the Offering Circular has been published. As disclosed in the Offering Circular, the Notes are intended for purchase by Professional Investors only and have been listed on the Hong Kong Stock Exchange on that basis.

The Offering Circular does not constitute a prospectus, notice, circular, brochure or advertisement offering to sell any securities to the public in any jurisdiction, nor is it an invitation to the public to make offers to subscribe for or purchase any securities, nor is it circulated to invite offers by the public to subscribe for or purchase any securities.

The Offering Circular must not be regarded as an inducement to subscribe for or purchase any securities of the Issuer, and no such inducement is intended.

Hong Kong, 7 August 2024

As at the date of this announcement, the Board of Directors of Nanyang Commercial Bank, Limited comprises Mr. ZHANG Weidong, Mr. YANG Yingxun*, Mr. SUN Jiandong, Mr. CHENG Kin Kong, Mr. LAU Hon Chuen**, Mr. LAN Hong Tsung David**, Ms. CHIU Lai Kuen Susanna** and Mr. LI Shu Pui**.*

* *Non-executive Directors*

** *Independent Non-executive Directors*

Appendix

Offering Circular dated 30 July 2024

IMPORTANT NOTICE

NOT FOR DISTRIBUTION TO ANY PERSON OR ADDRESS IN THE UNITED STATES

Important: You must read the following before continuing. The following disclaimer applies to the offering circular following this page (the “**Offering Circular**”), and you are therefore advised to read this carefully before reading, accessing or making any other use of this Offering Circular. In accessing this Offering Circular, you agree to be bound by the following terms and conditions, including any modifications to them any time you receive any information as a result of such access.

NOTHING IN THIS ELECTRONIC TRANSMISSION CONSTITUTES AN OFFER OF SECURITIES FOR SALE IN THE UNITED STATES OR ANY OTHER JURISDICTION WHERE IT IS UNLAWFUL TO DO SO. THE SECURITIES DESCRIBED HEREIN (THE “**NOTES**”) HAVE NOT BEEN, AND WILL NOT BE, REGISTERED UNDER THE UNITED STATES SECURITIES ACT OF 1933, AS AMENDED (THE “**SECURITIES ACT**”), OR THE SECURITIES LAWS OF ANY STATE OF THE UNITED STATES OR OTHER JURISDICTION AND THE NOTES MAY NOT BE OFFERED OR SOLD WITHIN THE UNITED STATES, EXCEPT PURSUANT TO AN EXEMPTION FROM, OR IN A TRANSACTION NOT SUBJECT TO, THE REGISTRATION REQUIREMENTS OF THE SECURITIES ACT AND APPLICABLE STATE OR LOCAL SECURITIES LAWS.

THIS OFFERING CIRCULAR MAY NOT BE FORWARDED OR DISTRIBUTED TO ANY OTHER PERSON AND MAY NOT BE REPRODUCED IN ANY MANNER WHATSOEVER, AND IN PARTICULAR, MAY NOT BE FORWARDED TO ANY PERSON OR ADDRESS IN THE UNITED STATES. ANY FORWARDING, DISTRIBUTION OR REPRODUCTION OF THIS DOCUMENT IN WHOLE OR IN PART IS UNAUTHORISED. FAILURE TO COMPLY WITH THIS DIRECTIVE MAY RESULT IN A VIOLATION OF THE SECURITIES ACT OR THE APPLICABLE LAWS OF OTHER JURISDICTIONS.

Restrictions: The Offering Circular is being furnished in connection with an offering in offshore transactions outside the United States in compliance with Regulation S under the Securities Act solely for the purpose of enabling a prospective investor to consider the purchase of the Notes.

Confirmation of your Representation: In order to be eligible to view this Offering Circular or make an investment decision with respect to the Notes, investors must not be located in the United States. This Offering Circular is being sent at your request and by accepting the e-mail and accessing this Offering Circular, you shall be deemed to have represented to Nanyang Commercial Bank, Limited, BOCI Asia Limited, Merrill Lynch (Asia Pacific) Limited, Cinda International Capital Limited, China Securities (International) Corporate Finance Company Limited, CCB International Capital Limited, ABCI Capital Limited, BNP Paribas and BOCOM International Securities Limited (together, the “**Joint Global Coordinators**”), Australia and New Zealand Banking Group Limited, Bank of China (Hong Kong) Limited, The Bank of East Asia, Limited, Central China International Securities Co., Limited, China CITIC Bank International Limited, China Everbright Bank Co., Ltd., Hong Kong Branch, China International Capital Corporation Hong Kong Securities Limited, Citigroup Global Markets Limited, CLSA Limited, CMB International Capital Limited, CMB Wing Lung Bank Limited, CMBC Securities Company Limited, CNCB (Hong Kong) Capital Limited, Crédit Agricole Corporate and Investment Bank, DBS Bank Ltd., GF Securities (Hong Kong) Brokerage Limited, Guotai Junan Securities (Hong Kong) Limited, The Hongkong and Shanghai Banking Corporation Limited, ICBC International Securities Limited, Industrial Bank Co., Ltd. Hong Kong Branch, Mizuho Securities Asia Limited, SMBC Nikko Securities (Hong Kong) Limited, SPDB International Capital Limited, Standard Chartered Bank and UBS AG Hong Kong Branch (together with the Joint Global Coordinators, the “**Joint Bookrunners**” and the “**Joint Lead Managers**”) and the Issuer (as defined in this Offering Circular) that (1) you and any customers you represent are not, and the e-mail address that you gave us and to which this e-mail has been delivered is not, located in the United States, its territories or possessions, and (2) you consent to delivery of this Offering Circular and any amendment or supplements thereto by electronic transmission.

You are reminded that this Offering Circular has been delivered to you on the basis that you are a person into whose possession this Offering Circular may be lawfully delivered in accordance with the laws of the jurisdiction in which you are located and you may not, nor are you authorised to, deliver this Offering Circular to any other person. If you have gained access to this transmission contrary to the foregoing restrictions, you are not allowed to purchase any of the Notes.

The materials relating to the issue and offering of the Notes do not constitute, and may not be used in connection with, an offer or solicitation in any place where offers or solicitations are not permitted by law and access has been limited so that it shall not constitute a general advertisement or general solicitation (as those terms are used in Regulation D under the Securities Act) or directed selling efforts (within the meaning of Regulation S under the Securities Act) in the United States or elsewhere. If a jurisdiction requires that the offering of the Notes be made by a licensed broker or dealer and any of the Joint Lead Managers or any affiliate of the Joint Lead Managers is a licensed broker or dealer in that jurisdiction, the issue of the Notes shall be deemed to be made by such Joint Lead Manager or affiliate on behalf of the Issuer in such jurisdiction.

This Offering Circular has been sent to you in an electronic form. You are reminded that documents transmitted via this medium may be altered or changed during the process of electronic transmission and consequently none of the Issuer and the Joint Lead Managers nor any person who controls any of them nor any of their respective directors, officers, employees, advisers, representatives, agents or affiliates accepts any liability or responsibility whatsoever in respect of any difference between this Offering Circular distributed to you in electronic format and the hard copy version available to you upon request.

You are responsible for protecting against viruses and other destructive items. Your use of this e-mail is at your own risk and it is your responsibility to take precautions to ensure that it is free from viruses and other items of a destructive nature.

Actions that you may not take: You should not reply by e-mail to this electronic transmission and you may not purchase any Notes by doing so. Any reply e-mail communications, including those you generate by using the “Reply” function on your e-mail software, will be ignored or rejected.

The Notes are complex financial instruments and of high risks. The Noteholders (as defined in the Offering Circular) have no right to require redemption of the Notes. Furthermore, in the event of a write-off, reduction or cancellation of the principal amount of the Notes or conversion of the principal amount of the Notes into shares or other securities, an investor may lose the entire value of its investment. A potential investor should not invest in the Notes unless it has the expertise to evaluate how the Notes may perform under changing conditions, the resulting effects on the value of such Notes and the impact the investment and any related losses may have on the potential investor’s overall investment portfolio. See “Risk Factors” of the Offering Circular beginning on page 20.



NANYANG COMMERCIAL BANK, LIMITED

(incorporated with limited liability in Hong Kong)

U.S.\$700,000,000 Tier 2 Subordinated Notes due 2034

Issue Price: 99.435 per cent.

The 6.00 per cent. tier 2 subordinated notes due 2034 (the “Notes”) will be issued in an initial aggregate principal amount of U.S.\$700,000,000 by Nanyang Commercial Bank, Limited (the “Issuer”). The Notes bear interest on their outstanding principal amount (subject to adjustment following the occurrence of a Non-Viability Event (as defined herein in accordance with the terms and conditions of the Notes (the “Conditions”)) from, and including, 6 August 2024 (the “Issue Date”) at the applicable Interest Rate (as defined in the Conditions), payable semi-annually in arrear on 6 February and 6 August in each year (each an “Interest Payment Date”) in equal instalments. See “Risk Factors — Risk Factors relating to the Notes — The interest rate will be reset on the Reset Date which may affect the market value of the Notes.” for a discussion of relevant risks.

The Notes will mature on 6 August 2034, if not redeemed or purchased and cancelled earlier. Subject to satisfaction of certain regulatory approval requirements (if applicable), the Issuer may, in certain circumstances as described in the Conditions, redeem all but not some only of the Notes then outstanding on the Reset Date (as defined in the Conditions), at their outstanding principal amount together (if appropriate) with interest accrued to (but excluding) the date fixed for redemption, subject to adjustments following the occurrence of a Non-Viability Event (as defined in the Conditions). See “Terms and Conditions of the Notes — Redemption and Purchase - Redemption at the Option of the Issuer”.

If a Non-Viability Event occurs and is continuing, the Issuer shall, upon the date that the Issuer specifies in a Non-Viability Event Notice (as defined in the Conditions) (which date, for the avoidance of doubt, can be on or prior to the provision of the Non-Viability Event Notice), irrevocably (without the need for the consent of the Noteholders) reduce the then outstanding principal amount of, and cancel any accrued but unpaid interest in respect of, each Note (in each case in whole or in part) by an amount equal to the Non-Viability Event Write-off Amount (as defined in the Conditions) per Note. Once the outstanding principal amount of, and any accrued but unpaid interest under, the Notes has been Written-off (as defined in the Conditions), the relevant amount(s) Written-off will not be restored in any circumstances including where the relevant Non-Viability Event ceases to continue. No Noteholder may exercise, claim or plead any right to any amount that has been Written-off, and each Noteholder shall, by virtue of his holding of any Notes, be deemed to have waived all such rights to such amount that has been Written-off. Noteholders could risk losing up to the full principal amount of the Notes, as well as the cancellation of any accrued (and unpaid) interest, without receiving any compensation for such loss or cancellation. See “Terms and Conditions of the Notes — Interest, Non-Viability Loss Absorption and Hong Kong Resolution Authority Power — Non-Viability Loss Absorption”.

The Notes constitute direct, unsecured and subordinated obligations of the Issuer and shall at all time rank *pari passu* and without any preference among themselves. The rights and claims of the Noteholders are subordinated in the manner described in the Conditions. See “Terms and Conditions of the Notes — Status and Subordination of the Notes”.

The Notes will be issued in registered form in the denomination of U.S.\$250,000 and integral multiples of U.S.\$1,000 in excess thereof. For a more detailed description of the Notes, see “Terms and Conditions of the Notes” in this Offering Circular.

The Notes are expected to be assigned a rating of “Baa2” by Moody’s Investors Services, Inc. (“Moody’s”). A rating is not a recommendation to buy, sell or hold the Notes and may be subject to suspension, reduction or withdrawal at any time by the rating organization.

Investing in the Notes involves risks. In particular, the Notes are complex and of high risk and are generally not suitable for retail investors. There are risks inherent in the holding of the Notes, including the risks in relation to their subordination, the circumstances in which the Notes may be written down or converted into shares or other securities or other obligations of the Issuer or another person and the implications on holders of the Notes (such as a substantial loss), the circumstances in which such holders may suffer loss as a result of holding the Notes are difficult to predict and the quantum of any loss incurred by investors in the Notes in such circumstances is also highly uncertain. See “Risk Factors — Risk Factors relating to the Notes — The interest rate will be reset on the Reset Date which may affect the market value of the Notes.” for a discussion of the risk in relation to this feature and “Risk Factors” beginning on page 20 for a discussion of certain considerations to be taken into account in connection with an investment in the Notes.

The Issuer has, via its parent China Cinda Asset Management Co., Ltd. (“China Cinda”), made an application for the examination registration (the “Pre-Issuance Registration”) of the offering of the Notes with the National Development and Reform Commission of the People’s Republic of China (the “NDRC”) in accordance with the Administrative Measures for Examination and Registration of Medium- and Long-term Foreign Debts of Enterprises (企業中長期外債審核登記管理辦法) (Decree No.56 of the NDRC) (the “NDRC Administrative Measures”) which was issued by the NDRC on 5 January 2023 and became effective on 10 February 2023. An Enterprise Foreign Debt Examination Registration Certificate (《企業借用外債審核登記證明》) was granted by the NDRC on 18 July 2024 in connection with the Pre-Issuance Registration. Pursuant to the requirements of the NDRC Administrative Measures, the Issuer is required to (i) file or cause to be filed with the NDRC the requisite information and documents within 10 Registration Business Days (as defined in the Terms and Conditions of the Notes) after the Issue Date and (ii) file or cause to be filed with the NDRC other requisite information and documents in connection with the Notes from time to time within the relevant prescribed timeframes.

Application will be made to The Stock Exchange of Hong Kong Limited (the “SEHK”) for the listing of the Notes by way of debt issues to professional investors (as defined in Chapter 37 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited) (the “Professional Investors”) only.

Notice to Hong Kong investors: The Issuer confirms that the Notes are intended for purchase by Professional Investors only and will be listed on the SEHK on that basis. Accordingly, the Issuer confirms that the Notes are not appropriate as an investment for retail investors in Hong Kong. Investors should carefully consider the risks involved. This document is for distribution to Professional Investors only.

The SEHK has not reviewed the contents of this Offering Circular, other than to ensure that the prescribed form disclaimer and responsibility statements, and a statement limiting distribution of this Offering Circular to Professional Investors only have been reproduced in this Offering Circular. Listing of the Notes on the SEHK is not to be taken as an indication of the commercial merits or credit quality of the Notes or the Issuer or the Group or quality of disclosure in this Offering Circular. Hong Kong Exchanges and Clearing Limited and the SEHK take no responsibility for the contents of this Offering Circular, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this Offering Circular.

The Notes have not been and will not be registered under the United States Securities Act of 1933, as amended (the “Securities Act”) and, subject to certain exceptions, may not be offered or sold within the United States under the Securities Act (“Regulation S”). The Notes are being offered and sold only outside the United States in accordance with Regulation S. For a description of these and certain further restrictions on offers and sales of the Notes and the distribution of this Offering Circular, see “Subscription and Sale”.

The Notes will be initially evidenced by a global certificate (the “Global Certificate”) in registered form, which will be registered in the name of a nominee of, and deposited with a common depositary for, Euroclear Bank SA/NV (“Euroclear”) and Clearstream Banking S.A. (“Clearstream”) on or about the Issue Date. Beneficial interests in the Global Certificate will be shown on, and transfers thereof will be effected only through, the records maintained by Euroclear and Clearstream. Except in the limited circumstances set out herein, individual certificates for Notes will not be issued in exchange for beneficial interests in the Global Certificate. See “The Global Certificate”.

INVESTING IN THE NOTES INVOLVES RISKS. SEE “RISK FACTORS” IN THIS OFFERING CIRCULAR. INVESTORS SHOULD HAVE SUFFICIENT KNOWLEDGE AND EXPERTISE TO EVALUATE EFFECT OR THE LIKELIHOOD OF THE OCCURRENCE OF THE NON-VIABILITY EVENT FOR THE NOTES WHICH FEATURE LOSS ABSORPTION.

Joint Global Coordinators, Joint Bookrunners and Joint Lead Managers

Nanyang Commercial Bank	BOC International	BofA Securities	Cinda International	China Securities International
CCB International	ABC International	BNP PARIBAS	BOCOM International	
Joint Bookrunners and Joint Lead Managers				
ANZ	Bank of China (Hong Kong)	The Bank of East Asia, Limited	Central China International	
China CITIC Bank International	China Everbright Bank Hong Kong Branch	China International Capital Corporation	Citigroup	
CITIC Securities	CMB International	CMB Wing Lung Bank Limited	CMBC Capital	
CNCB Capital	Crédit Agricole CIB	DBS Bank Ltd.	GF Securities	
Guotai Junan International	HSBC	ICBC International	Industrial Bank Co., Ltd. Hong Kong Branch	
Mizuho	SMBC Nikko	SPDB International	Standard Chartered Bank	UBS

Offering Circular dated 30 July 2024

IMPORTANT NOTICE

The contents of this document have not been reviewed by any regulatory authority in Hong Kong. You are advised to exercise caution in relation to the offer of Notes. If you are in any doubt about any of the contents of this document, you should obtain independent professional advice.

The Issuer, having made all reasonable enquiries, confirms that (i) this Offering Circular contains all information with respect to the Issuer and the Issuer's subsidiaries (collectively, the "**Group**"), and the issue of the Notes, which is material in the context of the issue and offering of the Notes; (ii) the statements contained herein relating to the Issuer or the Group are in every material respect true and accurate and not misleading; (iii) the opinions and intentions expressed in this Offering Circular with regard to the Issuer or the Group are honestly held, have been reached after considering all relevant circumstances and are based on reasonable assumptions; (iv) there are no other facts in relation to the Issuer or the Group or the Notes, the omission of which would, in the context of the issue and offering of the Notes (the "**Offering**"), make any statement in this Offering Circular misleading in any material respect; and (v) all reasonable enquiries have been made by the Issuer to ascertain such facts and to verify the accuracy of all such information and statements. In addition, the Issuer accepts full responsibility for the accuracy of the information contained in this Offering Circular.

This Offering Circular includes particulars given in compliance with the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited for the purpose of giving information with regard to the Issuer and the Group. The Issuer accepts full responsibility for the accuracy of the information contained in this Offering Circular and confirms, having made all reasonable enquiries, that to the best of its knowledge and belief there are no other facts the omission of which would make any statement herein misleading.

Hong Kong Exchanges and Clearing Limited and the SEHK take no responsibility for the contents of this Offering Circular, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this Offering Circular.

PRIIPs Regulation — Prohibition of Sales to EEA Retail Investors — The Notes are not intended to be offered, sold or otherwise made available to and should not be offered, sold or otherwise made available to any retail investor in the European Economic Area. For these purposes, a retail investor means a person who is one (or more) of: (i) a retail client as defined in point (11) of Article 4(1) of Directive 2014/65/EU (as amended, "**MiFID II**"); or (ii) a customer within the meaning of Directive (EU) 2016/97 (the "**Insurance Distribution Directive**"), where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of MiFID II. Consequently, no key information document required by Regulation (EU) No 1286/2014 (as amended, the "**PRIIPs Regulation**") for offering or selling the Notes or otherwise making them available to retail investors in the European Economic Area has been prepared and therefore offering or selling the Notes or otherwise making them available to any retail investor in the European Economic Area may be unlawful under the PRIIPs Regulation.

UK PRIIPs Regulation — Prohibition of Sales to UK Retail Investors — The Notes are not intended to be offered, sold or otherwise made available to and should not be offered, sold or otherwise made available to any retail investor in the United Kingdom. For these purposes, a retail investor means a person who is one (or more) of: (i) a retail client, as defined in point (8) of Article 2 of Regulation (EU) No 2017/565 as it forms part of domestic law by virtue of the European Union (Withdrawal) Act 2018 (the "**EUWA**"); or (ii) a customer within the meaning of the provisions of the Financial Services and Markets Act 2000 (the "**FSMA**") and any rules or regulations made under the FSMA to implement the Insurance Distribution Directive, where that customer would not qualify as a professional client, as defined in point (8) of Article 2(1) of Regulation (EU) No 600/2014 as it forms part of domestic law by virtue of the EUWA. Consequently no key information document required by the PRIIPs Regulation as it forms part of domestic law by virtue of the EUWA (the "**UK**

PRIIPs Regulation”) for offering or selling the Notes or otherwise making them available to retail investors in the United Kingdom has been prepared and therefore offering or selling the Notes or otherwise making them available to any retail investor in the United Kingdom may be unlawful under the UK PRIIPs Regulation.

Singapore SFA Product Classification — In connection with Section 309B of the Securities and Futures Act 2001 (2020 Revised Edition) of Singapore, as modified or amended from time to time (the “SFA”) and the Securities and Futures (Capital Markets Products) Regulations 2018 of Singapore (the “CMP Regulations 2018”), the Issuer has determined, and hereby notifies all relevant persons (as defined in Section 309A(1) of the SFA), that the Notes are ‘prescribed capital markets products’ (as defined in the CMP Regulations 2018) and Excluded Investment Products (as defined in MAS Notice SFA 04-N12: Notice on the Sale of Investment Products and MAS Notice FAA-N16: Notice on Recommendations on Investment Products).

This Offering Circular has been prepared by the Issuer solely for use in connection with the proposed offering of the Notes described in this Offering Circular. This Offering Circular does not constitute an offer of, or an invitation by or on behalf of Nanyang Commercial Bank, Limited, BOCI Asia Limited, Merrill Lynch (Asia Pacific) Limited, Cinda International Capital Limited, China Securities (International) Corporate Finance Company Limited, CCB International Capital Limited, ABCI Capital Limited, BNP Paribas and BOCOM International Securities Limited (together, the “**Joint Global Coordinators**”), Australia and New Zealand Banking Group Limited, Bank of China (Hong Kong) Limited, The Bank of East Asia, Limited, Central China International Securities Co., Limited, China CITIC Bank International Limited, China Everbright Bank Co., Ltd., Hong Kong Branch, China International Capital Corporation Hong Kong Securities Limited, Citigroup Global Markets Limited, CLSA Limited, CMB International Capital Limited, CMB Wing Lung Bank Limited, CMBC Securities Company Limited, CNCB (Hong Kong) Capital Limited, Crédit Agricole Corporate and Investment Bank, DBS Bank Ltd., GF Securities (Hong Kong) Brokerage Limited, Guotai Junan Securities (Hong Kong) Limited, The Hongkong and Shanghai Banking Corporation Limited, ICBC International Securities Limited, Industrial Bank Co., Ltd. Hong Kong Branch, Mizuho Securities Asia Limited, SMBC Nikko Securities (Hong Kong) Limited, SPDB International Capital Limited, Standard Chartered Bank and UBS AG Hong Kong Branch (together with the Joint Global Coordinators, the “**Joint Bookrunners**” and the “**Joint Lead Managers**”) or the Issuer, to subscribe for or purchase any of the Notes. The distribution of this Offering Circular and the offering of the Notes in certain jurisdictions may be restricted by law. Persons into whose possession this Offering Circular comes are required by the Issuer and the Joint Lead Managers, the Trustee and the Agents (each as defined in the Conditions) to inform themselves about and to observe any such restrictions. None of the Issuer or the Joint Lead Managers represents that this Offering Circular may be lawfully distributed, or that the Notes may be lawfully offered, in compliance with any applicable registration or other requirements in any such jurisdiction, or pursuant to an exemption available thereunder, or assumes any responsibility for facilitating any such distribution or offering.

No action is being taken to permit a public offering of the Notes or the possession or distribution of this Offering Circular in any jurisdiction where action would be required for such purposes. There are restrictions on the offer, sale and resale of the Notes, and the circulation of documents relating thereto, in certain jurisdictions including, without limitation, the United States, the United Kingdom, the European Economic Area, Hong Kong, the PRC, Singapore, Taiwan and Japan and to persons connected therewith. For a description of certain further restrictions on offers, sales and resales of the Notes and distribution of this Offering Circular, see “*Subscription and Sale*”. This Offering Circular is personal to each offeree and does not constitute an offer to any other person or to the public generally to subscribe for, or otherwise acquire, the Notes. Distribution of this Offering Circular to any person other than the prospective investor and any person retained to advise such prospective investor with respect to its purchase is unauthorised. Each prospective investor, by accepting delivery of this Offering Circular, is deemed to have agreed to the foregoing and to make no photocopies of this Offering Circular or any documents referred to in this Offering Circular.

No person has been or is authorised to give any information or to make any representation concerning the Issuer, the Group or the Notes other than as contained in this Offering Circular and, if given or made, any such other information or representation should not be relied upon as having been authorised by the Issuer, the Joint Lead Managers, the Trustee or the Agents (each as defined in the Conditions) or any of their respective directors, officers, employees, agents, advisers, representatives or affiliates or any person who controls any of them. Neither the delivery of this Offering Circular nor any offering, sale or delivery made in connection with the issue of the Notes shall, under any circumstances, constitute a representation that there has been no change or development reasonably likely to involve a change in the affairs of the Issuer or any member of the Group since the date hereof or create any implication that the information contained herein is correct as at any date subsequent to the date hereof. This Offering Circular does not constitute an offer of, or an invitation by or on behalf of the Issuer, the Joint Lead Managers, the Trustee or the Agents or any of their respective directors, officers, employees, agents, advisers, representatives or affiliates or any person who controls any of them to subscribe for or purchase any of the Notes and may not be used for the purpose of an offer to, or a solicitation by, anyone in any jurisdiction or in any circumstances in which such offer or solicitation is not authorised or is unlawful.

None of the Joint Lead Managers, the Trustee or the Agents or any of their respective directors, officers, employees, agents, advisers, representatives or affiliates or any person who controls any of them has independently verified the information contained or incorporated by reference in this Offering Circular. No representation or warranty, express or implied, is made or given by any of the Joint Lead Managers, the Trustee or the Agents or any of their respective directors, officers, employees, agents, advisers, representatives or affiliates or any person who controls any of them as to the accuracy, completeness or sufficiency of the information contained or incorporated by reference in this Offering Circular, and nothing contained in this Offering Circular is, or shall be relied upon as, a promise, representation or warranty by any of the Joint Lead Managers, the Trustee or the Agents or any of their respective directors, officers, employees, agents, advisers, representatives or affiliates or any person who controls any of them.

To the fullest extent permitted by law, none of the Joint Lead Managers, the Trustee or the Agents or any of their respective directors, officers, employees, agents, advisers, representatives or affiliates or any person who controls any of them accept any responsibility for the contents of this Offering Circular or for any statement made or purported to be made by the Joint Lead Managers, the Trustee or the Agents or on their behalf in connection with the Issuer, the Group or the issue and offering of the Notes. None of the Joint Lead Managers, the Trustee and the Agents accept any responsibility for any acts or omissions of the Issuer or the Group or any other person (other than the relevant Joint Lead Managers) in connection with the issue and offering of the Notes. Each of the Joint Lead Managers, the Trustee and the Agents and their respective directors, officers, employees, agents, advisers, representatives or affiliates or any person who controls any of them accordingly disclaims all and any liability whether arising in tort or contract or otherwise which it might otherwise have in respect of this Offering Circular or any such statement.

Neither this Offering Circular nor any other financial statements are intended to provide the basis of any credit or other evaluation and should not be considered as a recommendation by any of the Issuer, the Joint Lead Managers, the Trustee or the Agents or any of their respective directors, officers, employees, agents, advisers, representatives or affiliates or any person who controls any of them that any recipient of this Offering Circular or any other financial statements should purchase the Notes. Each investor contemplating purchasing Notes should make its own independent investigation of the financial condition and affairs, and its own appraisal of the creditworthiness, of the Issuer and the Group. Each potential purchaser of Notes should determine for itself the relevance of the information contained in this Offering Circular and its purchase of Notes should be based upon such investigation with its own tax, legal and business advisors as it deems necessary.

None of the Joint Lead Managers, the Trustee or the Agents or any of their respective directors, officers, employees, agents, advisers, representatives or affiliates or any person who controls any of them undertakes to review the financial condition or affairs of the Issuer or the Group during the life of the arrangements contemplated by this Offering Circular nor to advise any investor or potential investor in the Notes of any information coming to the attention of any of the Joint Lead Managers, the Trustee or the Agents or any of their respective directors, officers, employees, agents, advisers, representatives or affiliates or any person who controls any of them.

IN CONNECTION WITH THE ISSUE OF THE NOTES, ANY OF THE JOINT LEAD MANAGERS ACTING AS THE STABILISATION MANAGER(S) OR ANY PERSON ACTING ON THEIR BEHALF MAY OVER-ALLOT NOTES OR EFFECT TRANSACTIONS WITH A VIEW TO SUPPORTING THE MARKET PRICE OF THE NOTES AT A LEVEL HIGHER THAN THAT WHICH MIGHT OTHERWISE PREVAIL. HOWEVER, STABILISATION MAY NOT NECESSARILY OCCUR. ANY STABILISATION ACTION MAY BEGIN ON OR AFTER THE DATE ON WHICH ADEQUATE PUBLIC DISCLOSURE OF THE TERMS OF THE OFFER OF THE NOTES IS MADE AND, IF BEGUN, MAY CEASE AT ANY TIME, BUT IT MUST END NO LATER THAN THE EARLIER OF 30 DAYS AFTER THE ISSUE DATE OF THE NOTES AND 60 DAYS AFTER THE DATE OF THE ALLOTMENT OF THE NOTES. ANY STABILISATION ACTION OR OVER-ALLOTMENT MUST BE CONDUCTED BY THE STABILISATION MANAGER(S) (OR PERSON(S) ACTING ON BEHALF OF ANY STABILISATION MANAGER(S)) IN ACCORDANCE WITH ALL APPLICABLE LAWS AND RULES.

Any purchase or acquisition of the Notes is in all respects conditional on the satisfaction of certain conditions set out in the Subscription Agreement (as defined in “*Subscription and Sale*”) and the issue of the Notes by the Issuer to the Joint Lead Managers pursuant to the Subscription Agreement. Any offer, invitation to offer or agreement made in connection with the purchase or acquisition of the Notes pursuant to this Offering Circular shall (without liability or responsibility on the part of the Issuer or the Joint Lead Managers) lapse and cease to have any effect if (for any reason whatsoever) the Notes are not issued by the Issuer to the Joint Lead Managers pursuant to the Subscription Agreement.

In making an investment decision, investors must rely on their own examination of the Issuer, the Group and the terms of the offering of the Notes, including the merits and risks involved. See “*Risk Factors*” for a discussion of certain considerations to be taken into account in connection with an investment in the Notes.

Each person receiving this Offering Circular acknowledges that such person has not relied on the Joint Lead Managers, the Trustee or the Agents or any of their respective directors, officers, employees, agents, advisers, representatives or affiliates or any person who controls any of them in connection with its investigation of the accuracy of such information or its investment decision.

Important Notice to Prospective Investors

Prospective investors should be aware that certain intermediaries in the context of this offering of the Notes, including certain Joint Lead Managers, are “capital market intermediaries” (“**CMI**s”) subject to Paragraph 21 of the Code of Conduct for Persons Licensed by or Registered with the Securities and Futures Commission (the “**SFC Code**”). This notice to prospective investors is a summary of certain obligations the SFC Code imposes on such CMIs, which require the attention and cooperation of prospective investors. Certain CMIs may also be acting as “overall coordinators” (“**OC**s”) for this offering and are subject to additional requirements under the SFC Code. The application of these obligations will depend on the roles undertaken by the relevant Joint Lead Managers in respect of this offering.

Prospective investors who are the directors, employees or major shareholders of the Issuer, a CMI or its group companies would be considered under the SFC Code as having an association (“**Association**”) with the Issuer, the CMI or the relevant group company. Prospective investors associated with the Issuer or any CMI (including its group companies) should specifically disclose this when placing an order for the Notes and should disclose, at the same time, if such orders may negatively impact the price discovery process in relation to this offering. Prospective investors who do not disclose their Associations are hereby deemed not to be so associated. Where prospective investors disclose their Associations but do not disclose that such order may negatively impact the price discovery process in relation to this offering, such order is hereby deemed not to negatively impact the price discovery process in relation to this offering.

Prospective investors should ensure, and by placing an order prospective investors are deemed to confirm, that orders placed are bona fide, are not inflated and do not constitute duplicated orders (i.e. two or more corresponding or identical orders placed via two or more CMIs). A rebate may be offered by the Issuer to all private banks for orders they place (other than in relation to Notes subscribed by such private banks as principal whereby it is deploying its own balance sheet for onward selling to investors), payable upon closing of this offering based on the principal amount of the Notes distributed by such private banks to investors. Private banks are deemed to be placing an order on a principal basis unless they inform the CMIs otherwise. As a result, private banks placing an order on a principal basis (including those deemed as placing an order as principal) will not be entitled to, and will not be paid, the rebate. If a prospective investor is an asset management arm affiliated with any Joint Lead Manager, such prospective investor should indicate when placing an order if it is for a fund or portfolio where the Joint Lead Manager or its group company has more than 50 per cent. interest, in which case it will be classified as a “proprietary order” and subject to appropriate handling by CMIs in accordance with the SFC Code and should disclose, at the same time, if such “proprietary order” may negatively impact the price discovery process in relation to this offering. Prospective investors who do not indicate this information when placing an order are hereby deemed to confirm that their order is not a “proprietary order”. If a prospective investor is otherwise affiliated with any Joint Lead Manager, such that its order may be considered to be a “proprietary order” (pursuant to the SFC Code), such prospective investor should indicate to the relevant Joint Lead Manager when placing such order. Prospective investors who do not indicate this information when placing an order are hereby deemed to confirm that their order is not a “proprietary order”. Where prospective investors disclose such information but do not disclose that such “proprietary order” may negatively impact the price discovery process in relation to this offering, such “proprietary order” is hereby deemed not to negatively impact the price discovery process in relation to this offering.

Prospective investors should be aware that certain information may be disclosed by CMIs (including private banks) which is personal and/or confidential in nature to the prospective investor. By placing an order, prospective investors are deemed to have understood and consented to the collection, disclosure, use and transfer of such information by the Joint Lead Managers and/or any other third parties as may be required by the SFC Code, including to the Issuer, any OCs, relevant regulators and/or any other third parties as may be required by the SFC Code, it being understood and agreed that such information shall only be used for the purpose of complying with the SFC Code, during the bookbuilding process for this offering. Failure to provide such information may result in that order being rejected.

CERTAIN DEFINED TERMS AND CONVENTIONS

Unless otherwise specified or the context requires otherwise, references herein to the “**Issuer**” or the “**Bank**” are to Nanyang Commercial Bank, Limited and its consolidated subsidiaries.

Unless otherwise specified or the context requires, references herein to “**Hong Kong dollars**”, “**HK dollars**” and “**HK\$**” are to the lawful currency of the Hong Kong Special Administrative Region of the People’s Republic of China (“**Hong Kong**” or “**HKSAR**”), references herein to “**U.S. dollars**” or “**U.S.\$**” are to the lawful currency of the United States of America, references herein to “**Renminbi**” or “**RMB**” are to the lawful currency of the People’s Republic of China, references to “**PRC**” are to the People’s Republic of China and for the purpose of this Offering Circular excluding Hong Kong, the Macau Special Administrative Region and Taiwan, references to “**HKFRSs**” are to Hong Kong Financial Reporting Standards.

The English names of the PRC nationals, entities, departments, facilities, laws, regulations, governmental authorities, certificates, titles and the like are translations of their Chinese names and are included for identification purposes only. In the event of any inconsistency, the Chinese name shall prevail.

EXCHANGE RATE INFORMATION

This Offering Circular contains translations of certain Hong Kong dollar amounts into U.S. dollars at specified rates solely for the convenience of the readers. Unless otherwise specified, where financial information has been translated into U.S. dollars, it has been so translated, for information purposes only, at the rate of HK\$7.8118 equal to U.S.\$1.00 (being the average of the buying and selling rates of the opening indicative counter exchange rate published by the Hong Kong Association of Banks as at 29 December 2023). All such translations in this Offering Circular are provided solely for investors’ convenience and no representation is made that the Hong Kong dollar or U.S. dollar amounts referred to in this Offering Circular could have been or could be converted into Hong Kong dollars or U.S. dollars, as the case may be, at any particular rate or at all.

PRESENTATION OF FINANCIAL INFORMATION

This Offering Circular contains the Issuer’s consolidated financial information as at and for the years ended 31 December 2021, 2022 and 2023. The Issuer’s consolidated financial information as at and for the years ended 31 December 2021, 2022 and 2023 has been extracted from the audited consolidated financial statements of the Issuer as at and for the years ended 31 December 2022 and 2023 included elsewhere in this Offering Circular. The consolidated financial statements of the Group for the year ended 31 December 2022 have been audited by Ernst & Young, Certified Public Accountants (“**Ernst & Young**”). The consolidated financial statements of the Group for the year ended 31 December 2023 have been audited by PricewaterhouseCoopers, Certified Public Accountants (“**PricewaterhouseCoopers**”). Unless otherwise specified, the financial information set out in this Offering Circular is presented on a consolidated basis for the Issuer and its subsidiaries. The Issuer has engaged Ernst & Young as its independent auditor for the year 2024, to hold office from the date of approval at the 2024 annual general meeting of the Issuer and ending on the date of the conclusion of the next annual general meeting of the Issuer.

The consolidated financial information of the Issuer and the Group as at and for the years ended 31 December 2021 and 2022 have been audited by Ernst & Young and have been extracted from the Group’s audited consolidated financial statements as at and for the year ended 31 December 2022. The consolidated financial information of the Issuer and the Group as at and for the year ended 31 December 2023 have been audited by PricewaterhouseCoopers and the restated and unaudited consolidated financial information as at and for the year ended 31 December 2022 was not audited by PricewaterhouseCoopers, which have been extracted from the Group’s audited consolidated financial statements as at and for the year ended 31 December 2023.

Due to the reclassification of certain items including but not limited to other assets and intangible assets, the respective comparatives were restated for the Group's consolidated financial information as at and for the year ended 31 December 2022. Such figures for the year ended 31 December 2022 have been restated to conform with the presentation for the year ended 31 December 2023. Please refer to note 26 of the audited consolidated financial statements of the Group as at and for the year ended 31 December 2023 for further details. Accordingly, certain consolidated financial information of the Issuer and the Group as at and for the years ended 31 December 2021 and 2022 are not comparable to the Group's consolidated financial information as at and for the year ended 31 December 2023. The Group's consolidated financial statements are prepared and presented in accordance with HKFRSs.

ROUNDING

In this Offering Circular, where information has been presented in thousands or millions of units, amounts may have been rounded up or down. Accordingly, totals of columns or rows of numbers in tables may not be equal to the apparent total of the individual items and actual numbers may differ from those contained herein due to rounding. References to information in billions of units are to the equivalent of a thousand million units.

FORWARD-LOOKING STATEMENTS

This Offering Circular contains forward-looking statements regarding the intent, belief or current expectations of the Issuer held reasonably with respect to the Issuer's or the Group's financial condition and future results of operations. In many cases, but not all, words such as "anticipate", "believe", "estimate", "expect", "intend", "may", "plan", "probability", "project", "risk", "seek", "should", "target" and similar expressions are used in relation to the Issuer or the Group to identify forward-looking statements. Investors can also identify forward-looking statements in discussions of strategies, plans or intentions. These statements reflect the current views of the Issuer with respect to future events and are subject to risks, uncertainties and assumptions. Should one or more of these risks or uncertainties materialise, or should underlying assumptions prove incorrect, the Issuer's or the Group's actual results may vary materially from those it currently anticipates. Given these risks and uncertainties, prospective investors are cautioned not to place undue reliance on forward-looking statements, which speak only as at the date of this Offering Circular. The Issuer disclaims any obligation to update, or to announce publicly any revision to, any of the forward-looking statements contained in this Offering Circular to reflect future actual events or developments. The information contained in this Offering Circular, including without limitation the information under "*Risk Factors*" and "*Business of the Group*", identifies important factors that might cause the forward-looking statements not to be realised. All subsequent forward-looking statements attributable to the Issuer, the Group or any person acting on their behalf are expressly qualified in their entirety by the cautionary statements contained or referred to in this Offering Circular.

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SUMMARY

The summary below is only intended to provide a limited overview of information described in more detail elsewhere in this Offering Circular. As it is a summary, it does not contain all of the information that may be important to investors and terms defined elsewhere in this Offering Circular shall have the same meanings when used in this summary. Prospective investors should therefore read this Offering Circular in its entirety.

Overview

The Group is one of the oldest local banks in Hong Kong, having commenced business in 1949. The Group possesses over 70 years of operating history, a highly recognised brand, an extensive branch network, a stable and loyal customer base, expertise in providing cross-border services and robust financial conditions.

The Group's core business services include wealth management services, trade finance, deposit taking, foreign currency savings, remittances, investment services, home mortgage loans, personal loans, credit cards, safe deposit boxes, personal Renminbi services, internet banking services and insurance broker services.

As at 31 May 2024, the Group offered a broad range of banking and related financial services in Hong Kong through a network of 35 branches, strategically located to provide coverage for the core districts on Hong Kong Island, Kowloon and the New Territories. The Group's market-leading position in Renminbi and cross-border banking services is evidenced by the continued recognitions and awards received from various organisations.

The Group also has extensive experience in operating cross-border banking business. The Group started to provide China-related banking services since 1979 through its China Investment Consultation Department and was one of the first foreign movers in the PRC banking industry when it established its Shenzhen branch in the Shenzhen Special Economic Zone in 1982. The Group was the first foreign bank operating in China since the establishment of the PRC, it granted the first foreign bank loan in China since its adoption of its reform and opening-up policy, and it was also among the first banks which provided "offshore guarantee for onshore loan" products and was one of the first three foreign banks approved by the China Banking Regulatory Commission ("CBRC") to issue credit cards in China.

In terms of the Group's overseas operations, the Group had 38 branches/sub-branches in total in the PRC as at 31 May 2024. The Group's PRC businesses are operated through NCB (China), which is the Group's PRC-incorporated bank with its headquarters in Shanghai. NCB (China)'s business network covers the Pearl River Delta, the Yangtze River Delta Economic Zone and the Bohai Economic Rim, with branches/ sub-branches in major cities in the PRC such as Shanghai, Beijing, Dalian, Qingdao, Wuxi, Hefei, Suzhou, Hangzhou, Chengdu, Shenzhen, Nanning, Shantou, Wuhan, Guangzhou, Haikou, Chongqing and Nanjing.

In 2007, the Group established NCB (China) as a PRC-incorporated bank. The Group's branches and their businesses in the PRC were consolidated under NCB (China) for further expansion of the Group's PRC presence. NCB (China) has continued to expand its PRC presence. For example, it set up NCB (China) Wuhan branch in 2020 to fully promote the business development in mainland China. NCB (China) provides comprehensive RMB and foreign currency banking services to its customers. Services include but are not limited to deposit-taking, loans and advances, debit cards, credit cards, wealth management services, personal banking, investment services, agency services for life and general insurance, remittance and settlement, RMB cross-border trade settlement services and domestic and international trade finance facilities. As at the date of this Offering Circular, NCB (China) has obtained the relevant licences for operating its cross-border Renminbi business, foreign exchange settlement business, credit card business, derivatives business, insurance business, offshore wealth management business, investment fund business, interbank lending business, gold trading business and currency swap business, in the PRC.

The Group became a wholly-owned subsidiary of China Cinda in 2016, which allowed China Cinda to achieve additional financial and operational stability through its integration with a well-established commercial bank in Hong Kong, strengthening its leading advantage as a non-performing asset management business and creating an integrated asset management and financial services brand name. It was also an important step in the Group's development and holds huge significance for the future development of the Group as a core banking platform within the China Cinda group.

As at 31 December 2023, the Group's total consolidated assets, advances to customers and deposits from customers were HK\$555,148.60 million, HK\$293,406.56 million and HK\$394,389.86 million, respectively. As at 31 December 2022, the Group's total consolidated assets, advances to customers and deposits from customers were HK\$541,677.04 million, HK\$289,700.30 million and HK\$365,462.46 million, respectively. As at 31 December 2021, the Group's total consolidated assets, advances to customers and deposits from customers were HK\$536,331.00 million, HK\$291,549.85 million and HK\$383,781.39 million, respectively.

As at 31 December 2021, 2022 and 2023, the Group's total capital adequacy ratio was approximately 18.46 per cent., 17.45 per cent. and 18.56 per cent., respectively. For the years ended 31 December 2021, 2022 and 2023, the average value of the Group's quarterly liquidity coverage ratio for the last quarter of the year was 153.44 per cent., 139.36 per cent. and 165.02 per cent., respectively.

For the years ended 31 December 2021, 2022 and 2023, the Group's profit after taxation was HK\$3,231 million, HK\$3,908 million and HK\$3,442 million, respectively. For the years ended 31 December 2021, 2022 and 2023, the Group achieved a return on average assets¹ of approximately 0.62 per cent., 0.73 per cent. and 0.63 per cent., respectively, and a return on average equity² of approximately 4.99 per cent., 6.15 per cent. and 5.14 per cent., respectively.

Competitive Strengths

The Group believes its key strengths are as follows:

- The Group has a comprehensive risk management system and robust risk management mechanism.
- The Group benefited from the high degree of main businesses relevance with and all-round support from China Cinda.
- The Group is benefited from the strong synergy of businesses in Hong Kong and the PRC.
- The Group has maintained stable financial performance.

Strategies

The key components of the Group's strategy are set out below:

- Dual track expansion and integration of businesses in Hong Kong and the PRC.
- Development of a balanced corporate and personal banking business portfolio.
- Focus on development of customers with cross border business or asset management needs.

Recent Developments

Please refer to "*Business of the Group — Recent Developments*" for more details.

¹ The return on average assets is calculated by the profit for the year divided by the average of the total assets of the current and previous years.

² The return on average equity equals the difference between profit for the year and the additional tier-1 interest divided by the average of the difference between total equity and additional equity instruments of the current and previous years.

THE OFFERING

The following is a brief summary of certain terms of this Offering. For a more detailed description of the terms of the Notes, see “Terms and Conditions of the Notes”. Capitalised terms used herein and not defined have the meanings given to them in “Terms and Conditions of the Notes”.

The Issuer	Nanyang Commercial Bank, Limited, a company incorporated with limited liability in Hong Kong.
Description	U.S.\$700,000,000 6.00 per cent. Tier 2 Subordinated Notes due 2034.
Joint Global Coordinators, Joint Bookrunners and Joint Lead Managers	Nanyang Commercial Bank, Limited, BOCI Asia Limited, Merrill Lynch (Asia Pacific) Limited, Cinda International Capital Limited, China Securities (International) Corporate Finance Company Limited, CCB International Capital Limited, ABCI Capital Limited, BNP Paribas and BOCOM International Securities Limited.
Joint Bookrunners and Joint Lead Managers	Australia and New Zealand Banking Group Limited, Bank of China (Hong Kong) Limited, The Bank of East Asia, Limited, Central China International Securities Co., Limited, China CITIC Bank International Limited, China Everbright Bank Co., Ltd., Hong Kong Branch, China International Capital Corporation Hong Kong Securities Limited, Citigroup Global Markets Limited, CLSA Limited, CMB International Capital Limited, CMB Wing Lung Bank Limited, CMBC Securities Company Limited, CNCB (Hong Kong) Capital Limited, Crédit Agricole Corporate and Investment Bank, DBS Bank Ltd., GF Securities (Hong Kong) Brokerage Limited, Guotai Junan Securities (Hong Kong) Limited, The Hongkong and Shanghai Banking Corporation Limited, ICBC International Securities Limited, Industrial Bank Co., Ltd. Hong Kong Branch, Mizuho Securities Asia Limited, SMBC Nikko Securities (Hong Kong) Limited, SPDB International Capital Limited, Standard Chartered Bank and UBS AG Hong Kong Branch.
Issue Price	99.435 per cent.
Issue Date	6 August 2024.
Maturity Date	6 August 2034.
Form and Denomination	<p>The Notes will be issued in registered form in denominations of U.S.\$250,000 and integral multiples of U.S.\$1,000 in excess thereof.</p> <p>Beneficial interest in the Global Certificate will be shown on, and transfer thereof will be effected only through the records maintained by Euroclear and Clearstream and their respective account holders. Except as described herein, definitive certificates of Notes will not be issued in exchange for beneficial interest in the Global Certificate. See “<i>The Global Certificate — Change of Registration of Title</i>”.</p>

Interest Rate

The rate of interest (the “**Interest Rate**”) applicable to the Notes shall be:

- (a) in respect of the period from, and including, the Issue Date to, but excluding 6 August 2029 (the “**Reset Date**”), 6.00 per cent. per annum; and
- (b) in respect of the period from, and including, the Reset Date to, but excluding 6 August 2034 (the “**Maturity Date**”), the Reset Interest Rate.

Interest

The Notes bear interest on their outstanding principal amount (subject to adjustments following the occurrence of a Non-Viability Event in accordance with Condition 4(B)) from, and including, the Issue Date at the applicable Interest Rate, payable semi-annually in arrear on 6 February and 6 August in each year (each a “**Interest Payment Date**”) in equal instalments.

Events of Default and Winding-Up Proceedings

There are limited remedies for non-payment under the Notes. See “*Terms and Conditions of the Notes — Events of Default and Enforcement — Events of Default and Winding-Up Proceedings*”.

Status and Subordination of the Notes

The Notes constitute direct, unsecured and subordinated obligations of the Issuer and shall at all times rank *pari passu* and without any preference among themselves. The rights and claims of the Noteholders are subordinated in the manner described below.

Subject to the insolvency laws of Hong Kong and other applicable laws, in the event of a Winding-Up of the Issuer (other than pursuant to a Permitted Reorganisation (as defined below), the rights and claims against the Issuer of the Noteholders to payment of principal and interest on the Notes, and any other obligations in respect of the Notes shall rank (i) subordinate and junior in right of payment to, and of all claims of (a) all unsubordinated creditors of the Issuer (including its depositors), and (b) all other Subordinated Creditors of the Issuer whose claims are stated to rank senior to the Notes or rank senior to the Notes by operation of law or contract; (ii) *pari passu* in right of payment to and of all claims of the holders of Parity Obligations; and (iii) senior in right of payment to and of all claims of, (a) the holders of Tier 1 Capital Instruments (as defined below), and (b) the holders of other Junior Obligations, in each case in the manner provided in the Trust Deed.

In the event of a Winding-Up that requires the Noteholders or the Trustee to provide evidence of their claim to principal or interest under the Notes, such claims of the Noteholders will only be satisfied after all obligations of the Issuer ranking senior to the Notes have been satisfied in whole.

“**Authorised Institution**” has the meaning given to that term in the Banking Ordinance (Cap. 155) of Hong Kong, as amended or superseded from time to time.

“**Capital Regulations**” means the Banking (Capital) Rules (Cap. 155L) of Hong Kong, as amended or superseded from time to time, or any other capital rules or regulations from time to time applicable to the regulatory capital of Authorised Institutions incorporated in Hong Kong as implemented by the Monetary Authority.

“**Junior Obligation**” means the Shares, and any other class of the Issuer’s share capital and any instrument or other obligation (including without limitation any preference share) issued, entered into or guaranteed by the Issuer that ranks or is expressed to rank junior to the Notes by operation of law or contract.

“**Monetary Authority**” means the Monetary Authority appointed under section 5A of the Exchange Fund Ordinance (Cap 66) of Hong Kong, as amended or superseded from time to time or any successor thereto.

“**Parity Obligation**” means any instrument or other obligation issued, entered into or guaranteed by the Issuer constitutes or qualifies as a Tier 2 Capital Instrument or any instrument or other obligation issued, entered into, or guaranteed by the Issuer that ranks or is expressed to rank *pari passu* with the Notes by operation of law or contract, which excludes any Junior Obligation of the Issuer.

“**Permitted Reorganisation**” means a solvent reconstruction, amalgamation, reorganisation, merger or consolidation whereby all or substantially all the business, undertaking or assets of the Issuer are transferred to a successor entity which assumes all the obligations of the Issuer under the Notes.

“**Shares**” means the ordinary share capital of the Issuer.

“**Subordinated Creditors**” means all creditors the indebtedness of which is subordinated, in the event of the Winding-Up of the Issuer, in right of payment to the claims of depositors and other unsubordinated creditors of the Issuer other than those whose claims rank or are expressed to rank by operation of law or contract *pari passu* with, or junior to, the claims of Noteholders. For this purpose indebtedness shall include all liabilities, whether actual or contingent.

“**Tier 1 Capital Instrument**” means any instrument or other similar obligation issued, entered into or guaranteed by the Issuer that constitute Tier 1 capital (or its equivalent) pursuant to the Capital Regulations.

“Tier 2 Capital Instrument” means any instrument or other similar obligations issued, entered into or guaranteed by the Issuer that constitute or qualify as Tier 2 capital (or its equivalent) pursuant to the Capital Regulations.

“Winding-Up” means a final and effective order or resolution by a judicial authority in the jurisdiction of incorporation of the Issuer for the liquidation, winding-up or similar proceedings in respect of the Issuer.

No Set-off

Subject to applicable laws, no Noteholder may exercise, claim or plead any right of set-off, counter-claim or retention in respect of any amount owed to it by the Issuer arising under or in connection with the Notes and each Noteholder shall, by virtue of being the Noteholder of any Note be deemed to have waived all such rights of such set-off, counter-claim or retention.

Non-Viability Loss Absorption

If a Non-Viability Event occurs and is continuing, the Issuer shall, upon the date that the Issuer specifies in a Non-Viability Event Notice (which date, for the avoidance of doubt, can be on or prior to the provision of the Non-Viability Event Notice), irrevocably (without the need for the consent of the Noteholders) reduce the then outstanding principal amount of, and cancel any accrued but unpaid interest in respect of, each Note (in each case in whole or in part) by an amount equal to the Non-Viability Event Write-off Amount per Note (such reduction and cancellation, and the reduction and cancellation or conversion of any other Subordinated Notes so reduced and cancelled or converted upon the occurrence of a Non-Viability Event, where applicable, being referred to herein as the **“Write-off”**, and **“Written-off”** shall be construed accordingly).

Any failure or delay in giving a Non-Viability Event Notice in respect of the Notes or a similar notice in respect of any other Subordinated Capital Instruments will not render the relevant Write-off invalid or affect such Write-off in any respect.

“Hong Kong Business Day” means a day (other than a Saturday, Sunday or public holiday) on which commercial banks and foreign exchange markets are open for general business in Hong Kong.

“Loss Absorption Effective Date” means the date that will be specified as such in the applicable Non-Viability Event Notice.

“Non-Viability Event” means the earlier of:

- (i) the Monetary Authority notifying the Issuer in writing that the Monetary Authority is of the opinion that a Write-off or conversion is necessary, without which the Issuer would become non-viable; and

- (ii) the Monetary Authority notifying the Issuer in writing that a decision has been made by the government body, a government officer or other relevant regulatory body with the authority to make such a decision, that a public sector injection of capital or equivalent support is necessary, without which the Issuer would become non-viable.

“**Non-Viability Event Notice**” means the notice which shall be given by the Issuer not more than two Hong Kong Business Days after the occurrence of a Non-Viability Event, to the Noteholders, the Trustee and the Paying Agents, in accordance with the Conditions and which shall state:

- (i) in reasonable detail, the nature of the relevant Non-Viability Event;
- (ii) the Non-Viability Event Write-off Amount for (a) each Note, (b) each other Subordinated Note on the Loss Absorption Effective Date in accordance with its terms; and
- (iii) specifying the Loss Absorption Effective Date.

“**Non-Viability Event Write-off Amount**” means the amount of interest and/or principal to be Written-off as the Monetary Authority may direct or, in the absence of such a direction, as the Issuer shall (in consultation with the Monetary Authority) determine to be necessary to satisfy the Monetary Authority that the Non-Viability Event will cease to continue. For the avoidance of doubt, (i) the full amount of the Notes will be Written-off in full in the event that the amount Written-off is not sufficient for the Non-Viability Event to cease to continue and (ii) in the case of an event falling within paragraph (b) of the definition of Non-Viability Event, the Write-off will be effected in full before any public sector injection of capital or equivalent support. Further, the Non-Viability Event Write-off Amount in respect of each Note will be calculated based on a percentage of the outstanding principal amount of that Note.

“**Subordinated Capital Instrument**” means any Junior Obligation or Parity Obligation which contains provisions relating to a write-down or conversion into ordinary shares in respect of its outstanding principal amount on the occurrence, or as a result, of a Non-Viability Event and in respect of which the conditions (if any) to the operation of such provisions are (or with the giving of any certificate or notice which is capable of being given by the Issuer, would be) satisfied.

See “*Terms and Conditions of the Notes — Non-Viability Loss Absorption*” for further information.

**Consequence of Non-Viability
Loss Absorption**

Once the outstanding principal amount of, and any accrued but unpaid interest under, the Notes has been Written-off, the relevant amount(s) Written-off will not be restored in any circumstances including where the relevant Non-Viability Event ceases to continue. No Noteholder may exercise, claim or plead any right to any amount that has been Written-off, and each Noteholder shall, by virtue of his holding of any Notes, be deemed to have waived all such rights to such amount that has been Written-off.

**Hong Kong Resolution
Authority Power**

Notwithstanding any other term of the Notes, including without limitation Condition 4(B) (*Interest, Non-Viability Loss Absorption and Hong Kong Resolution Authority Power— Non-Viability Loss Absorption*), or any other agreement or arrangement, each Noteholder and the Trustee shall be subject, and shall be deemed to agree, be bound by and acknowledge that they are each subject, to having the Notes being written off, cancelled, converted or modified, or to having the form of the Notes changed, in the exercise of any Hong Kong Resolution Authority Power by the relevant Hong Kong Resolution Authority without prior notice and which may include (without limitation) and result in any of the following or some combination thereof:

- (i) the reduction or cancellation of all or a part of the outstanding principal amount of, or interest on, the Notes;
- (ii) the conversion of all or a part of the outstanding principal amount of, or interest on, the Notes into shares or other securities or other obligations of the Issuer or another person (and the issue to or conferral on the holder of such shares, securities or obligations), including by means of an amendment, modification or variation of the terms of the Notes; and
- (iii) the amendment or alteration of the maturity of the Notes or amendment or alteration of the amount of interest payable on the Notes, or the date on which the interest becomes payable, including by suspending payment for a temporary period, or any other amendment or alteration of the Conditions.

With respect to (i), (ii) and (iii) above, references to principal and interest shall include payments of principal and interest that have become due and payable (including principal that has become due and payable at the maturity date), but which have not been paid, prior to the exercise of any Hong Kong Resolution Authority Power. The rights of the Noteholders and the Trustee under the Notes and the Conditions are subject to, and will be amended and varied, if necessary, solely to give effect to, the exercise of any Hong Kong Resolution Authority Power by the relevant Hong Kong Resolution Authority.

No repayment of the outstanding principal amount of the Notes or payment of interest on the Notes shall become due and payable or be paid after the exercise of any Hong Kong Resolution Authority Power by the relevant Hong Kong Resolution Authority unless, at the time that such repayment or payment, respectively, is scheduled to become due, such repayment or payment would be permitted to be made by the Issuer under the laws and regulations applicable to the Issuer and the Group.

Upon the exercise of any Hong Kong Resolution Authority Power by the relevant Hong Kong Resolution Authority with respect to the Notes, the Issuer shall provide a written notice as soon as practicable regarding such exercise of the Hong Kong Resolution Authority Power to the Noteholders in accordance with Condition 11 (*Notices*) and to the Trustee and the Principal Paying Agent in writing.

Neither the reduction or cancellation, in part or in full, of the outstanding principal amount of, or interest on the Notes, the conversion thereof into another share, security or obligation of the Issuer or another person, or any other amendment or alteration of the Conditions, or any other modification or change in form of the Notes as a result of the exercise of any Hong Kong Resolution Authority Power by the relevant Hong Kong Resolution Authority with respect to the Issuer nor the exercise of the Hong Kong Resolution Authority Power by the relevant Hong Kong Resolution Authority with respect to the Notes shall constitute an Event of Default under Condition 9(A) (*Events of Default and Winding-Up Proceedings*).

“Hong Kong Resolution Authority Power” means any power which may exist from time to time under the Resolution Ordinance or any other laws, regulations, rules or requirements relating to financial institutions, including licensed banks, deposit-taking companies, restricted licence banks, banking group companies, insurance companies and/or investment firms incorporated in or authorised, designated, recognised or licensed to conduct regulated financial activities in Hong Kong in effect and applicable in Hong Kong to the Issuer or other members of the Group (including, for the avoidance of doubt, powers under Part 4 and Part 5 of the Resolution Ordinance) or any other laws, regulations, rules or requirements relating thereto, as the same may be amended from time to time (whether pursuant to the Resolution Ordinance or otherwise), and pursuant to which obligations of a licensed bank, deposit-taking company, restricted licence bank, banking group company, insurance company or investment firm or any of its affiliates can be reduced, cancelled, transferred, modified and/or converted into shares or other securities or obligations of the obligor or any other person.

“**relevant Hong Kong Resolution Authority**” means any authority with the ability to exercise a Hong Kong Resolution Authority Power in relation to the Issuer from time to time.

“**Resolution Ordinance**” means the Financial Institutions (Resolution) Ordinance (Cap. 628) of Hong Kong, as amended or superseded from time to time.

“**Subsidiary**” means any company (i) in which the Issuer holds a majority of the voting rights, (ii) of which the Issuer is a member and has the right to appoint or remove a majority of the Directors or (iii) of which the Issuer is a member and controls a majority of the voting rights, and includes any company which is a Subsidiary of a Subsidiary of the Issuer.

See “*Terms and Conditions of the Notes — Hong Kong Resolution Authority Power*” for further information.

Redemption at Maturity

Unless previously redeemed or purchased and cancelled as provided in Condition 6 (Redemption and Purchase), the Issuer will redeem the Notes at their outstanding principal amount on the Maturity Date. The Notes may not be redeemed at the option of the Issuer other than in accordance with the Conditions.

Redemption for Tax Reasons

Subject to Condition 6(G) (*Redemption and Purchase — Conditions for Redemption and Purchase in respect of the Notes*), the Notes then outstanding may be redeemed at the option of the Issuer in whole, but not in part, at any time, on giving not less than 30 nor more than 60 days’ notice to the Trustee and the Principal Paying Agent and, in accordance with Condition 11 (*Notices*), the Noteholders (which notice shall be irrevocable and shall specify the date fixed for redemption), if the Issuer satisfies the Trustee immediately before the giving of such notice that (a) it Issuer has or will become obliged to pay additional amounts as provided or referred to in Condition 7 (*Taxation*) as a result of any change in, or amendment to, the laws or regulations of Hong Kong or any political subdivision or any authority thereof or therein having the power to tax, or any change in the application or official interpretation of such laws or regulations, which change or amendment becomes effective on or after 30 July 2024 and (b) such obligation cannot be avoided by the Issuer taking reasonable measures available to it; provided that no such notice of redemption shall be given earlier than 90 days prior to the earliest date on which the Issuer would be obliged to pay such additional amounts or give effect to such treatment, as the case may be, were a payment in respect of the Notes then due.

See “*Terms and Conditions of the Notes — Redemption and Purchase — Redemption for Tax Reasons*” for further information.

**Redemption for Tax Deduction
Reasons**

Subject to Condition 6(G) (*Redemption and Purchase — Conditions for Redemption and Purchase in respect of the Notes*), the Notes may be redeemed at the option of the Issuer in whole, but not in part, at any time, on giving not less than 30 nor more than 60 days' notice to the Trustee and the Principal Paying Agent in writing, and, in accordance with Condition 11 (*Notices*), the Noteholders (which notice shall be irrevocable, subject to Condition 4(B) (*Interest, Non-Viability Loss Absorption and Hong Kong Resolution Authority Power — Non-Viability Loss Absorption*), and shall specify the date fixed for redemption), if the Issuer satisfies the Trustee immediately before the giving of such notice that:

- (i) in respect of the interest payable on the Notes, the Issuer is no longer, or will no longer be, entitled to claim a deduction in respect of computing its taxation liabilities in Hong Kong or any political subdivision or any authority thereof or therein having power to tax as a result of any change in, or amendment to, the laws or regulations of Hong Kong or any political subdivision or any authority thereof or therein or any change in the application or official interpretation of such laws or regulations, which change or amendment becomes effective on or after 30 July 2024; and
- (ii) such non tax deductibility cannot be avoided by the Issuer taking reasonable measures available to it.

See “*Terms and Conditions of the Notes — Redemption and Purchase — Redemption of the Notes for Tax Deduction Reasons*” for further information.

**Redemption for Regulatory
Reasons**

Subject to Condition 6(G) (*Redemption and Purchase — Conditions for Redemption and Purchase in respect of the Notes*), the Notes may be redeemed at the option of the Issuer in whole, but not in part, at any time on giving not less than 30 nor more than 60 days' notice to the Trustee and the Principal Paying Agent in writing and to the Noteholders in accordance with Condition 11 (*Notices*) (which notice shall be irrevocable and shall specify the date fixed for redemption) following the occurrence of a Capital Event.

A “**Capital Event**” occurs if the Issuer satisfies the Trustee immediately before the giving of the notice of redemption referred in Condition 6(D) (*Redemption and Purchase — Redemption of the Notes for Regulatory Reasons*) that the Notes, after having qualified as such, will no longer qualify (in whole or in part) as Tier 2 capital (or equivalent) of the Issuer (other than non-qualification solely as a result of any discounting or amortisation requirements as to the eligibility of the Notes for such inclusion pursuant to the relevant legislation and supervisory guidance in force from time to time), as a result of any change in or amendment to (or any change in the application or official interpretation of) the relevant provisions of the Banking Ordinance (Cap. 155) of Hong Kong, the Capital Regulations, or any successor legislation or regulations made thereunder, or any supervisory guidance issued by the Monetary Authority in relation thereto, in each case, as amended or superseded from time to time. No such notice of redemption shall be given earlier than 90 days prior to the earliest date on which it is determined that a Capital Event has occurred.

See “*Terms and Conditions of the Notes — Redemption and Purchase — Redemption of the Notes for Regulatory Reasons*” for further information.

Redemption at the Option of the Issuer

Subject to Condition 6(G) of the Notes, the Issuer may redeem all, but not some only, of the Notes then outstanding on the Reset Date, at their outstanding principal amount together (if appropriate) with interest accrued to (but excluding) the date of redemption, subject to adjustments following the occurrence of a Non-Viability Event in accordance with Condition 4(B) of the Notes.

See “*Terms and Conditions of the Notes — Redemption and Purchase — Redemption at the Option of the Issuer*”.

Conditions for Redemption and Purchase in respect of the Notes

The Issuer shall not redeem any of the Notes (other than pursuant to Condition 9 (*Events of Default and Enforcement*)) and neither the Issuer nor any Restricted Person shall purchase any of the Notes unless the prior written consent of the Monetary Authority thereto shall have been obtained, as further described in “*Terms and Conditions of the Notes — Redemption and Purchase — Conditions for Redemption and Purchase in respect of the Notes*”.

Purchase and Cancellation

Subject to Condition 6(G) of the Notes, the Issuer and any of its Subsidiaries may, at any time, purchase Notes in the open market or otherwise at any price.

See “*Terms and Conditions of the Notes — Redemption and Purchase — Purchase and Cancellation*”.

Withholding Taxation	All payments of principal and interest by or on behalf of the Issuer in respect of the Notes shall be made free and clear of, and without withholding or deduction for, any taxes, duties, assessments or governmental charges of whatever nature imposed, levied, collected, withheld or assessed by or within Hong Kong or any authority therein or thereof having power to tax, unless such withholding or deduction is required by law. If the Issuer is required to make a deduction or withholding by or within Hong Kong, the Issuer shall pay such additional amounts (“ Additional Tax Amounts ”) as shall result in receipt by the Noteholders of such amounts as would have been received by them had no such withholding or deduction been required, subject to customary exceptions, all as described in “ <i>Terms and Conditions of the Notes — Taxation</i> ”.
Governing Law	The Notes and the Trust Deed and any non-contractual obligations arising out of or in connection with them are governed by, and shall be construed in accordance with, English law, except that the provisions of the Notes and the Trust Deed relating to subordination shall be governed by the Hong Kong law.
Jurisdiction	The courts of England are to have jurisdiction to settle any disputes that may arise out of or in connection with the Notes or the Trust Deed.
Capital Treatment	The Notes are intended to qualify as tier 2 capital under the Capital Regulations.
Trustee	China Construction Bank (Asia) Corporation Limited (中國建設銀行(亞洲)股份有限公司).
Principal Paying Agent and Calculation Agent	China Construction Bank (Asia) Corporation Limited (中國建設銀行(亞洲)股份有限公司).
Registrar and Transfer Agent	China Construction Bank (Asia) Corporation Limited (中國建設銀行(亞洲)股份有限公司).
Trust Deed	The Notes will be constituted by a Trust Deed to be dated 6 August 2024 between the Issuer and the Trustee.
Clearing Systems	<p>The Notes will initially be represented by the Global Certificate, in registered form, deposited on or about the Issue Date with, and registered in the name of a nominee of, a common depositary for Euroclear and Clearstream.</p> <p>Beneficial interests in the Global Certificate will be shown on, and transfer thereof will be effected only through the records maintained by Euroclear and Clearstream and their respective accountholders. Except as described herein, definitive certificates of Notes will not be issued in exchange for beneficial interests in the Global Certificate. See “<i>The Global Certificate — Change of Registration of Title</i>”.</p>

ISIN of the Notes	XS2842544491.
Common Code of the Notes	284254449.
Legal Entity Identifier of the Issuer	SC4P6WZO702RYEIU7J93.
Ratings	The Notes are expected to be rated “Baa2” by Moody’s. A rating is not a recommendation to buy, sell or hold the Notes and may be subject to revision, suspension or withdrawal at any time by the assigning rating organisation.
Listing	Application will be made for the listing of, and permission to deal in, the Notes on the SEHK by way of debt issues to Professional Investors only. It is expected that dealing will, if permission is granted to deal in and for the listing of the Notes on the SEHK, commence on or about 7 August 2024.
Use of Proceeds	The Issuer intends to use the net proceeds from the issue of the Notes to supplement its tier 2 capital under the Banking (Capital) Rules (Cap. 155L).
Selling Restrictions	There are restrictions on the distribution of this Offering Circular and the making of solicitations pursuant thereto in certain jurisdictions, including, among others, the United States, the United Kingdom, the European Economic Area, Hong Kong, the PRC, Singapore, Taiwan, and Japan. The Notes are being offered outside the United States in reliance on Regulation S (Category 1) under the Securities Act. See “ <i>Subscription and Sale</i> ”.

SUMMARY FINANCIAL AND OTHER INFORMATION

The consolidated financial information of the Issuer and the Group as at and for the years ended 31 December 2021 and 2022 have been audited by Ernst & Young and have been extracted from the Group's audited consolidated financial statements as at and for the year ended 31 December 2022. The consolidated financial information of the Issuer and the Group as at and for the year ended 31 December 2023 have been audited by PricewaterhouseCoopers and the restated and unaudited consolidated financial information as at and for the year ended 31 December 2022 was not audited by PricewaterhouseCoopers, which have been extracted from the Group's audited consolidated financial statements as at and for the year ended 31 December 2023.

Due to the reclassification of certain items including but not limited to other assets and intangible assets, the respective comparatives were restated for the Group's consolidated financial information as at and for the year ended 31 December 2022. Such figures for the year ended 31 December 2022 have been restated to conform with the presentation for the year ended 31 December 2023. Please refer to note 26 of the audited consolidated financial statements of the Group as at and for the year ended 31 December 2023 for further details. Accordingly, certain consolidated financial information of the Issuer and the Group as at and for the years ended 31 December 2021 and 2022 are not comparable to the Group's consolidated financial information as at and for the year ended 31 December 2023. The Group's consolidated financial statements are prepared and presented in accordance with HKFRSs.

The information set out below should be read in conjunction with, and is qualified in its entirety by reference to, such consolidated financial statements of the Group and, including the notes thereto, included in this Offering Circular.

The Group's historical financial information should not be taken as an indication of its future financial performance.

Consolidated Income Statement

	Year ended 31 December		
	2023	2022	2021
	<i>(audited)</i>	<i>(audited)</i>	<i>(audited)</i>
	<i>(in HK\$ thousands)</i>		
Interest income	21,765,336	14,531,133	11,720,933
Interest expense	<u>(13,763,809)</u>	<u>(7,359,109)</u>	<u>(5,395,517)</u>
Net interest income	8,001,527	7,172,024	6,325,416
Fee and commission income	1,433,236	1,379,583	1,808,783
Fee and commission expense	<u>(79,634)</u>	<u>(79,262)</u>	<u>(93,239)</u>
Net fee and commission income	1,353,602	1,300,321	1,715,544
Net trading gain	436,253	270,139	310,889
Net gain on financial instruments at fair value through profit or loss	380,843	607,645	61,759
Net gain on other financial assets	324,860	260,754	153,292
Other operating income	<u>16,517</u>	<u>39,105</u>	<u>22,515</u>
Net operating income before impairment allowances ..	10,513,602	9,649,988	8,589,415
Net charge of impairment allowances	<u>(3,141,951)</u>	<u>(1,684,557)</u>	<u>(1,499,269)</u>
Net operating income	7,371,651	7,965,431	7,090,146
Operating expenses	<u>(3,660,691)</u>	<u>(3,489,617)</u>	<u>(3,340,265)</u>
Operating profit	3,710,960	4,475,814	3,749,881
Net (loss)/gain from fair value adjustments on investment properties	(9,040)	(6,920)	—
Net (loss)/gain from disposal/revaluation of properties, plant and equipment	<u>(8,727)</u>	<u>(24,411)</u>	<u>(7,831)</u>
Profit before taxation	3,693,193	4,444,483	3,742,050
Taxation	<u>(250,744)</u>	<u>(536,169)</u>	<u>(510,963)</u>
Profit for the year/period	<u>3,442,449</u>	<u>3,908,314</u>	<u>3,231,087</u>
Dividends	<u>—</u>	<u>—</u>	<u>—</u>

Consolidated Statement of Comprehensive Income

	Year ended 31 December		
	2023	2022	2021
	(audited)	(audited)	(audited)
	<i>(in HK\$ thousands)</i>		
Profit for the year/period	3,442,449	3,908,314	3,231,087
Items that will not be reclassified subsequently to income statement:			
Equity instruments at fair value through other comprehensive income:			
Change in fair value of equity instruments at fair value through other comprehensive income	3,762	(28,089)	(4,176)
Premises:			
Revaluation of premises	(45,485)	(92,207)	67,323
Deferred tax	14,027	81,829	3,306
	(31,458)	(10,378)	70,629
Defined benefit plan:			
Actuarial gain/(losses) on remeasurement	15,805	48,650	3,930
Deferred tax	(2,608)	(8,027)	(648)
	13,197	40,623	3,282
	(14,499)	2,156	69,735
Items that may be reclassified subsequently to income statement:			
Debt instruments at fair value through other comprehensive income:			
Change in fair value of debt instruments at fair value through other comprehensive income	1,500,641	(1,947,058)	166,943
Changes in allowance for expected credit losses	(203,942)	3,360	39,049
Release upon disposal of debt instruments at fair value through other comprehensive income reclassified to income statement	(326,527)	(259,527)	(165,857)
Amortisation with respect to debt instruments at fair value through other comprehensive income transferred to at amortised cost reclassified to income statement	—	—	3,353
Deferred tax	(157,922)	377,558	(27,399)
	812,250	(1,825,667)	16,089
Change in fair value of hedging instruments under net investment hedges	41,769	189,033	(60,921)
Currency translation difference	(389,114)	(1,695,940)	516,950
	464,905	(3,332,574)	472,118
Other comprehensive income/(loss) for the year/period, net of tax	450,406	(3,330,418)	541,853
Total comprehensive income/(loss) for the year/period	<u>3,892,855</u>	<u>577,896</u>	<u>3,772,940</u>

Consolidated Balance Sheet

	As at 31 December		
	2023	2022	2021
	(audited)	(audited)	(audited)
	(in HK\$ thousands)		
ASSETS			
Cash and balances with banks and other financial institutions	53,833,393	62,413,355	64,703,312
Placements with banks and other financial institutions maturing between one and twelve months	2,273,269	4,601,418	2,684,141
Financial assets at fair value through profit or loss . . .	15,838,110	18,613,952	27,022,570
Derivative financial instruments	1,039,044	1,884,945	834,964
Advances and other accounts	293,904,736	290,467,189	292,037,365
Financial investments	174,186,800	151,195,360	138,007,929
Investment properties	407,600	559,140	327,610
Properties, plant and equipment	9,071,270	9,089,246	8,759,766
Intangible assets ¹	843,464	—	—
Current tax assets	—	63,128	—
Deferred tax assets	551,106	327,947	352,791
Other assets	3,199,805	2,461,358 ²	1,600,552
Total assets	555,148,597	541,677,038	536,331,000
LIABILITIES			
Deposits and balances from banks and other financial institutions	35,581,892	44,923,135	21,653,972
Financial liabilities at fair value through profit or loss .	5,784,773	7,119,358	6,415,312
Derivative financial instruments	1,349,761	1,112,781	814,670
Deposits from customers	394,389,863	365,462,464	383,781,386
Debt securities and certificates of deposit in issue	28,719,835	35,422,412	31,755,227
Other accounts and provisions	14,622,905	19,285,943	19,022,499
Current tax liabilities	704,069	359,983	289,842
Deferred tax liabilities	536,314	364,108	812,882
Subordinated liabilities	5,468,028	5,455,215	5,451,286
Total liabilities	487,157,440	479,505,399	469,997,076
EQUITY			
Share capital	3,144,517	3,144,517	3,144,517
Reserves	57,424,614	53,949,266	53,874,517
Total equity attributable to owners of the parent	60,569,131	57,093,783	57,019,034
Additional equity instruments	7,422,026	5,077,856	9,314,890
Total equity	67,991,157	62,171,639	66,333,924
Total liabilities and equity	555,148,597	541,677,038	536,331,000

¹ The line item was added to the consolidated financial statements of the Group for the year ended 31 December 2023 due to reclassification of intangible assets. Please refer to note 26 to the consolidated financial statements of the Group for the year ended 31 December 2023 for details.

² The line item was restated in the consolidated financial statements of the Group for the year ended 31 December 2023 due to reclassification of intangible assets. Please refer to note 26 to the consolidated financial statements of the Group for the year ended 31 December 2023 for details.

Tier I and Tier II Capital Base

Capital adequacy ratios (“**CAR**”) comply with the Banking (Capital) Rules (Cap. 155L) of the laws of Hong Kong issued by the Monetary Authority. The CAR are computed on a consolidated basis covering the Issuer and some of its subsidiaries as required by the Monetary Authority.

The Group has adopted the standardised (credit risk) (“**STC**”) approach to calculate the credit risk capital charge for the years ended 31 December 2021, 2022 and 2023.

The Group has adopted the standardised credit valuation adjustment (“**CVA**”) method to calculate the capital charge for the CVA risk of the counterparty for the years ended 31 December 2021, 2022 and 2023.

The Group has adopted the standardised (market risk) (“**STM**”) approach to calculate the market risk capital charge for the years ended 31 December 2021, 2022 and 2023.

The Group has adopted the standardised (operational risk) (“**STO**”) approach to calculate the operational risk capital charge for the years ended 31 December 2021, 2022 and 2023.

	As at 31 December		
	2023	2022	2021
	<i>(audited)</i>	<i>(audited)</i>	<i>(audited)</i>
	<i>(in HK\$ thousands)</i>		
Common Equity Tier 1 (“CET1”) capital: instruments and reserves			
Directly issued qualifying CET1 capital instruments . . .	3,144,517	3,144,517	3,144,517
Retained earnings	49,895,388	47,250,590	43,323,642
Disclosed reserves	<u>7,197,109</u>	<u>6,600,849</u>	<u>10,542,440</u>
CET1 capital before regulatory deductions	<u>60,237,014</u>	<u>56,995,956</u>	<u>57,010,599</u>
CET1 capital: regulatory deductions			
Valuation adjustments	(288)	(570)	(91)
Other intangible assets (net of associated deferred tax liabilities)	(840,471)	(589,377)	—
Deferred tax assets net of deferred tax liabilities	(551,106)	(358,280)	(352,791)
Gains and losses due to changes in own credit risk on fair valued liabilities	(913)	(2,429)	(940)
Cumulative fair value gains arising from the revaluation of land and buildings (own-use and investment properties)	(6,720,136)	(6,767,961)	(6,862,754)
Regulatory reserve for general banking risks	(2,275,475)	(2,116,502)	(2,636,044)
Total regulatory deductions to CET1 capital	<u>(10,388,389)</u>	<u>(9,835,119)</u>	<u>(9,852,620)</u>
CET1 capital	<u>49,848,625</u>	<u>47,160,837</u>	<u>47,157,979</u>
Additional Tier 1 capital	<u>7,422,026</u>	<u>5,077,856</u>	<u>9,314,890</u>
Tier 1 capital	<u>57,270,651</u>	<u>52,238,693</u>	<u>56,472,869</u>
Tier 2 capital: instruments and provisions			
Qualifying Tier 2 capital instruments plus any related share premium	5,444,365	5,431,592	5,427,666
Collective impairment allowances and regulatory reserve for general banking risks eligible for inclusion in Tier 2 capital	<u>4,201,957</u>	<u>4,206,158</u>	<u>4,413,868</u>
Tier 2 capital base before regulatory deductions . . .	<u>9,646,322</u>	<u>9,637,750</u>	<u>9,841,534</u>
Tier 2 capital: regulatory deductions			
Add back of cumulative fair value gains arising from the revaluation of land and buildings (own-use and investment properties) eligible for inclusion in Tier 2	<u>3,024,061</u>	<u>3,045,582</u>	<u>3,088,239</u>
Total regulatory deductions to Tier 2 capital	<u>3,024,061</u>	<u>3,045,582</u>	<u>3,088,239</u>
Tier 2 capital	<u>12,670,383</u>	<u>12,683,332</u>	<u>12,929,773</u>
Total capital	<u><u>69,941,034</u></u>	<u><u>64,922,025</u></u>	<u><u>69,402,642</u></u>

RISK FACTORS

Prospective investors should carefully take into account the considerations described below, in addition to the other information contained herein, before investing in the Notes. The occurrence of one or more events described below could have an adverse effect on the Group's business, financial condition, or results of operations, and could affect the Issuer's ability to make payments of principal and Distribution under the Notes. Additional considerations and uncertainties not currently known to the Issuer, or which the Issuer currently deems immaterial, may also have an adverse effect on an investment in the Notes.

RISK FACTORS RELATING TO THE GROUP

The Group may be affected by an economic downturn in Hong Kong and around the world.

The Group's performance and the quality and growth of its assets are necessarily dependent on the overall economy in Hong Kong and around the world. The Group's business is inherently subject to general macroeconomic conditions and policies and market fluctuations, including financing cost and the volatility of interest rates, inflation, monetary and fiscal policies and other macroeconomic policies. As a result, any downturn in the Hong Kong and global economy may adversely affect the Group's business, financial condition and the results of its operations.

Unfavourable financial or economic environments, including the continued global financial uncertainties, have had and may continue to have an adverse impact on investors' confidence, global financial markets and the Hong Kong and global economy. In particular:

- The United States and China have been involved in disputes over trade barriers that have escalated into a trade war between the two countries. Both countries have implemented tariffs and other barriers on certain industries and products from the other, casting uncertainty over tariffs and barrier to entry for products on both sides. There are uncertainties as to when and whether the trade disputes will be resolved and the trade barriers lifted. The trade war between the United States and China has resulted in disruption to global trade flows, global production and supply chains; and it also increased volatility in the financial markets around the world. In addition, the European Union ("EU")-China relations have become increasingly complex with bilateral relations marked by challenges related to market access and investment as well as key foreign and security policy issues. The EU has sought to take steps to remedy what it sees as an uneven playing field, by reducing critical dependencies and vulnerabilities in its supply chains.
- In early 2023, the global financial markets have experienced further volatility with the collapse of mid-size Silicon Valley Bank, Signature Bank and First Republic Bank in the United States, as well as the collapse of global financial institution Credit Suisse, which has resulted in tightened credit standards, reduced capital investment and higher uncertainty in the global macroeconomic environment. In addition, the ongoing corporate deleveraging efforts by the PRC government since 2017 and the increased amount of corporate defaults over recent years, particularly in the PRC real estate sector, have contributed to further volatility in financial markets.
- The economic effects arising from the COVID-19 has significantly affected global financial, foreign exchange, commodity and energy markets, along with the resulting significant government support measures and negative impacts to government budgets during and after the COVID-19 pandemic. Whether and to what extent countries and territories will be able to return to pre COVID-19 economic levels remain uncertain.
- Ongoing impacts of wars and geographical conflicts around the world had led to volatility in economy and contributed to the increase in inflation. In particular, extensive financial, trade, transport, and immigration sanctions have been imposed by the UK, the EU and U.S., among others, against Russian individuals and companies in light of the Russia-Ukraine geopolitical

conflicts. Increasing tension between the U.S. and China may further contribute to the dynamism of the sanctions environment. The sanctions regimes put in place since the Russia-Ukraine geopolitical conflicts have led to rising prices of energy, food and other commodities, and consequently a historical level of high inflation globally. An armed conflict between Israel and Palestine has been evolving in and around the Gaza Strip since October 2023, which may lead to a wider conflict on the Middle East. As a result, the aggravated geopolitical tension brings uncertainty to the global economy as well as significant volatilities in the global financial market.

- Central banks of some jurisdictions, including the Federal Reserve Board of Governors of the United States, and Hong Kong Monetary Authority have also accelerated their shifts in monetary policies and increased interest rates in response to sustained inflationary pressure. There can be no assurance that monetary and fiscal policy measures adopted by central banks or national governments will have the intended effects or that a global economic downturn will not occur or market volatilities will not persist. There are ongoing concerns relating to the political gridlock in the United States over government spending and debt levels, the consequences for economic growth and investor confidence in the United States.
- There are also ongoing impacts from the prolonged period of uncertainty around the exit of the United Kingdom from the European Union (“**Brexit**”). On 31 January 2020, the United Kingdom officially exited the European Union following a UK-EU Withdrawal Agreement (the “**Withdrawal Agreement**”) signed in October 2019. As agreed in the Withdrawal Agreement, a transition period was implemented until 31 December 2020, during which time EU laws and regulations continued to apply broadly as before. The UK-EU Trade and Cooperation Agreement (“**TCA**”) was finalised on 24 December 2020 and came into force from 1 January 2021. The TCA sets out all aspects of the new UK-EU relationship, such as trade, security, areas of ongoing collaboration/cooperation and governance. Given the lack of precedent, the long-term impact of Brexit remains uncertain and will depend on the implementation of the final terms agreed between the United Kingdom and the European Union in the TCA as well as on the United Kingdom’s ability to secure favourable trade and investment terms with countries outside the European Union.

If there is any renewed economic downturn or slowdown in global economic recovery, there can be no assurance that the Hong Kong economy or the Group’s business, financial condition and results of operations will not be adversely affected. The Issuer expects the continued growth in the Hong Kong economy to depend in part upon the economic performance of the United States and the PRC, as well as certain other developed countries. There can be no assurance that future global events will not have an adverse effect on the Hong Kong economy and the Group.

The Group has significant exposure to the PRC market which may be influenced by the general state of the PRC economy and any significant political, social or legal uncertainties or changes in the PRC.

As at 31 May 2024, the Issuer’s wholly-owned subsidiary, Nanyang Commercial Bank (China), Limited (“**NCB (China)**”), headquartered in Shanghai, operated 38 branches/sub-branches in major cities of the PRC such as Shanghai, Beijing, Dalian, Qingdao, Wuxi, Hefei, Suzhou, Hangzhou, Chengdu, Shenzhen, Haikou, Nanning, Shantou, Wuhan, Guangzhou, Chongqing and Nanjing.

For the years ended 31 December 2021, 2022 and 2023, net operating income before impairment allowances from the PRC amounted to HK\$2,916.28 million, HK\$3,179.44 million and HK\$2,625.98 million, respectively, representing approximately 33.95 per cent., 32.95 per cent. and 24.98 per cent., respectively, of the Group’s total net operating income before impairment allowances.

The Group's operating income from the PRC, as well as its advances to companies that have business interests in the PRC, may be influenced by the general state of the PRC economy and may be affected by significant political, social or legal uncertainties or changes in the PRC (including changes in political leadership, inflation rate, exchange controls and exchange rate, and the impact on the changes in regulations governing banking and other businesses). There has been a slowdown in the growth of the PRC's GDP since the second half of 2013 and this has raised market concerns that the historic rapid growth of the economy of the PRC may not be sustainable. According to the National Bureau of Statistics of the PRC, the annual growth rate of China's GDP in 2021 increased to 8.4 per cent., which then dropped to 3.0 per cent. in 2022. In 2023, China's GDP reached RMB126.06 trillion, representing year-on-year growth of 5.2 per cent.

In addition, concerns have arisen recently over deflationary pressures in the PRC as a result of weak domestic demand and a slowing economy. Inflation rates within the PRC have been on a downward trend in recent years, resulting in falling profits, closure of plants and shrinking employment and incomes by companies and individuals. Reduced domestic consumption and declined wages have also led to lower loan quality and more defaults. For example, since September 2021, there has been negative news relating to certain PRC real estate developers including defaults on their indebtedness as a result of various economic measures imposed by the PRC government with an aim of cooling the overheated real estate market and corporate deleveraging in the PRC, including strengthened supervision over PRC real estate developers and tightened credit requirements. This has had a negative impact on, and resulted in increased volatility in, the PRC real estate industries, and has negatively impacted property prices and transaction volumes and resulted in an oversupply of residential and commercial properties. The PRC government has recently promulgated certain stimulus measures to support revive the PRC real estate market and certain real estate property developers, but there is no guarantee that any such measures could achieve their intended effect. Any continued deterioration of the PRC real estate industries may have an adverse impact on the value of loans made to these customers, may affect relevant segments of the economy and may in turn affect the Group's business, financial condition or results of operations. Moreover, deterioration in the financial condition of the borrowers in real estate industries could materially and adversely affect the quality of the existing loans and the Group's ability to generate new loans, and could have a material adverse effect on its business, financial condition or results of operations. There can be no assurance that the Group's continued exposure to the PRC or its strategy to grow its business in the PRC will not have a negative impact on the Group's earnings or an adverse effect on the Group's business, financial condition or results of operations or that the economic and political environment in the PRC will remain favourable to the Group's business in the PRC in the future.

The Group's performance and the quality and growth of its assets are necessarily dependent on the overall economy in the PRC. Many of the Group's commercial customers are dependent to varying degrees on trade with the PRC. The asset quality of the Group's loans in the PRC, as well as its loans to customers that have business interests in the PRC, may be influenced by the general state of the PRC economy and may be affected by significant political, social or legal uncertainties or changes in the PRC (including changes in political leadership, the rate of inflation, RMB interest rate and RMB exchange rate). There can be no assurance that the economic and political environment in the PRC will remain favourable to the Group's business in the PRC in the future.

As far as the banking sector was concerned, this not only affected loan demand but also increased credit risk. In response to economic slowdown, the PRC government adopted a series of stimulus measures including, *inter alia*, reductions in the reserve requirement ratio and interest rates.

The People's Bank of China ("PBOC") publishes and adjusts benchmark interest rates on loans and deposits from time to time. For example, with effect from 22 November 2014, 1 March 2015, 11 May 2015, 28 June 2015 and 26 August 2015 and 24 October 2015, respectively, the PBOC lowered the benchmark interest rates on RMB denominated loans and deposits. In late 2021, PBOC lowered the one-year loan prime rate to 3.8 per cent., down from 3.85 per cent. On the other hand, the PBOC continues to liberalise the restrictions on interest rates for loans. For example, on 20 July 2013, the

PBOC eliminated the minimum interest rate requirements for RMB-denominated loans. As at 20 August 2020, the ceiling on private lending interest rate has been significantly lowered to 15.4 per cent., from the previous ceiling, which was set between 24 per cent. and 36 per cent. Moreover, while a multi-year appreciation of the RMB exchange rate had already started to give way to two-way fluctuations, the PBOC's decision to change its daily rate fixing mechanism triggered a noticeable downward pressure on the RMB exchange rate and fuelled expectations of further devaluation ahead. If the PRC's economy experiences a continued slowdown in growth or a downturn in the future, or if the RMB exchange rate experiences unexpected phenomenal fluctuations, the Group's PRC business and its ability to implement its growth strategies in the PRC could be materially and adversely affected, which would in turn have a material adverse effect on the Group's PRC business as a whole.

With the increased integration of the PRC and Hong Kong economies, PRC policies may have an impact on Hong Kong and Hong Kong companies conducting business in the PRC. The Issuer and its customers may also be affected accordingly.

The Group has significant exposure to the Hong Kong property market.

The Group has higher exposures to property-related usage as compared to other industries. As at 31 December 2023, advances to customers for property-related usage in Hong Kong accounted for 14.87 per cent. of the Group's total advances to customers.

Hong Kong property prices and rents for residential, commercial and industrial properties, have shown significant uplift started from 2000. Since 2010, the Hong Kong government and the Hong Kong Monetary Authority (“HKMA”) have introduced a series of residential property cooling measures, such as Special Stamp Duty (“SSD”) for residential property, Buyer's Stamp Duty (“BSD”) and reduced loan-to-value borrowings limits.

However, as a result of the economic downturn and uncertainties after the COVID-19 pandemic, falling property prices and reduced property transactions, the SSD and BSD were abolished in April 2024. There is no assurance that the Hong Kong government will not re-introduce tightening measures in the future when the Hong Kong property market conditions improve, which may in turn have a negative impact on the Group's asset quality or an adverse effect on its business.

The trend of property prices in the Hong Kong property market depends on various factors which are beyond the Group's control, including when the Hong Kong government will relax its cooling measures, the Hong Kong dollar interest rate movements (largely dependent on the timing and pace of United States interest rate hikes), capital outflow pressures in relation to global competitive monetary easing and currency depreciation, growth prospects of the Hong Kong economy, economic, Renminbi and property market developments in the PRC and changes in the property demand/supply balance in the Hong Kong market. Any substantial decreases in property values could adversely affect the Group's business and financial condition and/or results of operations. In order to control the concentration risk in this segment, the Group has taken various measures, including setting portfolio limits. However, there can be no assurance that the downturn in property market in Hong Kong or the PRC will not have a negative impact on the Group's asset quality or an adverse effect on the Group's business.

The Group's banking business is exposed to systemic risk resulting from failures by banks, other financial institutions and corporates.

Within the financial services industry, the default of any institution or corporate could lead to defaults by other institutions. Concerns about, or a default by, one institution could lead to significant liquidity problems, losses or defaults by other institutions as the commercial soundness of many financial institutions may be closely correlated as a result of their credit, trading, clearing or other relationships. This risk is sometimes referred to as “systemic risk”, and may adversely affect financial intermediaries, such as clearing agencies, clearing houses, banks, securities firms, other financial institutions and exchanges with whom the Group interacts on a daily basis. The recent financial

markets turmoil with the collapse of Silicon Valley Bank, followed by Signature Bank, the crisis of Credit Suisse and the seizure of First Republic Bank, has resulted in higher uncertainty in the financial services industry and has raised questions about the viability of other financial services firms and possibility of broader systemic risk. In addition, the response by government regulators and central banks to recent financial markets turmoil, including the response by Swiss authorities to the collapse of Credit Suisse and the seizure of First Republic Bank by U.S. regulators, has caused market participants to question how regulators and central banks will utilise resolution authority powers with respect to financial institutions or otherwise respond in the event of further turbulence or crisis in financial markets. In turn, the actual or perceived soundness of these financial institutions could have an adverse effect on the Group's ability to raise new funding, including regulatory capital, and could have a material impact on the Group's business, financial condition, results of operations and prospects.

The Group has significant exposure to the financial market.

As at 31 December 2023, the Group's advances to customers of the financial sector usage in Hong Kong accounted for 7.78 per cent. of the Group's total advances to customers.

Unfavourable financial or economic environments, including the continued global financial uncertainties, have had and may continue to have an adverse impact on investors' confidence and global financial markets. Those unfavourable financial or economic conditions, such as those caused in recent years by the global financial and economic crisis, include the European sovereign debt crisis, the Brexit and uncertainties surrounding the terms of the Brexit, China-U.S. trade friction and the escalation of bilateral tariffs on imports imposed by both countries, the outbreak of COVID-19, the global interest rates and inflation and quantitative easing monetary policies, the military conflict between Russia and Ukraine in 2022 and the armed conflict between Israel and Palestine since 2023. Please refer to "*Risk Factors — Risk Factors Relating the Group — The Group may be affected by an economic downturn in Hong Kong and around the world*" for more details.

The increasing uncertainties in financial markets could adversely affect the Group's financial condition and results of operations in many ways, including, among other things:

- during a period of economic slowdown, there is a greater likelihood that more of the Group's customers or counterparties might default on their loan repayments or other obligations to the Group, which, in turn, could result in the Bank recording a higher level of non-performing loans, allowance for impairment losses and write-offs;
- the value of the Group's investments in equity and debt securities may significantly decrease;
- the Group's ability to raise additional capital on favourable terms, or at all, could be adversely affected; and
- trade and capital flow may further contract as a result of protectionist measures being introduced in certain markets, which could adversely affect the operations, financial conditions of the Group's customers in the financial sector and the Group's business prospects.

The business prospects of the financial sectors are sensitive to changes in the global financial market environment. If there is any adverse change to the current financial market conditions, there can be no assurance that the Group's loan portfolio for customers in the financial sector will not be adversely affected, and if there is any default by the Group's customers in the financial sector, the Group's financial conditions and results of operations may in turn be adversely affected.

The Group's business operation is subject to credit risk.

The Group's banking business is exposed to credit risk arising primarily from default by its borrowers, and is also subject to risks related to both on-balance sheet exposure and the off-balance sheet credit related commitments. Following the entry into receivership of Silicon Valley Bank and Signature Bank in the United States, the acquisition of Credit Suisse by UBS following long-standing financial difficulties and the seizure of First Republic Bank by U.S. regulators and the subsequent sale of its deposits and assets to J.P. Morgan, there is significant uncertainty in the global financial sector, with potential wider macroeconomic implications. In the PRC, the ongoing corporate deleveraging efforts by the PRC government since 2017 and the increased amount of corporate defaults over recent years, particularly in the real estate sector, have contributed to further impact in financial markets. If there is any default by customers of credit related commitments in respect of off-balance sheet businesses such as bank acceptance letters of credit and letters of guarantee or the on-balance sheet exposures, the Group may need to assume the risk of losses arising from insufficient repayments by customers, which in turn may have an adverse effect on its financial condition and results of operations.

The Group is exposed to credit risk with respect to its investments in debt securities, Exchange Fund Bills and Notes and securities businesses, which are recorded as financial assets at fair value and amortised cost financial assets. These financial assets may also be subject to price fluctuations as a result of changes in the financial market's assessment of the relevant issuer's creditworthiness and other factors. In addition, the Group may not have sufficient measures to effectively implement its trading and investment risk mitigation strategies and techniques. If the Group fails to effectively manage its credit exposure, the volatility sourced from any negative news of the relevant security issuers could be magnified, and as a result, the Group may experience financial losses that could materially and adversely affect its business, financial condition and results of operations.

In addition, part of the Group's corporate loan portfolio comprises unsecured loans, the repayment of which is largely dependent on the cashflow of the borrower and adherence to the financial covenants contained in the loans. The majority of the Group's personal banking loan portfolio comprises loans secured by properties or financial instruments while the remaining portion comprises mainly unsecured personal loans, which generally carry higher rates of interest. As at 31 December 2023, 37.67 per cent. of the Group's advances were covered by collateral or other security. Although the Group carefully assesses the repayment ability of such borrowers, loan products which are not secured by any collateral entail a higher degree of credit risk than secured loan products. If there is a downturn in the economy, the credit quality and charge-off rates experienced by the Group may deteriorate.

The Group may not be able to control the level of impaired loans in its loan portfolio, and the allowance for impairment losses on loans of the Group may not be sufficient for covering the actual losses on its loan portfolio which may be incurred in the future.

The allowance for impairment losses on loans of the Group may not be sufficient for covering the actual losses on its loan portfolio which may be incurred in the future. As at 31 December 2021, 2022 and 2023, the Issuer's impairment allowances on advances to customers amounted to HK\$4,013.02 million, HK\$4,064.99 million and HK\$4,899.76 million, respectively, representing 1.36 per cent., 1.38 per cent. and 1.64 per cent. of the Issuer's advances to customers at that time, respectively. The allowance for impairment losses of the Issuer is determined according to the assessments and forecasts on various factors which may affect the quality of the loan portfolio. Such factors include, but are not limited to, a borrower's financial condition, solvency and willingness to repay, the realisable value of the collateral, the ability of the borrower's guarantor to perform the contract, as well as Hong Kong's and China's economic condition, policies for the industry, interest rates, accounting standards, laws and regulatory environment. Many of these factors are beyond its control, such as a slowdown in economic growth, tightened policies on the real estate sector as implemented by the PRC government and other adverse macroeconomic conditions in Hong Kong and the PRC, and the judgment and expectations on the aforesaid factors may not be consistent with the real conditions emerging in the future. Any change of the aforementioned factors may make its allowance for such

impairment losses on loans insufficient to cover the actual losses, and as a result, may require the Issuer to increase its allowance for such impairment losses. Hence, the Group's profits may decrease, and its asset quality, results of operation and financial condition may also be materially and adversely affected.

Risks arising from changes in credit quality and the recoverability of loans and amounts due from counterparties are inherent in a wide range of businesses of the Group, and there can be no assurance that the Group will be able to effectively control the level of impaired loans in its loan portfolio and the credit quality of its borrowers and counterparties. In particular, the amount of the Group's impaired loans, the ratio of its impaired loans to its loans and advances to customers may increase and the recoverability and value of the assets of the Group may reduce in the future as a result of deterioration in the quality of its loan portfolio. Such deterioration may occur for a variety of reasons, including factors which are beyond the Issuer's control, such as a slowdown in economic growth, tightened policies implemented on the real estate sector by the PRC government and other adverse macroeconomic conditions in Hong Kong and the PRC, which may cause operational, financial and liquidity problems for its borrowers and hence materially and adversely affect their ability to service their outstanding debts.

The Group may not be able to maintain sufficient portion of long-term funding, and if depositors do not roll over their deposits upon maturity, the Group's liquidity could be adversely affected.

The Group's business is capital intensive and requires a significant amount of cash. As such, sufficient liquidity is crucial to the Group's business operations. Although the Issuer has issued debt securities and certificates of deposit to increase its long-term funding sources, most of the Group's funding requirements are met through customers and interbank deposits. However, there are many factors affecting the growth of the Group's deposits, some of which are beyond the Group's control, such as economic and political conditions, the availability of alternative investment choices (including but not limited to securities issued by governmental or corporate entities, unit trusts and mutual funds, investment-linked assurance schemes and structured investment products), change of government monetary policies, and retail customers' changing perceptions toward savings. There can be no assurance that the Group will be able to grow its customer deposits at a pace sufficient to support its expanding business. Any decline in the Group's liquidity level may impair the confidence of its customers or counterparties, which may result in loss of business and customers.

As part of its measures to maintain the liquidity of, and confidence in, the Hong Kong financial markets, the Hong Kong government introduced a Deposit Protection Scheme in 2006 to provide a level of protection to depositors with deposits held with authorised institutions in Hong Kong. On 12 July 2024, the Deposit Protection Scheme (Amendment) Ordinance 2024 (the "**Deposit Protection Scheme 2024**") was passed and promulgated to implement various measures to enhance the Deposit Protection Scheme. Under the Deposit Protection Scheme 2024, the protection limit of HK\$500,000 will be increased to HK\$800,000. The new protection limit comes into operation on 1 October 2024. The Deposit Protection Scheme 2024 will also enhance other depositor protection mechanisms which will come into operation on 1 January 2025, such as an enhanced protection limit and period in the event of a bank merger or acquisition. The implementation of the Deposit Protection Scheme 2024 helps further strengthen the function of the Deposit Protection Scheme in the financial safety net and enhance depositors' confidence. However, there can be no assurance that the level of customer deposits, and therefore of the Group's liquidity, will not be adversely affected by the withdrawal of, or any changes to, the Deposit Protection Scheme in the future.

The Monetary Authority acts as the lender of last resort to all authorised institutions in Hong Kong to provide liquidity support in the banking system generally as well as to specific institutions. Although the Hong Kong government has in the past taken measures on a case-by-case basis to maintain or restore public confidence in individual banks with an isolated liquidity crisis, there can be no assurance that the Monetary Authority will provide such assistance in the future or that it would elect to provide such assistance in the future to the Group in the event of a liquidity crisis.

If the Group fails to maintain its expected growth rate in deposits or if a substantial portion of the Group's depositors withdraw their demand deposits or do not roll over their time deposits upon maturity, the liquidity position, financial condition and results of operations of the Group may be materially and adversely affected and the Group may need to seek more expensive sources of funding to meet its funding requirements.

Allowance for credit losses may prove inadequate and the Group's credit costs may increase.

The Group reviews its non-performing loans, various loans it granted to clients or relevant borrowers and trade receivables to assess whether impairment allowances exist. In determining whether impairment allowances should be recorded in its consolidated income statement, the Group's management takes into account factors such as the borrower's financial situation and the net realisable value of the underlying collateral or guarantees in favour of the Group. Many of these factors are beyond the Group's control such as a slowdown in economic growth, tightened policies on the real estate sector as implemented by the PRC government and other adverse macroeconomic conditions in Hong Kong and the PRC, and a considerable amount of judgment is required in assessing the ultimate realisation of these loans and advances, including the current creditworthiness of the borrowers, and the past collection history of each loan.

Furthermore, if changes in the global economic climate lead to an increase in delinquencies or defaults on the loans, actual loss on the Group's loan portfolio may increase and exceed the existing allowance. If the Group's allowance for credit losses is not adequate to cover actual loan losses, impairment allowance for credit losses will increase and the Group's financial condition and results of operations may be adversely affected.

The Group has recorded net cash outflow in the recent financial period.

The Group recorded a net operating cash outflow for the period from 1 January 2023 to 31 December 2023 amounting to HK\$3,365.79 million, a net operating cash inflow for the period from 1 January 2022 to 31 December 2022 amounting to HK\$7,970.94* million, a net operating cash outflow for the period from 1 January 2021 to 31 December 2021 amounting to HK\$442.91 million.

This is mainly attributable to the decrease in the Group's deposits and balances from banks and other financial institutions, debt securities and certificates of deposit in issue and financial investments from 2022 to 2023. Although the Issuer considers the change in the Group's operating cashflow as the result of the Group's increase in lending under its ordinary course of business, there can be no assurance that the Group will be able to generate sufficient cash flow to support the repayment of its current indebtedness.

If the Group is unable to make scheduled payments in connection with its debt and other fixed payment obligations as they become due, it may need to renegotiate the terms and conditions of such obligations or to obtain additional equity or debt financing. There can be no assurance that such renegotiation efforts would be successful or timely or that the Group would be able to refinance its obligations on acceptable terms or at all. If financial institutions decline to lend additional funds to the Group or to refinance its existing loans when they mature as a result of its credit risk and it fails to raise financing through other means, its financial condition, cash flow position and business prospects may be materially and adversely affected.

The Group's business operation is exposed to interest rate risk.

As with most banks, the Group's net interest income is a significant factor in determining its overall financial performance. For the years ended 31 December 2021, 2022 and 2023, the Group's net interest income amounted to HK\$6,325.42 million, HK\$7,172.02 million and HK\$8,001.53 million, respectively. The Group realises income from the margin between income earned on its assets and

* The net operating cash inflow for the year ended 31 December 2022 was restated to HK\$11,638.12 million in the consolidated financial statements of the Group for the year ended 31 December 2023 as a result of changes in applicable accounting standards. Please refer to note 36 of the audited consolidated financial statements of the Group as at and for the year ended 31 December 2023 for further details.

interest paid on its liabilities. The Group's net interest margins, as the weighted average of the difference between interest rates on the loan advances made by, and the cost of debt funding for the Issuer, for the years ended 31 December 2021, 2022 and 2023 were approximately 1.33 per cent., 1.44 per cent. and 1.60 per cent., respectively. Further, as some of the Group's assets and liabilities are repriced at different times, the Group is vulnerable to fluctuations in market interest rates. As a result, volatility in interest rates could have an adverse effect on the Group's business, financial condition, liquidity and results of operations.

Changes in market interest rates affect the interest received on the Group's interest-earning assets and the interest paid on the Group's interest-bearing liabilities. An increase in interest rates could lead to a decline in the value of securities in the Group's portfolio. A sustained increase in interest rates could also raise the Group's funding costs without a proportionate increase, or any increase at all, in loan demand. Rising interest rates would therefore require the Group to re-balance its assets and liabilities in order to minimise the risk of potential mismatches and maintain its profitability. In addition, high interest rate levels may adversely affect the economy in Hong Kong and the financial condition and repayment ability of its corporate and retail borrowers which in turn may lead to a deterioration in the Group's credit portfolio.

The differences in timing and level of changes in interest rates can result in an increase in interest expense relative to its interest income, which may lead to a reduction in its net interest income. Interest rates in Hong Kong are sensitive to factors over which the Group has no control, including, among others:

- interest rates in the United States;
- liquidity of the domestic inter-bank market and the international capital markets;
- domestic and international economic and political conditions; and
- competition for loan demand.

In addition, the Group is subject to interest rate risk as a result of mismatches in the pricing and duration of its assets and liabilities. A significant part of the Group's funding requirements is met through short-term or floating rate funding sources, primarily in the form of deposits, including customer deposits and inter-bank deposits, which tend to be at floating rates and are regularly repriced. In contrast, some of the Group's assets either receive a fixed rate of interest or if they receive a floating rate of interest, they may not be repriced as frequently as the Group's deposits. The Group closely monitors the risks associated with changes in interest rates that may arise from maturity gaps, basis risks among different interest rate benchmarks, yield curve movements, interest rate repricing risks and risks from embedded options (if any), and mitigates such risks mainly through rebalancing the repricing structure of assets and liabilities and the use of interest rate derivatives as an auxiliary strategy. However, in a volatile interest rate environment, there can be no assurance that the Group's net interest margin will not be impacted and the Group's net interest income reduced.

The Group's business operation is exposed to currency risks and may be affected by a discontinuation of or amendment to the link of the Hong Kong dollar to the U.S. dollar or revaluation of the Hong Kong dollar.

The Group's assets and liabilities are denominated in major currencies, particularly the HK dollar, the U.S. dollar and Renminbi. As at 31 December 2021, 2022 and 2023, the Group held a substantial part of its spot assets in U.S. dollars amounting to HK\$110,931.36 million, HK\$135,675.77 million and HK\$130,187.28 million, respectively, and Renminbi amounting to HK\$166,479.91 million, HK\$147,954.52 million and HK\$176,219.79 million, respectively.

The Hong Kong dollar has been linked to the U.S. dollar since 1983, and the Hong Kong government has in the past expressed its commitment to maintaining exchange rate stability under the Linked Exchange Rate System, an automatic interest rate adjustment mechanism. However, there can be no

assurance that the Hong Kong dollar will continue to be linked to the U.S. dollar or that, in the event of a liquidity problem affecting the Hong Kong dollar, such bilateral repurchase agreements or automatic interest rate adjustment mechanism will help to maintain adequate liquidity of the Hong Kong dollar.

In addition, the value of the Renminbi against the U.S. dollar and other foreign currencies fluctuates from time to time and is affected by changes in the PRC and by international political and economic conditions and by many other factors. In August 2015, the PBOC implemented changes to the way that it calculates the midpoint against the U.S. dollar to take into account market-maker quotes before announcing the daily midpoint. This change, among others that may be implemented, may increase the volatility in the value of the Renminbi against other currencies.

The Group's business, financial condition and results of operations could be adversely affected by the impact on the Hong Kong economy of the discontinuation of the link of the Hong Kong dollar to the U.S. dollar or any significant change in the exchange rate of U.S. dollar or Renminbi against the Hong Kong dollar.

The Group's investments in debt securities and certificates of deposit are subject to uncertainties in the current credit and capital markets.

The Group holds a portfolio of debt securities and certificates of deposit with different investment grades. The Group has analysed its investments in debt securities according to the designation of external credit rating institutions such as Moody's. As at 31 December 2023, the Group had a total investment in debt securities of HK\$181,815.96 million, of which approximately 9.04 per cent. were rated Aaa, approximately 36.41 per cent. were rated between Aa1 to Aa3, approximately 44.74 per cent. were rated between A1 to A3, approximately 8.19 per cent. were rated lower than A3 and approximately 1.62 per cent. were unrated (but with internal rating which is equivalent to investment grade of external rating). Given the uncertainties in the current credit and capital markets, there can be no assurance that the Group will not suffer any future mark-to-market losses in its portfolio of debt securities, especially if, for example, the price of the securities on the secondary market drop significantly, the underlying issuers' liquidity worsened or even the underlying issuers fail to repay. Although the Bank adopts a relatively conservative investment strategy, there can be no assurance that the Bank will have sufficient access to resources and trading counterparties to effectively manage its credit exposure. The volatility sourced from any negative news of the relevant security issuers could be magnified, and as a result, the Bank may experience significant financial losses that could materially and adversely affect its business, financial condition and results of operations.

The Group's equity investments are subject to market risks.

The Group invests in certain equity and fixed income securities, all of which are subject to market volatility. The performance of the Group's equity and securities investment is determined by its investment decisions and judgments based on its assessment of existing and future market conditions. The Group's investment decisions are a matter of judgment, which involves management discretion and assumptions. Its decision-making process may fail to effectively minimise losses, capture gains, or conform to actual changes in market conditions. Any decline in the value of such assets can result in the recognition of impairment losses of the Group.

The Group is exposed to operational risks associated with the banking industry.

Like all other financial institutions, the Group is exposed to many types of operational risks, including the risk of fraud, unauthorised transactions or other misconduct by employees (including the violation of regulations for the prevention of corrupt practices, and other regulations governing the Group's business activities), or operational errors, including clerical or record keeping errors or errors resulting from faulty computer or telecommunications systems. There can be no assurance that any of such operational risks or operational errors will not materialise or occur in the future, or that, if such risks or errors do materialise or occur, the Group's business, reputation, results of operations and financial conditions will not be adversely affected. The Group is further exposed to the risk that external vendors may be unable to fulfil their contractual obligations to it (or will be subject to the

same risk of fraud or operational errors by their employees). For example, the Group outsources some functions to other agencies. Moreover, the Group is exposed to the risk that its (or its vendors') business continuity and data security systems prove not to be sufficient in case of a system failure or natural disaster.

Given the Group's high volume of transactions, certain errors may be repeated or compounded before they are discovered and successfully rectified. In addition, the Group's dependence upon automated systems to record and process transactions may further increase the risk of technical system flaws or employee tampering or manipulation of those systems that will result in losses that may be difficult to detect. The Group may also be subject to disruptions of its operating systems, arising from events that are wholly or partially beyond its control (including, for example, computer viruses or electrical or telecommunication outages), which may give rise to a deterioration in customer service and to loss or liability to it or for it. The Group also faces the risk that the design of its controls and procedures may prove inadequate or are circumvented, thereby causing delays in detection of errors in information. Although, like all other financial institutions, the Group maintains a system of controls designed to reduce operational risks to a reasonably low level, the Group has suffered losses from operational risks and there can be no assurance that the Group will not suffer material losses from operational risks in the future. The Group's reputation could be adversely affected by the occurrence of any such events involving its employees, customers or third parties. In addition to internal factors that may affect the Group's operations, the rapid growth and expansion of its business in recent years as compared to other banks may have also resulted in increasing complexity in its internal and external control systems and risk management measures, which may add to its operational risks.

The Group is subject to significant competition.

The Group is subject to significant competition in Hong Kong from many other Hong Kong and foreign banks and financial institutions, including competitors which have significantly more financial and other capital resources, higher market shares, and stronger brand recognition than the Group. In particular, the banking and financial services industry in Hong Kong is a mature market and, the Group is subject to significant and increasing competition from many other Hong Kong-incorporated banks and Hong Kong branches of international and PRC banks, including competitors that have significantly more financial and other capital resources, larger market share and stronger brand recognition than the Group. Many of the international and local banks and niche players operating in Hong Kong compete for substantially the same customers as the Group. In recent years, competitions among banks in Hong Kong for investment and insurance products, home mortgage loans, credit cards, personal loans and transport lending business have become very aggressive. There can be no assurance that increased competition will not have a material adverse effect on the Group's business, financial condition or results of operations.

The banking industry in the PRC is highly competitive. The market has been dominated by the large state-owned commercial banks, which have long operating histories, well-established branch networks, large customer bases and better brand recognition. Moreover, the banking industry in the PRC has been facing more challenges in recent years as the PRC government implemented a series of measures to liberalise the banking industry. The Issuer expects competition from foreign commercial banks to increase significantly as a number of foreign banks have established locally-incorporated banks in the PRC and previous restrictions on their geographical presence, customer base and operating licences in the PRC were removed in April 2007 pursuant to the PRC's World Trade Organisation ("WTO") commitments. Furthermore, the rapid development of internet finance, financial disintermediation and shadow banking have brought new challenges to the banking sector in business areas of deposits, payment and settlement, lending as well as acquisition and retention of customers.

In addition, the PRC's Closer Economic Partnership Arrangement ("CEPA") with Hong Kong and Macau allows smaller banks from these jurisdictions to operate in the PRC, which has also increased competition in the banking industry in the PRC. Many of these banks compete with the Group for the same customer base and some of them may have greater financial, management and technical resources than the Group.

The intensified competition in the markets where the Group operates may adversely affect the Group's business and prospects, the effectiveness of its strategies, its results of operations and financial condition by potentially:

- reducing the Group's market share in its principal products and services;
- reducing the growth of the Group's loan and deposit portfolios and other products and services;
- reducing the Group's interest income and net interest margin;
- reducing the Group's fee and commission income;
- increasing the Group's interest and operating expenses; and
- increasing competition for qualified managers and employees.

The Group may be presented with new risks and challenges as it expands in the Hong Kong and PRC markets.

The Issuer was the first foreign bank in the PRC and has been providing cross-border financial services to customers between Hong Kong and mainland China since the establishment of its first mainland branch in Shenzhen in 1982. NCB (China) was incorporated in the PRC on 14 December 2007 as a locally-incorporated bank. The establishment of a locally-incorporated bank is one of the prerequisites, providing an RMB retail banking service in the PRC. Further expansion into the PRC may present the Group with new risks and challenges, such as more stringent and changing regulatory requirements.

Since the Group became a subsidiary of China Cinda in 2016, the Group's business in the Hong Kong and PRC markets has expanded through serving as a core financial services platform of China Cinda.

Future expansion of the Group in the Hong Kong and PRC markets may require significant financial, operational, administrative and management resources. The success of such integration will depend in part on the ability of the Group's management to integrate the operations of the new businesses with its existing operations and, where applicable, to integrate various departments, systems and processes. Consequently, the Group's ability to implement its business strategy may be constrained and the timing of such implementation may be affected by the level of efficiency on the management of existing resources. Any failure to manage integration and expansion effectively could have an adverse effect on the Group's business, financial condition and results of operations.

In addition, in order to meet the needs of its customers and to expand its business, the Group has widened the range of products and services. Expansion of the business of the Group is subject to certain risks and challenges, including:

- the Group may not be able to obtain regulatory approval for new products or services;
- new products and services may not be well accepted by customers or are not able to generate the Group's expected return;
- difficulties in recruiting experienced professionals or qualified personnel to offer new products and services, due to competition in the labour market; and
- the Group may not be able to enhance risk management capabilities and information technology systems to support a broader range of products and services.

If the Group is not able to achieve the intended results with respect to its new products and services to be offered, especially in the PRC, this could have an adverse effect on the business, financial condition and results of operations of the Group.

The Group is subject to risks relating to changes in the regulatory environment in the PRC banking and insurance industry.

The Group's businesses are directly affected by changes in the PRC's banking and insurance regulatory policies, laws and regulations as well as global legal or regulatory sanctions. The regulatory system and the laws and regulations governing the banking and insurance sectors are subject to future changes. Some of the changes in rules and regulations may result in additional costs or restrictions on NCB (China)'s operations and business expansion in the PRC and there can be no assurance that such changes will not materially and adversely affect the Group's business, financial condition and results of operations.

The principal regulator of the PRC insurance industry is National Administration of Financial Regulation (the "NAFR") (the successor of the China Banking and Insurance Regulatory Commission ("CBIRC")), the PBOC and the State Administration of Foreign Exchange ("SAFE"). The NFRA requires all commercial banks in China to maintain certain financial ratios, including but not limited to liquidity coverage ratio, liquidity ratio, net stable funding ratio and CAR.

For example, regarding the banking business, according to the requirements of the NFRA, NCB (China) is required to maintain a minimum core Tier 1 capital adequacy of 5.0 per cent., a minimum Tier 1 capital adequacy ratio of 6.0 per cent. and a minimum capital adequacy ratio of 8.0 per cent., plus additional capital conservation buffer and countercyclical capital buffer requirements that may apply from time to time. If NCB (China) fails to meet the capital regulatory requirements, the NFRA may take regulatory measures, depending on the category of commercial bank which NCB (China) belongs to, including requiring NCB (China) to control the growth of risk weighted assets, restricting or prohibiting the expansion of branches, conducting new businesses and limiting distributions of dividends. According to the Administrative Measures on Insurance Agency Business of Commercial Banks (the "Insurance Agency Measures") (商業銀行代理保險業務管理辦法) issued on 23 August 2019 and effective on 1 October 2019 and as amended on 28 April 2024 by the Notice by the National Administration of Financial Regulation of Relevant Matters Concerning the Insurance Agency Business of Commercial Banks (國家金融監督管理總局關於商業銀行代理保險業務有關事項的通知), to carry out business in the insurance industry, commercial banks with legal person identities are required to apply for licenses engaging in insurance agency business. With such licenses, they may authorise their branches to engage in insurance agency business. Under the Insurance Agency Measures, commercial banks conducting insurance business shall arrange a special department to answer for such business, which shall be accounted and audited independently.

In accordance with the Commercial Banking Law of the PRC (中華人民共和國商業銀行法) amended on 29 August 2015 and effective on 1 October 2015, the previous requirement that all commercial banks in China should maintain a loan-to-deposit ratio of not more than 75 per cent. has been removed. However, the CBIRC (now the NFRA) uses other indicators, such as liquidity coverage ratio, liquidity ratio, net stable funding ratio, and liquidity matching rate to monitor the liquidity status of commercial banks. If NCB (China) failed to fulfil this mandatory requirement, it may result in restrictions on its business expansion imposed by the CBIRC (now the NFRA), such as suspension of new business application and establishment of new branches or sub-branches. As at 31 December 2023, NCB (China) was in compliance with this mandatory requirement.

On 26 October 2023, the National Administration of Financial Regulation (the "NAFR") promulgated the Regulation Governing Capital of Commercial Banks (Provisional) (《商業銀行資本管理辦法》) (the "Capital Management Rules"), which became effective since 1 January 2024. According to the Capital Management Rules, the minimum capital adequacy ratio, tier-1 capital adequacy ratio and core tier-1 capital adequacy ratio for commercial banks are 8 per cent., 6 per cent. and 5 per cent.,

respectively. A commercial bank is also subject to the capital conservation buffer over and above the minimum capital requirement at 2.5 per cent. of total risk weighted assets of the bank comprised of core tier-1 capital, and under certain circumstances, a countercyclical buffer is required and the specific requirement of the countercyclical buffer shall be separately stipulated by the PBOC in conjunction with the NAFR. In addition, if a commercial bank is designated as a domestic systematically important commercial bank by the PBOC in conjunction with the CBIRC (now the NAFR), such domestic systematically important bank is required to maintain a further capital surcharge above prevailing core tier-1 capital requirements as separately stipulated by the PBOC in conjunction with the NAFR.

These measures could have a material adverse effect on the business, financial condition, results of operations and prospects of NCB (China).

As some of the banking laws, rules, regulations or policies are relatively new, there is uncertainty regarding their interpretation and application. If NCB (China) fails to comply with any of these laws, rules, regulations or policies, it may result in enforcement actions, which may include fines to be imposed on NCB (China), restrictions on its business activities, or in extreme cases, suspension or revocation of its business licences, which would materially and adversely affect NCB (China)'s operations, reputation, business and financial position. There is no assurance that the Group can always satisfy applicable laws and regulatory requirements. If the Group does not meet any such requirements, the Group's business, financial condition and results of operations may be materially and adversely affected.

The Group's business, financial condition, results of operations and prospects may be materially and adversely affected if it is unable to manage challenges arising during its growth.

The Group's efforts to integrate its various business operations and coordinate among its branches and subsidiaries may not be effective or timely. In addition, the Group cannot assure you that such growth will continue in the future. The expansion of the Group's business activities poses various challenges to it, including but not limited to:

- meeting the higher requirements for capital and cost controls to satisfy all relevant capital regulatory requirements, including the minimum capital adequacy ratio and net capital requirements, as well as other capital needs;
- strengthening its risk management capabilities and information technology ("IT") systems to effectively manage risks associated with various businesses and services;
- recruiting, training and retaining management, investment and finance professionals, technical personnel and sales staff with sufficient experience and knowledge;
- developing new distribution channels for its products and services; and
- maintaining and developing its brand and reputation.

The Group's investments, acquisitions and business initiatives may expose it to various potential risks, including risks associated with the integration of new business lines, operations and personnel, the diversion of resources from its existing businesses and technologies, the potential loss of, or harm to, relationships with employees and customers, as well as other unforeseen or hidden liabilities. If the Group is not able to manage future growth successfully, its business, financial condition, results of operations and prospects could be materially and adversely affected.

The Group's operations depend on key management and professional staff and its business may be materially and adversely affected if it is unable to recruit, train or retain a sufficient number of qualified employees.

The success of the Group's business, to a large extent, depends on its ability to attract and retain key personnel who possess in-depth knowledge and understanding of, and extensive working experience in, the financial industry. These key personnel include, among others, senior management, professional staff in the banking industry, experienced investment managers, product development personnel, research analysts, marketing and sales staff, legal professionals, risk management personnel, IT specialists and other operational personnel. Therefore, the Group devotes considerable resources to recruiting and retaining these personnel. However, the market for qualified professionals is highly competitive, and the Group faces increasing competition in recruiting and retaining these individuals as other banks and financial institutions are vying for the same pool of talent. The Group's business and financial condition could suffer if it is unable to retain its management team, including its senior management and operating management, and other high-quality personnel, including its management in the business, finance, investment and IT departments, or cannot replace them upon their departure in a timely manner. In the face of the intense competition for talent, the Group may need to offer better compensation and other benefits to recruit and retain qualified professionals and additional costs may be incurred.

The Group's risk management policies and procedures and internal controls, as well as the risk management tools available to it, may not be adequate or effective in identifying or managing risks to which it is exposed.

The complexity of the Group's operations and products exposes it to various risks, including market risk, credit risk, operational risk, liquidity risk, compliance risk, legal risk and other risks. The Group has established risk management and internal control systems and procedures to manage potential risks associated with the financial services and products it offers, and it has been dedicated to continuously improving these systems and procedures. See the section entitled "*Selected Statistical and Other Information — Risk Management*" in this Offering Circular. However, the design and implementation of such systems, including internal control environment, risk identification and evaluation, effectiveness of risk control and information communication, are constrained by available information, tools, models and technologies available to the Group, and its systems may not be adequate or effective in identifying or mitigating its risk exposure in all market environments or protecting it against all types of risks. The Group's risk management and internal control systems require ongoing review and continual improvements. The Group's efforts to maintain these systems may be ineffective or inadequate.

The effectiveness of the Group's risk management and internal control systems and procedures may also be adversely affected by oversight, clerical mishandling and errors, reporting errors or its limited experience or resources in making accurate, complete, up-to-date or proper evaluations. Many of the Group's methods for managing risk exposure are based upon observed historical market behaviour or data. Potential future risk can be significantly greater than what these methods have historically estimated. Moreover, the information and empirical data that the Group relies on may quickly become obsolete as a result of changes in market situations and regulatory requirements, and the Group's historical data may not be able to adequately reflect risks that may emerge from time to time in the future.

There is no assurance that the Group's risk management and internal control systems are adequate and effective. Failure to address any internal control matters and other deficiencies in a timely and effective manner may result in investigations, disciplinary actions or even prosecution against the Group or its employees, any of which may have a material adverse effect on its business, financial condition and results of operations.

The Group may be subject to liability and regulatory action if it is unable to protect the personal data and confidential information of its clients.

The Group is subject to various laws, regulations and rules governing the protection of the personal data and confidential information of its clients. It routinely transmits and receives personal data and confidential information of its clients through the internet, by email and other electronic means. Third parties may have the technology or expertise to breach the security of the Group's transaction data and the Group may not be able to ensure that its vendors, service providers, counterparties or other third parties have appropriate measures in place to protect the confidentiality of such information. In addition, there is no assurance that its employees who have access to the personal data and confidential information of its clients will not improperly use such data or information. If the Group fails to protect its clients' personal data and confidential information, the competent authorities may issue sanctions against it, and it may have to provide economic compensation for losses arising from such failure. In addition, incidents of mishandling personal information or failure to protect the confidential information of the Group's clients could bring reputational harm to it, which may materially adversely affect its business and prospects.

Failures of or inadequacies in IT systems could have a material adverse effect on the Group's business, financial condition and results of operations.

The Group's business operations depend heavily on its business, accounting and other data processing systems. The failure of normal operation or even inability in operation of any of such systems will expose it to financial losses, business disruption, intervention of regulatory authorities or reputational damage.

The proper functioning of its business processing, accounting, financial controls, risk management, customer service and other business is dependent on the Group's IT systems and communication networks with the third parties. If the fundamental system which supports the Group's business suffers from malfunction or disruption, including system problems or communication disruption to its systems and the systems of any third parties it engaged may be indirectly affected, which will have a material adverse effect on its ongoing business. These failures could be caused by, among other things, hardware failure, software program errors, computer virus attacks, network failure, conversion errors due to system upgrading or system relocation, failure to implement new IT initiatives, human errors, natural disasters, war, terrorist attacks, blackouts and unanticipated problems of facilities, many of which are beyond the Group's control. Despite the security measures that the Group has implemented, the systems may be subject to physical or electronic break-ins, cyber-attacks, computer viruses and similar disruptive problems, and third parties may have the technology or expertise to breach the security of the Group's transaction data and Group may not be able to ensure that its vendors, service providers, counterparties or other third parties, have appropriate measures in place to protect the confidentiality of such information. Although the Group backs up business data regularly, any prolonged disruption to or malfunction in the operation of its IT systems could have a large impact on its normal business operations and limit its ability to monitor and manage data, control financial and operation conditions, monitor and manage its risk exposures, keep accurate records, provide high-quality customer service and develop and sell profitable products and services. Recovery from such disasters may be unable to mitigate the Group's losses incurred during such malfunction and disruptions. In addition, insurances or other precaution measures may only partly, if at all, indemnify the Group's losses.

The Group updates its IT systems and introduces new IT systems from time to time. However, delays, system failures or other accidents may occur during such system upgrades or introduction of new systems. In addition, the upgraded or new IT systems may not be able to achieve the anticipated processing capacity and availability, and may also not be able to meet the needs of its business growth in the future. The Group's failure to address these problems promptly, including any delay in the

implementation of any upgraded or new information systems, could result in its inability to perform, or delays in performing critical business operational functions, the loss of key business data, or a failure to comply with regulatory requirements, which could have a material adverse effect on its business, financial condition and results of operations.

In addition, the Group provides online financial services such as securities brokerage services to its customers. Security breaches, disruption to or instability of the Group's online financial services platform or mobile service platform could impair its ability to serve its customers and execute trades on their behalf and on its own account, which could materially and adversely affect its results of operations and reputation. The Group's networks may be vulnerable to unauthorised access, computer viruses and other disruptive problems. Costs incurred in rectifying any such disruptive problems may be high and may adversely affect the Group's business, financial condition and results of operations. The Group has been actively monitoring its internet banking security through an external IT unit and would issue public alerts when any security issue is located. Concerns regarding security risks in general may deter the Group's existing and potential customers from using its internet banking products and services, and may in turn have a material adverse effect on the Group's internet banking business.

The Group relies on the services provided by a third-party service provider for part of its IT functions during the transition period after the Acquisition.

Following the Acquisition, BOCHK, Cinda Financial Holdings Co., Limited ("**Cinda Financial**") and the Issuer entered into a transitional services agreement (the "**TSA**") on the 30 May 2016, pursuant to which BOCHK shall provide certain transitional support services to the Issuer and NCB (China) at service charges mutually agreed by the parties for an initial term of three years (with an option for extension of one year to be exercised by the Group) from 30 May 2016 to facilitate smooth post-Acquisition transition (the "**Transition Period**"). The services provided by BOCHK under the TSA include the maintenance of IT systems currently used by the Issuer and NCB (China) and other forms of IT support. If BOCHK fails to maintain the IT systems used by the Issuer and NCB (China) or provide IT support to the Group properly under the TSA, or if there is any disruption to or instability of the IT systems maintained by BOCHK, the Group's operations, business and financial condition may be materially and adversely affected. There can be no assurance that such problems with BOCHK's provision of IT system maintenance service will not occur in the future.

The Group has been developing its proprietary IT systems since the Acquisition, however, there is no assurance that the Group will be able to complete the intended development of its proprietary IT systems within the Transition Period. The Group has extended the TSA by the option given. NCB (China) has completed its new IT system platform since August 2019 and begun its own IT operation. If the Group fails to complete the intended development of its proprietary IT systems within the Transition Period, it may have to further negotiate with BOCHK or other third-party service providers for the continuation of use of the IT systems and IT support currently provided by BOCHK.

The Group may incur significant capital expenditure for the development of its proprietary IT systems.

While the Group has been using certain IT support services and IT systems provided by BOCHK during the Transition Period, it has been developing its proprietary IT systems for its own use in the long run. The development of such IT systems requires substantial capital investment. The Group may have higher capital expenditure in the future as it continues to develop and enhance its IT systems. The Group's capital expenditure plans are subject to a number of factors, some of which are beyond its control, including its ability to generate sufficient cash flows from its operations and the availability and terms of external financing. If the Group is unable to obtain acceptable financing to fund necessary capital expenditures in the future, the results of its operations and its financial condition could be adversely affected.

The Group may not be able to detect money laundering, terrorism-funding economic sanctions and other illegal or improper activities in its business operations completely or on a timely basis.

The Group is required to comply with applicable anti-money laundering laws, anti-terrorism laws, economic sanctions programmes and other regulations in Hong Kong, the PRC and overseas. The Anti-Money Laundering and Counter-Terrorist Financing Ordinance (Cap. 615) of Hong Kong, the PRC Anti-money Laundering Law (中華人民共和國反洗錢法) and other relevant anti-money laundering laws and regulations require financial institutions to establish sound internal control policies and procedures with respect to anti-money laundering monitoring and reporting activities. Under the United Nations (Anti-Terrorism Measures) Ordinance Timeline (Cap. 575) of Hong Kong, the Secretary for Security is authorised to freeze the property of terrorists or of persons associated with terrorists or any other property used or intended to be used for terrorist acts. The PRC Anti-Terrorism Law (中華人民共和國反恐怖主義法) and the relevant anti-terrorism regulations also require financial institutions to freeze capital or other assets of terrorist organisations and their members that have been designated by the national anti-terrorism authorities and to report to the relevant governmental authorities.

The United States, the United Kingdom, the European Union, the United Nations Security Council and other applicable jurisdictions also administer a range of anti-terrorism, export controls and economic sanctions programs, including broad embargoes against certain countries, such as Crimea Region of Ukraine, non-government controlled areas of Ukraine, Cuba, Iran, North Korea and Syria, as well as targeted sanctions against terrorists, international narcotics traffickers and individuals engaged in activities related to the proliferation of weapons of mass destruction.

The Group has established adequate internal control systems for the detection and prevention of money laundering activities, terrorism-funding activities and relevant economic sanctioned activities through its business platform, taking into account factors including the types of products and services offered, the category of customers and geographical locations of the parties and transactions involved for its identification of potential risks. The Group has also implemented various ongoing control measures to manage and mitigate potential risks arising from its business operations, ranging from senior management oversight, appointments of compliance officer and money laundering reporting officer, regular checks by its compliance and audit function teams, staff screening and training. The Group's existing policies and procedures for the detection and prevention of money laundering activities and terrorist-financing activities through its business platform have only been adopted in recent years and may not eliminate instances in which it may have been used by other parties to engage in money laundering and other illegal or improper activities. In the event that the Group fails to fully comply with applicable laws and regulations, including those sanctions and anti-money laundering laws and regulations which often have extra territorial effect, the relevant government agencies may initiate prolonged investigation and/or proceedings on the Group, may freeze its assets or impose fines or other penalties on it. There is no assurance that there will not be failures in detecting money laundering or other illegal or improper activities which may adversely affect the Group's business reputation, financial condition and results of operations.

While the Group is not currently engaged in any activities in violation of U.S. sanctions, the United States maintains so-called "secondary sanctions" threatening the impositions of a range of sanctions against non-U.S. entities engaging in, among other activities, targeted activities, targeted activities in involving certain countries or sanctioned persons outside of U.S. jurisdiction. There is no assurance that there will be no failures in detecting and preventing money laundering, terrorism funding, economic sanctioned or other illegal or improper activities which may materially and adversely affect the Group's reputation, business, financial condition and results of operations and its ability to meet its obligations under the Notes.

The Group may not be able to detect and prevent fraud or other misconduct committed by its employees, representatives, agents, customers or other third parties in a timely manner.

The Group may encounter fraud or other misconduct committed by its employees, representatives, agents, customers or other third parties, which could result in violations of laws and regulations by the Group and expose it to regulatory sanction. Even if such instances of misconduct do not result in any legal liabilities on its part, they could cause serious reputational or financial harm to the Group. This misconduct could include, but may not be limited to, committing fraud.

The Group's internal control procedures are designed to monitor its operations and ensure overall compliance. However, its internal control procedures may be unable to identify all incidents of non-compliance or suspicious transactions in a timely manner or at all. Furthermore, it is not always possible to detect and prevent fraud and other misconduct. The precautions taken to detect and prevent such activities may not be fully effective. There can be no assurance that fraud or other misconducts will not occur in the future. The Group's failure to detect and prevent fraud and other misconducts in a timely manner may have a material and adverse effect on its business reputation, financial condition and results of operations.

The Group may not be able to properly identify and deal with conflicts of interest, which could materially and adversely affect its business.

As the Group expands the scope of its businesses and client base, it becomes increasingly important for it to be able to address potential conflicts of interest, including situations where two or more interests within its businesses legitimately exist but are in competition or conflict. The Group may encounter conflicts of interest where (i) its services to a particular client or its own investments are in conflict, or are perceived to conflict, with the interests of another client; (ii) any of the non-public information it obtains through business channels is disclosed to other business departments of the Group; and (iii) the Group may be a counterparty of an entity to which it also provides financial services or with which it has other business relationships. Any failure to prevent the imprudent use of information or manage conflicts of interest could harm the Group's reputation and affect client confidence. In addition, potential or perceived conflicts of interest may also give rise to litigation or regulatory actions. Any of the foregoing situations could adversely affect the Group's business, financial condition and results of operations.

The Group is subject to extensive regulatory requirements and any breach of the relevant laws or regulations would materially and adversely affect the Group's business, financial condition and results of operations, and further issuance of regulatory capital may adversely affect the market price of the Notes in the secondary market.

Under the Banking Ordinance (Cap. 155) of Hong Kong (the "**Banking Ordinance**"), the Monetary Authority regulates the business activities and operations of authorised institutions and has the ability to influence banking and financial markets generally. Potential investors should be aware that regulatory requirements in Hong Kong may differ from those that prevail in other countries. See "*Regulation and Supervision — Regulation and Supervision in Hong Kong.*" Since the Group operates in the highly regulated banking and securities industries in Hong Kong, potential investors should also be aware that the regulatory authorities have been consistently imposing higher standards and developing guidelines and regulatory requirements such as the Basel III capital standards which have been adopted in Hong Kong since January 2013.

These standards require banks, among other things, to maintain minimum CAR requirements in relation to risk-weighted assets, minimum liquidity ratio as well as disclose key pieces of information on capital, risk exposures, risk assessment processes and hence capital adequacy. The aim of these standards is to encourage banks to demonstrate to the market participants that their risk management systems are robust and that all relevant risks have been identified and controlled.

The Banking Ordinance also provides that the amount of the facilities which a Hong Kong incorporated authorized institution may make available on an unsecured basis to its controllers, its directors, their relatives or certain of its employees and persons associated with any of them shall be subject to the restrictions set out therein. The Banking (Exposure Limits) Rules (Cap. 155S) of Hong Kong also provides that (i) authorized institutions may not provide a financial facility against the security of their own shares, capital-in-nature instrument or non-capital LAC debt instruments (or, except with the approval of the HKMA, that of their respective holding companies, subsidiaries or fellow subsidiaries of such holding companies); and (ii) authorized institutions may not, except with the written consent of the HKMA, provide to any one of their employees any unsecured facility of an amount in excess of that employee's salary for one year.

On 19 October 2018, the Financial Institutions (Resolution) (Loss-absorbing Capacity Requirements — Banking Sector) Rules (Cap. 628B) of Hong Kong (the “**LAC Rules**”) was published in the gazette of the Hong Kong Special Administrative Region Government, and came into operation on 14 December 2018. The LAC Rules introduce an additional loss absorbing capacity ratio and leverage ratio which apply to in-scope authorized institutions to support their resolution strategies and are in addition to existing capital and liquidity requirements. Although the Group is not currently subject to the LAC Rules, if the LAC Rules are considered applicable to the Group in future, it may need to issue other loss absorbency capital instruments to meet the relevant requirements in the LAC Rules. There can be no assurance that the Group will be able to obtain additional capital in a timely manner, on acceptable terms or at all.

As at 31 December 2023, the Group's Common Equity Tier 1 CAR, Tier 1 CAR and Total CAR were 13.23 per cent., 15.20 per cent. and 18.56 per cent., respectively, which satisfy the regulation requirements. In order to strengthen its capital adequacy position or to ensure that it remains in compliance with applicable capital requirements under Hong Kong law, rules and regulations (including guidelines issued by the Monetary Authority), the Group may from time to time raise additional capital through such means and in such manner as it may consider appropriate including, without limitation, the issue of further subordinated notes or other hybrid capital instruments, subject to any regulatory approval that may be required. There can be no assurance that such future capital raising activities will not adversely affect the market price of the capital securities in the secondary market. There can also be no assurance that the Group will be able to obtain additional capital in a timely manner, on acceptable terms or at all.

Certain products and services provided by the Group are regulated by other regulators including the Securities and Futures Commission (the “**SFC**”) in Hong Kong. The Group carefully manages legal and compliance risks, including in relation to the sale of financial products and compliance with anti-money laundering and anti-terrorist financing regulations. From time to time, the regulators in Hong Kong have introduced recommendations which are intended to provide tighter control and more transparency in the Hong Kong banking sector, in particular, in relation to the selling of investment and insurance products to retail customers.

In May 2010, the Monetary Authority and the SFC each launched new investor protection measures. The Securities and Futures Ordinance (Cap. 571) of Hong Kong (the “**SFO**”) and its subsidiary legislations regulate the offering and sales of securities products as defined under Schedule 1 of the SFO. In addition to the subsidiary legislations, the Monetary Authority has been introducing additional measures on sales of investment products, including non-SFO regulated investment products, which the banking industry in Hong Kong needs to comply with.

Among others, the Monetary Authority, from time to time, issues circulars in relation to the selling of investment and insurance products, which further clarified and enhanced the product due diligence process, product disclosure to customers and suitability assessment. With regards to the investment products with relatively higher risk (such as accumulators and high yield or complex bonds), the Monetary Authority also specified the regulatory standards for selling these products.

Separately, the SFC has revised their Code of Conduct for Persons Licensed by or Registered with the Securities and Futures Commission (the “**SFC Code**”) for meriting greater protection to investors, including the reform of Professional Investor Regime in March 2016 dis-applying most of the previous exemptions under the SFC Code to the Individual Professional Investors, to add a new clause into client agreement for making the intermediary’s suitability obligation towards its customers as a contractual term and to further enhance disclosure of transaction related information to customers in August 2018.

The Group has taken steps to implement the recommendations by relevant regulators and to comply with any new or modified regulations. Going forward, it is foreseeable that there would be further reinforcements and more stringent requirements on the regulations, particularly those in relation to suitability of selling investment and insurance products and fairness and transparency of providing banking products and services to customers. Increased regulations and the requirements for more stringent customer protections have increased its operational and compliance expenses. Any changes in regulations, governmental policies, income tax laws or rules and accounting principles, as well as international conventions and standards relating to commercial banking operations in Hong Kong, could affect the Group’s operations. There can be no assurance that the relevant regulatory authorities will not implement further regulations and that such changes will not materially increase the Group’s operational and compliance burden or adversely affect its business or operations. There can also be no assurance that breaches of legislation or regulations by the Group will not occur and, to the extent that such a breach does occur, that significant liability or penalties will not be incurred.

The Group is subject to certain minimum regulatory capital and liquidity requirements.

The Group is subject to the risk, inherent in all regulated financial businesses, of having insufficient capital resources to meet the minimum regulatory capital requirements. Currently, under Basel III requirements, capital requirements which have been revised are inherently more sensitive to market movements than under previous Basel capital regimes. Any failure of the Group to maintain its minimum regulatory capital ratios could result in administrative actions or sanctions, which in turn may have a material adverse impact on the Group’s results of operations. A shortage of available capital might restrict the Group’s opportunities for expansion.

Further, the Monetary Authority or other authorities having oversight of the Issuer at the relevant time may implement the package of reforms in a manner that is different from that which is currently envisaged, or may impose additional capital requirements on authorised institutions. For example, the Financial Institutions (Resolution) (Loss-absorbing Capacity Requirements-Banking Sector) Rules requires that there must be sufficient financial resources to absorb losses and to recapitalise a failing financial institution. If the regulatory capital requirements, liquidity restrictions or ratios applied to the Group are increased in the future, any failure of the Group to maintain such increased regulatory capital ratios could result in administrative actions or sanctions, which may have an adverse effect on the Group’s results of operations.

The Group may expand its business through acquisitions in the future, which may cause an adverse impact on its financial condition.

The Group may consider expanding its business operations through mergers, acquisitions and forming joint ventures. The benefits of an acquisition or joint venture transaction may take considerable time to develop. Such post-acquisition integration could place significant strain on its managerial, operational and financial resources and there is no assurance that any particular acquisition or joint venture will achieve the intended benefits. In particular, the heavy demands of capital for such transactions may lead to a deduction of capital and a decrease in the Group’s capital adequacy level. Further, the success of such joint ventures is also dependent on current global economic conditions. For example, in a global economic downturn, the Group’s joint ventures may need to raise more funds

in order to continue to meet their obligations and there is no assurance that such funds will be successfully raised. Moreover, the PRC government may issue policies which could have a significant influence over many aspects of the economy from time to time. There is no assurance that the Group's investments and operations will not be restricted or adversely affected by such policies in the future.

In addition, the Group may review and optimise its business portfolio from time to time, including implementing exit plans for its investments in accordance with its development strategies. There is no assurance that the Group will successfully implement its investment exit strategies and/or restructure its business portfolio in the future. The Group will take into account various factors such as the following when reviewing its investment exit strategies:

- general market conditions;
- the availability of different methods of exit and the risks associated thereto;
- the projected investment gain, as updated during the entire lifecycle of the investment; and
- the impact on the Group's financial results and cashflows.

In the event that the Group is unable to make and implement investment exit decisions that adequately address its business restructuring and optimisation needs, the Group's business, financial condition, results of operation and prospects might be adversely affected.

Certain financial information of the Group has been restated and may not be comparable.

The historical financial information of the Group is sometimes adjusted or restated to address subsequent changes in accounting standards, the Group's accounting policies and/or applicable laws and regulations with retrospective impact on the Group's financial reporting, correction of an error recorded in the previous period or to reflect the comments provided by the Group's independent auditors during the course of their audit or review in subsequent financial periods. Such adjustment or restatement may cause discrepancies between the financial information with respect to a particular period or date as compared to another period or date contained in the Group's historical financial statements. For example, certain items including but not limited to other assets and intangible assets were reclassified and the respective comparatives were restated for the Group's consolidated financial information as at and for the year ended 31 December 2022 to conform with the presentation for the year ended 31 December 2023. Such restated financial information has not been audited by PricewaterhouseCoopers. As such, certain consolidated financial information of the Issuer and the Group as at and for the years ended 31 December 2021 and 2022 are not comparable to the Group's consolidated financial information as at and for the year ended 31 December 2023. For details of such restatements, see note 26 and note 36 of the audited consolidated financial statements of the Group as at and for the year ended 31 December 2023. Consequently, potential investors should exercise caution when using such financial information to evaluate the Issuer's and the Group's financial condition and results of operations.

Any future outbreak of mass communicable diseases like COVID-19, Severe Acute Respiratory Syndrome (SARS), Human Swine Influenza A (H1N1), Avian or Swine Influenza or other highly contagious diseases in Asia and elsewhere may materially and adversely affect the Group's business and operations, as well as its financial condition and status.

Since late-2019, the COVID-19 pandemic has resulted in a widespread and global health crisis, restrictions on travel and public transport and prolonged closures of workplaces. Such outbreak has affected investment sentiment, resulted in sporadic volatility in global capital markets and adversely affected economies around the world. It has caused significant volatility in the stock markets worldwide and has impacted economic activity worldwide.

There can be no assurance that there will not be a recurrence of an outbreak of COVID-19 (or new variants of COVID-19 that may be more contagious), or another significant global outbreak of a severe communicable disease, in Hong Kong, the PRC or the rest of the world in the future, and if such an outbreak were to occur, it may have an impact on the operations of the Group and its results of operations may suffer.

Governments and central banks around the world have introduced or are planning fiscal and monetary stimulus measures including tax cuts, direct subsidies, rates cuts, bond repurchase programs and suspension or relaxation of prudential bank capital requirements. These measures aim to contain the economic impact of the pandemic, stabilise the markets and provide liquidity easing to the markets. There is no assurance that such measures may be introduced in time or will be sufficient or effective in delivering their policy objectives. There is no assurance that these measures will be successful in containing the economic impact of the pandemic or stabilising the markets. As a result, the global economy is facing significant uncertainties and the global financial markets are experiencing significant volatilities, which may have an adverse impact on the Group's results of operations, financial condition and profitability.

The Group is subject to concentration risk.

The Banking (Exposure Limits) Rules (Cap. 155S) of Hong Kong (the “**BELR**”) generally prohibits any bank incorporated in Hong Kong from maintaining financial exposure to any single counterparty and group of linked counterparties in excess of 25 per cent. of Tier 1 capital. In recent years, the Issuer's exposure to its 10 largest borrowers (including groups of individuals and companies, excluding exposure to the Group) consistently amounted to a majority of its Tier 1 capital, even though it has not had exposure to any single counterparty and group of linked counterparties in excess of 25 per cent. of its Tier 1 capital. In addition, the Issuer also faces the risks of concentrated geographic distribution, as substantially all of its operations are in the PRC and Hong Kong. Such concentration exposes the Issuer to concentration risk and its business may therefore be significantly impacted by any adverse event affecting the banking industry in the PRC or Hong Kong, or even globally in general, and any adverse event affecting its largest customers, which may in turn have a material adverse effect on its business, financial condition and results of operations.

The Group may be affected by the Financial Institutions (Resolution) Ordinance or other regulatory requirements

On 7 July 2017, the Financial Institutions (Resolution) Ordinance (Cap. 628) of Hong Kong (the “**FIRO**”) came into effect. The FIRO provides for, among other things, the establishment of a resolution regime for authorised institutions and other within scope financial institutions in Hong Kong which may be designated by the relevant resolution authorities, which includes the Issuer and may in the future include other members of the Group (a “**FIRO Group Entity**”). The resolution regime seeks to provide the relevant resolution authorities with administrative powers to bring about timely and orderly resolution in order to stabilise and secure continuity for a failing authorised institution or within scope financial institution in Hong Kong. In particular, in the context of a resolution of any FIRO Group Entity, the relevant resolution authority may have the ability to resolve other entities within the Group as if they were themselves a within scope financial institution for the purposes of FIRO and take certain actions and make certain directions in relation to such entities. Any such actions could potentially affect contractual and property rights relating to the relevant entity. The implementation of FIRO remains untested and certain detail relating to FIRO will be set out through secondary legislation and supporting rules, such as the Financial Institutions (Resolution) (Contractual Recognition of Suspension of Termination Rights — Banking Sector) Rules (Cap 628C) of Hong Kong.

The loss-absorbing capacity (“**LAC**”) requirements have been introduced in December 2018, via the Financial Institutions (Resolution) (Loss-absorbing Capacity Requirements — Banking Sector) Rules (Cap. 628B), in order to ensure that the resolution regime can be used effectively and that in-scope authorized institutions have sufficient resolution strategies and loss-absorbing capacity. Although the

Group is not currently subject to the LAC Rules, if the LAC Rules are considered applicable to the Group in future, it may need to issue other loss absorbency capital instruments to meet the relevant requirements in the LAC Rules. There can be no assurance that the Group will be able to obtain additional capital in a timely manner, on acceptable terms or at all.

The HKMA or other regulatory authorities may implement other subsidiary registrations or regulations, or may implement a series of reforms that are different from the current reform plan in contemplation of, or may raise additional regulatory requirements to the Group which will increase our compliance costs. If the Group cannot meet any requirement for regulatory capital, the regulatory authorities may impose punishments or restrict our business operation, which may in turn, have a material adverse impact on our business, financial condition or results of operation.

The Group may be involved in legal and other proceedings arising from its operations from time to time.

The Group offers a range of wealth management and investment products to its customers. The Group's management of the selling process associated with the distribution of these products is important to the success of its business. The Group is required, among other things, to assess the suitability of customers for particular investment products and to ensure that risks associated with those products are adequately disclosed to its customers before the Group sells such products to them. The Group may become liable to customers for damages and may be subject to regulatory enforcement actions if the sale of these products by the Group is subsequently found to be in breach of the relevant legal or regulatory requirements, or duties owed to customers.

Litigation and claims will always be a possibility due to the nature of business of the Group and such claims, in the aggregate, may become material to the Group. Similarly, there can be no assurance that relevant government authorities or regulators will not seek to impose fines and/or suspend the Group's regulated activities as a result of regulatory proceedings. Regulatory pressure to settle claims could also result in material payments by the Group to disgruntled investors, which often does not reflect the merits of the parties' cases. Any legal or regulatory proceedings, whether substantiated or not, may result in negative publicity and a loss of customer confidence and/or goodwill, which may lead to a loss of business that may pose adverse effect on the Group's reputation with existing and potential customers, as well as the Group's business, financial condition or results of operations. Lastly, future legislative or regulatory restrictions may also limit the practices and ability of the Group to sell investment products, which may have an impact on the Group's business.

If the Group is unsuccessful in defending any legal proceeding, or is unsuccessful in settling any legal proceeding on commercially reasonable terms, the Group may be liable to pay damages or face penalties or sanctions that may have a material adverse impact on the Group's business and operations. In addition, whilst the Group has purchased liability insurance, there is no assurance by the Group that such insurance coverage is sufficient to eliminate potential loss and damage caused by such proceedings.

Nevertheless, as at 31 December 2023, neither the Issuer nor any other member of the Group are involved in any material litigation, arbitration or similar proceedings, and the Issuer is not aware of any such proceedings pending or threatened against it or any of its subsidiaries, which are or might be material in the context of the Notes. See the section titled "*Business of the Group — Litigation*".

The PRC government shall under no circumstances have any obligation arising out of or in connection with the Notes, which is solely to be fulfilled by the Issuer.

Although the ultimate shareholders of the Issuer include the Ministry of Finance of the PRC (the "MOF"), and the National Council for Social Security Fund, the Issuer is not part of the PRC government. The PRC government is not an obligor and shall under no circumstances have any obligation arising out of or in connection with the Notes. This position has been reinforced by the Circular of the Ministry of Finance on Issues relevant to the Regulation on the Financing Activities

Conducted by Financial Institutions for Local Governments and State-owned Enterprises (關於規範金融企業對地方政府和國有企業投融資行為有關問題的通知(財金〔2018〕23號) (the “**MOF Circular**”) promulgated on 28 March 2018 and took effect on the same day, and the Circular of the NDRC and the MOF on Improvement of Market Regulatory Regime and Strict Prevention of Foreign Debt Risks and Local Government Indebtedness Risks (國家發展改革委財政部關於完善市場約束機制嚴格防範外債風險和地方債務風險的通知) (the “**Joint Circular**”) promulgated on 11 May 2018 and took effect on the same day. The description of the relationships between the Issuer and the PRC government in this Offering Circular does not imply in any way any explicit or implicit credit support of the PRC government in respect of the Notes, the repayment of which remains the sole responsibilities of the Issuer as an independent legal person.

The Holders do not have any recourse against the PRC government in respect of any obligation arising out of or in connection with the Notes or the transaction documents. Any ownership or control by the PRC government does not necessarily correlate to, or provide any assurance as to, the Issuer’s financial condition.

RISK FACTORS RELATING TO THE NOTES

The Notes are complex financial instruments and of high risks and may not be a suitable investment for all investors.

The Notes are complex financial instruments and of high risks. A potential investor should not invest in the Notes unless it has the expertise (either alone or with the help of a financial adviser) to evaluate how the Notes will perform under changing conditions, including the effects of inflation, the resulting effects on the value of the Notes and the impact this investment will have on the potential investor’s overall investment portfolio.

Each potential investor in the Notes must determine the suitability of that investment in light of its own circumstances. In particular, each potential investor should:

- (a) have sufficient knowledge and experience to make a meaningful evaluation of the Notes, the merits and risks of investing in the Notes and the information contained or incorporated by reference in the Offering Circular or any applicable supplement;
- (b) have access to, and knowledge of, appropriate analytical tools to evaluate, in the context of its particular financial situation, an investment in the Notes and the impact such investment will have on its overall investment portfolio;
- (c) have sufficient financial resources and liquidity to bear all of the risks of an investment in the Notes, including where the currency for principal or interest payments is different from the potential investor’s currency;
- (d) understand thoroughly the terms of the Notes and be familiar with the behaviour of any relevant financial markets; and
- (e) be able to evaluate (either alone or with the help of a financial adviser) possible scenarios for economic and other factors that may affect its investment and its ability to bear the applicable risks, including the likelihood and effect of the occurrence of a Non-Viability Event (as defined in the Conditions) or the exercise of any Hong Kong Resolution Authority Power by the relevant Hong Kong Resolution Authority (as defined in the Conditions).

Certain considerations relating to enforcement.

To the extent that the Trustee or the holders of the Notes are entitled to any recovery with respect to the Notes in any Hong Kong proceedings, the Trustee and such holders of the Notes might not be entitled in such proceedings to a recovery in U.S. dollars and might be entitled only to a recovery in Hong Kong dollars.

In Hong Kong proceedings, if the Issuer's assets become subject to the control of a court-appointed receiver, interest on the Notes would cease to accrue on the date of the court order and the relevant U.S. dollar amounts would be converted to Hong Kong dollars as at such date for purpose of claims.

The Notes may be redeemed at the Issuer's option on the Reset Date or on the occurrence of certain other events.

The Notes are redeemable at the option of the Issuer on the Reset Date (as defined in the Conditions). In addition, upon the occurrence of a Withholding Tax Event, a Tax Deduction Event or a Capital Event, the Notes may be redeemed in whole, but not in part, by the Issuer, as more particularly described in the Conditions. However, prior to any such redemption, the Issuer must obtain the prior written consent of the Monetary Authority to the extent such consent is then required, as described in the Conditions.

In particular, in relation to a Capital Event, the Monetary Authority from time to time may introduce measures or make proposals to strengthen capital and liquidity regulations with the goal of promoting a more resilient banking sector. It may lead to changes in the requirements for bank capital and certain term subordinated debt may not qualify as regulatory capital beyond a certain time frame. In particular, the Monetary Authority may decide that the Notes do not qualify as Tier 2 capital of the Bank. If the Notes do not qualify, the Issuer may choose to redeem the Notes (subject to the prior consent of the Monetary Authority) prior to the relevant maturity date pursuant to the Capital Event redemption right.

The date on which the Issuer elects to redeem the Notes may not accord with the preference of individual Noteholders. This may be disadvantageous to the Noteholders in light of market conditions or the individual circumstances of the Noteholder. There can be no assurance that Noteholders will be able to reinvest the amount received upon redemption at a rate that will provide the same rate of return as their investment in the Notes.

The interest rate will be reset on the Reset Date which may affect the market value of the Notes.

The interest rate will be reset on the Reset Date which may affect the market value of the Notes. The Notes will have an initial interest rate from, and including, the Issue Date to, but excluding, the Reset Date. Thereafter, from, and including, the Reset Date to, but excluding, the Maturity Date, the interest rate of the Notes will be reset to a rate per annum equal to the U.S. Treasury Rate (as defined in the Conditions) plus the spread of 2.10 per cent. The interest rate to be reset will ultimately be dependent on the U.S. Treasury Rate prevailing at the time of the Reset Date, but may be lower than the initial interest rate.

The Issuer's obligations under the Notes are subordinated.

The Issuer's obligations under the Notes will constitute direct, unsecured and subordinated obligations of the Issuer. Subject, inter alia, as discussed under "*— The terms of the Notes contain non-viability loss absorption and bail-in provisions*" below, to the insolvency laws of Hong Kong and other applicable laws, in the event of a Winding-Up of the Issuer (other than pursuant to a Permitted Reorganisation (as defined in the Conditions)), the rights and claims against the Issuer of the Noteholders to payment of principal and interest on the Notes and any other obligations in respect of the Notes, shall rank (x) subordinate and junior in right of payment to, and of all claims of (i) all unsubordinated creditors of the Issuer (including its depositors), and (ii) all other Subordinated

Creditors of the Issuer whose claims are stated to rank senior to the Notes or rank senior to the Notes by operation of law or contract; (y) *pari passu* in right of payment to and of all claims of the holders of Parity Obligations; and (z) senior in right of payment to and of all claims of (i) the holders of Tier 1 Capital Instruments (as defined in the Conditions), and (ii) the holders of other Junior Obligations. In the event of a shortfall of funds on a Winding-Up, there is a risk that an investor in the Notes will lose all or part of its investment and will not receive a full return of the principal amount or any unpaid amounts due under the Notes. The Notes also do not limit the Issuer's ability or the ability of any entity in the Group to incur additional indebtedness, including indebtedness that ranks senior in priority of payment to the Notes. The Notes and the Trust Deed do not limit the amount of the liabilities ranking senior to the Notes that may be hereafter incurred or assumed by the Issuer. Although the Notes may pay a higher rate of interest than comparable notes which are not subordinated, there is a risk that an investor in the Notes will lose all or some of its investment should the Issuer become insolvent. See Condition 3(B) of "*Terms and Conditions of the Notes*" for a full description of subordination and the payment obligations of the Issuer under the Notes.

It is intended that the Notes should constitute Tier 2 capital of the Issuer and, accordingly, under statutory requirements prevailing at the date of this Offering Circular relating to Tier 2 capital, and by virtue of the above provisions, any redemption of such Notes prior to the stated maturity is subject to the prior approval of the Monetary Authority at the relevant time.

The terms of the Notes contain non-viability loss absorption and bail-in provisions.

Under the Conditions, a Non-Viability Event occurs when the Monetary Authority notifies the Issuer in writing (i) that the Monetary Authority is of the opinion that a Write-off or conversion is necessary, without which the Issuer would become non-viable; or (ii) that a decision has been made by the government body, a government officer or other relevant regulatory body with the authority to make such a decision, that a public sector injection of capital or equivalent support is necessary, without which the Issuer would become non-viable (whichever is earlier).

If a Non-Viability Event occurs and is continuing, the Issuer shall, upon the date that the Issuer specifies in a Non-Viability Event Notice (which date, for the avoidance of doubt, can be on or prior to the provision of the Non-Viability Event Notice), irrevocably (without the need for the consent of the Noteholders) reduce the then outstanding principal amount of, and cancel any accrued but unpaid interest in respect of, each Note (in each case in whole or in part).

If the Hong Kong Resolution Authority Power is exercised by the relevant Hong Kong Resolution Authority, the provisions detailed in the instrument by which the relevant Hong Kong Resolution Authority exercises the Hong Kong Resolution Authority Power (the "**Hong Kong Resolution Authority Power Instrument**") shall apply to the Notes.

The Conditions provide that each Noteholder and the Trustee shall be subject, and shall be deemed to agree, be bound by and acknowledge that they are each subject, to having the Notes being written off, cancelled, converted or modified, or to having the form of the Notes changed in the exercise of any Hong Kong Resolution Authority Power (as defined in the Conditions) by the relevant Hong Kong Resolution Authority (as defined in the Conditions) without prior notice and which may include (without limitation) and result in any of the following or some combination thereof:

- (a) the reduction or cancellation of all or a part of the outstanding principal amount of, or interest on, the Notes;
- (b) the conversion of all or a part of the outstanding principal amount of, or interest on, the Notes into shares or other securities or other obligations of the Issuer or another person (and the issue to or conferral on the holder of such shares, securities or obligations), including by means of an amendment, modification or variation of the terms of the Notes; and

- (c) the amendment or alteration of the maturity of the Notes or amendment or alteration of the amount of interest payable on the Notes, or the date on which the interest become payable, including by suspending payment for a temporary period, or any other amendment or alteration of the Conditions.

Although the Issuer has agreed to notify the clearing systems and the Noteholders following the occurrence of a Non-Viability Event or the exercise of the Hong Kong Resolution Authority Power, there will be a delay between a Non-Viability Event or the exercise of the Hong Kong Resolution Authority Power and the time that the clearing systems and the Noteholders via the clearing systems are notified of the occurrence of the relevant Non-Viability Event or the exercise of the Hong Kong Resolution Authority Power through their clearing systems accounts or otherwise. Such delay may exceed several days during which trading and settlement in the Notes may continue. Any such delay will not change or delay the effect of a Non-Viability Event or the exercise of the Hong Kong Resolution Authority Power on the obligations of the Issuer under the Notes or on the rights of the Noteholders. See Condition 4(B) (*Interest, Non-Viability Loss Absorption and Hong Kong Resolution Authority Power — Non-Viability Loss Absorption*) and Condition 4(C) (*Interest, Non-Viability Loss Absorption and Hong Kong Resolution Authority Power — Hong Kong Resolution Authority Power*). The notification of a Non-Viability Event is at the discretion of the Monetary Authority and the exercise of the Hong Kong Resolution Authority Power is at the discretion of the relevant Hong Kong Resolution Authority and both beyond the control of the Issuer. The circumstances in which such discretion is exercised are not limited and may include concerns about the Issuer's capital, funding and/or liquidity levels.

Noteholders should note that any amount that is written off upon the occurrence of a Non-Viability Event in accordance with the Conditions or is subject to the exercise of the Hong Kong Resolution Authority Power is permanent and will not be restored under any circumstances, even if the relevant Non-Viability Event or the exercise of the Hong Kong Resolution Authority Power has ceased. In addition, a Non-Viability Event or the exercise of the Hong Kong Resolution Authority Power may occur on more than one occasion and each Note may be written down on more than one occasion. As the Interest Rate is calculated on the basis of the principal amount as adjusted following the occurrence of a Non-Viability Event or as provided for in the relevant Hong Kong Resolution Authority Power Instrument, in the event that such principal amount is permanently reduced by the relevant Write-off or exercise of the Hong Kong Resolution Authority Power, Noteholders will receive less interest on their Notes. In addition, upon the occurrence of a Non-Viability Event or the exercise of the Hong Kong Resolution Authority Power, Noteholders could risk losing up to the full principal amount of the Notes, as well as the cancellation of any accrued (and unpaid) interest, without receiving any compensation for such loss or cancellation. Potential investors should also consider such risks in the context of the recent financial markets turmoil with the collapse of Silicon Valley Bank, followed by Signature Bank, the crisis of Credit Suisse and the seizure of First Republic Bank in early 2023, which has resulted in higher uncertainty in the financial services industry and raised questions about the viability of other financial services firms as well as the possibility of broader systemic risk.

The application of a non-viability loss absorption feature similar to Condition 4(B) (*Interest, Non-Viability Loss Absorption and Hong Kong Resolution Authority Power — Non-Viability Loss Absorption*) and the exercise of the Hong Kong Resolution Authority Power as set out in Condition 4(C) (*Interest, Non-Viability Loss Absorption and Hong Kong Resolution Authority Power — Hong Kong Resolution Authority Power*) has not been tested in Hong Kong and some degree of uncertainty may exist in its application.

The occurrence of a Non-Viability Event or the exercise of the Hong Kong Resolution Authority Power may be inherently unpredictable and may depend on a number of factors which may be outside of the Group's control.

The occurrence of a Non-Viability Event is dependent on a determination by the Monetary Authority:

- (a) that a Write-off or conversion is necessary, without which the Issuer would become non-viable;
or
- (b) that a decision has been made by the government body, a government officer or other relevant regulatory body with the authority to make such a decision, that a public sector injection of capital or equivalent support is necessary, without which the Issuer would become non-viable.

The exercise of the Hong Kong Resolution Authority Power is dependent on the terms of the Hong Kong Resolution Authority Power Instrument. As a result, the Monetary Authority may require or may cause a Write-off or the relevant Hong Kong Resolution Authority may exercise the Hong Kong Resolution Authority Power in circumstances that are beyond the control of the Issuer and the Group and with which neither the Issuer nor the Group agree. Due to the inherent uncertainty regarding the determination of whether a Non-Viability Event exists or whether the Hong Kong Resolution Authority Power will be exercised, it will be difficult to predict when, if at all, a Write-off or the exercise of the Hong Kong Resolution Authority Power in relation to the Notes will occur.

The response by government regulators and central banks to the recent financial markets turmoil, including the response by Swiss authorities in connection with the collapse of Credit Suisse and the determination that Credit Suisse's Additional Tier 1 bonds will be written off to zero, has caused market participants to question how regulators and central banks would utilise resolution powers with respect to financial institutions or otherwise respond in the event of further turbulence or crises in financial markets. Accordingly, the trading behaviour in respect of the Notes is not necessarily expected to follow trading behaviour associated with other types of securities. Any indication that the Issuer is trending towards a Non-Viability Event or the exercise of the Hong Kong Resolution Authority Power could have a material adverse effect on the market price of the Notes.

Potential investors should consider the risk that a holder of Notes may lose all of their investment in the Notes, including the principal amount plus any accrued but unpaid interest, in the event that a Non-Viability Event occurs or the Hong Kong Resolution Authority Power is exercised. There is no assurance that any contractual provisions with non-viability loss absorption features, to the extent applicable, will be sufficient to satisfy the Basel III-compliant requirements that the Monetary Authority may implement in the future. There is a risk that the Monetary Authority may deviate from the Basel III proposals by implementing reforms which differ from those envisaged by the Basel Committee.

The Notes may be subject to a full or partial Write-off.

Investors may lose all of their investment in any Notes upon the occurrence of a Non-Viability Event, which will lead to a full or partial Write-off. Investors may lose all of their investment in the Notes as a result of the cancellation or modification of the Notes pursuant to the exercise of the Hong Kong Resolution Authority Power. Upon the occurrence of a Write-off or so specified in the Hong Kong Resolution Authority Power Instrument, the principal amount and any accrued but unpaid interest of such Notes will automatically be written off and if there is a full Write-off, the principal amount and any accrued but unpaid interest may be written off completely and such Notes will be automatically cancelled.

In addition, the subordination and set-off provisions set out in Condition 2 (*Status and Subordination of the Notes*) are effective only upon the occurrence of a Winding-Up of the Issuer. In the event that a Non-Viability Event occurs the rights of the Noteholders shall be subject to Condition 4(B) (*Interest, Non-Viability Loss Absorption and Hong Kong Resolution Authority Power — Non-Viability Loss*

Absorption). In the event that the Hong Kong Resolution Authority Power is exercised, the rights of the Noteholders shall be subject to the provisions in the Hong Kong Resolution Authority Power Instrument. The occurrence of a Non-Viability Event or the exercise of the Hong Kong Resolution Authority Power may not result in the same outcome for Noteholders as would otherwise occur under Condition 2 (*Status and Subordination of the Notes*) upon the occurrence of a Winding-Up of the Issuer.

Furthermore, upon the occurrence of a Write-off of any Notes or if specified in the Hong Kong Resolution Authority Power Instrument, interest will cease to accrue and all interest amounts that were not due and payable prior to the Write-off or as specified in the Hong Kong Resolution Authority Power Instrument shall become null and void. Consequently, Noteholders will not be entitled to receive any interest that has accrued on such Notes from (and including) the last Interest Payment Date falling on or prior to the Non-Viability Event Notice or the relevant cut-off time specified in the Hong Kong Resolution Authority Power Instrument. Upon the occurrence of a Write-off or if specified in the Hong Kong Resolution Authority Power Instrument, no Noteholder may exercise, claim or plead any right to any such amounts written off, and each Noteholder shall be deemed to have waived all such rights to such amounts.

Any such Write-off or exercise of the Hong Kong Resolution Authority Power will be irrevocable and the Noteholders will, upon the occurrence of a Write-off or if specified in the Hong Kong Resolution Authority Power Instrument, not receive any shares or other participation rights of the Issuer or be entitled to any other participation in the upside potential of any equity or debt securities issued by the Issuer or any other member of the Group, or be entitled to any subsequent write-up or any other compensation in the event of a potential recovery of the Issuer or the Group.

Transfers scheduled to settle through Euroclear and Clearstream (the “ICSDs”) are expected to be rejected if the scheduled settlement is after any suspension by the ICSDs of clearance and settlement of the Notes in connection with a Non-Viability Event Notice or the exercise of the Hong Kong Resolution Authority Power. Furthermore, because of time zone differences and the delay between the time when a Non-Viability Event occurs or the Hong Kong Resolution Authority Power is exercised and when the ICSDs receive and process the Non-Viability Event Notice or the notice that the Hong Kong Resolution Authority Power has been exercised, it is possible that transfers may either (i) fail to settle through the ICSDs even though such transfers were initiated prior to the Non-Viability Event or the relevant cut-off time specified in the Hong Kong Resolution Authority Power Instrument or (ii) are settled through the ICSDs even though such transfers were initiated after the Non-Viability Event or the relevant cut-off time specified in the Hong Kong Resolution Authority Power Instrument.

The ICSDs are expected to suspend all clearance and settlement of transfers of the Notes by Noteholders after receipt of a Non-Viability Event Notice or as specified in the Hong Kong Resolution Authority Power Instrument, and any transfer of the Notes that is scheduled to settle after commencement of such suspension is expected to be rejected by the ICSD and will not be settled within the ICSDs.

Although a Non-Viability Event Notice or a notice of the exercise of the Hong Kong Resolution Authority Power has been exercised will be sent by the Issuer to the ICSDs and the Noteholders via the ICSDs after the occurrence of a Non-Viability Event or the exercise of the Hong Kong Resolution Authority Power, as the case may be, the records of the ICSDs will not be immediately updated to reflect the Non-Viability Event or the exercise of the Hong Kong Resolution Authority Power, as the case may be, and a period of time, which may exceed several days, will be required before the clearance and settlement of transfers of the Notes through the ICSDs are suspended. Due to such delay, it is possible that transfers that are initiated prior to such suspension and scheduled to settle on a date after the ICSDs commence such suspension will fail to settle through the ICSDs even though such transfers were initiated prior to the Non-Viability Event or the relevant cut-off time specified in the Hong Kong Resolution Authority Power Instrument, as the case may be. In such circumstances,

transferors of the Notes would not receive any consideration through the ICSDs in respect of such intended transfer because the ICSDs will not settle such transfer after commencement of such suspension. Similarly, it is possible that transfers that are initiated prior to such suspension and scheduled to settle on a date before the ICSDs commence such suspension will be settled through the ICSDs even though such transfers were initiated after the Non-Viability Event or the relevant cut-off time specified in the Hong Kong Resolution Authority Power Instrument. In such circumstances, transferees of the Notes may be required to pay consideration through the ICSDs even though, upon the occurrence of a Non-Viability Event or the exercise of the Hong Kong Resolution Authority Power, no amounts under the Notes will thereafter become due, and such transferees will have no rights whatsoever under the Trust Deed or the Notes to take any action or enforce any rights or instruct the Trustee to take any action or enforce any rights whatsoever against the Issuer, regardless of whether they have received actual or constructive notice of such fact. The settlement of the Notes following a Non-Viability Event or the exercise of the Hong Kong Resolution Authority Power, as the case may be, will be subject to procedures of the ICSDs that are in place at such time.

Regulations on non-viability loss absorption are untested and subject to interpretation and application by regulations in Hong Kong.

The regulations on non-viability loss absorption are untested in Hong Kong, and will be subject to the interpretation and application by the Monetary Authority. It is uncertain how the Monetary Authority would determine the occurrence of a Non-Viability Event, and it is possible that the grounds that constitute Non-Viability Events may change (including that additional grounds are introduced). Accordingly, the operation of any such future legislation may have an adverse effect on the position of holders of the Notes.

A potential investor should not invest in the Notes unless it has the knowledge and expertise to evaluate how the Notes will perform under changing conditions, the resulting effects on the likelihood of a Write-off and the value of the Notes, and the impact this investment will have on the potential investor's overall investment portfolio. Prior to making an investment decision, potential investors should consider carefully, in light of their own financial circumstances and investment objectives, all the information contained in this Offering Circular.

The operation of the resolution regime in Hong Kong may override the contractual terms of the Notes.

In Hong Kong, the Resolution Ordinance (as defined in the Conditions) became effective on 7 July 2017. The Monetary Authority is the relevant Hong Kong Resolution Authority in relation to banking sector entities in Hong Kong, such as the Issuer. The Monetary Authority's powers under Resolution Ordinance include, but are not limited to, powers to write off or convert all or a part of the principal amount of, or interest on, the Notes, and powers to amend or alter the contractual provisions of the Notes. Whilst the Resolution Ordinance sets out a framework of the resolution regime in Hong Kong, much of the detail is to be legislated through secondary legislation and supporting rules, and as such the impact of it on the Notes cannot currently be fully accurately assessed. See "Regulation and Supervision — The Hong Kong Resolution Regime".

The operation of the resolution regime in Hong Kong may affect the rights of the Noteholders and could result in the Noteholders losing their rights in relation to accrued and future interest on and the principal amount of the Notes without compensation.

Any failure to complete the relevant filing under the NDRC Administrative Measures within the prescribed time frame may have adverse consequences for the Issuer and/or the investors of the Notes.

The NDRC issued the NDRC Administrative Measures on 5 January 2023, which came into effect on 10 February 2023. According to the NDRC Administrative Measures, domestic enterprises and their overseas controlled entities shall procure the registration of any debt securities with a maturity of more than one year issued outside the PRC with NDRC prior to the issue of the securities and file or

cause to be filed with the NDRC the requisite information and documents within the prescribed time frame. The Issuer has registered the issuance of the Notes with the NDRC and obtained a certificate from the NDRC on 18 July 2024 evidencing such registration and which remains in full force and effect. Failure to comply with the NDRC post-issue and continuing filing obligations (such as post-issue filing, pre-issuance approval expiration filing, periodical filing and major event filing, etc.) under articles 24 and 26 of the NDRC Administrative Measures may result in the relevant entities being ordered to make corrections within a time limit, and in the case of aggravating circumstances or in the case that such corrections are not made within the prescribed time limit, relevant entities and their main person-in-charge will be warned. The aforesaid regulatory violations committed by enterprises shall be publicised on the “Credit China” website and the national enterprise credit information publicity system, among others. The Issuer intends to notify the NDRC of the particulars of the issue of the Notes within the prescribed time period.

Furthermore, the NDRC Administrative Measures are relatively new and there is a lack of clear statutory interpretation regarding how it would be enforced and interpreted. If the Issuer does not complete the post-issue and continuing filing obligations under the NDRC Administrative Measures with respect to the Notes within the prescribed timeframe (including as a result of reasons outside the Issuer’s control), the NDRC may impose sanctions or other administrative procedures on the Issuer which may have a material adverse impact on the Group’s business, financial condition or results of operations.

Credit ratings of the Notes.

The Notes are expected to be assigned a rating of “Baa2” by Moody’s. These ratings reflect the Issuer’s ability to make timely payments of principal and interest on the Notes.

In May 2017, Moody’s downgraded China’s sovereign credit rating from Aa3 to A1 and later adjusted the outlook to negative in December 2023. Similarly, Fitch maintained China’s A+ rating in April 2024 but shifted its Long-Term Foreign-Currency Issuer Default Rating outlook to negative; consequently, Fitch downgraded the outlook for the credit rating of six PRC national banks from stable to negative. This reflects concerns over China’s public finances and economic challenges associated with transitioning from property-focused growth towards a more sustainable model. Such concerns can potentially influence the ratings of other PRC financial institutions such as China Cinda. In January 2024, Moody’s downgraded the rating of China Cinda which also impacted the rating of the Notes and the Issuer. On 22 January 2024, Moody’s downgraded the long-term foreign currency and local currency deposit ratings of the Issuer from A3 to Baa1. This downgrade reflects a reassessment of government support level. There can be no assurance that Moody’s or other rating agency will not make further adjustments to the ratings of China Cinda, the Issuer or the Notes in the future.

The ratings represent the opinions of the rating agencies and their assessment of the ability of the Issuer to perform its obligations under the Notes and credit risks in determining the likelihood that payments will be made when due under the Notes. A rating is not a recommendation to buy, sell or hold any security, does not address the likelihood or timing of payment of the Notes and may be subject to revision, suspension or withdrawal at any time by the assigning rating organisation. There is no assurance that the ratings assigned to the Notes will remain in effect for any given period or that the ratings will not be revised by the assigning rating organisation in the future if, in its judgment, circumstances so warrant. A downgrade in ratings may affect the secondary market price of the Notes.

Liquidity of the Notes.

There can be no assurance as to the liquidity of the Notes or that an active trading market will develop. If such a market were to develop, the Notes could trade at prices that may be higher or lower than the initial issue price depending on many factors, including prevailing interest rates, the Issuer’s operations and the market for similar securities. The Joint Lead Managers are not obliged to make a market for the Notes and any such market-making, if commenced, may be discontinued at any time

at the sole discretion of the Joint Lead Managers, acting together. No assurance can be given as to the liquidity of, or trading market for, the Notes upon their listing on the SEHK. Lack of a liquid, active trading market for the Notes may adversely affect the price of the Notes or may otherwise impede a holder's ability to dispose of the Notes.

The Trustee may decline to take actions requested by the Noteholders.

The Trustee may decline to take action requested by the Noteholders, notwithstanding the provision of an indemnity or security or pre-funding to it, where it is not satisfied that the action is permitted by applicable law or regulation and, to the extent permitted by the agreements and applicable law, it will be for the Noteholders to take such actions directly.

The Issuer may raise other capital which affects the price of the Notes.

The Issuer may raise additional capital through the issue of other securities or other means. There is no restriction, contractual or otherwise, on the amount of securities or other liabilities which the Issuer may issue or incur and which rank senior to, or *pari passu* with, the Notes, and there is no restriction on the Issuer issuing securities with or without Non-Viability Loss Absorption provisions (whether or not such provisions are similar to those of the Notes). The issue of any such securities or the incurrence of any such other liabilities may reduce the amount (if any) recoverable by Noteholders on a dissolution or winding-up and/or may increase the likelihood of a cancellation of accrued but unpaid interest in respect of the Notes. The issue of any such securities or the incurrence of any such other liabilities might also have an adverse impact on the trading price of the Notes and/or the ability of Noteholders to sell their Notes.

There are limited remedies for non-payment under the Notes.

Notwithstanding any of the provisions relating to non-payment defaults, the right to institute Winding-Up proceedings is limited to circumstances where payment of principal or any interest on any of the Notes has become due and such failure continues for a period of 14 days in the case of interest or seven business days in the case of principal; or where an order is made or an effective resolution passed for the Winding-Up of the Issuer. The only remedy against the Issuer available to any Noteholders for recovery of amounts in respect of the Notes following the occurrence of a payment default will be instituting Winding-Up Proceedings and/or proving and/or claiming in Winding-Up in respect of any of the Issuer's payment obligations arising from the Notes. In such a Winding-Up, the claims of the Noteholder will be subordinated and subject in right of payment to the prior payment in full of all claims of such senior creditors as set out in Condition 2 (*Status and Subordination of the Notes*).

The Trustee may request that Noteholders provide indemnity to its satisfaction.

In certain circumstances (including the giving of notice to the Issuer pursuant to Condition 9(A) (*Events of Default and Enforcement — Events of Default and Winding-Up Proceedings*)), the Trustee may (at its sole discretion) request the Noteholders to provide an indemnity and/or security and/or pre-funding to its satisfaction before it takes actions on behalf of the Noteholders and shall not be obliged to take any such actions until it is indemnified and/or secured and/or pre-funded to its satisfaction. Negotiating and agreeing to an indemnity and/or security and/or pre-funding can be a lengthy process and may have an impact upon when such actions can be taken. The Trustee may not be able to take actions notwithstanding the provision of an indemnity and/or security and/or pre-funding to it, in breach of the terms of the Trust Deed or the Conditions.

A change in English law which governs the Notes may adversely affect Noteholders.

The Conditions are governed by English law in effect as at the date of this Offering Circular. No assurance can be given as to the impact of any possible judicial decision or change to English law or administrative practice after the date of this Offering Circular and any such change could materially adversely impact the value of any Notes affected by it.

Exchange rate risks and exchange controls may result in investors receiving less interest or principal than expected.

The Issuer will pay principal and interest on the Notes in U.S. dollars. This presents certain risks relating to currency conversions if an investor's financial activities are denominated principally in a currency or currency unit (the "**Investor's Currency**") other than U.S. dollars. These include the risk that exchange rates may significantly change (including changes due to devaluation of U.S. dollars or revaluation of the Investor's Currency) and the risk that authorities with jurisdiction over the Investor's Currency may impose or modify exchange controls. An appreciation in the value of the Investor's Currency relative to U.S. dollars would decrease (1) the Investor's Currency equivalent yield on the Notes, (2) the Investor's Currency equivalent value of the principal payable on the Notes and (3) the Investor's Currency equivalent market value of the Notes.

Government and monetary authorities may impose (as some have done in the past) exchange controls that could adversely affect an applicable exchange rate or the ability of the Issuer to make payments in respect of the Notes. As a result, investors may receive less interest or principal than expected, or no interest or principal.

Modifications and waivers may be made in respect of the Conditions and the Trust Deed by the Trustee or less than all of the holders of the Notes, and decisions may be made on behalf of all holders of the Notes that may be adverse to the interests of the individual holders of the Notes.

The Conditions contain provisions for calling meetings (including meetings held by way of conference calls using a videoconference platform) of the holders of the Notes to consider matters affecting their interests generally. These provisions permit defined majorities to bind all Noteholders including those Noteholders who did not attend and vote at the relevant meeting and those Noteholders who voted in a manner contrary to the majority. There is a risk that the decision of the majority of holders of the Notes may be adverse to the interests of the individual holders of the Notes.

The Conditions also provide that the Trustee may (but shall not be obliged to), without the consent of the holders of the Notes, agree to any modification of the Trust Deed and/or the Conditions (other than in respect of a reserved matter) which, in the sole and absolute opinion of the Trustee, will not be materially prejudicial to the interests of the holders of the Notes and to any modification of the Notes or the Trust Deed which, in the opinion of the Trustee, is of a formal, minor or technical nature or is to correct a manifest error.

In addition, the Trustee may (but shall not be obliged to), without the consent of the holders of the Notes, authorise or waive any proposed breach or breach of the Notes or the Trust Deed (other than a proposed breach or breach relating to the subject of certain reserved matters) if, in the sole and absolute opinion of the Trustee, the interests of the holders of the Notes will not be materially prejudiced thereby.

USE OF PROCEEDS

The Issuer intends to use the net proceeds from the issue of the Notes, after deducting underwriting commissions and other estimated expenses payable in connection with the offering of the Notes, to supplement its tier 2 capital under the Banking (Capital) Rules (Cap. 155L).

CAPITALISATION AND INDEBTEDNESS

As at the date of this Offering Circular, the Issuer has an authorised share capital of HK\$700 million consisting of 7,000,000 ordinary shares of HK\$100 each, and issued and fully paid up share capital of HK\$3,144.52 million consisting of 7,000,000 ordinary shares.

The following table sets out the Group's consolidated capitalisation and indebtedness as at 31 December 2023 and as adjusted for the issue of the Notes and the transaction costs from the issue of the Notes as described in the notes below.

	As at 31 December 2023	As adjusted
	<i>(in HK\$ thousands)</i>	<i>(in HK\$ thousands)</i>
INDEBTEDNESS		
Deposits and balances from banks and other financial institutions	35,581,892	35,581,892
Financial liabilities at fair value through profit or loss	5,784,773	5,784,773
Derivative financial instruments	1,349,761	1,349,761
Deposits from customers	394,389,863	394,389,863
Debt securities and certificates of deposit in issue	28,719,835	28,719,835
Other accounts and provisions	14,622,905	14,622,905
Current tax liabilities	704,069	704,069
Deferred tax liabilities	536,314	536,314
Subordinated liabilities	5,468,028	5,468,028
Notes to be issued ⁽¹⁾	—	5,468,260
Total indebtedness	487,157,440	492,625,700
EQUITY		
Share capital	3,144,517	3,144,517
Reserves	57,424,614	57,424,614
Additional equity instruments	7,422,026	7,422,026
Total equity	67,991,157	67,991,157
Total indebtedness and equity	555,148,597	560,616,857

Note:

(1) This balance represents the aggregate principal amount of the Notes of U.S.\$700,000,000 taken up fully by the Joint Lead Managers (HK\$5,468,260,000, translated at the exchange rate of HK\$7.8118 equal to U.S.\$1.00).

From time to time, the Issuer may issue debt or other securities in various currencies and in different markets depending on market conditions.

Except as otherwise disclosed above, there has been no material adverse change in the Group's total indebtedness and equity since 31 December 2023.

BUSINESS OF THE GROUP

INTRODUCTION

Overview

The Group is one of the oldest local banks in Hong Kong, having commenced business in 1949. The Group possesses over 70 years of operating history, a highly recognised brand, an extensive branch network, a stable and loyal customer base, expertise in providing cross-border services and robust financial conditions. The Group's core business services include wealth management services, trade finance, deposit taking, foreign currency savings, remittances, investment services, home mortgage loans, personal loans, credit cards, safe deposit boxes, personal Renminbi services, internet banking services and insurance broker services.

As at 31 May 2024, the Group offered a broad range of banking and related financial services in Hong Kong through a network of 35 branches, strategically located to provide coverage for the core districts on Hong Kong Island, Kowloon and the New Territories. The Group's market-leading position in Renminbi and cross-border banking services is evidenced by the continued recognitions and awards received from various organisations, including, the "Best Sustainable/Green Bond (China's offshore market)" and "Best Green Bond (Macau)" Award at "The Asset Triple A Country Awards for Sustainable Finance 2022" organised by the Asset in 2023; the "Outstanding Mobile Banking App" Award at "01 Gold Medal Awards" organised by HK01 in 2023; the honours of "RMB Financial Services" Award at the "Sing Tao Service Awards 2022" organised by Sing Tao Daily in 2023; "Best High Yield Trading" Award from Dealing Matrix International (DMI) in 2023; the "Rising Star in the Greater Bay Area" by Asiamoney in 2023; the "No.1 Cross Border Banking RMB Services" Award at "Headline No.1 Awards 2023" organised by Headline Daily in 2023; the "Best Investment and Commercial Banking Services" Award at "Merits of Achievement in Banking and Finance" organised by CAPITAL Magazine in 2023; the "Cross Border All-Round Business" Award at "RMB Business Outstanding Award 2023" organised by Metro Finance and Hong Kong Ta Kung Wen Wei Media Group (HKTKWW) in 2023; the "Best Bank Greater Bay Area" Award presented by Hong Kong Ta Kung Wen Wei Media Group (HKTKWW) at the "Pilot '9+2' 4th Greater Bay Area Development Forum and Award Ceremony" in 2023; the "Top Investment House" Award organised by The Asset Magazine in 2023; the accolade of the "Excellent Brand of Cross Border Commercial Banking Services" Award at Hong Kong Leaders' Choice Brand Awards organised by Metro Finance in 2022; 8 individual awards and "Top Nominations Award" from the Hong Kong Institute of Bankers in 2022; "No.1 Cross Border Banking RMB Services" Award at "Headline No.1 Awards 2022" organised by Headline Daily in 2022; the "Best Bank Greater Bay Area" Award presented by Hong Kong Ta Kung Wen Wei Media Group (HKTKWW) at the "Pilot '9+2' Greater Bay Area Development Forum and Award Ceremony" in 2022; "Best Investment and Commercial Banking Services" Award at "Merits of Achievement in Banking and Finance" organised by CAPITAL Magazine in 2022; the accolade of the "Investment and Commercial Banking Award" at "RMB Business Outstanding Awards" organised by Hong Kong Ta Kung Wen Wei Media Group (HKTKWW) and Metro Finance in 2022; the "Excellent Brand of Cross Border Personal Banking Services" and "Excellent Brand of Cross Border Corporate Banking Services" awarded by Metro Finance in 2021; "Award for Excellence in Financial Brand Value in the Greater Bay Area" awarded by Mingpao in 2021; and the "Professional Guangdong-Hong Kong-Macao Greater Bay Area Financial Services Award" jointly awarded by Hong Kong Commercial Newspapers Co., Ltd., Economic Herald, Federation Economic and Commerce of Hong Kong and China Enterprise Reputation and Credibility Association (Overseas) in 2021. The Group also has extensive experience in operating cross-border banking business. The Group started to provide China-related banking services since 1979 through its China Investment Consultation Department and was one of the first foreign movers in the PRC banking industry when it established its Shenzhen branch in the Shenzhen Special Economic Zone in 1982. The Group was the first foreign bank

operating in China since the establishment of the PRC, it granted the first foreign bank loan in China since its adoption of its reform and opening-up policy, and it was also among the first banks which provided “offshore guarantee for onshore loan” products and was one of the first three foreign banks approved by the China Banking Regulatory Commission (“CBRC”) to issue credit cards in China.

In terms of the Group’s overseas operations, the Group had 38 branches/sub-branches in total in the PRC as at 31 May 2024. The Group’s PRC businesses are operated through NCB (China), which is the Group’s PRC-incorporated bank with its headquarters in Shanghai. NCB (China)’s business network covers the Pearl River Delta, the Yangtze River Delta Economic Zone and the Bohai Economic Rim, with branches/ sub-branches in major cities in the PRC such as Shanghai, Beijing, Dalian, Qingdao, Wuxi, Hefei, Suzhou, Hangzhou, Chengdu, Shenzhen, Nanning, Shantou, Wuhan, Guangzhou, Haikou, Chongqing and Nanjing.

In 2007, the Group established NCB (China) as a PRC-incorporated bank. The Group’s branches and their businesses in the PRC were consolidated under NCB (China) for further expansion of the Group’s PRC presence. NCB (China) has continued to expand its PRC presence. For example, it set up NCB (China) Wuhan branch in 2020 to fully promote the business development in mainland China. NCB (China) provides comprehensive RMB and foreign currency banking services to its customers. Services include but are not limited to deposit-taking, loans and advances, debit cards, credit cards, wealth management services, personal banking, investment services, agency services for life and general insurance, remittance and settlement, RMB cross-border trade settlement services and domestic and international trade finance facilities. As at the date of this Offering Circular, NCB (China) has obtained the relevant licences for operating its cross-border Renminbi business, foreign exchange settlement business, credit card business, derivatives business, insurance business, offshore wealth management business, investment fund business, interbank lending business, gold trading business and currency swap business, in the PRC.

The Group became a wholly-owned subsidiary of China Cinda in 2016, which allowed China Cinda to achieve additional financial and operational stability through its integration with a well-established commercial bank in Hong Kong, strengthening its leading advantage as a non-performing asset management business and creating an integrated asset management and financial services brand name. It was also an important step in the Group’s development and holds huge significance for the future development of the Group as a core banking platform within the China Cinda group.

As at 31 December 2023, the Group’s total consolidated assets, advances to customers and deposits from customers were HK\$555,148.60 million, HK\$293,406.56 million and HK\$394,389.86 million, respectively. As at 31 December 2022, the Group’s total consolidated assets, advances to customers and deposits from customers were HK\$541,677.04 million, HK\$289,700.30 million and HK\$365,462.46 million, respectively. As at 31 December 2021, the Group’s total consolidated assets, advances to customers and deposits from customers were HK\$536,331.00 million, HK\$291,549.85 million and HK\$383,781.39 million, respectively.

As at 31 December 2021, 2022 and 2023, the Group’s total capital adequacy ratio was approximately 18.46 per cent., 17.45 per cent. and 18.56 per cent., respectively. For the years ended 31 December 2021, 2022 and 2023, the average value of the Group’s quarterly liquidity coverage ratio for the last quarter of the year was 153.44 per cent., 139.36 per cent. and 165.02 per cent., respectively.

For the years ended 31 December 2021, 2022 and 2023, the Group’s profit after taxation was HK\$3,231 million, HK\$3,908 million and HK\$3,442 million, respectively. For the years ended 31 December 2021, 2022 and 2023, the Group achieved a return on average assets of approximately 0.62 per cent., 0.73 per cent. and 0.63 per cent., respectively, and a return on average equity of approximately 4.99 per cent., 6.15 per cent. and 5.14 per cent., respectively.

Business Review in 2023

In 2023, the macroenvironment continued to be severe and the competition in the banking industry became increasingly intense. More intensive energy volatility due to geopolitical conflicts, interest rates remaining high in major economies to curb high inflation, the inhibited growth of credits against the drop of high financing cost, which all pressured on the quality of the banking sector's assets. Mainland China economy has experienced a moderate recovery. The real estate industry's performance remained sluggish despite supportive policies introduced since the third quarter last year. Economic growth was mild along the process of local government reducing leverage level, investment was somewhat conservative, while consumption was relatively resilient. Regarding Hong Kong market, economy growth came back to positive, mainly benefited from the border between the mainland and Hong Kong reopened from the beginning of 2023, which allowed cross-border trade and travel come back to normal, bringing a wave of tourists and private consumption. Meanwhile investment and export performance still lacked momentum given uncertainties of external economic environment.

Amid economic headwind and increasingly intensive competition within banking industry, the Group continued to pursue high quality development and strategic transformation. As a result, a number of breakthroughs have been achieved: operating revenue grew significantly, business structure has been further optimised, IT infrastructure construction was conducting prudently, competitive advantages have been established in certain business segmentations, building up solid market reputation.

RECENT DEVELOPMENTS

Notwithstanding the ongoing challenges in 2024 posed by the complex and volatile business environment, uncertainties and pressures from the higher global interest rate environment and the Mainland China economy's further slowdown in economic growth and further declines in the Mainland China real estate industry, the Group has continued to implement its established strategic plan, focusing on high-quality development and accelerating its strategic transformation. The Group's financial performance continues to remain relatively stable, but similar adverse headwinds that the Group experienced for the financial year ended 31 December 2023 is expected to continue into 2024, with further downward pressure on net interest margin and net profits and continuing upward trend on impairment allowances of loans.

In 2024, the Group has continued to optimise its business structure and continued to leverage its competitive advantages in certain business segments. Specifically, the Group's personal banking business has been expanding its target customer base and growing its wealth management business, via its continued shift to a wealth consultancy services-oriented business model and the leveraging of cross-border business opportunities; the Group's corporate banking business has been optimising its revenue structure and has been targeting a larger ratio of loans to target customers, benefiting from its position as a trusted advisor and synergies between the Hong Kong and Mainland China business teams; the Group's financial institution business has seen an increase in the volume of RMB foreign exchange transactions and a strong performance in the bonds issuance business, resulting from the Group's expanding "investment bank + commercial bank" ecosystem and continual product innovation.

The Group has continued to adhere to its social responsibility goals and commitment to sustainable development, resulting in an increase in the balance of green loans and loans to strategic industries. The Group has also strengthened its financial support to small and medium enterprises by actively participating in the "SME Financing Guarantee Scheme".

In recognition of the Group's efforts, the Group has recently been awarded the "Award for Excellence in Treasury Solutions" by Ming Pao in 2024 and the "2024 Best SME's Partner Award" from the Hong Kong General Chamber of Small and Medium Business.

None of the Joint Lead Managers, the Trustee, the Agents, or any person who controls any of them, or any of their respective directors, affiliates, officers, advisers, employees or agents makes any representation, warranty or undertaking, express or implied of, or accepts any responsibility or liability with respect to, the above information and potential investors should exercise caution when using such information to evaluate the Group’s business and financial conditions and results of operations.

HISTORY AND CORPORATE DEVELOPMENT

Since its establishment in 1949, the Group has operated in Hong Kong for over 70 years and has enjoyed a reputation as one of the leading local banks in Hong Kong.

The following chart highlights some of the milestone developments of the Group:

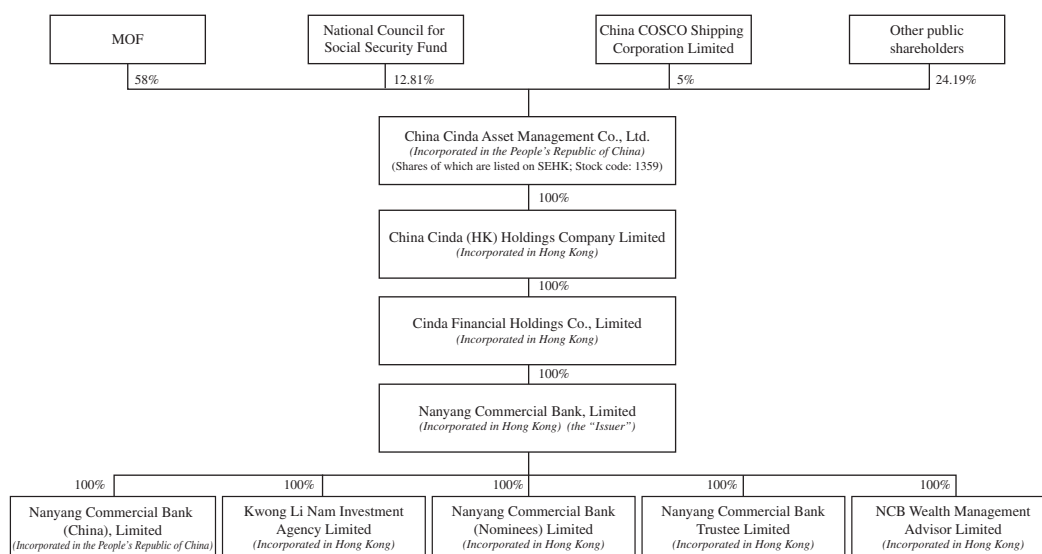
Year	Events
1949	The Issuer was established by Mr. Chuang Shih Ping and started operating in Hong Kong.
1979	The Issuer established the China Investment Consultation Department to provide financial services for Hong Kong corporations with trading, investments and other businesses in the PRC.
1982	The Issuer established its Shenzhen branch in the Shenzhen Special Economic Zone and was the first foreign bank operating in the PRC.
2001	The Issuer became a wholly-owned subsidiary of Bank of China (Hong Kong) Limited while continuing to operate separately under its own brand.
2005	The Issuer was awarded the “Caring Company” logo by The Hong Kong Council of Social Service for the first time.
2007	NCB (China) was established as a locally-incorporated bank in the PRC. The Issuer’s onshore branches and their businesses in the PRC were consolidated under NCB (China) for further expansion of the Group’s PRC presence.
2011 — 2017	The Issuer was awarded the Top 10 Banks (Hong Kong) Honour Award on the Asian Bank 300 list by Yazhou Zhoukan (亞洲週刊).
2013 — 2016	The Issuer was awarded the “Excellent Brand of Cross-Border Banking Services” Award by Metro Finance (新城財經台) for 4 consecutive years.
2014	The Issuer received the Award for Cross-Border Interaction Renminbi Innovative Service Award from Wen Wei Pao (文匯報).
2016	China Cinda acquired 100 per cent. of the Issuer’s equity interests from BOCHK with completion on 30 May 2016. The Issuer became a wholly-owned subsidiary of China Cinda.
2017	The Issuer won the “Excellence Award for Cross-border Financial Services” at the Banking & Finance Awards 2017 organised by Sky Post.
2017	The Issuer received “Hong Kong Leaders’ Choice 2017 — Excellent Brand of Wealth Management Banking Service” from Metro Finance (新城財經台).
2018	“Cinda Wealth Center”, sponsored by China Cinda group and led by NCB (China), commenced operation in June 2018.

Year	Events
2018	The Issuer won another “Excellence Award for Cross-border Financial Services” at the Banking & Finance Awards 2018 organised by Sky Post.
2018	The Issuer won the “Excellent Brand of Cross Border Personal Banking Services” and “Excellent Brand of Cross Border Corporate Banking Services” awards at the Award Presentation Ceremony of “Hong Kong Leaders’ Choice 2018” (香港企業領袖品牌2018) from Metro Finance (新城財經台).
2018	The Issuer received the “Accredited Professional Financial Planning Firm 2018” and the “Corporate Financial Education Leadership—Gold” awards by the Institute of Financial Planners of Hong Kong (香港財務策劃師學會).
2019	NCB (China) launched its new IT system in August 2019, which significantly improved its client service capabilities.
2019	The Issuer received “Best SME’s Partner Award 2019” from the Hong Kong General Chamber of Small and Medium Business. NCB was awarded the “Excellent Financial Institutions Services” from the Quamnet Outstanding Enterprise Awards 2019 organised by Quamnet.
2020	NCB (China) established a branch in Wuhan.
2020	The Issuer received the accolade of the “Excellent Brand of Cross Border Personal Banking Services” and “Excellent Brand of Cross Border Corporate Banking Services” Award at Hong Kong Leaders’ Choice Brand Awards organised by Metro Finance.
2021	NCB (China) ’s head office moved to 898 Puming Road, Pudong New District, Shanghai, China.
2021	The Issuer received the “Excellent Brand of Cross Border Personal Banking Services” and the “Excellent Brand of Cross Border Corporate Banking Services” awarded by Metro Finance; the “Award for Excellence in Financial Brand Value in the Greater Bay Area” awarded by Mingpao; and the “Professional Guangdong-Hong Kong-Macao Greater Bay Area Financial Services Award” jointly awarded by Hong Kong Commercial Daily, Economic Herald, Federation Economic and Commerce of Hong Kong and China Enterprise Reputation and Credibility Association (Overseas); and the “Greater Bay Area Cross Border Banking Services” Award, awarded by Hong Kong Ta Kung Wen Wei Media Group(HKTKWW) at the “Pilot ‘9+2’ Greater Bay Area Development Forum and Award Ceremony”, and the “Greater Bay Area Outstanding Enterprise Awards” and “No. 1 Cross Border Bank Banking Services” awarded by HK01 and Headline Daily respectively, and the “Excellence Award for Cross-border Financial Services” awarded by Sky Post.
2022	The Issuer received the “Award for Excellence in Financial Brand Value in the Greater Bay Area” awarded by Ming Pao and the “Excellent Brand of Cross Border Commercial Banking Services” awarded by Metro Finance; and the “Greater Bay Area Outstanding Enterprise Awards” and “No. 1 Cross Border Banking RMB Services” awarded by Headline Daily; the “Best Bank Greater Bay Area” Award, awarded by Hong Kong Ta Kung Wen Wei Media Group(HKTKWW) at the “Pilot ‘9+2’ Greater Bay Area Development Forum and Award Ceremony”; and the “Best Investment and Commercial Banking Services” awarded by CAPITAL Magazine.
	NCB (China) established a branch in Chongqing.

Year	Events
2023	<p>The Issuer received the accolade of the “Investment and Commercial Banking Award” at “RMB Business Outstanding Awards” organised by Hong Kong Ta Kung Wen Wei Media Group (HKTKWW) and Metro Finance and was recognised the “Rising Star in the Greater Bay Area” by Asiamoney. The Issuer also received the “Top Investment House” Award organised by The Asset Magazine.</p> <p>NCB (China) established a branch in Nanjing.</p>

ORGANISATION

The following chart provides an overview of the shareholding structure of the Group and its key operating subsidiaries as at 31 December 2023.



The Issuer is the holding company and the principal operating company of the Group. In addition, the Issuer has a number of significant subsidiaries and associated companies through which the Group conducts various operations such as banking, trustee services, agency management, nominee services and insurance broker and consultancy.

For the year ended 31 December 2023, except for NCB (China), none of the Issuer’s subsidiaries accounted for more than 10 per cent. of the consolidated net profit and loss of the Group or had a book value in excess of 10 per cent. of the Group’s consolidated total assets.

As at 31 December 2023, the Group’s principal subsidiaries were as follows:

Name of subsidiary of the Issuer	Place of incorporation and operation of the Group	Issued and paid-up capital	Interest held by the Group	Nature of business
Nanyang Commercial Bank (China), Limited.	PRC	RMB9,500,000,000	100%	Banking Business
Nanyang Commercial Bank Trustee Limited .	Hong Kong	HK\$3,000,000	100%	Trustee Services
Kwong Li Nam Investment Agency Limited .	Hong Kong	HK\$3,050,000	100%	Investment Agency
Nanyang Commercial Bank (Nominees) Limited.	Hong Kong	HK\$50,000	100%	Nominee Services
NCB Wealth Management Advisor Limited . .	Hong Kong	HK\$22,000,000	100%	Insurance Broker & Consultancy

The Board of Directors of the Group is responsible for the overall management of the Group. To assist the Board of Directors in managing the Group, a number of committees have been established, including the Strategy and Development Committee, the Audit Committee, the Risk Management Committee, the Connected Transaction Committee and the Nomination and Remuneration Committee. For each of these committees' roles and functions, see the relevant sections under “*Board of Directors and Senior Management — Board of Directors*”.

COMPETITIVE STRENGTHS

The Group is positioned as a leading local commercial bank in Hong Kong with strong brand recognition backed by a long history, wide coverage of business network, loyal customer base and stable financial performance.² It is also a 100 per cent. owned subsidiary of China Cinda, a leading integrated financial conglomerate in the PRC. The Group has synergic operations amongst its business units, equipped with high management capabilities regarding risks and distressed assets, and is able to provide cross-border financial services through both corporate and personal banking businesses. The Group believes its key strengths are as follows:

The Group has a comprehensive risk management system and robust risk management mechanism.

The Issuer, as a financial institution in Hong Kong, is subject to the supervision of and regulatory requirements imposed by the Monetary Authority. In addition, NCB (China) is subject to the supervision and regulatory requirements imposed by the CBIRC (now the NAFR) as a bank in the PRC and that of the Monetary Authority as a subsidiary within the Group. These regulatory authorities promulgate requirements governing the Group's business in various aspects, such as capital adequacy, anti-money laundering, entry into certain markets, periodic reporting and filing and other requirements and safeguarding the health and stability of the Group's risk management. In particular, the Monetary Authority carries out onsite and offsite supervisions on NCB (China), by sending representatives to visit the headquarters and the branches of NCB (China) and raising enquiries with the Issuer on the results of business operation, risks and financial conditions of NCB (China). The Issuer also regularly submits certain risk and financial management reports to the Monetary Authority regarding the liquidity and credit risks of NCB (China). In addition, the Monetary Authority sets risk limits for the Group as a whole, for example, capital adequacy ratio, liquidity coverage ratio and risk concentration, and may make similar requests to NCB (China) with reference to the relevant indicators set out by the CBIRC (now the NAFR).

The Group also conducts periodic reviews of its risk management policies and procedures in order to accommodate the changes in market risks faced by the Group and its business strategies. The Group's risk management capabilities are further supported by China Cinda's rich experience in distress asset management and disposal, which assisted the Group to further diversify its channels and manners of handling its distress assets.

See the section headed “*Selected Statistical and Other Information — Risk Management*”.

The Group benefited from the high degree of main businesses relevance with and all-round support from China Cinda.

Since the Acquisition in May 2016, integration of the Group and China Cinda has been carried out in the past three years in an orderly manner to achieve the Group's stable operation, performance improvement and in-depth integration with China Cinda's business. China Cinda is expected to continue to support the Group's business development and release the business potential of the Group via synergies between the Group and China Cinda.

² Local commercial banks in Hong Kong refers to Hong Kong incorporated licenced banks with headquarters in Hong Kong.

According to China Cinda's strategic plan, the Group, as the core financial service platform of China Cinda, receives support from China Cinda in terms of liquidity and capital needs. The Group is also able to utilise the network and the wide customer base of China Cinda in the PRC to deepen its cross-border banking business. For example, Cinda Wealth Centre (信達財富中心) was opened in June 2018, which provides a wide coverage of financial products and services to its customers by consolidating resources within China Cinda. Leveraging on the customer base of China Cinda, the Group has proactively expanded its syndicated loan business. In 2018, the Group was awarded the "Shanghai Banking Industry Syndicated Loan Best Project and Best Arranger Award". The Group has also established a close business relationship with respective customers, providing a wide spectrum of services including project finance, offshore syndicated loans and foreign currency deposits.

The Group believes that there are six major areas of synergy with China Cinda:

- **Customer resources synergy:** customers of the Group's banking business and China Cinda's distressed assets business complement each other and form a whole-cycle coverage. The Group can leverage on the brand recognition and clientele of China Cinda to achieve an upscale of its customer base, increase customers' viscosity and attract more high net worth customers.
- **Product innovation synergy:** the integration of China Cinda's asset management business and the Group's banking business creates the synergy in the development of financial products with an integrated solution satisfying customers' needs.
- **Business network synergy:** As at 31 December 2023, China Cinda had 33 branches in 30 provinces, autonomous regions and municipalities in the PRC and seven subsidiaries as platforms for providing distressed asset management and financial services in the PRC and Hong Kong, forming a nationwide business network in China. China Cinda will assist the Group in expanding its onshore and offshore business network.
- **Business sector synergy:** the distressed assets business of China Cinda is closely related to the businesses of commercial banks in terms of the financing needs of customers, investment and management of funds and collection of outstanding loans. With the support from China Cinda's wide range of licences for providing financial services and high product development capabilities, the Group can further develop its intermediary businesses through cross selling efforts with China Cinda and fully developing the business potential in China Cinda's distressed asset management customers.
- **Risk management synergy:** with strong support from China Cinda through sharing its experience in risk identification, risk disposal and risk management, the Group is expected to enhance its distressed assets disposal mechanism and improve its own risk management capabilities.
- **Regulatory/supervisory resources synergy:** the Group makes full use of the mass resources of China Cinda, actively seeks support from regulatory authorities, and accurately understands the regulatory changes.

The Group is benefited from the strong synergy of businesses in Hong Kong and the PRC.

As at 31 May 2024, the Group has 35 branches in Hong Kong strategically located in the core districts on Hong Kong island, Kowloon and the New Territories, providing all-round banking services to its customers together with the network of around 3,000 JETCO ATMs throughout Hong Kong and the Group's online and mobile banking platforms. In addition, the Group was one of the first foreign banks in the PRC conducting PRC-related banking business. The Group operates its PRC business through NCB (China). As at 31 May 2024, the Group had in total 38 branches in the PRC, covering major cities in the Pearl River Delta, the Yangtze River Delta Economic Zone and the Bohai Economic Rim.

Apart from being one of the first foreign banks in the PRC conducting PRC related banking business, the Group was also first in multiple other areas, including its participation in the distribution of the first batch of Renminbi-denominated funds among foreign banks, being approved as one of the first three foreign banks for issuing credit cards in mainland China and providing the first online banking platform for providing cross-border payment service in mainland China. The Group was also among the first batch of banks to participate in the “Wealth Management Connect” Pilot Scheme in the Greater Bay Area.

The Group has actively participated and supported the financing needs of corporates under the “Belt and Road” Initiative. The Group currently provides cross-border banking products such as Nei Fang Tong (內房通) which leveraged Hong Kong residents’ properties in Beijing, Shanghai, Guangzhou, Shenzhen and the designated cities in the Greater Bay Area and other provinces to satisfy their financing needs. The Group has also participated in the syndicated loans provided to infrastructure developers.

The Group has been strengthening the management of NCB (China) by enhancing its management structure in areas of risk management, financial accounting, information technology, audit, human resources and integrated business management. The Group implements an integrated business plan with defined target customer groups and emphasis on product, marketing plan and collaboration mechanism. The Group has also established policy and procedure for supervision of NCB (China) together with various risk management measures for NCB (China) for compliance of laws and regulations in both Hong Kong and the PRC. The Group’s management regularly conducts meeting with the management of NCB (China) on matters of risk management, finance, information technology and operations to enhance the ongoing communication between NCB (China) and the Group. In addition, the Group organises visits and encourages communication between employees of the Issuer and NCB (China).

The Group has also taken measures to control the Mainland related credit risks, including setting “Trigger Levels” on Hong Kong facilities with PRC property collaterals and mainland related lendings; conducting regular stress tests; setting limits on same set of concerned industries both for the Issuer and NCB (China); monitoring and preparing respective periodic reports regarding the abovementioned credit limits, key risk areas and “non-bank China Exposures”. The Group also engages legal experts to strengthen its understanding and monitoring of the PRC regulatory requirements.

The Group has maintained stable financial performance.

The Group has demonstrated stable financial growth in its total assets, total deposits from customers and total gross advances to customers. As at 31 December 2021, 2022 and 2023, the Group’s total assets amounted to HK\$536,331.00 million, HK\$541,677.04 million and HK\$555,148.60 million, respectively. As at 31 December 2021, 2022 and 2023, the Group’s total deposits from customers amounted to HK\$383,781.39 million, HK\$365,462.46 million and HK\$394,389.86 million, respectively. As at 31 December 2021, 2022 and 2023, the Group’s total gross advances to customers amounted to HK\$295,562.86 million, HK\$293,765.28 million and HK\$298,306.32 million, respectively.

The Group has also demonstrated stable performance in its earnings. For the years ended 31 December 2021, 2022 and 2023, the Group’s net interest margin was 1.33 per cent., 1.44 per cent. and 1.60 per cent., respectively. For the years ended 31 December 2021, 2022 and 2023, the Group’s return on average assets was 0.62 per cent., 0.73 per cent. and 0.63 per cent., respectively. For the years ended 31 December 2021, 2022 and 2023, the Group’s return on average equity was 4.99 per cent., 6.15 per cent. and 5.14 per cent., respectively.

In addition, the Group has high asset quality and sufficient liquidity. For the years ended 31 December 2021, 2022 and 2023, the Group recorded the classified or impaired loan ratio of 1.50 per cent., 1.19 per cent. and 2.32 per cent., respectively, meanwhile the classified or impaired loan provision ratio for the relevant periods were 57.17 per cent., 62.07 per cent. and 44.54 per cent., respectively. The Group’s quarterly average liquidity coverage ratio for the last quarter of the year as at 31 December 2021, 2022 and 2023 were 153.44 per cent., 139.36 per cent. and 165.02 per cent., respectively.

STRATEGIES

The Group's core objectives are to position itself as a leading local commercial bank in Hong Kong with strong brand recognition backed by a long history, wide coverage of business network, loyal customer base and stable financial performance.³ The Group intends to continue to maintain its growth strategy for its businesses and operations. Given the increasingly close economic connection between the PRC and Hong Kong, the Group seeks to further integrate its businesses in Hong Kong and the PRC with the support from China Cinda. The key components of the Group's strategy are set out below:

Dual track expansion and integration of businesses in Hong Kong and the PRC

The Group intends to continue to concurrently develop and integrate its businesses in both Hong Kong and the PRC. Adhering to the business philosophy of "Unique Services for the Mainland and Hong Kong", the Group actively serves the Hong Kong residents and customers in the Greater Bay Area, optimises its products and service processes, enhances support to customers affected by the pandemic, gaining the reputation as a cross-border professional service bank.

The Group plans to leverage on the strong brand recognition of the Issuer among the Chinese community to further develop its banking business in Hong Kong and the PRC. The Group also plans to leverage on the advantages brought by "Domestic + Overseas" integration. With its diversified banking products and services, the Group aims to provide one-stop service to its corporate banking and personal banking customers, satisfying their needs in banking, investment, insurance, financing and wealth management, for both domestic and cross-border transactions. The Group also intends to consolidate and strengthen its position in the PRC through its locally-incorporated bank subsidiary, NCB (China). With the business network of NCB (China) covering the major economic development regions in the PRC, the Group is able to provide a comprehensive range of RMB and foreign currency banking products and services to its customers in the PRC, capitalising on opportunities arising from the liberalisation of the banking sector and the internationalisation of RMB.

The Group will continue to optimise the use of its assets and of its strong dual presence; NCB (China) in the PRC and the Issuer in Hong Kong, to build an integrated cross-border banking network and to deliver a wide range of tailored services for its customers. The Group will further strengthen cross-referral businesses between the PRC and Hong Kong and its development of unique cross-border banking products to capture opportunities arising from increasing business flows to and from the PRC. The Group currently provides cross-border banking products such as Nei Fang Tong (內房通) which leveraged Hong Kong residents' properties in Beijing, Shanghai, Guangzhou, Shenzhen and the designated cities in the Greater Bay Area and other provinces to satisfy their financing needs, Wai Pai Tong (外派通) to provide comprehensive banking services, including cross-border loans, for employees of Chinese corporations working in Hong Kong, Guangdong HK Link Scheme (粵港通、一額兩地用計劃) to support the financing needs of small and medium enterprises' associated companies in the PRC, with a unified cross-border credit limit available to both the entities in Hong Kong and the PRC, acceptance of a shared pool of collateral and acceptance of dual currency payments in HK dollars or Renminbi, and Li Cai Tong (理財通) to allow customers to utilise the funds deposited with the Group and to apply for pledge loan with deposit certificates. The Group also developed innovative products including "Property Purchase Direct Remittance Service (購房直匯通)" and "Rong Hui Bao (融匯寶)", which helps customers solve pain points and reduce costs. Furthermore, in order to offer its customers with integrated convenience, the Group offers the personal "wealth management mutual recognition" services in the Greater Bay Area and the "Shenzhen and Hong Kong Pass" service.

³ Local commercial banks in Hong Kong refer to Hong Kong incorporated licenced banks with headquarters in Hong Kong.

Development of a balanced corporate and personal banking business portfolio

The Group implements its strategy in Hong Kong and the PRC by continuing to broaden its product range, upgrading product features and exploring new market opportunities. In terms of personal banking business, the Group intends to sustain its relationship with its retail customers while attracting new individual customers with high growth potential to enhance its personal banking, wealth management and asset management businesses. The Group identified five business development drivers for enhancing its personal wealth management business for individual customers, including attracting customers via multiple channels, activating the customers' use of the Group's services, deepening the customer relationships, providing professional support services and integration of cross-border services.

The Group will also further coordinate with China Cinda in developing its corporate banking business, targeting mid to large corporations with high cross-border business needs and small and medium enterprises ("SMEs") with high growth potential, enhancing its syndicated loan business, alongside its existing commercial lending, commercial remittance and trade finance services.

Focus on development of customers with cross border business or asset management needs

The Group intends to focus on its development of business with large corporations with cross-border business needs, small and medium enterprise customers with high growth potential, individual customers with medium to high net worth with cross border asset management needs.

The Group also expects to be supported by the synergies between China Cinda and the Group. According to China Cinda's strategic plan, the Group will be the core financial service platform of China Cinda. With the strong support from China Cinda, the Group intends to utilise the network and the wide customer base of China Cinda in the PRC to deepen its cross-border banking business.

BUSINESS OVERVIEW

The Group's core businesses are the acceptance of deposits and lending to corporate and personal banking customers. As at 31 December 2021, 2022 and 2023, the Group's total deposits from customers amounted to HK\$383,781.39 million, HK\$365,462.46 million and HK\$394,389.86 million, respectively, and its total gross advances to customers amounted to HK\$295,562.86 million, HK\$293,765.28 million and HK\$298,306.32 million, respectively. As at 31 May 2024, the Issuer had 35 branches in Hong Kong, covering core commercial and residential districts across Hong Kong island, Kowloon and the New Territories. As at 31 December 2023, the Issuer had approximately 517,000 customers in total, including approximately 481,000 personal banking customers and approximately 36,000 corporate banking customers. The Group provides a wide range of banking services including wealth management service, trade finance, deposit taking, corporate cash management services, foreign currency savings, remittances, investment services, loans and advances, syndicated loans, home mortgage loans, personal loans, credit cards, safe deposit boxes, Renminbi services, internet banking services and agency services for general and life insurance. The Group is a member of JETCO, which provides ATM services throughout Hong Kong, Macau and major cities in the PRC.

As at 31 May 2024, NCB (China) had 38 branches/sub-branches in the PRC, located in major cities such as Shanghai, Beijing, Dalian, Qingdao, Wuxi, Hefei, Suzhou, Hangzhou, Chengdu, Shenzhen, Nanning, Shantou, Wuhan, Guangzhou, Haikou, Chongqing and Nanjing. As at 31 December 2023, NCB (China) had approximately 263,000 customers in total, including around 256,000 personal banking customers and around 7,000 corporate banking customers. NCB (China) provides comprehensive RMB and foreign currency banking services to its customers. Services include but are not limited to deposit-taking, loans and advances, debit cards, credit cards, wealth management services, personal banking, investment services, agency services for life and general insurance, remittance and settlement, RMB cross-border trade settlement services and domestic and international trade finance facilities.

As at 31 December 2021, 2022 and 2023, the total assets of the Group's operations in Hong Kong accounted for approximately 66.48 per cent., 70.73 per cent. and 70.77 per cent. of the total assets of the Group, respectively. The corresponding figures for the PRC as at 31 December 2021, 2022 and 2023 were 33.52 per cent., 29.27 per cent. and 29.23 per cent., respectively.

The Group's total assets and total liabilities by geographical area for the periods indicated were as follows:

The Group's total assets by geographical area

	As at 31 December		
	2021	2022	2023
	<i>(audited)</i>	<i>(audited)</i>	<i>(audited)</i>
	<i>(in HK\$ thousands)</i>		
Hong Kong	356,529,276	383,107,589	392,864,482
The PRC	179,801,724	158,569,449	162,284,115
Total	<u>536,331,000</u>	<u>541,677,038</u>	<u>555,148,597</u>

The Group's total liabilities by geographical area

	As at 31 December		
	2021	2022	2023
	<i>(audited)</i>	<i>(audited)</i>	<i>(audited)</i>
	<i>(in HK\$ thousands)</i>		
Hong Kong	309,300,665	338,839,045	343,319,372
The PRC	160,696,411	140,666,354	143,838,068
Total	<u>469,997,076</u>	<u>479,505,399</u>	<u>487,157,440</u>

For the years ended 31 December 2021, 2022 and 2023, the net operating income before impairment allowances of the Group's operations in Hong Kong, accounted for approximately 66.05 per cent. 67.05 per cent. and 75.02 per cent. of the net operating income before impairment allowances of the Group, respectively. The corresponding figures for the Group's operations in the PRC for the years ended 31 December 2021, 2022 and 2023 were 33.95 per cent., 32.95 per cent. and 24.98 per cent. of the net operating income before impairment allowances of the Group, respectively.

For the years ended 31 December 2021, 2022 and 2023, the profit before taxation of the Group's operations in Hong Kong, accounted for approximately 74.80 per cent., 77.00 per cent. and 91.50 per cent. of the profit before taxation of the Group, respectively. The corresponding figures for the Group's operations in the PRC as at 31 December 2021, 2022 and 2023 were 25.20 per cent., 23.00 per cent. and 8.50 per cent. the profit before taxation of the Group, respectively.

The Group's net operating income before impairment allowances and profit before taxation by geographical area for the periods indicated were as follows:

The Group's net operating income before impairment allowances by geographical area

	For the years ended 31 December		
	2021	2022	2023
	<i>(audited)</i>	<i>(audited)</i>	<i>(audited)</i>
	<i>(in HK\$ thousands)</i>		
Hong Kong	5,673,138	6,470,552	7,887,619
The PRC	2,916,277	3,179,436	2,625,983
Total	<u>8,589,415</u>	<u>9,649,988</u>	<u>10,513,602</u>

The Group's profit before taxation by geographical area

	For the years ended 31 December		
	2021	2022	2023
	<i>(audited)</i>	<i>(audited)</i>	<i>(audited)</i>
	<i>(in HK\$ thousands)</i>		
Hong Kong	2,798,991	3,422,341	3,379,209
The PRC	943,059	1,022,142	313,984
Total	<u>3,742,050</u>	<u>4,444,483</u>	<u>3,693,193</u>

PERSONAL BANKING

For the year ended 31 December 2023, personal banking services of the Group recorded HK\$2,455.05 million in net operating income before impairment allowance, as compared with HK\$1,757.82 million for the year ended 31 December 2022. Upholding the customer-oriented philosophy, the Group launched customised products, promotion and services, aiming to serve more mid- and high-end customers and to expand wealth management services for more contribution to total revenue. One of the Group's initiatives was to refine its customer segments and to design multiple-tier product portfolios and premium products for diverse demands.

Wealth Management Services

The Group mainly provides wealth management services under the "NCB Wealth Management" programme (南商理財), providing flexible financial service packages that bring its customers diverse banking services and privileged offers. Each customer of NCB Wealth Management is assisted by the Group's Customer Relationship Managers in managing their assets or balance sheets. The Group also provides customers of NCB Wealth Management with wealth management services in the PRC through NCB (China) with diversified financial management services including RMB and foreign currency deposit, personal loan, investment products including Qualified Domestic Institutional Investor (QDII) Scheme and other structured financial products, foreign exchange, insurance and remittance.

The following illustrates the key features of NCB Wealth Management Service:

- Personalised financial planning service — the customised and comprehensive financial planning service of NCB Wealth Management helps its customers effectively manage and maximise the potential of their wealth by developing short-, medium- and long-term financial solutions in accordance with their financial goals and risk tolerance level. The customers' portfolios are also monitored and reviewed regularly as the market changes.

- Designated customer relationship manager — a customer relationship manager is assigned to each customer to provide him/her with personalised wealth management services.
- Personalised insurance service — customers of NCB Wealth Management can request a tailored insurance package covering various risks and such insurance would be managed in conjunction with their overall financial plan.
- Personalised deposits service — customers are provided with a wide range of choices for their deposits, including current accounts, savings accounts, time deposit accounts and foreign currency accounts.
- Convenient cross-border banking services — customers can make appointment for opening an NCB (China) account or using other banking services in the PRC through the Group’s Hong Kong branches.

In addition, the Group’s “Enrich Banking” programme (智盈理財) and “i-Free Banking” programme (自在理財) provide its clients with one-stop services regarding their needs in banking, credit cards, securities trading, insurance and other investments. The Group provides these services via multiple service channels including online banking and mobile banking, together with market updates and service alerts on its electronic information platform. In order to strengthen customer relationships and actively expand its customer bases in both the mainland and Hong Kong, the Group launched “Health and Wealth Management in NCB”, which not only highlights the professional wealth management services of the Issuer but also emphasises the importance of the physical and mental health of its customers to the Issuer. The Group also provides personal “wealth management mutual recognition” services in the Greater Bay Area, aiming to establish its profile as a professional bank in the Greater Bay Area.

In October 2021, the Issuer became the one of the first banks to participate in “The Cross-boundary Wealth Management Connect Scheme” (the “**Cross-boundary WMC**”), one of the key initiatives under the mutual market access schemes between the capital markets of Hong Kong, Macao and the Mainland. The Group expanded its partnership networks under the Cross-Boundary WMC and became one of the banks owning a leading number of such partners in Hong Kong. The Issuer provides various wealth management products in the markets under the Cross-boundary WMC which consists of the Southbound Scheme and the Northbound Scheme.

Deposits

The Group offers three principal deposit products to its personal banking customers, including current account deposits, savings account deposits and time deposits. In order to satisfy the customers’ needs for transactions in different currencies, the Group offers Hong Kong dollar, Renminbi and U.S. dollar current accounts, respectively, and offers Hong Kong dollar and multi-currency savings accounts. The Group also offers time deposits services in 15 currencies, which can be connected to the respective customers’ current accounts, savings accounts and investment accounts with the Group. As at 31 December 2023, demand deposits and current accounts, time, call and notice deposits and saving deposits accounted for approximately 6.96 per cent., 75.46 per cent. and 17.58 per cent. of the total deposits balance of the Group, respectively.

The Issuer also offers three special time deposits: club deposit, time deposit with monthly interest payment and deposit for senior citizen.

- Club deposit — a deposit product designed with the planned savings concept. Customers can put in an agreed amount by instalment over an arranged period, with the aim of reaching the customers’ saving targets when the maturity date is due.
- Time deposit with monthly interest payment — as opposed to the conventional time deposit where the interest is collected by the maturity date, the scheduled interest of this time deposit is automatically credited to the customers’ designated account on a monthly basis, enhancing the financial flexibility and liquidity provided by the traditional time deposit service.

- Deposit for senior citizen — holders of Senior Citizen Card issued by Social Welfare Department of Hong Kong or customers at age 55 or above can enjoy preferential interest rate for time deposit service, preferential rate for foreign currency exchange and certain fee waivers.

NCB (China) also offers the principal deposit products. In addition, NCB (China) offers “Yi-Cun-Bao” Time Deposit (逸存寶), of which the deposit cycle, deposit amount and tenor of the deposit are specified at the time of account opening, with regular deposit placed into the account according to the cycle selected.

Loan Service

The Group provides its loan service through home mortgages, gross personal loans and credit cards. As at 31 December 2021, 2022 and 2023, the Group’s total advances to its personal banking customers amounted to HK\$63,247.76 million, HK\$56,085.28 million and HK\$50,866.82 million, respectively.

Home mortgages

The Group offers home mortgage plans for both potential owners of local private residential properties and properties offered by the government and public sectors for self-occupation purpose. The mortgage plans provided by the Group include the Urban Renewal Loan Scheme, which provides bridging loan facilities for property owners affected by urban renewal and mortgage for their acquisition of new properties (including shops, offices and residential units), as well as “All-You-Want” Mortgage Scheme and “Smart” Mortgage Scheme, which link a customer’s mortgage to his current account and provide higher financial flexibility.

In addition, the Group launched innovative products to maintain its leading position in cross-border loan businesses. For example, in 2016, the Group launched a credit scheme to allow Hong Kong residents to secure loans with their properties located in the PRC, which further enhanced the overall personal loan business growth, and in 2020, the Group introduced the “Home Ownership Plan in the Greater Bay Area”, which provides customised residential property mortgage services to Hong Kong residents who intend to purchase properties in the Greater Bay Area.

All home mortgage advances are secured by a first legal charge on the property and, in certain circumstances, the Group may also require personal guarantees as additional security. The Group provides various mortgage plans, including floating Prime-based rate and floating HIBOR-based rate mortgage plans which are repayable by instalments.

The Group intends to continue maintaining its market share in the mortgage business by diversifying and customising the mortgage loans offered to its customers and providing tailor-made services to its existing and potential customers.

Personal loans

Personal loans include unsecured advances to individuals for various purposes such as education, tax payments, travel, home improvement and decoration, and includes overdrafts. The Group offers a series of lending programmes with varied product features including a personalised interest rate based on the relevant customer’s credit standing. The “Easi-Personal Loan” programme provides loan amounts up to HK\$2 million or 12 times of the customer’s monthly salary, with preferential interest rates available to the Group’s privileged customers. The Group also provides value-added service “Balance Transfer” which helps consolidate customers’ debts into a single payment for easy management.

In addition, NCB (China) provides its personal customers with loan services catering for various specific needs, including personal consumption loan, personal home decoration loan, personal business financing plan, personal credit facility, overseas education loan and personal auto loan. Especially during the pandemic, NCB (China) launched the personal offshore-deposit-onshore-loan

business for the very first time in 2020. NCB (China) also provides various loan services for individuals' business needs, including SME Supply Chain Finance, SME Special Batch Customisation Service, Property Loan, SME Product Series, Personal Business Loan, Consumer Finance Loan and NCB Pu-Hui-Bao (南商普惠寶).

Investment Service

In addition to the range of traditional banking products and services offered by the Group to its customers, the Group also provides investment services for various types of products, including but not limited to securities, securities margin, Shanghai-Hong Kong stock connect, Shenzhen-Hong Kong stock connect, monthly stocks savings plan, family securities accounts, IPO subscription, FX margin trading, funds, precious metals margin trading, currency linked investments, debt securities, notional precious metals passbook account and structured investments.

Remittance service

As part of the Group's cross-border banking business, the Group offers services for both inward and outward remittance, in both its physical branches in Hong Kong and the PRC and online via the Group's internet banking service. The Group's remittance service is available in the forms of telegraphic transfer or demand draft. The Group's "BOC Remittance Plus" programme allows its customers to get their funds transferred on the same day to about 5,000 remittance points spanning all provinces, autonomous regions and municipalities in the PRC, Hong Kong and Macau covering Bank of China, NCB (China) and Chiyu Banking Corporation Ltd. The Group also provides "Payroll Transfer" service, which fulfils the RMB cross-border settlement demand of its mainland customers in Hong Kong as well as allowing customers to enjoy the convenience of cross-border remittance.

Foreign cheques payable overseas can also be entrusted to the Issuer for collection to seek payment from the drawee on the customer's behalf. Arrangement may also be made for use of funds in advance while pending for collection of proceeds.

Insurance service

The Group acts as an appointed insurance agent of FWD Life Insurance Company (Bermuda) Limited, China Taiping Life Insurance (Hong Kong) Company Limited, China Taiping Insurance (HK) Company Limited and BOC Group Insurance Company Limited and provides a wide variety of insurance services, with personal insurance products including life, personal accident, home comprehensive, domestic helper comprehensive, motor vehicle, comprehensive travel, personal medical, outpatient medical, golfer and global mind personal accident insurance, etc. Business line products include fire, public liability, contractors' all risks, employees' compensation, marine cargo, marine hull, money, retailer comprehensive, burglary and group medical insurance.

The total commission income of the Group's insurance business for the year ended 31 December 2023 was HK\$364.9 million, an approximately 114.41 per cent. increase as compared with the figure reported for the year ended 31 December 2022.

Internet and Mobile Banking Services

The Group committed to continuously providing a convenient digital solution to satisfy its customer's banking needs and brings in the comprehensive and round-the-clock financial services to our personal and corporate customers.

The Internet and Mobile Banking services are designed to provide the Group's customers with 24-hour banking services through diversified platforms, personalised e-services and privileges. Customers can manage their finances and investment with ease through the Group's one-stop Internet and Mobile Banking services anytime, anywhere.

Diversified platforms — customers are offered with round-the-clock services via diversified platforms such as the Online Chat service, internet banking and mobile app.

Free investment access — customers can flexibly and conveniently manage their finances via the Group's internet banking or mobile banking services, allowing them to conduct investments in various financial products, to access stock information and market news and to obtain live rate quotes

Personalised e-services and comprehensive information — customers can receive service notifications and market information of their choice to meet their financial needs and are provided with the latest market information and analysis to keep abreast of the market trend. With our NCB Mobile App and WeChat Banking, both NCB and non-NCB customers can access the latest market information and the Bank's privileges, providing them with great convenience and flexibility.

The Group continues to enhance its e-platform to offer more efficient, secure and convenient banking services for customers on the move. In September 2018, the Group launched NCB Fast Transfer Service that was tied in with the newly launched Faster Payment System (“FPS”) to enable instant transfer service for person-to-person and merchants payment. In October 2020, the Group launched the new mobile security code and biometric authentication function. In addition to enhanced customer experience, the new function can offer additional security to its customers when they are conducting specific online or mobile banking transactions.

CORPORATE BANKING

The Group's corporate banking services continue to grow with optimised loan portfolio. As at 31 December 2023, corporate loans recorded a 4.11 per cent. increase to HK\$247,439.50 million as compared to the corresponding figure as at 31 December 2022. Net interest income from corporate financial services amounted to HK\$3,326.68 million, while net operating income before impairment allowance decreased 7.77 per cent. to HK\$4,625.87 million as compared with the corresponding figure as at 31 December 2022.

In addition to the general banking services offered by the Group to both its personal banking customers and corporate banking customers, including deposit service, investment service, remittance service, insurance service and internet and mobile banking service, the following highlights the additional services available to the Group's corporate banking customers.

Commercial Lending

The Group provides diversified financing solutions through the Issuer and NCB (China) to cater for its corporate customers' financial needs in operation of their businesses. NCB (China) provides a wide range of financing products to its corporate customers meeting their day-to-day financing demand and demand for particular business development and operations, including working capital loan, project financing, machinery financing, syndicated loan, merging and acquiring loan, loan pledged by export tax rebate custody account, overdraft for corporate account, real estate development loan, fixed asset loan, entrusted loan, assets (commercial property)-backed loan and commercial bill discount. The Issuer also provides working capital financing, medium and long-term financing, property mortgage loan and corporate tax loan. In addition, the Issuer offers various programmes to provide continuous support to local SMEs in Hong Kong. As at 31 December 2021, 2022 and 2023, the Group's total gross advances to its corporate banking customers amounted to HK\$232,315.11 million, HK\$237,680.00 million and HK\$247,439.50 million, respectively.

SME Financing Guarantee Scheme (SFGS)

The Issuer has joined the SME Financing Guarantee Scheme launched by HKMC Insurance Limited (“HKMCI”). The Issuer offers flexible lending solutions which meet SMEs' financing needs and facilitates their business growth. HKMCI provides support to SMEs by way of loan guarantees of up to 90 per cent., with a maximum loan amount subject to announcement by HKMCI, with a maximum

guarantee period of seven years. The Issuer also actively responded to the Pre-approved Principal Payment Holiday Scheme (“**PPPHS**”) and the Orderly Exit Scheme launched by the HKMA, insisting on overcoming the difficulties together with its customers. Since the launch of the scheme, the Issuer has issued more than 2,300 loans totalling over HK\$6.2 billion through various SME Financing Guarantee Scheme, of which HK\$3.8 billion were 100 per cent. guaranteed loans and HK\$2.3 billion were non-100 per cent. guaranteed loans. A total of 954 principal repayment deferrals of customer loans were implemented in 13 rounds of the PPPHS, involving more than HK\$12.9 billion.

NCB Small Business Loan

The Issuer’s unsecured lending programme “NCB Small Business Loan” offers unsecured loan to small businesses up to an amount of HK\$2,000,000. Further, the Issuer provides a variety of small business loan services based on the characteristics of the business model of small and micro enterprises, such as using letters of credit, working capital loans, bank acceptance bills and other credit products to meet corporate financial service needs, and mitigate risks through commercial bill pledges and parent company guarantees. The Issuer actively seeks a form of guarantee different from traditional real estate mortgages to help small and micro enterprises to finance.

Trade Finance

The Group’s trade finance business provides international trade settlement services to industrial and commercial circles through both the Issuer and NCB (China). Import financing services include issuance of letters of credit (“**LC**”), back-to-back LC, shipping guarantee, inward documentary bills, inward collection, import loans and import invoice financing. Export financing services include advice and confirmation of LC, LC transfers, outward documentary collection, LC negotiation, packing loans, bills purchase, Hong Kong Export Credit Insurance Corporation (ECIC) supported export finance and export invoice discounting.

Trade finance advances are made on either a fully or partially secured basis by way of a mortgage of property or cash collateral or on an unsecured basis. Trade finance advances typically have a relatively short maturity. For example, advances used to finance imports often have a maturity of approximately 90 days.

As at 31 December 2023, trade finance advances amounted to HK\$8,184.04 million, representing a decrease of approximately 1.45 per cent. as compared with the figure reported as at 31 December 2022, and accounted for approximately 2.74 per cent. of the Group’s total advances to customers as at 31 December 2023.

Business Integrated Account

The Business Integrated Account is a product designed for the Issuer’s corporate banking customers to manage all of their accounts with the Issuer, including deposits, loans, trade services, mortgage and investments accounts, under one roof for added flexibility and convenience. The key features of the Business Integrated Account are illustrated below:

- Consolidated Monthly Statement — accounts summary, total relationship balance, monthly service fee privilege, time deposit schedule, account balance and transaction details are consolidated into a single statement for the corporate banking customers to understand its full financial status at ease.
- Auto-Sweeping Service” — when the available balance of the designated current account is not sufficient to settle the cheque amount, this Auto-Sweeping Service will sweep funds from the corporate banking customer’s other designated account to avoid bounced cheque and unnecessary overdraft interest.

- Remittance and Express Transfer Services (RTGS / CHATS) — with a suite of global remittance services, the Issuer provides its corporate banking customers, through diversified branch network and electronic channels, with telegraphic transfer and local interbank transfer in all major currencies.
- Payroll Service — the Issuer provides its corporate banking customers with convenient and secure payroll and personnel management solution which helps them to enhance administrative efficiency and to minimise operational risk and transaction cost. Corporates can use electronic channels and pay salaries to any designated account of local banks.

TREASURY




The Group's treasury business is responsible for managing the capital, liquidity, interest rate and foreign exchange positions of the Group in addition to proprietary trading. It also provides funds to other business segments and receives funds from deposit taking activities of the Group's personal banking and corporate banking businesses. These inter-segment funding is charged according to the internal funds transfer pricing mechanism of the Group.




For the years ended 31 December 2021, 2022 and 2023, the treasury business recorded HK\$1,893.99 million, HK\$2,732.63 million and HK\$3,436.30 million of net operating income before impairment allowance. With RMB-denominated deposit contractions, the Group scaled down its investments in RMB-denominated bonds and increased bonds denominated in HK dollar and U.S. dollar. Moreover, the Group consolidated its market competitiveness by launching forex trading and deposit concessions and offering market-based prices.

PROPERTIES

As at 31 December 2023, the Group owned properties in Hong Kong with aggregate saleable floor areas of approximately 291,413 square feet. Most of the Group's properties are used as banking offices, as branches or for storage. The remainder are currently leased to third parties. In addition, the Group also leases 20 properties with aggregate saleable floor areas of approximately 61,162 square feet. These leased properties are used as banking offices, as branches or for storage. As at 31 December 2023, the fair value for the Group's investment properties and premises amounted to HK\$407.60 million and HK\$7,859.07 million, respectively.

INTELLECTUAL PROPERTY

The Group has been using the trademarks, “NCB南洋商業銀行”, “”, “”, “”, “南商簡易卡” and “南商理財專用提款卡”, and service mark “NCB” which have been registered with the Trademarks Registry in Hong Kong.

The Group has also been using trademarks “”, “” and “”, which have been registered with the PRC Trademark Office.

The Group also relies on domain name registrations to establish and protect its internet domain names. The Group has registered the following internet domain names: “hkncb.com”, “ncbhk.com”, “nanyang-bank.com”, “南商.HK”, “南商.公司.HK”, “ncb.com.hk”, “ncb.hk”, “南洋商業銀行.HK”, “南洋商業銀行.公司.HK” and “南洋商業銀行.com”.

INSURANCE

The Group currently maintains insurance cover to mitigate its risk exposure. Such insurance can broadly be categorised into property insurance to cover the loss of or damage to building structure and content, electronic equipment and motor vehicles; public liability insurance to cover legal liability as a result of physical bodily injury and/or property damage caused to third parties; bankers' blanket

bonds insurance to cover the loss resulting from fraudulent acts by employees, loss of money on premises and in transit and forgery of bank instruments; professional indemnity insurance to indemnify the Group for loss arising out of claims for wrongful or negligent professional acts; and directors’ and officers’ liability insurance to cover the personal liability of the Group’s directors and officers against any claims resulting from any wrongful act. There are responsible units within the Group handling the validity and adequacy of insurance cover.

COMPETITION

The Group is subject to significant competition in Hong Kong from many other Hong Kong and foreign banks and financial institutions. Competition among banks in Hong Kong for investment and insurance products, home mortgage loans, credit cards, personal loans and transport lending business has become very aggressive. Given increasing competition among the local banks in Hong Kong, the Group has placed greater focus on diversifying its revenue sources and increasing its fee-based income, particularly from its wealth management and retail investment businesses.

The banking industry in the PRC is also highly competitive. The market has been dominated by the large state-owned commercial banks, which have long operating histories, well-established branch networks, large customer bases and better brand recognition. The Group has been expanding its presence in the PRC through NCB (China) by strategically establishing branches in major cities in the PRC. However, in view of the fact that banking business in the PRC was opened to foreign banks in early 2007 as part of the PRC’s WTO commitments, the Group expects competition in the PRC to continue to increase.

For a further discussion of the risks of competition faced by the Group in Hong Kong and China, see “*Risk Factors — Risk Factors Relating to the Group — The Group is subject to significant competition*”.

LITIGATION

Neither the Issuer nor any other member of the Group is currently involved in any material litigation, arbitration or similar proceedings, and the Issuer is not aware of any such proceedings pending or threatened against it or any of its subsidiaries, which are or might be material in the context of the Notes.

EMPLOYEES

As at 31 December 2023, the Group had a total of 3,070 employees as set forth in the following table:

	No. of employees
Hong Kong	1,466
PRC	1,604
Total	<u>3,070</u>

The management of the Group believes that it maintains a good relationship with its employees and has not experienced any material employment disputes. The Group provides attractive remuneration and benefits packages to its employees including medical health care plans, group life insurance, various paid leave, staff housing loan with preferential interest rate, staff account with preferential deposit interest rate and retirement benefits under either the Mandatory Provident Fund (“MPF”) Scheme or the MPF exempted Occupational Retirement Schemes Ordinance (“ORSO”) Scheme.

In addition to benefits packages, the Group continues to provide career advancement opportunities and a healthy, positive working environment to its employees. The Group offers a wide range of training courses to support its employees' ongoing professional development.

PROTECTION OF DEPOSITORS

The Issuer is a member of the Deposit Protection Scheme, which was launched in September 2006. Accordingly, all eligible depositors of the Issuer are automatically protected under the Deposit Protection Scheme. As part of its measures to maintain the liquidity of, and confidence in, the Hong Kong financial markets, the Hong Kong government introduced a Deposit Protection Scheme in 2006 to provide a level of protection to depositors with deposits held with authorised institutions in Hong Kong. An enhanced Deposit Protection Scheme with an increased protection limit of HK\$500,000 and expanded coverage including deposits pledged as security for banking services, came into effect on 1 January 2011. On 12 July 2024, the Deposit Protection Scheme 2024 was passed and promulgated to implement various measures to enhance the Deposit Protection Scheme. Under the Deposit Protection Scheme 2024, the protection limit of HK\$500,000 will be increased to HK\$800,000. The new protection limit comes into operation on 1 October 2024. The Deposit Protection Scheme 2024 will also enhance other depositor protection mechanisms which will come into operation on 1 January 2025, such as an enhanced protection limit and period in the event of a bank merger or acquisition.

SELECTED STATISTICAL AND OTHER INFORMATION

The selected statistical and other information set forth below relates only to the Group and has, except where otherwise indicated, been compiled as at and for each of the years ended 31 December 2021, 2022 and 2023, and should be read in conjunction with the information contained elsewhere in this Offering Circular, including “Business of the Group”.

Overview

As at 31 December 2021, 2022 and 2023, the Group’s total outstanding advances and other accounts were HK\$292,037.37 million, HK\$290,467.19 million, and HK\$293,904.74 million, respectively, which represented approximately 54.45 per cent., 53.62 per cent. and 52.94 per cent., respectively, of its total assets.

A significant portion of the Group’s advances are in respect of home mortgages and advances for property investment and development in Hong Kong.

As at 31 December 2021, 2022 and 2023, the Group’s gross advances to customers were HK\$295,562.86 million, HK\$293,765.28 million and HK\$298,306.32 million, respectively.

The Group’s gross advances to customers in Hong Kong can be divided into two sector concentrations, for the industrial, commercial and financial sectors and for individuals.

Geographical Concentration

The table below sets forth a summary of the Group’s gross advances to customers by geographical location as at the dates indicated.

	As of 31 December					
	2021		2022		2023	
	<i>(audited)</i>	%	<i>(audited)</i>	%	<i>(audited)</i>	%
	<i>(in HK\$ thousands)</i>					
Hong Kong	186,752,209	63.19	177,080,708	60.28	174,266,919	58.42
PRC	96,907,944	32.79	105,484,437	35.91	111,051,570	37.23
Others	11,902,708	4.03	11,200,139	3.81	12,987,829	4.35
Total	295,562,861	100.00	293,765,284	100.00	298,306,318	100.00

Customer Advance Concentration

As at 31 December 2023, the Group’s exposure to its 10 largest borrowers (including groups of individuals and companies, excluding China Cinda Group exposure and exempted exposures) amounted to approximately HK\$55,261 million, or approximately 98.12 per cent. of the Group’s Tier 1 capital as at 30 September 2023, with the largest representing HK\$6,752 million, or approximately 11.99 per cent. of the Group’s Tier 1 Capital as at 30 September 2023. As at 31 December 2022, the Group’s exposure to its 10 largest borrowers (including groups of individuals and companies, excluding China Cinda Group exposure and exempted exposures) amounted to approximately HK\$51,972 million, or approximately 101.70 per cent. of the Group’s Tier 1 capital as at 30 September 2022, with the largest representing HK\$6,457 million, or approximately 12.63 per cent. of the Group’s Tier 1 capital as at 30 September 2022. As at 31 December 2021, the Group’s exposure to its 10 largest borrowers (including groups of individuals and companies, excluding China Cinda Group exposure and exempted exposures) amounted to approximately HK\$61,627 million, or approximately 109.25 per cent. of the Group’s Tier 1 capital as at 30 September 2021, with the largest representing HK\$8,110 million, or approximately 14.38 per cent. of the Group’s Tier 1 capital as at 30 September 2021.

Advanced Analysis

As at 31 December 2021, 2022 and 2023, approximately 41.32 per cent., 40.21 per cent., and 38.37 per cent. of Group's advances to customers had a remaining maturity between one to five years, respectively.

The table below sets forth a summary of the Group's net advances to customers by remaining maturity as at the dates indicated.

	As of 31 December 2021		As of 31 December 2022		As of 31 December 2023	
	Advances to customers	%	Advances to customers	%	Advances to customers	%
	<i>(audited)</i>		<i>(audited)</i>		<i>(audited)</i>	
	<i>(in HK\$ thousands, except percentages)</i>					
Repayable on demand.	30,173,136	10.35	31,740,660	10.96	41,504,574	14.15
Up to 1 month	8,102,517	2.78	12,379,379	4.27	10,398,146	3.54
1 to 3 months	17,691,913	6.07	17,740,827	6.12	17,607,785	6.00
3 to 12 months	51,391,375	17.63	55,165,100	19.04	61,264,307	20.88
1 to 5 years	120,475,479	41.32	116,486,772	40.21	112,593,065	38.37
Over 5 years	63,191,634	21.67	54,202,281	18.71	45,894,136	15.64
Indefinite	523,791	0.18	1,985,276	0.69	4,144,550	1.41
Total	<u>291,549,845</u>	<u>100.00</u>	<u>289,700,295</u>	<u>100.00</u>	<u>293,406,563</u>	<u>100.00</u>

As at 31 December 2021, 2022 and 2023, at least 45.27 per cent., 40.49 per cent., and 37.67 per cent. of the Group's advances were secured by collateral or other security, respectively. Home mortgages are secured by a first legal charge over the underlying property. Working capital advances for businesses are typically secured by fixed and floating charges over land, buildings, machinery, inventory and receivables. Term advances for specific projects or developments are typically secured against the underlying project's assets and its receivables, while additional guarantees are typically provided by the sponsors or shareholders. The Group also receives guarantees in relation to certain of its other advances to cover, in the case of trade finance, any shortfall in security or, in the case of consumer advances to younger or less financially secure customers, to provide security on what are normally unsecured advances.

All forms of security taken as collateral against credit facilities are monitored by the respective departments which extended the advances. In general, the collateral is periodically valued by an independent valuer to determine whether any additional collateral is required.

RISK MANAGEMENT

The Group's lending policies have been formulated on the basis of its own experience, the Banking Ordinance, Monetary Authority guidelines and policies issued by the Hong Kong Association of Banks and other statutory requirements (and, in the case of overseas subsidiaries, the relevant local laws and regulations). The Issuer believes it has a history of, and reputation for, prudent lending practices. The Group has established loan-to-value lending limits based on the appraised market value of the relevant collateral.

The Issuer's Board of Directors (the "**Board**") holding the ultimate responsibility for the Group's overall risk management. It establishes a sound risk culture and determines the risk management strategies and the risk management structure.

To achieve the Group's goals in risk management, the Board has set up the Risk Management Committee, which includes the Issuer's Independent Non-Executive Directors, to oversee the Group's various types of risks and approve the high-level risk management policies. Also, the Credit Approval Committee is set up under the Risk Management Committee for approving credit applications exceeding the Chief Executive's authority and monitoring the credit activities of the Group. The Audit Department conducts independent reviews on the adequacy and effectiveness of risk management policies and controls to ensure that the Group operates in accordance with the established policies, procedures and limits.

According to the risk management strategies established by the Board, risk management policies and controls are devised and reviewed regularly by relevant departments and respective management committees set up by the Issuer's Chief Executive.

The risk management units develop policies and procedures for identifying, measuring, monitoring, controlling and reporting credit risk, market risk, operational risk, reputation risk, legal and compliance risk, interest rate risk, liquidity risk, strategic risk, conduct risk, technology risk and climate risk; set appropriate risk limits; and continually monitor risks.

Independence is crucial to effective risk management. To ensure the independence of the risk management units and the Audit Department, Chief Risk Officer reports directly to the Risk Management Committee and the Audit Department reports directly to the Audit Committee, respectively. Both committees are specialised committees set up by the Board and all members are directors of the Issuer.

These mechanisms capture the different risk-related management activities, including the formulation of policies, risk assessment, setting up of control limits, and ongoing monitoring. The mechanisms ensure compliance with the Group's policies, and legal and regulatory requirements in Hong Kong and the PRC. They are supplemented by management involvement, effective internal controls, and comprehensive audits.

The major types of risks management under the Group's risk management structure are (i) credit risk management; (ii) liquidity risk management, (iii) market risk management, (iv) operational risk management, (v) reputation risk management, (vi) legal and compliance risk management, (vii) strategic risk management, (viii) interest rate risk management, (ix) technology risk management, (x) conduct risk management and (xi) climate risk management.

Credit Risk Management

The Group has formulated a comprehensive set of credit risk management policies and procedures, and appropriate credit risk limits to manage and control credit risk that may arise. These policies, procedures and credit risk limits are regularly reviewed and updated to cope with changes in market conditions and business strategies.

The Credit and Loans Management Committee, a management committee authorised by the Chief Executive, is responsible for the implementation of the credit risk management strategies as well as the approval of credit policies. It also monitors the Group's loan portfolio, quality of credit assets and risk concentration level.

Business units act as the first line of defence. The risk management units, which are independent from the business units, are responsible for the day-to-day management of credit risks through identifying, measuring, monitoring, reporting and controlling credit risk to ensure an effective checks and balances, as well as drafting, reviewing and updating credit risk management policies and procedures. They prepare respective risk management reports and submit directly to the Credit and Loans Management Committee, Chief Executive, Credit Approval Committee and Risk Management Committee.

In addition, NCB (China) also sets up independent risk monitoring teams to monitor credit risk, and submits management information and reports to the Issuer on a regular basis.

Liquidity Risk Management

The Group's liquidity risk management objective is to effectively manage the liquidity of on- and off-balance sheet items with reasonable cost based on the liquidity risk appetite to achieve sound operation and sustainable profitability. Deposits from customers are the Group's primary source of funds. To ensure stable and sufficient source of funds are in place, the Group actively attracts new deposits, keeps the core deposit and obtains supplementary funding from the interbank market. According to different term maturities and the results of funding needs estimated from stressed scenarios, the Group adjusts its asset structure (including loans, bonds investment, interbank placement, etc.) to maintain sufficient liquid assets which provides adequate funds in support of normal business needs and ensure its ability to raise funds at a reasonable cost to serve external claims in case of emergency. The Group is committed to diversify the source of funds and the use of funds to avoid excessive concentration of assets and liabilities and prevent triggering liquidity risk due to the break of funding strand when problem occurred in one concentrated funding source. The Group has established intra-group liquidity risk management guideline to manage the liquidity funding among different entities within the Group, and to restrict their reliance on funding on each other. The Group also pays attention to manage liquidity risk created by off-balance sheet activities, such as loan commitments and derivatives. The Group has an overall liquidity risk management strategy to cover the liquidity management of foreign currency assets and liabilities, collateral, intra-day liquidity, intra-group liquidity, the liquidity risk arising from other risks, etc., and has formulated corresponding contingency plan.

The Group's Risk Management Committee ("**RMC**") is the decision-making authority of liquidity risk management, and assumes the ultimate responsibility of liquidity risk management. As authorised by RMC, the Asset and Liability Management Committee ("**ALCO**") exercises its oversight of liquidity risk and ensures the daily operations of the Group are in accordance with risk appetite and policies as set by RMC. The Asset and Liability Management Division is responsible for overseeing the Group's liquidity risk. It cooperates with Financial Market Department to assist the ALCO to perform liquidity management functions according to their specific responsibilities.

The Group established liquidity risk management indicators and limits to identify, measure, monitor and control liquidity risk on a daily basis. These indicators and limits include, but are not limited to liquidity coverage ratio ("**LCR**"), net stable funding ratio ("**NSFR**"), loan-to-deposit ratio, Maximum Cumulative Cash Outflow ("**MCO**") and liquidity buffer asset portfolio. The Group applies cash flow analysis to assess the Group's liquidity condition under normal conditions and also performs a liquidity stress test (including institution specific, general market crisis and combined crisis) at least on monthly basis to assess the Group's capability to withstand various severe liquidity crises. Also, the Assets and Liabilities Management System is developed to provide data and the preparation for regular management reports to facilitate liquidity risk management duties.

In accordance with the requirements of Supervisory Policy Manual LM-2 "Sound Systems and controls for Liquidity Risk Management" issued by the Monetary Authority in 2016, the Group has implemented behaviour model and assumptions of cash flow analysis and stress test to enhance the Group's cash flow analysis under both normal and stressed conditions. In cash flow analysis under normal circumstances, assumptions have been made relating to on-balance sheet items (such as deposits from customers) and off-balance sheet items (such as loan commitments). According to various characteristics of the assets, liabilities and off-balance sheet items, the Group forecasts the future cash flow based on contractual maturity date and the assumptions of customer behaviour and balance sheet changes. The Group establishes MCO indicator which predicts the future 30-day maximum cumulative net cash outflow in normal situations based on the above assumptions, to assess

if the Group has sufficient financing capacity to meet the cash flow gap in order to achieve the objective of continuous operation. As at 31 December 2023, the Issuer's 30-day cumulative cash flow was a net cash inflow amounting to HK\$9,203.59 million, as compared to HK\$17,326.18 million as at 31 December 2022, and was in compliance with the internal limit requirements.

In the liquidity stress test, institution specific, general market crisis and combined crisis scenario has been set up, combined crisis scenario is a combination of institution specific and general market crisis to assess the Group's capability to withstand a more severe liquidity crisis, with a more stringent set of assumptions being adopted. Stress test assumptions include the run-off rate of retail, wholesale and interbank deposits; drawdown rate of loan commitments and trade-related contingent liabilities; delinquency ratio and rollover rate of customer loans; and haircut of interbank placement and marketable securities. As at 31 December 2023, the Group was able to maintain a positive cash flow under the three stressed scenarios, indicating the Group has the ability to meet financing needs under stressed conditions. In addition, the Group has a policy in place to maintain a liquidity cushion which includes high quality or comparable quality marketable securities issued or guaranteed by sovereigns, central banks, public sector entities or multilateral development banks with 0 per cent. or 20 per cent. risk weight or marketable securities issued or guaranteed by non-financial corporate with a corresponding external credit rating of BBB- or above to ensure funding needs even under stressed scenarios. As at 31 December 2023, the Issuer's liquidity cushion (before haircut) was HK\$58,129.94 million, as compared to HK\$48,631.20 million as at 31 December 2022. A contingency plan is being established which details the conditions to trigger the plan based on stress test results and early warning indicators, the action plans and relevant procedures and responsibility of various departments.

The LCR is calculated in accordance with the Banking (Liquidity) Rules (Cap. 155Q) effective from 1 January 2015 and the NSFR effective from 1 January 2018, the Group, being classified as category 1 authorised institution by the Monetary Authority, is required to calculate LCR and NSFR on consolidated basis. The Group was required to maintain an LCR not less than 100 per cent. and NSFR not less than 100 per cent.

The Group's liquidity risk management also covers new products or business developments. Before launching a new product or business, the relevant departments are required to go through a risk assessment process, which includes the assessment of underlying liquidity risk and consideration of the adequacy of the current risk management mechanism. Any material impact on liquidity risk noted during the risk assessment process will be reported to the Risk Management Committee for approval.

The Group has established a set of uniform liquidity risk management policies. On the basis of the Group's uniform policy, the principal banking subsidiary develops its own liquidity management policies according to its own characteristics, and assumes its own liquidity risk management responsibility, executes its daily risk management processes independently, and reports to the Group's management on a regular basis.

Market Risk Management

The Group's objective in managing market risk is to maintain healthy growth of its treasury business by effective management of potential market risk in the Group's business, in accordance with the Group's overall risk appetite and strategy of treasury business on the basis of a well-established risk management regime and related management measures.

In accordance with the Group's corporate governance principles in respect of risk management, the Board and the Risk Management Committee, senior management and functional units perform their duties and responsibilities to manage the Group's market risk. The risk management units are responsible for assisting senior management to perform their day-to-day duties, independently monitoring the market risk profile and compliance of management policies and limits of the Group, to ensure that the aggregate and individual market risks are within acceptable levels. Independent units are assigned to monitor the risk exposure against risk limits on a daily basis, together with profit

and loss reports submitted to senior management on a regular basis, while limit excess will be reported to senior management at once when it occurs. In addition, NCB (China) sets up independent risk monitoring team to monitor daily market risk and limit compliance, and submit management information and reports to the Issuer on a regular basis.

The Group sets up market risk indicators and limits to identify, measure, monitor and control market risk. Major risk indicators and limits include but not limited to VAR (Value-at-Risk), Stop Loss, Open Position, Stress Testing and Sensitivity Analysis (Basis Point Value). To meet management requirements, major risk indicators and limits are classified into four levels, and are approved by the Risk Management Committee, Asset and Liability Management Committee or senior management respectively. Treasury business units are required to conduct their business within approved market risk indicators and limits.

(a) Currency risk

The Group's assets and liabilities are denominated in major currencies, particularly the HK dollar, the U.S. dollar and Renminbi. To ensure the currency risk exposure of the Group is managed at an acceptable level, risk limits (e.g. Position and VAR limit) are used to serve as a monitoring tool. Moreover, foreign exchange contracts (e.g. FX swaps) are usually used to manage foreign exchange risk associated with foreign currency-denominated assets and liabilities.

The following is a summary of the Group's major foreign currency exposures arising from trading, non-trading and structural positions and is prepared with reference to the completion instructions for the Monetary Authority return of foreign currency position as at 31 December 2023:

	At 31 December 2023			
	Equivalent in HK\$ thousands			
	U.S. dollars	Renminbi	Other foreign currencies	Total foreign currencies
	<i>(audited)</i>	<i>(audited)</i>	<i>(audited)</i>	<i>(audited)</i>
Spot assets	130,187,281	176,219,790	32,210,738	338,617,809
Spot liabilities	(116,390,740)	(165,964,904)	(11,513,836)	(293,869,480)
Forward purchases	39,146,801	5,927,883	5,596,954	50,671,638
Forward sales	(55,186,448)	(13,458,845)	(26,196,643)	(94,841,936)
Net (short)/long position	<u>(2,243,106)</u>	<u>2,723,924</u>	<u>97,213</u>	<u>578,031</u>
Net structural position	<u>7,577,519</u>	<u>16,027,380</u>	<u>—</u>	<u>23,604,899</u>

(b) Interest rate risk

The Group's risk management framework also applies to interest rate risk management. The Asset and Liability Management Committee exercises its oversight of interest rate risk in accordance with the "Banking Book Interest Rate Risk Management Policy" approved by the Risk Management Committee. The Asset and Liability Management Division is responsible for interest rate risk management. With the cooperation of the Financial Market Department, the Asset and Liability Management Division assists the Asset and Liability Management Committee to perform day-to-day interest rate risk management. Its roles include, but are not limited to, the formulation of management policies, selection of methodologies, setting of risk indicators and limits, assessment of target balance sheet, monitoring of the compliance with policies and limits, and submission of interest rate risk management reports to the management and Risk Management Committee.

The Group is principally exposed to HK Dollar, U.S. Dollar and Renminbi in terms of interest rate risk. As at 31 December 2023, according to the new standard IRRBB framework of HKMA, the Group assesses the impact of changes in the Group's net interest income ("ΔNII") and economic value ("ΔEVE") respectively under 6 interest rate shock scenarios, in which optionality and behavioural assumptions of certain products will also be estimated in the exposure measurement. The 6 interest rate shock scenarios include: (1) Parallel up; (2) Parallel down; (3) Steepener; (4) Flattener; (5) Short rates up; and (6) Short rates down.

HK\$'000	ΔEVE		ΔNII	
	31 December 2023	31 December 2022	31 December 2023	31 December 2022
	<i>HK\$ thousands</i>			
1 Parallel up	2,137,472	2,762,673	(248,691)	(560,623)
2 Parallel down	4,430	62,104	249,317	560,893
3 Steepener	110,546	371,570	N/A	N/A
4 Flattener	692,136	549,282	N/A	N/A
5 Short rate up	1,406,394	1,509,829	N/A	N/A
6 Short rate down	107,814	319,955	N/A	N/A
7 Maximum	2,137,472	2,762,673	249,317	560,893
Period	31 December 2023		31 December 2022	
8 Tier 1 capital	57,270,651		52,238,693	

Remarks: Positive values indicate losses under the alternative scenarios.

Operational Risk Management

The Group has implemented the "Three Lines of Defence" for its operational risk management. All departments or functional units as the first line of defence are the parties immediately responsible for operational risk management and carry out the duties and functions of self-risk control in the process of business operation through self-assessment and self-enhancement. The Operational Risk and Climate Risk Division together with certain specialist functional units in relation to operational risk management within the Group, including the Human Resources Department, Information and Technology Risk Management Division, Administration Division, Finance Department, etc. (collectively known as "specialist functional units"), are the second line of defence. They are responsible for assessing and monitoring the operational risk conditions in the first line of defence, and providing them with guidance. The Operational Risk and Climate Risk Division, being independent from the business units, is responsible for assisting the senior management in managing the Group's operational risk, including the establishment and review of the operational risk management policy and framework, designing the operational risk management tools and reporting mechanism, and assessing and reporting the overall operational risk position to the senior management and Risk Management Committee. Specialist functional units are required to carry out their managerial duties of the second line of defence with respect to some specific aspects of operational risk and its related issues. Besides taking charge of operational risk management in their own units, these units are also required to provide other units with professional advice/training in respect of certain operational risk categories and to lead the Group-wide operational risk management. The Audit Department is the third line of defence which provides independent assessment to the effectiveness and adequacy of the operational risk management framework and is required to conduct periodic audit of the operational risk management activities of various departments or functional units within the Group regarding their compliance and effectiveness and to put forward recommendations for remedial actions.

The Group has put in place an effective internal control process which requires the establishment of policies and control procedures for all the key activities. The Group adheres to the fundamental principle of proper segregation of duties and authorisation. The Group adopts various operational risk management tools or methodologies such as key risk indicators, self-assessment, operational risk events reporting and review to identify, assess, monitor and control the risks inherent in business activities and products, as well as purchase of insurance to mitigate unforeseeable operational risks. Business continuity plans are established to support business operations in the event of an emergency or disaster. Adequate backup facilities are maintained and periodic drills are conducted.

Reputation Risk Management

In order to mitigate reputation risk, the Group has formulated and duly followed its Reputation Risk Management Policy. The policy aims to identify and prevent reputation risk proactively at an early stage when an incident occurs. Since reputation risk is often caused by various types of operational and strategic issues that negatively impact the trust and perception of the Group, all operational and key risks identified are assessed through the established Key Control Self-Assessment framework, including risk assessment tools, to evaluate the severity of their impact on the Group, including the damage to reputation.

In addition, the Group has put in place a comprehensive framework to continuously monitor reputation risk incidents in the financial industry. This continuous monitoring enables the Group to effectively manage, control and mitigate any potential adverse impact from an incident. The Group also adopts robust disclosure practices to keep stakeholders informed at all times, which helps build confidence in the Group and establish a strong public image.

Legal and Compliance Risk Management

Legal risk is the risk that unenforceable contracts, lawsuits or adverse judgments may disrupt or otherwise negatively affect the operations or financial conditions of the Group. Compliance risk is the risk of legal or regulatory sanctions, financial losses or losses in reputation the Group may suffer as a result of its failure to comply with all applicable laws and regulations. Legal and compliance risks are managed by the Legal and Compliance Division. All legal matters are handled by the Legal and Compliance Division. As part of the Group's corporate governance framework, the policy for the management of legal and compliance risk is approved by the Risk Management Committee as delegated by the Board.

Strategic Risk Management

The Board reviews and approves its strategic risk management policy. Key strategic issues have to be fully evaluated and properly endorsed by the senior management and the Board.

Technology Risk Management

Information technology risks are managed by the Information and Technology Risk Management Division. As part of the Group's corporate governance framework, the policy of technology risk management is approved by the Risk Management Committee as delegated by the Board.

Conduct Risk management

Conduct risk is managed by the Human Resources Department and reported on a quarterly basis to the Nomination and Remuneration Committee, as delegated by the Board.

ASSET QUALITY

Overview

The performance of the Hong Kong economy is heavily dependent on the property sector, and, as at 31 December 2023, loans for purchase of properties and advances for property investment and development in Hong Kong together accounted for 14.87 per cent. of the Group's total advances to customers.

As a result, the Group's asset quality is vulnerable to deflation in property prices. The ability of borrowers, including homeowners, to make timely repayment of their advances may be adversely affected by rising interest rates or a slowdown in economic growth. See "*Risk Factors — Risk Factors Relating to the Group — The Group may be affected by an economic downturn in Hong Kong*" and "*Risk Factors — Risk Factors Relating to the Group — The Group's business operation is exposed to interest rate risk*". As at 31 December 2021, 2022 and 2023, home mortgage advances was one of the most significant segments of the Group's total advances to customers. See "*Risk Factors — Risk Factors Relating to the Group — The Group has significant exposure to the Hong Kong property market*".

The Group is committed to expanding its business and operations in the PRC and remains susceptible to risks associated with lending in the PRC, which could lead to an increase in the Group's classified advances. As at 31 December 2021, 2022 and 2023, the Group's loans and advances counterparties after taking into account the transfer of risk in the PRC was approximately 32.79 per cent., 35.91 per cent. and 37.23 per cent., respectively, of the Group's total advances. See "*Risk Factors — Risk Factors Relating to the Group — The Group has significant exposure to the PRC market which may be influenced by the general state of the PRC economy and any significant political, social or legal uncertainties or changes in the PRC*".

Top Ten Impaired Loans

As at 31 December 2023, the Group's ten largest impaired loans accounted for approximately 1.92 per cent. of its total advances and approximately 82.8 per cent. of its gross impaired loan portfolio. The borrowers of such ten largest impaired loans were engaged in either Property Development or Property Investment as at 31 December 2023.

Impaired Loans That Have Been Restructured

As at 31 December 2021, 2022 and 2023, the Group's impaired loans including those that have been restructured through the rescheduling of principal repayments and deferral or waiver of interest were as follows:

	As at 31 December 2021	As at 31 December 2022	As at 31 December 2023
	<i>(audited)</i>	<i>(audited)</i>	<i>(audited)</i>
	<i>(in HK\$ thousands, except percentages)</i>		
Rescheduled advances to customers net of amounts included in "Advances overdue for more than three months"	<u>861,137</u>	<u>29,299</u>	<u>16,023</u>
Percentage of gross advances to customers	<u>0.29%</u>	<u>0.01%</u>	<u>0.01</u>

Financial assets at fair value through profit or loss

The Group's financial assets at fair value through profit or loss included listed and unlisted securities. As at 31 December 2021, 2022 and 2023, the fair value of these financial assets was HK\$27,022.57 million, HK\$18,613.95 million and HK\$15,838.11million, respectively. These securities included both Hong Kong dollar, Renminbi and U.S. dollar denominated bonds, notes and equity securities.

The table below sets forth a summary of the carrying values of the Group's financial assets at fair value through profit or loss, categorised by the types of issuers as at the dates indicated:

Type of issuers	Trading		
	As at 31 December 2021	As at 31 December 2022	As at 31 December 2023
	(audited)	(audited)	(audited)
	(in HK\$ thousands)		
Sovereigns	7,252,326	6,180,799	5,947,317
	<u>7,252,326</u>	<u>6,180,799</u>	<u>5,947,317</u>
	Mandatorily measured at fair value through profit or loss Non trading		
Type of issuers	As at 31 December 2021	As at 31 December 2022	As at 31 December 2023
	(audited)	(audited)	(audited)
	(in HK\$ thousands)		
Banks and other financial institutions	17,438,255	10,536,257	7,029,887
Corporate entities	2,331,989	1,456,783	1,403,687
	<u>19,770,244</u>	<u>11,993,040</u>	<u>8,433,574</u>

INTERNAL AUDIT

The Issuer's internal auditors are responsible for auditing the Group's operations, including NCB (China). Through regular audits departments, subsidiaries and branches of the Issuer, the internal auditors review and evaluate the adequacy and effectiveness of internal controls, safeguard the Group's assets, review operations in terms of efficiency and effectiveness, ensure the accuracy and reliability of information and review compliance with established policies, procedures and relevant statutory requirements. The results of each internal audit are reported to the Management and the Audit Committee, and any internal audit recommendations are closely followed up after the issuance of the internal audit report.

COMPLIANCE

Legal and compliance risks are managed by the Legal and Compliance Division. All legal matters are handled by the Legal and Compliance Division. It is responsible for reviewing new products and business proposals, conducts periodic review of the Group's activities and advises senior management of the Group in accordance with applicable laws, rules and regulations. As part of the Group's corporate governance framework, the policy for the management of legal and compliance risk is approved by the Risk Management Committee as delegated by the Board. In addition, the Group's internal controls are also reviewed by its internal auditors. Regular training sessions are conducted and notices are issued to update the Group's staff members on any significant regulatory changes relevant to the operations of the Group.

BOARD OF DIRECTORS AND SENIOR MANAGEMENT

BOARD OF DIRECTORS

The Issuer is managed by its Board of Directors, which is responsible for setting objectives and formulating long term strategies as well as managing the Issuer's overall business. As at 31 May 2024, the Board of Directors comprised eight Directors with a variety of different experience and professionalism. Among them, two are Executive Directors, two are Non-executive Directors and four are Independent Non-executive Directors. Directors are appointed at any time either at a general meeting of shareholders or by the Board of Directors.

As at 31 May 2024, the Board of Directors of the Issuer comprised the following individuals:

<u>Name</u>	<u>Title</u>
Mr. ZHANG Weidong (張衛東)	Chairman and Non-executive Director
Mr. YANG Yingxun (楊英勛)	Non-executive Director
Mr. SUN Jiandong (孫建東)	Executive Director and Acting Chief Executive
Mr. CHENG Kin Kong (鄭建崗)	Executive Director and Deputy Chief Executive
Mr. LAU Hon Chuen (劉漢銓)	Independent Non-executive Director
Dr. LAN Hong Tsung David (藍鴻震)	Independent Non-executive Director
Ms. CHIU Lai Kuen Susanna (趙麗娟)	Independent Non-executive Director
Mr. LI Shu Pui (李樹培)	Independent Non-executive Director

Mr. ZHANG Weidong (張衛東). Mr. Zhang is a Non-executive Director and the Chairman of the Board of Directors of the Issuer. He is also the Chairman of the Strategy and Development Committee of the Issuer, an Executive Director and the Chairman of the Board of Directors of China Cinda and a Director of Cinda Financial. Mr. Zhang worked in China Construction Bank from July 1992 to April 1999 and previously served as the Cadre and Deputy Director of the Real Estate Credit Department. He joined China Cinda in April 1999 and successively held various positions since September 2002 as the Deputy Director of the Asset Appraisal Department, the General Manager of the Asset Appraisal Department, the General Manager of the Market Development Department, the Head of the Reorganization Leading Panel Office, the Head of the Strategic Investors Introduction and Listing Panel Office, the Head of the Listing Preparation Leading Panel Office, the General Manager of the Investment and Financing Management Department, the Board Secretary (concurrently serving as the General Manager of Strategic Development Department, the Director of the Financial Risk Research Center and the Director of the Postdoctoral Management Office) and the Assistant to the President of China Cinda. From November 2015 to October 2019, he successively held various positions in China Trust Protection Fund Co., Ltd., including the Executive Director, Vice President and President. Mr. Zhang served as the Deputy Secretary of the Party Committee of China Cinda from October 2019 to March 2022 and President from January 2020 to July 2022, and has been serving as the Secretary of the Party Committee of China Cinda since March 2022. Mr. Zhang graduated from Tongji University in 1989 with a bachelor's degree in Engineering and graduated from Renmin University of China in 1992 with a master's degree in Economics. He holds the professional title of Senior Economist.

Mr. YANG Yingxun (楊英勳). Mr. Yang is a Non-executive Director, a member of each of the Risk Management Committee as well as the Nomination and Remuneration Committee of the Issuer. He is presently the Chief Financial Officer of China Cinda and a Director of Cinda Financial. Mr. Yang worked in China Construction Bank Trust and Investment Corporation from July 1996 to May 1999 and joined China Cinda in May 1999. He had held various positions, including the Financial Director of Cinda Property and Casualty Insurance Co., Ltd., the Financial Director and Vice President of Happy Life Insurance Co., Ltd. and the General Manager of Planning and Finance Department of China Cinda. Mr. Yang obtained a bachelor's degree in Economics from the University of International Business and Economics in 1996 and an MBA degree from Tsinghua University in 2006. Mr. Yang holds the professional title of Economist.

Mr. SUN Jiandong (孫建東). Mr. Sun is an Executive Director and Acting Chief Executive and a member of the Strategy and Development Committee of the Issuer. He currently is also a Director of Cinda Financial, the Chairman of NCB (China) and a Director of Chongqing Ant Consumer Finance Co., Ltd. From July 1993 to September 1999, Mr. Sun served several positions as the Section Chief of Office Secretariat and an Assistant General Manager of Business Department of the Sichuan Branch as well as an Assistant Head of the Minjiang sub-branch of China Construction Bank Corporation. He joined China Cinda in September 1999 and successively served various positions as Senior Manager of Investment Banking Department of Chengdu Office, Deputy Officer of Changchun Office, Deputy General Manager of Jilin Branch, General Manager of Guangxi Branch and General Manager of Investment and Financing Department of Head Office of China Cinda. Mr. Sun was also the Director of Project Management Office for acquisition of the Issuer. He graduated from Southwestern University of Finance and Economics where he obtained a doctorate degree in Finance. He holds the professional title of Senior Economist.

Mr. CHENG Kin Kong (鄭建崗). Mr. Cheng is as an Executive Director, a member of the Connected Transaction Committee and a Deputy Chief Executive of the Issuer. He is also a Director of Cinda Financial as well as an Executive Director and the Chief Executive of NCB (China). Mr. Cheng joined the Issuer in 1989 and served different positions at the Issuer as Alternate Chief Executive, Assistant Chief Executive, Head of Corporate Relationship Management, Head of Business Support Department, Head of Shenzhen Branch and Head of Guangzhou Branch. Mr. Cheng graduated from the Jinan University with a bachelor's degree in Computer Science.

Mr. LAU Hon Chuen (劉漢銓). Mr. Lau is an Independent Non-executive Director, the Chairman of the Connected Transaction Committee, a member of each of the Risk Management Committee and the Nomination and Remuneration Committee of the Issuer. He is the senior partner of Messrs. Chu & Lau, Solicitors & Notaries. He obtained LL.B degree from the University of London and is a solicitor of the High Court of the HKSAR, a China-appointed attesting officer and a notary public. In 2001, Mr. Lau was awarded "Gold Bauhinia Star" by the HKSAR government and has served as a Standing Committee Member of the 10th, 11th and 12th National Committee of the Chinese People's Political Consultative Conference. He is also a Non-executive Director of several listed companies, a Director of Cinda Financial and the Supervisor of NCB (China).

Dr. LAN Hong Tsung David (藍鴻震). Dr. Lan is an Independent Non-executive Director, the Chairman of the Nomination and Remuneration Committee, a member of each of the Audit Committee and the Connected Transaction Committee of the Issuer. He is the Chairman of David H T Lan Consultants Limited. He is also the Senior Consultant of NCB (China), a Director of each of Cinda Financial and International Probono Legal Services Association Limited as well as an Independent Non-executive Director of CK Infrastructure Holdings Limited and ARA Asset Management (Prosperity) Limited. Dr. Lan was also an Independent Non-executive Director of SJM Holdings Limited since 27 November 2007 to 11 June 2019, thereafter reappointed as Consultant to the board of the company till June 2020. On 1 July 2000, Dr. Lan was awarded "Gold Bauhinia Star" by the HKSAR government for his 39 year-long civil service when he retired as the firstly appointed Secretary for Home Affairs. He was appointed to the 10th and 11th sessions of the national committee member of the Chinese People's Political Consultative Conference. He received his Bachelor of Arts

degree from the University of London and completed the Advanced Management Program of the Harvard Business School, Boston. He was also a fellow at Queen Elizabeth House, University of Oxford. Dr. Lan was conferred with honorary doctorate degree of University of the West of England, doctorate degree of Humanities, honoris causa by Don Honorio Ventura Technological State University, and holder of Visiting Professorship Awards of Bulacan State University and Tarlac State University. Dr. Lan is also the president of The International Institute of Management for 7 years till his retirement in June 2019, a Chartered Secretary and Chartered Governance Professional. He is also a Fellow Member of The Hong Kong Chartered Governance Institute (HKCGI) and The Chartered Governance Institute (CGI).

Ms. CHIU Lai Kuen Susanna (趙麗娟). Ms. Chiu is an Independent Non-executive Director, the Chairman of the Audit Committee and a member of the Risk Management Committee of the Issuer, and a Director of Cinda Financial. She is also an Independent Non-executive Director for each of China Vocational Education Holdings Limited and China Oilfield Services Limited, as well as an Executive Director of Bonjour Holdings Limited. Ms. Chiu has extensive professional experience in accounting, business management and operations. She was appointed as the President of The Hong Kong Institute of Certified Public Accountants in 2013 and was awarded the Medal of Honor in the same year by the HKSAR Government for her achievement and dedicated public services especially her contribution to the accounting profession. In 2017, the 20th Anniversary of the establishment of the Hong Kong SAR, Ms. Chiu was awarded ‘Justice of Peace’ by the HKSAR Government for her contribution to the Hong Kong community. Ms. Chiu was awarded the “Outstanding Women Professional” in 2014, “Outstanding Business Women Leader” in 2017 and “GBA Outstanding Women Entrepreneur Award” in 2021. Ms. Chiu has served on a number of public bodies, including the Women’s Commission and the Advisory Committee on Arts Development, and Council Treasurer of the Education University of Hong Kong and Council member of the Equal Opportunities Commission etc. She is currently appointed as a member in the Chinese People’s Political Consultative Conference of the Shanghai, formerly a member for each of 10th Shaanxi Province Committee and Shanghai Minheng District Committee. Ms. Chiu was conferred with Bachelor of Arts (Hons) in Economics (Class I, Tassie Medallion Prize) of The University of Sheffield of United Kingdom and Executive MBA of The Chinese University of Hong Kong. She is also a Fellow member of The Hong Kong Institute of Certified Public Accountants and a member of The Hong Kong Institute of Directors.

Mr. LI Shu Pui (李樹培). Mr. Li is an Independent Non-executive Director, the Chairman of the Risk Management Committee and a member of the Audit Committee of the Issuer. He is also a Director of Cinda Financial and an Independent Non-executive Director of Nova Credit Limited. Mr. Li currently is Governor’s Advisor of Central Bank of the United Arab Emirates. He had served the Hong Kong Monetary Authority for over 17 years and successively held various positions including Head (Technology and Operational Risk), Head (Financial Infrastructure) and Executive Director (Financial Infrastructure). Mr. Li was conferred with Bachelor (Hons) Degree of Computing Science and Master Degree in Research of Computer Graphics of Victoria University of Manchester of United Kingdom.

In order to focus its attention on strategic and material issues that have significant impact on the Group’s finances and long-term development, the Board of Directors currently has set up the following five committees to oversee the major areas of the Group. Details of the committees are given below:

Strategy and Development Committee

The Strategy and Development Committee is responsible for the consideration and suggestion of the medium and long term development strategies of the Group. Its main duties include:

- preparation of the Group’s medium and long term strategies for the Board’s approval;

- examination, proposing, monitoring, review and update of the Group's medium and long strategies and making recommendations to the Board regarding necessary adjustments of the strategies;
- examination of the formulation of the Group's medium and long term strategies and ensuring all the potential plans in a certain selective scope have been adequately considered;
- monitoring the implementation of medium and long term strategies in accordance with established standards and providing directive guidance to the management on the aforesaid implementation;
- examination of material merge and acquisition plans proposed by the senior management and advising the Board on the plans; and
- giving advice to the Board on the Group's major investment, capital expenditure and strategic commitment and monitoring the implementation of the aforesaid.

As of 31 May 2024, members of the Strategy and Development Committee included Mr. Zhang Weidong (Chairman) and Mr. Sun Jiandong. Among them, Mr. Sun was an Executive Director of the Issuer.

Audit Committee

The Audit Committee assists the Board in fulfilling its oversight role over the Group in the following areas:

- integrity of financial statements and the financial reporting process;
- internal control system;
- performance of internal audit functions and internal auditors;
- appointment of external auditor and evaluation of external auditor's qualifications, independence and performance;
- periodic review and annual audit of the Group's financial statements;
- compliance with applicable accounting standards and legal and regulatory requirements on financial disclosures; and
- enhancement of the corporate governance framework.

As of 31 May 2024, members of the Audit Committee were Ms. Chiu Lai Kuen Susanna (Chairman), Dr. Lan Hong Tsung David and Mr. Li Shu Pui. All were Independent Non-executive Directors of the Issuer.

Risk Management Committee

The Risk Management Committee assists the Board in performing the duties in respect of the risk management of the Group in the following areas:

- formulation/review of the risk management framework and risk management strategy of the Group;
- oversight of all risk profiles of the Group, and identification, assessment and management of material risks faced and foreseen by the Group;

- oversight of the impact from the subsidiaries' risk management, internal control and all risk profiles on the Group;
- review, oversight and assessment of the adequacy and effectiveness of the Group's risk management policies, procedures, system framework, risk management systems, infrastructure, resources and internal control;
- review and approval of high-level risk-related policies of the Group and monitoring the implementation of the aforesaid;
- assessing whether the remuneration system should align with the risk culture and risk appetite from the risk management's point of view; and
- monitoring the Group's sustainability-related risk management, and employing effective strategy, control and mitigation measures to climate change.

As of 31 May 2024, members of the Risk Management Committee were Mr. Li Shu Pui (Chairman), Mr. Yang Yingxun, Mr. Lau Hon Chuen and Ms. Chiu Lai Kuen Susanna. All were Directors of the Issuer. Among them, Mr. Yang Yingxun was a Non-executive Director, Mr. Li Shu Pui, Mr. Lau Hon Chuen, and Ms. Chiu Lai Kuen Susanna were Independent Non-executive Directors.

Connected Transactions Committee

The Connected Transaction Committee assists the Board in performing the duties in respect of connected transactions of the Group in the following areas:

- reviews and approves the Group's connected transaction policy;
- regularly receives connected transactions information and fully understands the management of connected transactions of the Group and gives guidance; and
- in accordance with the provisions of laws and administrative regulations and fair and equitable business principles, approves the Group's major connected transactions on a timely basis.

As of 31 May 2024, members of the Connected Transaction Committee were Mr. Lau Hon Chuen (Chairman), Dr. Lan Hong Tsung David and Mr. Cheng Kin Kong. All were Directors of the Issuer. Among them, Mr. Cheng Kin Kong was an Executive Director of the Issuer. Mr. Lau Hon Chuen and Dr. Lan Hong Tsung David were Independent Non-executive Directors.

Nomination and Remuneration Committee

The Nomination and Remuneration Committee assists the Board in performing the duties, including but not limited to, the following areas:

- reviewing human resources and remuneration strategy of the Group, and monitoring related strategy implementation;
- monitoring establishment and implementation of the culture-related matters of the Group;
- monitoring structure, size, composition and effectiveness of the Board of Directors and committees;
- nominating Directors, Board Committee members and reviewing nomination of certain senior executives as directly managed by the Board from time to time (defined as "**Senior Executive**") and appointment and resignation of directors of the Group's major subsidiaries;

- reviewing and approving remuneration of Directors, Board Committee members, Senior Executive and directors of the Group’s major subsidiaries;
- reviewing performance appraisal indicators and performance appraisal results of Senior Executive; and
- establishing induction and training plans for Directors and Board Committee members.

As of 31 May 2024, the members of the Nomination and Remuneration Committee were Dr. Lan Hong Tsung David (Chairman), Mr. Lau Hon Chuen and Mr. Yang Yingxun. All were Non-executive Directors of the Issuer. Among them, Dr. Lan Hong Tsung David and Mr. Lau Hon Chuen were Independent Non-executive Directors.

SENIOR MANAGEMENT

Name	Title
Mr. SUN Jiandong (孫建東)	Executive Director and Acting Chief Executive
Mr. CHENG Kin Kong (鄭建崗)	Executive Director and Deputy Chief Executive
Mr. LIU Xiaoguang (劉曉光)	Deputy Chief Executive and Chief Financial Officer
Mr. TIAN Changyue (田昌越)	Deputy Chief Executive and Chief Information Officer
Mr. SHANG Chenguang (尚晨光)	Deputy Chief Executive and Chief Risk Officer
Mr. CHAN Wai Stephen (陳偉)	Deputy Chief Executive

Mr. SUN Jiandong (孫建東), — see “*Board of Directors and Senior Management — Board of Directors — Mr. SUN Jiandong*”. *Mr. Sun was appointed as Acting Chief Executive of the Issuer with effect from 13 May 2024.

Mr. CHENG Kin Kong (鄭建崗), — see “*Board of Directors and Senior Management — Board of Directors — Mr. CHENG Kin Kong*”. *Mr. Cheng was appointed as Deputy Chief Executive of the Issuer with effect from 1 March 2011.

Mr. LIU Xiaoguang (劉曉光), — *Mr. Liu was appointed as Deputy Chief Executive of the Issuer with effect from 30 January 2023 and Chief Financial Officer of the Issuer with effect from 20 November 2019.

Mr. TIAN Changyue (田昌越), — *Mr. Tian was appointed as Deputy Chief Executive of the Issuer with effect from 30 January 2023 and Chief Information Officer of the Issuer with effect from 1 August 2019.

Mr. SHANG Chenguang (尚晨光), — *Mr. Shang was appointed as Deputy Chief Executive and Chief Risk Officer of the Issuer with effect from 1 October 2022.

Mr. CHAN Wai Stephen (陳偉), — *Mr. Chan was appointed as Deputy Chief Executive of the Issuer with effect from 23 December 2022.

PRINCIPAL SHAREHOLDERS

CHINA CINDA ASSET MANAGEMENT CO., LTD.

China Cinda is the ultimate controlling shareholder of the Issuer. As at the date of this Offering Circular, Cinda Financial, the immediate holding company of the Issuer, was 100 per cent. owned by China Cinda.

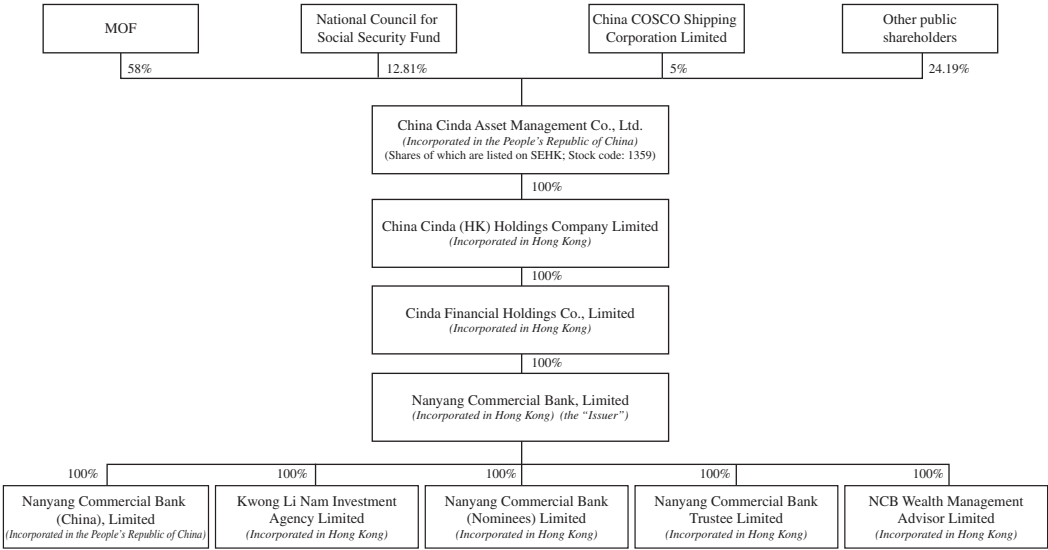
With the approval of the PRC's State Council, China Cinda Asset Management Corporation, the predecessor of China Cinda, was established in Beijing on 19 April 1999 with a registered capital of RMB10.0 billion contributed solely by the MOF. Cinda Corporation was established as a wholly state-owned non-bank financial institution with the aim of effectively mitigating financial risk, maintaining stability of the financial system and accelerating the reform and development of state-owned banks and enterprises. It was the first asset management company to acquire, manage and dispose non-performing loans of state-owned banks. With the approval of the PRC's State Council, Cinda Corporation was renamed "China Cinda Asset Management Co., Ltd." on 29 June 2010. China Cinda was established as a joint stock company with the MOF as its sole promoter, and assumed all of the assets, subsidiaries, branches, businesses, personnel and relevant policies of Cinda Corporation. As at 31 December 2023, 58.00 per cent. of China Cinda's issued share capital was held by the MOF, 12.81 per cent. was held by the National Council for Social Security Fund, 5.00 per cent. was held by China COSCO Shipping Corporation Limited and 24.19 per cent. was held by other H share public shareholders.

Since its founding, China Cinda has received the support of the PRC government. Since then, China Cinda has grown into a leading asset management company that focuses on distressed asset management and financial services. China Cinda covers a wide range of financial services and owns financial licences through itself and its subsidiaries in various business segments including banking, financial leasing, trust, securities, futures and funds management. China Cinda currently has interests in the Issuer, its only commercial bank subsidiary, as an indirect sole shareholder. As at 31 December 2023, China Cinda's total assets stood at RMB1,594,357.4 million with a net profit of RMB6,993.5 million for the year ended 31 December 2023. The Chairman of China Cinda is Mr. Zhang Weidong.

China Cinda as the ultimate controlling shareholder of the Issuer. Subject to compliance with the regulations of the Monetary Authority, China Cinda, through Cinda Financial, is able to appoint the Issuer's Directors and vote to pursue corporate actions requiring shareholders' approval. The Chairman of the Issuer is currently an Executive Director and the Chairman of the Board of Directors of China Cinda.

China Cinda owns or controls a number of companies which may compete directly or indirectly with the businesses of the Issuer, and have more experience, superior resources and a larger scale of operations in the PRC.

The following chart sets out the shareholding chain of China Cinda in the Issuer as at 31 December 2023:



CHINA CINDA (HK) HOLDINGS COMPANY LIMITED

The Issuer is a directly wholly-owned subsidiary of Cinda Financial, which is wholly-owned by China Cinda (HK) Holdings Company Limited (“**Cinda HK**”), a directly wholly-owned subsidiary of China Cinda outside the PRC. Cinda HK conducts distressed asset management, equity and fixed income investment, asset management and real estate finance. Cinda HK conducts investment banking and asset management businesses through (i) two Hong Kong-listed companies, namely its associate company Silver Grant International Industries Ltd. (stock code: 00171) and China Fortune Financial Group Ltd. (stock code: 00290) in which it holds minority equity interests, and (ii) China Cinda’s associated company Sino Rock Investment Management Company Limited. Cinda HK serves as a bridge between China Cinda’s domestic and overseas businesses and functions as a primary platform for overseas investment and financing and asset management for the China Cinda group. The key businesses of Cinda HK are investment management business, investment banking business and asset management business. In addition, Cinda HK generates synergies within the China Cinda group by collaborating with China Cinda and other subsidiaries in cross-border investment, financing and merger and acquisition activities.

Principal Activities of the China Cinda group

China Cinda currently engages in a wide range of banking and non-bank financial businesses through the following entities:

The Group

retail banking (including home mortgage loans, consumer finance, credit cards, deposits, personal wealth management, distribution of insurance and investment products, hire purchase and leasing and small business loans), wholesale banking (including commercial mortgages, trade finance, corporate loans, syndicated loans, term loans and overdrafts, and structured finance) and treasury activities

China Cinda and its subsidiaries (excluding the Group)

distressed asset management and financial services including banking, securities, futures and fund management, insurance, financial leasing and trust

REGULATION AND SUPERVISION

The banking sector in Hong Kong is regulated by and subject to the provisions of the Banking Ordinance and to the powers and functions ascribed by the Banking Ordinance to the Monetary Authority. The Banking Ordinance provides that only authorised institutions (that is, banks which have been granted a banking licence (“**licence**”) by the Monetary Authority may carry on banking business (as defined in the Banking Ordinance) in Hong Kong and contains controls and restrictions on such banks (“**authorised institutions**”).

Supervision of Authorised Institutions in Hong Kong

The provisions of the Banking Ordinance are implemented by the Monetary Authority, the principal function of which is to promote the general stability and effectiveness of the banking system, especially in the area of supervising compliance with the provisions of the Banking Ordinance. The Monetary Authority supervises authorised institutions through, *inter alia*, a regular information gathering process, the main features of which are as follows:

- (1) each authorised institution must submit a monthly return to the Monetary Authority setting out the assets and liabilities of its operations in Hong Kong and a further comprehensive quarterly return relating to its principal place of business in Hong Kong and all local branches, although the Monetary Authority has the right to allow returns to be made at less frequent intervals;
- (2) the Monetary Authority may order an authorised institution, any of its subsidiaries, its holding company or any subsidiaries of its holding company to provide such further information (either specifically or periodically) as it may reasonably require for the exercise of its functions under the Banking Ordinance or as it may consider necessary to be submitted in the interests of the depositors or potential depositors of the authorised institution concerned. Such information shall be submitted within such period and in such manner as the Monetary Authority may require. The Monetary Authority may in certain circumstances also require such information or any return submitted to it to be accompanied by a certificate of the authorised institution’s auditors (approved by the Monetary Authority for the purpose of preparing the report) confirming compliance with Banking Ordinance and certain matters;
- (3) authorised institutions may be required to provide information to the Monetary Authority regarding companies in which they have an aggregate 20 per cent. or more direct or indirect shareholding or with which they have common directors or managers (as defined in the Banking Ordinance), the same controller, a common name or a concert party arrangement to promote the authorised institution’s business;
- (4) in addition, authorised institutions are obliged to report to the Monetary Authority immediately of their likelihood of becoming unable to meet their obligations or of the commencement of material civil proceedings applicable only to authorised institutions incorporated in Hong Kong;
- (5) the Monetary Authority may direct an authorised institution to appoint an auditor to report to the Monetary Authority on the state of affairs and/or profit and loss of the authorised institution or the adequacy of the systems of control of the authorised institution or other matters as the Monetary Authority may reasonably require; and
- (6) the Monetary Authority may, at any time, with or without prior notice, examine the books, accounts and transactions of any authorised institution, and in the case of an authorised institution incorporated in Hong Kong, any local branch, overseas branch, overseas representative office or subsidiary, whether local or overseas, of such institution; such inspections are carried out by the Monetary Authority on a regular basis; and authorised institutions are required to give written notice to the Monetary Authority immediately of any proposal to remove an auditor before the expiration of his term of office or replace an auditor at the expiration of his term of office.

Exercise of Powers over Authorised Institution

The Monetary Authority may, after consultation with the Financial Secretary, exercise certain powers over the conduct of authorised institutions in any of the following circumstances:

- (1) when an authorised institution informs the Monetary Authority that it is likely to become unable to meet its obligations, that it is insolvent, or that it is about to suspend payment;
- (2) when an authorised institution becomes unable to meet its obligations or suspends payment;
- (3) if after an examination or investigation, the Monetary Authority is of the opinion that an authorised institution:
 - (i) is carrying on its business in a manner detrimental to the interests of its depositors or potential depositors or of its creditors or of holders or potential holders of multi-purpose cards issued by it or the issue of which is facilitated by it;
 - (ii) is insolvent or is likely to become unable to meet its obligations or is about to suspend payment;
 - (iii) has contravened or failed to comply with any of the provisions of the Hong Kong Banking Ordinance; or
 - (iv) has contravened or failed to comply with any condition attached to its licence or certain conditions in the Banking Ordinance; and
- (4) where the Financial Secretary advises the Monetary Authority that he considers it in the public interest to do so.

In any of the circumstances described above, the Monetary Authority, after consultation with the Financial Secretary, may exercise any of the following powers:

- (1) to require the authorised institution, by notice in writing served on it, forthwith to take any action or to do any act or thing whatsoever in relation to its business and property as the Monetary Authority may consider necessary;
- (2) to direct the authorised institution to seek advice on the management of its affairs, business and property from an adviser approved by the Monetary Authority;
- (3) to assume control of and carry on the business of the authorised institution, or direct some other person to assume control of and carry on the business of the authorised institution; or
- (4) to report to the Chief Executive in Council in certain circumstances (in which case the Chief Executive in Council may exercise a number of powers including directing the Financial Secretary to present a petition to the Court of First Instance for the winding-up of the authorised institution).

Revocation and Suspension of Banking Licence

The Monetary Authority also has powers to recommend the revocation or suspension of a licence. Both powers are exercisable after consultation with the Financial Secretary and with a right of appeal of the authorised institution concerned except in the event of temporary suspension in urgent cases. The grounds for suspension or revocation include the following:

- (1) the authorised institution no longer fulfils the criteria for authorisation and the requirements for registration;

- (2) the authorised institution is likely to be unable to meet its obligations or to suspend payment or proposes to make, or has made, any arrangement with its creditors or is insolvent;
- (3) the authorised institution has failed to provide material information required under the Hong Kong Banking Ordinance or has provided false information;
- (4) the authorised institution has breached a condition attached to its licence;
- (5) a person has become or continues to be a controller or chief executive or director of the authorised institution after the Monetary Authority has made an objection;
- (6) the interests of the depositors require that the licence be revoked; or
- (7) the authorised institution is engaging in practices likely to prejudice Hong Kong as an international financial centre or in practices (specified in the Monetary Authority guidelines) which should not be engaged in.

Revocation or suspension of a licence means that the authorised institution can no longer conduct banking business (for the specified period in the case of a suspension).

Principal Obligations of Authorised Institutions

The obligations of an authorised institution under the Hong Kong Banking Ordinance, which are enforced by the Monetary Authority through the system described above, include, but are not limited to, the following:

Capital Adequacy

An authorised institution incorporated in Hong Kong must at all times maintain a total capital adequacy ratio of at least 8.0 per cent. (excluding capital buffers), calculated as the ratio (expressed as a percentage) of its capital base to its risk-weighted assets as more fully described below. In relation to an authorised institution with subsidiaries, the Monetary Authority may require the ratio to be calculated on a consolidated basis, or on both a consolidated and an unconsolidated basis, or on a consolidated basis only in respect of such subsidiaries of the authorised institution as may be specified by the Monetary Authority. The Monetary Authority may, after consultation with the authorised institution concerned, increase the ratio for any particular authorised institution. An authorised institution is under a duty to inform the Monetary Authority immediately of a failure to maintain the required capital adequacy ratio and to provide the Monetary Authority with such particulars as it may require. It is an indictable offence not to do so, and the Monetary Authority is entitled to prescribe remedial action.

The capital base of an authorised institution is, broadly speaking but not limited to, all its paid-up capital and reserves, its profit and loss account including its current year's profit or loss, together with perpetual and term subordinated debt meeting prescribed conditions, general provisions against doubtful debts subject to certain limitations and a portion of its latent reserves arising from the revaluation of long-term holdings of specified equity securities or its reserves on the revaluation of real property.

The risk-weighted exposure is determined by:

- (1) multiplying risk-weight factors to the book value of various categories of assets (including but not limited to notes and coins, Hong Kong government certificates of indebtedness and cash items in the course of collection);
- (2) multiplying the credit conversion factors to various off-balance sheet items (including but not limited to direct credit substitutes, transaction-related contingencies, repurchase contracts, note issuance facilities and exchange rate contracts) to determine their credit equivalent amount;

- (3) aggregating the amounts determined pursuant to (1) and (2); and
- (4) subtracting from the amount determined pursuant to (3) the value of general provisions not included in the capital base of the authorised institution.

The capital adequacy standards described above are commonly known as Basel II, and there are four approaches under Basel II to calculate credit risks, namely the basic approach, the standardised approach, foundation internal rating based approach and the advanced internal ratings based approach. Authorised institutions in Hong Kong under Basel II can choose either one out of the four approaches, with the foundation internal rating based approach and advanced internal rating based approach requiring approval from the Monetary Authority.

In December 2010 and January 2011, the Basel Committee issued further capital requirements designed to raise the quality, consistency and transparency of banks' capital base and new global liquidity standards. These requirements are collectively known as Basel III. Among other things, Basel III will increase the minimum capital adequacy ratio requirements in relation to risk-weighted amounts, with the common equity requirement rising from 2 per cent. to 4.5 per cent. and the Tier 1 capital requirements rising from 4 per cent. to 6 per cent. The total minimum capital requirement remains unchanged at 8 per cent. (excluding capital buffers).

To implement the final phase of the Basel III reforms, certain amendments in the Banking (Capital) (Amendment) Rules 2023 are expected to take effect on 1 January 2025. The amendments in the Banking (Capital) (Amendment) Rules 2023 are included to better address risk exposure of banks, and to introduce the option of a positive neutral countercyclical capital buffer to ensure the banking system has sufficient releasable buffer against possible system-wide shocks.

The amendments made to the Banking (Capital) (Amendment) Rules also focuses on the way a bank's risk-weighted amount of exposure ("**RWA**") is determined for their capital requirements:

- *Revised credit risk framework* — the two existing methodologies for calculating risk-based capital requirements for credit risk were substantially revised. The revised standardised approach refines the risk calibration of the existing approach and reduces its reliance on the use of external credit rating for risk-weighting purpose, requiring banks to perform their own due diligence on their exposures. The revised internal ratings-based approach introduces constraints on its scope of application, minimum "floor" value for bank estimates, and greater specification of related estimation practices of banks.
- *Revised market risk and CVA risk framework* — the revised market risk framework involves a comprehensively updated standardised approach, the standardised (market risk) approach. Such approach involves a more extensive use of risk sensitivities as inputs to market risk capital charge calculation and is designed to better reflect the risks of complex trading book exposures. While internal models approach continues to be an option for banks, their uses become subject to stricter qualifying criteria. The updates to the market risk framework are complemented with revisions to the framework for CVA risk.
- *Revised operational risk framework* — the existing approaches would be replaced with a single revised standardised approach with enhanced risk-sensitivity.
- *Output floor* — a capital output floor is introduced to ensure that banks' aggregate capital requirement generated by internal models must be no lower than 72.5% of such requirement calculated by using solely the revised standardised approaches.

Certain amendments included in the Banking (Disclosure) (Amendment) Rules 2023 are expected to take effect on 1 January 2025 to implement the new and revised disclosure requirements associated with the Basel III revised capital standards, with standard specification to ensure that banks make disclosure in a consistent manner to facilitate comparison across banks and jurisdictions,

The Hong Kong “Resolution Regime”

On 7 July 2017, the Financial Institutions (Resolution) Ordinance (Cap. 628) of Hong Kong (the “**FIRO**”) came into operation.

The FIRO provides for, among other things, the establishment of a resolution regime for authorised institutions and other within scope financial institutions in Hong Kong which may be designated by the relevant resolution authorities. The resolution regime seeks to provide the relevant resolution authorities with administrative powers to bring about timely and orderly resolution in order to stabilise and secure continuity for a failing authorised institution or within scope financial institution in Hong Kong. In particular, the relevant resolution authority is provided with powers to affect contractual and property rights as well as payments (including in respect of any priority of payment) that creditors would receive in resolution. These may include, but are not limited to, powers to cancel, write off, modify, convert or replace all or a part of the Notes issued by the Issuer, and powers to amend or alter the contractual provisions of such Notes, all of which may adversely affect the value of such instruments, and the Holders may suffer a loss of some or all of their investment as a result. Holders may become subject to and bound by the FIRO. The implementation of FIRO remains untested and certain detail relating to FIRO will be set out through secondary legislation and supporting rules, such as the Financial Institutions (Resolution) (Loss-absorbing Capacity Requirements — Banking Sector) Rules (Cap. 628B) of Hong Kong and the Financial Institutions (Resolution) (Contractual Recognition of Suspension of Termination Rights — Banking Sector) Rules (Cap 628C) of Hong Kong.

Liquidity

Liquidity of an authorised institution is its ability to meet payment obligations as they fall due. Banks must maintain sufficient liquidity to handle daily operational activities such as cash withdrawal from depositors, interbank clearing, repayment of debts, etc. The liquidity requirements applicable to authorised institutions are provided mainly in the Banking (Liquidity) Rules (“**BLR**”) issued by the Monetary Authority under section 97H(1) of the Banking Ordinance.

Under the BLR, authorised institutions designated by the Monetary Authority as “category 1 institutions” are required to comply with the requirements relating to the LCR and the NSFR. Usually category 1 institutions are either having significant international exposures or being significant to the general stability of the local banking sector having regard to their size or complexity of business operations. Category 1 institutions are required to maintain a LCR not less than 100 per cent. and NSFR not less than 100 per cent.

Other authorised institutions are regarded as “category 2 institutions”, which must comply with the requirements relating to the local liquidity maintenance ratio (“**LMR**”). Category 2A institutions in category 2 institutions must also comply with the requirements relating to the local core funding ratio (“**CFR**”). The designation of category 2A institutions are based on the business size and the liquidity risk associated with the institution. Category 2 institutions are required to maintain a LMR not less than 25 per cent., whereas Category 2A institutions are required to maintain a LMR not less than 25 per cent. and CFR of not less than 75 per cent.

Financial Exposure to Any One Customer

The financial exposure of an authorised institution incorporated in Hong Kong to any one person or group of related persons must not (subject to certain exceptions) exceed 25.0 per cent. of its Tier 1 capital. Subject to certain exclusions, the authorised institution's financial exposure to any one person or group of connected persons is taken to be the aggregate of:

- (1) all advances, loans and credit facilities granted to that person or group;
- (2) the value of the authorised institution's holdings of shares, debentures and other debt securities issued by that person or group; and
- (3) the principal amount, multiplied by a factor to be specified by the Monetary Authority, for off-balance sheet items resulting from transactions between the authorised institution and that person or group.

For these purposes, persons shall be treated as related if one company is the subsidiary of another, they have a common holding company, they have a common controller (not being a company) or if one (not being a company) is a controller of another (being a company).

The calculation of financial exposure does not include financial exposure to the Hong Kong government, any other government (except those not being accepted by the Monetary Authority), authorised institutions, banks incorporated outside Hong Kong (in the opinion of the Monetary Authority that being adequately supervised) or multilateral development bank; or any financial exposure accepted by the Monetary Authority, either generally or in any particular case to the extent it is secured by a cash deposit, a guarantee, an undertaking, securities or letter of comfort.

The Issuer's aggregate non-exempted credit exposures that are equal to or greater than 10.0 per cent. of its Tier 1 capital must be within the Monetary Authority's clustering limit approved by its Board of Directors and agreed with the Monetary Authority. Further, the Company must be in compliance with the Monetary Authority's Supervisory Policy Manual with respect to large exposures and risk concentrations.

If a person, company or combination thereof to the definition of related persons to whom an authorised institution is financially exposed is a trustee of more than one trust, the Monetary Authority may, by notice in writing, specify the authorised institution's financial exposure to that person, company or combination thereof, may exceed an amount equivalent to 25 per cent. of the Tier 1 capital of the licensed bank by an amount not more than the amount specified in that notice.

Other Restrictions on Lending

The Banking Ordinance also provides that the amount of the facilities which a Hong Kong incorporated authorised institution may make available on an unsecured basis to its controllers, its directors, their relatives or certain of its employees and persons associated with any of them shall be subject to the restrictions set out therein.

The BELR also provides that:

- (1) authorised institutions may not provide a financial facility against the security of their own shares, capital in nature instrument or non-capital LAC debt instruments (or, except with the approval of the Monetary Authority, that of their respective holding companies, subsidiaries or fellow subsidiaries of such holding companies); and
- (2) authorised institutions may not, except with the written consent of the Monetary Authority, provide to any one of their employees any unsecured facility of an amount in excess of that employee's salary for one year.

Restrictions on Investments in Land

Under the BELR, an authorised institution must at all times maintain a land exposure ratio (as defined in the BELR) not exceeding 50 per cent. and an adjusted land exposure ratio (as defined in the BELR) not exceeding 25 per cent. The Monetary Authority may, by written notice served on an authorised institution, vary any or both of the limits under the BELR for the authorised institution if the Monetary Authority, after taking into account the considerations, including the risks associated with the level or concentration of the authorised institution's holding of interests in land, any risk mitigation measures taken by the authorised institution to manage those risks and any other factors that the Monetary Authority considers relevant, is satisfied on reasonable grounds that it is prudent to make the variation.

Equity Exposures in Other Companies

An authorised institution incorporated in Hong Kong may not acquire or hold the aggregate equity exposures which exceed 25.0 per cent. of the authorised institution's Tier 1 capital base except for shares held by way of security for facilities and by virtue of acquisitions in satisfaction of debts due to it (which must, however, be disposed of at the earliest suitable opportunity and not later than 18 months after their acquisition unless the Monetary Authority agrees to a longer period). Shares held by virtue of underwriting and sub-underwriting commitments are, nevertheless, permitted provided the relevant shares are disposed of within seven working days or such longer period as the Monetary Authority may agree.

There are other exemptions for any holding of equity exposures approved by the Monetary Authority in other banks and companies carrying on nominee, executor, trustee or other functions related to banking business, the business of deposit taking, insurance, investments or other financial services.

Charges

An authorised institution incorporated in Hong Kong is not permitted to create any charges over its assets if either the aggregate value of all charges existing over its total assets is 5.0 per cent. or more of the value of those total assets or creating that charge would cause the aggregate value of all charges over its total assets to be more than 5.0 per cent. of the value of those total assets.

Restrictions on Overseas Activities

An authorised institution which is incorporated in Hong Kong is subject to a condition that it shall not establish or maintain any overseas branch or overseas representative office without the approval of the Monetary Authority. The Monetary Authority is empowered by the Banking Ordinance to require financial and other information regarding any such overseas branch to be supplied to it.

Further, an authorised institution incorporated in Hong Kong or its Hong Kong incorporated holding company may not without the consent of the Monetary Authority own a company incorporated outside of Hong Kong which may (whether or not in or outside of Hong Kong) lawfully take deposits from the public. The Monetary Authority may at any time attach in respect of any such approved overseas companies any conditions as the Monetary Authority may think proper.

Shareholders, Chief Executives and Directors

Limitations on Shareholders

The Monetary Authority has the power to object, on certain specified grounds, to persons becoming or being “**controllers**” of authorised institutions incorporated in Hong Kong. “**Controller**” in this context means:

- (1) a person who, either alone or with any associate(s), is entitled to exercise, or control the exercise of, 10.0 per cent. or more, but not more than 50.0 per cent., of the voting power at any general meeting of the authorised institution or of another company of which it is a subsidiary; or
- (2) a person who, either alone or with any associate(s), is entitled to exercise, or control the exercise of, more than 50.0 per cent. of the voting power at any general meeting of the authorised institution or of another company of which it is a subsidiary; or
- (3) a person in accordance with whose directions or instructions the directors of the authorised institution or of another company of which it is a subsidiary are accustomed to act (but does not include any professional advisors or managers appointed by the Monetary Authority to manage the authorised institution).

A person may not become a controller of an authorised institution incorporated in Hong Kong unless he has served a written notice on the Monetary Authority of his proposal to that effect and the Monetary Authority consents to his becoming such a controller or does not object within three months.

Within the three-month period, the Monetary Authority may object to the applicant’s proposal, unless it is satisfied that the applicant is a fit and proper person to become a controller; that depositors’ or potential depositors’ interests will not be threatened by that person being such a controller; and having regard to the applicant’s likely influence on that institution as a controller, the authorised institution is likely to continue to conduct its business prudently or that the applicant is likely to undertake adequate remedial action to ensure that the authorised institution will conduct its business prudently. The Monetary Authority may also object to the continuation of a person as a controller on similar grounds as in respect of new controllers.

Where a person becomes a controller (by virtue of being able to exercise or control the exercise of certain voting power in an authorised institution) after a notice of objection has been served on him or otherwise in the contravention of the procedure prescribed by the Banking Ordinance, the Monetary Authority may notify the controller that until further notice any specified shares are subject to one or more of the following restrictions:

- (1) any transfer of the shares or, in the case of unissued shares, any transfer of the right to be issued with them, and any issue of such shares, shall be void;
- (2) voting rights in respect of those shares shall not be exercisable;
- (3) no further shares in right or pursuant to any offer made to the shareholder shall be issued; or
- (4) except in a liquidation, no payments of any sums due from the authorised institution on the shares shall be paid.

In addition, the Monetary Authority may apply to court for an order that the shares be sold. Once the shares are sold, the proceeds (less the costs of sale) shall be paid into court and held for the benefit of the persons beneficially interested in them.

In the case of an indirect controller who does not have the approval of the Monetary Authority, the person concerned is prohibited from giving directions or instructions to the directors of the authorised institution or of another company of which it is a subsidiary.

Limitations on Persons Becoming Chief Executives or Directors

All authorised institutions must have a chief executive ordinarily resident in Hong Kong. A person requires the written consent of the Monetary Authority before becoming a chief executive and alternate chief executive.

The consent of the Monetary Authority is also required for a person to become a director of a Hong Kong incorporated authorised institution.

Supervision of Securities Business

The SFO, which came into operation in April 2003, introduced a substantial change to the conduct of securities business by banks. Banks are no longer exempted from the relevant regulations when they engage in securities business. Instead they are required to apply for registration with the SFC, which means they will have to meet the Fit and Proper Criteria set by the SFC. Likewise, staff engaged by banks in securities business will have to meet the Fit and Proper Criteria applicable to staff of brokerage firms. It is a statutory condition of registration for banks that each member of staff engaged by them in securities business is a fit and proper person. Banks will also have to comply with the various regulatory requirements set by the SFC in relation to their securities business, including the subsidiary legislation and the business conduct codes. Under the SFO, banks and their securities staff will be subject to the same range of disciplinary actions that are applicable to brokers and their staff in case they are guilty of misconduct or otherwise not fit and proper.

With the introduction of a new licensing regime under the SFO, corresponding changes have been made to the Hong Kong Banking Ordinance by way of the introduction of the Banking (Amendment) Ordinance 2002. Such ordinance came into operation simultaneously with the SFO and has enabled the Monetary Authority to enhance their regulatory functions in relation to the securities businesses of banks and other authorised institutions that are registered under the SFO.

TERMS AND CONDITIONS OF THE NOTES

The following are the terms and conditions of the Notes (as defined below) substantially in the form in which they (other than the text in italics) will be endorsed on the definitive Certificates and referred to in the Global Certificate (as defined below).

The U.S.\$700,000,000 6.00 per cent. Tier 2 Subordinated Notes due 2034 (each a “**Note**” and together, the “**Notes**”) of Nanyang Commercial Bank, Limited (the “**Issuer**”) are constituted by, and have the benefit of, a trust deed (such trust deed as amended and/or supplemented and/or restated from time to time, the “**Trust Deed**”) dated 6 August 2024 (the “**Issue Date**”) and made between the Issuer and China Construction Bank (Asia) Corporation Limited (中國建設銀行(亞洲)股份有限公司) (the “**Trustee**”, which expression shall include any successor as Trustee) as trustee for the Noteholders (as defined below). These terms and conditions (the “**Conditions**”) include summaries of, and are subject to, the detailed provisions of the Trust Deed, which includes the form of the Notes. The Noteholders (as defined below) are entitled to the benefit of, and are bound by, and are deemed to have notice of, all of the provisions of the Agency Agreement (as defined below) and the Trust Deed, and are deemed to have notice of those provisions applicable to them of the agency agreement (such agency agreement as amended and/or supplemented and/or restated from time to time, the “**Agency Agreement**”) dated 6 August 2024 and made between the Issuer, China Construction Bank (Asia) Corporation Limited (中國建設銀行(亞洲)股份有限公司) as principal paying agent (the “**Principal Paying Agent**”, which expression shall include any successor thereto) and as calculation agent (the “**Calculation Agent**”, which expression shall include any successor thereto), China Construction Bank (Asia) Corporation Limited (中國建設銀行(亞洲)股份有限公司) as registrar (the “**Registrar**”, which expression shall include any successor thereto) and as transfer agent (the “**Transfer Agent**”, which expression shall include any successor thereto), the other paying agents and transfer agents named therein and the Trustee. References to the “**Paying Agents**” include the Principal Paying Agent and references to the “**Transfer Agents**” include the Transfer Agent. References to the “**Principal Paying Agent**”, the “**Registrar**”, the “**Transfer Agent**”, the “**Calculation Agent**” and the “**Agents**” below are to the principal paying agent, the registrar, the transfer agent, the calculation agent and the agents for the time being for the Notes. Copies of the Trust Deed and the Agency Agreement are available to Noteholders (as defined below) for inspection following prior written request and satisfactory proof of holding and identity at all reasonable times during usual business hours (being between 9:00 a.m. (Hong Kong time) to 3:00 p.m. (Hong Kong time) from Monday to Friday (other than public holidays)) at the specified office of the Principal Paying Agent (being at the date hereof 3/F, CCB Tower, 3 Connaught Road Central, Central, Hong Kong).

All capitalised terms that are not defined in these Conditions will have the meanings given to them in the Trust Deed.

1. Form, Denomination and Title

(A) Form and Denomination

The Notes are issued in registered form in the denomination of U.S.\$250,000 and integral multiples of U.S.\$1,000 in excess thereof (referred to as the “**principal amount**” of a Note). The principal amount of a Note is subject to adjustments following the occurrence of a Non-Viability Event (as defined in Condition 4(B)) in accordance with Condition 4(B) and references in these Conditions to the “principal amount” of a Note shall mean the principal amount of a Note as so adjusted. The Notes are represented by registered certificates (“**Certificates**”) and each Certificate shall represent the entire holding of Notes by the same holder. Each Certificate will be numbered serially with an identifying number which will be recorded on the relevant Certificate and in the register of Noteholders which the Issuer will procure to be kept by the Registrar and at the office of the Issuer.

Upon issue, the Notes will be represented by a Global Certificate (the “Global Certificate”) deposited with a nominee of a common depository for Euroclear Bank SA/NV (“Euroclear”) and Clearstream Banking S.A. (“Clearstream”). The Conditions are modified by certain provisions contained in the Global Certificate. The Notes are not issuable in bearer form.

(B) Title

Title to the Notes passes only by registration in the register that the Issuer shall procure to be kept by the Registrar in accordance with the provisions of the Agency Agreement (the “Register”). Except as ordered by a court of competent jurisdiction or as required by law, the holder (as defined below) of any Note shall be deemed to be and may be treated as its absolute owner for all purposes (whether or not it is overdue and regardless of any notice of ownership, trust or an interest in it, any writing on it (or on the Certificate representing it) or its theft or loss (or that of the related Certificate)) and no person shall be liable for so treating the Noteholder.

In these Conditions, reference to “**Noteholders**” or “**holders**” in relation to any Notes shall mean the persons in whose name the Notes are registered in the Register.

2. Transfers of the Notes

(A) Transfers of Interests in Notes

One or more Notes may be transferred upon the surrender (at the specified office of the Registrar or any Transfer Agent) of the Certificate representing such Notes to be transferred, together with the form of transfer endorsed on such Certificate, (or another form of transfer substantially in the same form and containing the same representations and certifications (if any)), duly completed and executed and any other evidence as the Registrar or such Transfer Agent may require to prove the title of the transferor and the authority of the individuals that have executed the form of transfer. In the case of a transfer of part only of a holding of Notes represented by one Certificate, a new Certificate shall be issued to the transferee in respect of the part transferred and a further new Certificate in respect of the balance of the holding not transferred shall be issued to the transferor. All transfers of Notes and entries on the Register will be made subject to Condition 2(D) and the detailed regulations concerning transfers of Notes scheduled to the Agency Agreement. The regulations may be changed by the Issuer, with the prior written approval of the Registrar and the Trustee, and by the Registrar, with the prior written approval of the Trustee. A copy of the current regulations will be made available for inspection by the Registrar to any Noteholder following prior written request and satisfactory proof of holding and identity at all reasonable times during usual business hours (being between 9:00 a.m. (Hong Kong time) to 3:00 p.m. (Hong Kong time) from Monday to Friday (other than public holidays)).

Transfers of interests in the Notes evidenced by the Global Certificate will be effected in accordance with the rules of the relevant clearing systems.

(B) Delivery of New Certificates

Each new Certificate to be issued pursuant to Condition 2(A) shall be available for delivery within seven business days of receipt of the form of transfer, surrender of the Certificate for exchange and provision of such evidence as the Registrar or the relevant Transfer Agent may require. Delivery of the new Certificate(s) shall be made at the specified office of the Registrar or any Transfer Agent (as the case may be) to whom delivery or surrender of such form of transfer or Certificate shall have been made or, at the option of the holder making such delivery or surrender as aforesaid and as specified in the relevant form of transfer or

otherwise in writing, be mailed by uninsured post at the risk of the holder entitled to the new Certificate to such address as may be so specified, unless such holder requests otherwise and pays in advance to the Registrar or, as the case may be, such Transfer Agent the costs of such other method of delivery and/or such insurance as it may specify. In this Condition 2(B), “**business day**” means a day, other than a Saturday or Sunday, on which banks are open for business in the place of the specified office of the Registrar or the relevant Transfer Agent (as the case may be).

Except in the limited circumstances described in the Global Certificate, owners of interest in the Notes will not be entitled to receive physical delivery of definitive Certificates.

(C) Transfers Free of Charge

Transfers of Notes and Certificates on registration or transfer shall be effected without charge by or on behalf of the Issuer, the Registrar or the Transfer Agents, but upon (i) payment of any tax, duty or other governmental charges that may be imposed in relation to such transfer (or the giving of such indemnity and/or security and/or pre-funding as the Registrar or the Transfer Agent may require) (ii) the Registrar or the Transfer Agent (as the case may be) being satisfied in its absolute discretion with the documents of title or identity of the person making the application and (iii) the Registrar or the Transfer Agent (as the case may be) being satisfied that the regulations concerning transfers of Notes have been complied with.

(D) Closed Periods

No Noteholder may require the transfer of a Note to be registered (i) during the period of 15 days prior to (and including) the due date of any payment of principal or interest in respect of the Notes or (ii) during the period commencing on the date of a Non-Viability Event Notice (as defined in Condition 4(B) below) and ending on (and including) the close of business in Hong Kong on the effective date of the related Write-off (as defined below).

*So long as Notes are represented by a Global Certificate and such Global Certificate is held on behalf of Euroclear or Clearstream or any other clearing system, no holder may require the transfer of a Note to be registered during the period of five Clearing System Business Days (or such other period as the relevant clearing systems shall determine in accordance with their rules and procedures) commencing on the Clearing System Business Day immediately following the date on which the Non-Viability Event Notice has been received by the relevant clearing systems (the “**Suspension Period**”). “**Clearing System Business Day**” means a weekday (Monday to Friday, inclusive except 25 December and 1 January).*

(E) Exercise of Options or Partial Write-off in Respect of Notes in Definitive Form

In the case of an exercise of the Issuer’s option in respect of, or a partial Write-off of (as the case may be), Notes, and where a holding of Notes is represented by a single Certificate, a new Certificate shall be issued to the relevant Noteholder to reflect the exercise of such option, or such partial Write-off, or in respect of the balance of the holding not redeemed or Written-off (as the case may be). New Certificates shall only be issued against surrender of the existing Certificates to the Registrar or the Transfer Agent.

3. Status and Subordination of the Notes

(A) Status of the Notes

The Notes constitute direct, unsecured and subordinated obligations of the Issuer and shall at all times rank *pari passu* and without any preference among themselves. The rights and claims of the Noteholders are subordinated in the manner described below.

(B) Subordination

Subject to the insolvency laws of Hong Kong and other applicable laws, in the event of a Winding-Up (as defined below) of the Issuer (other than pursuant to a Permitted Reorganisation (as defined below)), the rights and claims against the Issuer of the Noteholders to payment of principal and interest on the Notes, and any other obligations in respect of the Notes, shall rank (i) subordinate and junior in right of payment to, and of all claims of, (a) all unsubordinated creditors of the Issuer (including its depositors), and (b) all other Subordinated Creditors of the Issuer whose claims are stated to rank senior to the Notes or rank senior to the Notes by operation of law or contract; (ii) *pari passu* in right of payment to and of all claims of the holders of Parity Obligations; and (iii) senior in right of payment to, and of all claims of, (a) holders of Tier 1 Capital Instruments (as defined below) of the Issuer, and (b) the holders of other Junior Obligations.

In the event of a Winding-Up that requires the Noteholders or the Trustee to provide evidence of their claim to principal or interest under the Notes, such claims of the Noteholders will only be satisfied after all obligations of the Issuer ranking senior to the Notes have been satisfied in whole.

(C) Qualification of the Notes

The Notes are intended to qualify as Tier 2 capital under the Capital Regulations (as defined below).

For the purposes of these Conditions:

“**Authorized Institution**” has the meaning given to that term in the Banking Ordinance (Cap. 155) of Hong Kong as amended or superseded from time to time.

“**Capital Regulations**” means the Banking (Capital) Rules (Cap.155L) of Hong Kong as amended or superseded from time to time or any other capital rules or regulations from time to time applicable to the regulatory capital of Authorized Institutions incorporated in Hong Kong as implemented by the Monetary Authority.

“**Directors**” means the directors of the Issuer. “**Group**” means the Issuer and its Subsidiaries.

“**Junior Obligation**” means the Shares, and any other class of the Issuer’s share capital and any instrument or other obligation (including without limitation any preference share) issued, entered into or guaranteed by the Issuer that ranks or is expressed to rank junior to the Notes by operation of law or contract.

“**Monetary Authority**” means the Monetary Authority appointed under section 5A of the Exchange Fund Ordinance (Cap. 66) of Hong Kong, as amended or superseded from time to time, or any successor thereto.

“Parity Obligation” means any instrument or other obligation issued, entered into or guaranteed by the Issuer that constitutes or qualifies as a Tier 2 Capital Instrument or any instrument or other obligation issued, entered into, or guaranteed by the Issuer that ranks or is expressed to rank *pari passu* with the Notes by operation of law or contract, which excludes any Junior Obligations of the Issuer.

“Permitted Reorganisation” means a solvent reconstruction, amalgamation, reorganisation, merger or consolidation whereby all or substantially all the business, undertaking or assets of the Issuer are transferred to a successor entity which assumes all the obligations of the Issuer under the Notes.

“Shares” means the ordinary share capital of the Issuer.

“Subordinated Creditors” means all creditors the indebtedness of which is subordinated, in the event of the Winding-Up of the Issuer, in right of payment to the claims of depositors and other unsubordinated creditors of the Issuer other than those whose claims rank or is expressed to rank by operation of law or contract *pari passu* with, or junior to, the claims of the Noteholders. For this purpose, indebtedness shall include all liabilities, whether actual or contingent.

“Subsidiary” means any company (i) in which the Issuer holds a majority of the voting rights, (ii) of which the Issuer is a member and has the right to appoint or remove a majority of the Directors or (iii) of which the Issuer is a member and controls a majority of the voting rights, and includes any company which is a Subsidiary of a Subsidiary of the Issuer.

“Tier 1 Capital Instrument” means any instrument or other similar obligation issued, entered into or guaranteed by the Issuer that constitutes Tier 1 capital (or its equivalent) pursuant to the Capital Regulations.

“Tier 2 Capital Instrument” means any instrument or other similar obligation issued, entered into or guaranteed by the Issuer that constitutes Tier 2 capital (or its equivalent) pursuant to the Capital Regulations.

“Winding-Up” means a final and effective order or resolution by a judicial authority in the jurisdiction of incorporation of the Issuer for the liquidation, winding-up or similar proceedings in respect of the Issuer.

(D) Set-off

Subject to applicable law, no Noteholder may exercise, claim or plead any right of set-off, counter-claim or retention in respect of any amount owed to it by the Issuer arising under or in connection with the Notes and each Noteholder shall, by virtue of being the Noteholder of any Note be deemed to have waived all such rights of such set-off, counter-claim or retention.

In the event that any Noteholder nevertheless receives (whether by set-off or otherwise) directly in a Winding-Up Proceeding (as defined in Condition 9(A)) in respect of the Issuer any payment by, or distribution of assets of, the Issuer of any kind or character, whether in cash, property or securities, in respect of any amount owing to it by the Issuer arising under or in connection with the Notes, other than in accordance with this Condition 3(D), such Noteholder shall, subject to applicable law, immediately pay an amount equal to the amount of such payment or discharge to the liquidator for the time being in the Winding Up of the Issuer for interest and each Noteholder, by virtue of becoming a Noteholder or any Note, shall be deemed to have so agreed and undertaken with and to the Issuer and all depositors and other unsubordinated creditors of the Issuer for good consideration.

4. Interest, Non-Viability Loss Absorption and Hong Kong Resolution Authority Power

(A) *Interest Payments*

(i) *Interest*

The Notes bear interest on their outstanding principal amount (subject to adjustments following the occurrence of a Non-Viability Event in accordance with Condition 4(B)) from, and including, the Issue Date at the applicable Interest Rate, payable semi-annually in arrear on 6 February and 6 August in each year (each a “**Interest Payment Date**”) in equal instalments.

Unless otherwise provided in these Conditions, each Note will cease to confer the right to receive any interest from the due date for redemption unless, upon surrender of the Certificate representing such Note, payment of principal is improperly withheld or refused. In such event, interest shall continue to accrue at such rate (both before and after judgment) until whichever is the earlier of (a) the date on which all amounts due in respect of such Note have been paid; and (b) five days after the date on which the full amount of moneys payable in respect of such Note has been received by the Principal Paying Agent and notice to that effect has been given to the Noteholders in accordance with Condition 11 except to the extent that there is failure in the subsequent payment to the relevant Noteholder under these Conditions.

(ii) *Interest Rate*

The rate of interest (the “**Interest Rate**”) applicable to the Notes shall be:

- (a) in respect of the period from, and including, the Issue Date to, but excluding, 6 August 2029 (the “**Reset Date**”), 6.00 per cent. per annum; and
- (b) in respect of the period from, and including, the Reset Date to, but excluding, 6 August 2034 (the “**Maturity Date**”), the Reset Interest Rate.

For the purposes of these Conditions:

“**Calculation Business Day**” means any day, excluding a Saturday, Sunday and public holiday, on which banks are open for general business (including dealings in foreign currencies) in New York City and Hong Kong.

“**Calculation Date**” means the third Calculation Business Day immediately preceding the Reset Date.

“**Comparable Treasury Issue**” means the U.S. Treasury security selected by the Issuer as having a maturity of five years that would be utilised, at the time of selection and in accordance with customary financial practice, in pricing new issues of corporate debt securities with a maturity of five years.

“**Comparable Treasury Price**” means, with respect to the Calculation Date, the average of three Reference Treasury Dealer Quotations for the Calculation Date.

“**Reference Treasury Dealer**” means each of the three nationally recognised investment banking firms that are primary U.S. Government securities dealers which shall be selected by the Issuer.

“**Reference Treasury Dealer Quotations**” means with respect to each Reference Treasury Dealer and the Calculation Date, the average, as determined by the Calculation Agent, of the bid and asked prices for the Comparable Treasury Issue, expressed in each case as a percentage of its principal amount, quoted in writing to the Issuer and the Calculation Agent by such Reference Treasury Dealer at 5.00 p.m. (New York City time), on the second Calculation Business Day immediately preceding the Reset Date.

“**Reset Interest Rate**” means a fixed rate per annum (expressed as a percentage) equal to the aggregate of (a) the U.S. Treasury Rate (as determined as set out below) and (b) the Spread.

“**Spread**” means 2.10 per cent. per annum.

“**U.S. Treasury Rate**” means the rate in per cent. per annum as notified by the Calculation Agent to the Issuer and the Noteholders equal to the yield that represents the average of the daily yields for the week immediately prior to the Calculation Date, as derived from the most recently published statistical release designated “H.15” (currently set out on the website <http://www.federalreserve.gov/releases/h15/>) or any successor publication that is published by the Board of Governors of the Federal Reserve System and that establishes yields on actively traded U.S. Treasury securities adjusted to constant maturity under the caption “Treasury constant maturities” for the maturity of five years.

If such page (or any successor release) is not published during the week preceding the Calculation Date or does not contain such yields, “**U.S. Treasury Rate**” means the rate in per cent. per annum, notified by the Issuer to the Calculation Agent, equal to the yield to a maturity of five years, calculated using a price for the Comparable Treasury Issue (expressed as a percentage of its principal amount) equal to the Comparable Treasury Price for the Calculation Date.

If there is no Comparable Treasury Price for the Calculation Date, “**U.S. Treasury Rate**” means the rate in per cent. per annum as notified by the Calculation Agent to the Issuer and the Noteholders equal to the yield that represents the average of the daily yields for the week that was last available prior to the Calculation Date, as derived from the most recently published statistical release designated “H.15” (currently set out on the website <http://www.federalreserve.gov/releases/h15/>) or any successor publication that is published by the Board of Governors of the Federal Reserve System and that establishes yields on actively traded U.S. Treasury securities adjusted to constant maturity under the caption “Treasury constant maturities” for the maturity of five years.

(iii) *Calculation of Interest and Reset Interest Rate*

The Calculation Agent will calculate the amount of interest in respect of any period by applying the applicable Interest Rate to the Calculation Amount. If interest is required to be paid in respect of a Note on any date other than the Interest Payment Date, it shall be calculated by applying the applicable Interest Rate to the Calculation Amount, multiplying the product by the relevant Day Count Fraction, rounding the resulting figure to the nearest cent (half a cent being rounded upwards) and multiplying such rounded figure by a fraction equal to the principal amount of such Note divided by the Calculation Amount, where:

- (a) “**Calculation Amount**” means U.S.\$1,000, subject to adjustments following occurrence of a Non-Viability Event in accordance with Condition 4(B); and

- (b) “**Day Count Fraction**” means, in respect of any period, the number of days in the relevant period divided by 360 (the number of days to be calculated on the basis of a year of 360 days with 12 30-day months).

The Calculation Agent will prior to the Reset Date, calculate the Reset Interest Rate payable in respect of each Note. The Calculation Agent will cause the Interest Rate and the Reset Interest Rate determined by it to be promptly notified to the Issuer, the Principal Paying Agent and the Trustee.

The Calculation Agent shall cause notice of the Reset Interest Rate to be notified to the Noteholders as soon as reasonably practicable in accordance with Condition 11 after determination thereof.

All notifications, opinions, determinations, certificates, calculations, quotations and decisions given, expressed, made or obtained for the purposes of this Condition 4(A) by the Calculation Agent will (in the absence of manifest error) be binding on the Issuer, the Principal Paying Agent and the Trustee and the Noteholders and no liability to any such person will attach to the Calculation Agent in connection with the exercise or non-exercise by it of its powers, duties and discretions for such purposes unless caused directly by the fraud, gross negligence or wilful misconduct of the Calculation Agent.

(iv) Determination or Calculation by Successor Calculation Agent

If the Calculation Agent does not at any time for any reason so determine the Reset Interest Rate, the Issuer shall as soon as practicable appoint a reputable financial institution of good standing as a successor calculation agent to do so and such determination or calculation shall be deemed to have been made by the Calculation Agent. In doing so, the successor calculation agent shall apply the foregoing provisions of this Condition 4(A), with any necessary consequential amendments, to the extent that, in the opinion of the successor calculation agent, it can do so and, in all other respects it shall do so in such manner as it shall deem fair and reasonable in all the circumstances.

(B) Non-Viability Loss Absorption

If a Non-Viability Event occurs and is continuing, the Issuer shall, upon the date that the Issuer specifies in a Non-Viability Event Notice (which date, for the avoidance of doubt, can be on or prior to the provision of the Non-Viability Event Notice, irrevocably (without the need for the consent of the Noteholders) reduce the then outstanding principal amount of, and cancel any accrued but unpaid interest in respect of, each Note (in each case in whole or in part) by an amount equal to the Non-Viability Event Write-off Amount per Note (such reduction and cancellation, and the reduction and cancellation or conversion of any other Subordinated Capital Instruments so reduced and cancelled or converted upon the occurrence of a Non-Viability Event, where applicable, being referred to herein as the “**Write-off**”, and “**Written-off**” shall be construed accordingly).

Concurrently with the giving of the Non-Viability Event Notice, the Issuer shall procure unless otherwise directed by the Monetary Authority that (i) a similar notice be given in respect of other Subordinated Capital Instruments in accordance with their terms or any applicable laws and regulations and (ii) following such Write-off of the aggregate principal amount of the Subordinated Capital Instruments (which for the avoidance of doubt includes all Additional Tier 1 Capital Instruments) in accordance with their terms or any applicable laws and regulations, concurrently and rateably with the Write-off of the Notes, a Write-off of the aggregate principal amount of such other Parity Capital Instruments on a pro rata basis with the Notes.

Any failure or delay in giving a Non-Viability Event Notice in respect of the Notes or a similar notice in respect of any other Subordinated Capital Instruments will not render the relevant Write-off invalid or affect such Write-off in any respect.

Any Write-off pursuant to this provision will not constitute an Event of Default under the Notes.

Any Note may be subject to one or more Write-offs in part (as the case may be), except where such Note has been Written-off in its entirety. Any references in these Conditions to principal in respect of the Notes shall thereafter refer to the outstanding principal amount of the Notes reduced by any applicable Write-off(s).

Once the outstanding principal amount of, and any accrued but unpaid interest under, the Notes has been Written-off, the relevant amount(s) Written-off will not be restored in any circumstances including where the relevant Non-Viability Event ceases to continue. No Noteholder may exercise, claim or plead any right to any amount that has been Written-off, and each Noteholder shall, by virtue of his holding of any Notes, be deemed to have waived all such rights to such amount that has been Written-off.

Each Noteholder shall be deemed to have authorised, ratified, directed (in the case of the Trustee only) and consented to the Trustee and the Agents to take any and all necessary action to give effect to any Write-off following the occurrence of the Non-Viability Event.

The Trustee and the Agents shall not be: (a) responsible or liable to any Noteholder for monitoring or determining whether a Non-Viability Event has occurred or not, (b) responsible for verifying or calculating any amount in connection with a Non-Viability Event or for any Write-off made pursuant to the Issuer's directions, responsible for preparing any Non-Viability Event Notice, (d) liable to the Noteholders or to any other person or the clearing systems (or its participants, members, broker-dealers or any other third parties) with respect to the notification and/or implementation of any Non-Viability Event by any of them in respect of such Notes.

The Trustee and the Agents have no responsibility for nor liability with respect to actions taken or not taken by the clearing systems or its participants or members or any broker-dealer with respect to the notification or implementation of the Write-off, nor any application of funds or delivery of notices prior to a Write-off, or with respect to the return of any amount that was paid to any Noteholder following a Non-Viability Event in excess of the amount that should have been paid to such Noteholder.

For the purposes of this Condition 4(B):

“Additional Tier 1 Capital Instrument” means any instrument or other obligation issued, entered into or guaranteed by the Issuer that constitutes or qualifies as additional tier 1 capital (or its equivalent) pursuant to the Capital Regulations.

“Hong Kong Business Day” means a day (other than a Saturday, Sunday and public holiday) on which commercial banks and foreign exchange markets are open for general business in Hong Kong.

“Loss Absorption Effective Date” means the date that will be specified as such in the applicable Non-Viability Event Notice as directed or approved by the Monetary Authority.

“**Non-Viability Event**” means the earlier of:

- (a) the Monetary Authority notifying the Issuer in writing that the Monetary Authority is of the opinion that a Write-off or conversion is necessary, without which the Issuer would become non-viable; and
- (b) the Monetary Authority notifying the Issuer in writing that a decision has been made by the government body, a government officer or other relevant regulatory body with the authority to make such a decision, that a public sector injection of capital or equivalent support is necessary, without which the Issuer would become non-viable.

“**Non-Viability Event Notice**” means the notice, which shall be given by the Issuer not more than two Hong Kong Business Days after the occurrence of a Non-Viability Event, to the Noteholders, in accordance with Condition 11, and to the Trustee and the Paying Agents in writing, and which shall state:

- (a) in reasonable detail, the nature of the relevant Non-Viability Event;
- (b) the Non-Viability Event Write-off Amount for (i) each Note and (ii) each other Subordinated Capital Instrument on the Loss Absorption Effective Date in accordance with its terms; and
- (c) specifying the Loss Absorption Effective Date.

The ability to operationally effect any Write-off of any Notes under this Condition 4(B) (Interest, Non-Viability Loss Absorption and Hong Kong Resolution Authority Power — Non-Viability Loss Absorption) with respect to the clearing and/or settlement of any Notes in or through the relevant clearing system(s) is subject to the availability of procedures to effect any such Write-off in such clearing system(s). However, any Write-off of any Notes with respect to the Issuer under this Condition 4(B) (Interest, Non-Viability Loss Absorption and Hong Kong Resolution Authority Power — Non-Viability Loss Absorption) will be effective upon the date that the Issuer specifies in the Non-Viability Event Notice notwithstanding any inability to operationally effect any such Write-off in the relevant clearing system(s).

*Following the receipt of a Non-Viability Event Notice by Euroclear and/or Clearstream and the commencement of the Suspension Period, Euroclear and/or Clearstream shall suspend all clearance and settlement of the Notes. As a result, Noteholders will not be able to settle the transfer of any Notes from the commencement of the Suspension Period, and any sale or other transfer of the Notes that a Noteholder may have initiated prior to the commencement of the Suspension Period that is scheduled to settle during the Suspension Period will be rejected by Euroclear and/or Clearstream and will not be settled within Euroclear and/or Clearstream. See “Investment Considerations — Considerations Relating to the Notes — Transfers scheduled to settle through Euroclear and Clearstream (the “ICSDs”) are expected to be rejected if the scheduled settlement is after any suspension by the ICSDs of clearance and settlement of the Notes in connection with a Non-Viability Event Notice or the exercise of the Hong Kong Resolution Authority Power. Furthermore, because of time zone differences and the delay between the time when a Non-Viability Event occurs or the Hong Kong Resolution Authority Power is exercised and when the ICSDs receive and process the Non-Viability Event Notice or the notice that the Hong Kong Resolution Authority Power has been exercised, it is possible that transfers may either (i) fail to settle through the ICSDs even though such transfers were initiated prior to the Non-Viability Event or the relevant cut-off time specified in any instrument evidencing the exercise of the Hong Kong Resolution Authority Power (the “**Hong Kong Resolution***

Authority Power Instrument”) or (ii) are settled through the ICSDs even though such transfers were initiated after the Non-Viability Event or the relevant cut-off time specified in the Hong Kong Resolution Authority Power Instrument” in the Offering Circular for further details.

If a Non-Viability Event Notice has been given in respect of the Notes in accordance with this Condition 4(B), transfers of the Notes shall not be permitted during the Suspension Period (as defined in Condition 2(D)). From the date on which a Non-Viability Event Notice in respect of the Notes in accordance with this Condition 4(B) is provided by the Issuer to the end of the Suspension Period, the Registrar shall not register any attempted transfer of any Notes. As a result, such an attempted transfer will not be effective.

“Non-Viability Event Write-off Amount” means the amount of interest and/or principal to be Written-off as the Monetary Authority may direct or, in the absence of such a direction, as the Issuer shall (in consultation with the Monetary Authority) determine to be necessary to satisfy the Monetary Authority that the Non-Viability Event will cease to continue. For the avoidance of doubt, (a) the full amount of the Notes will be Written-off in full in the event that the amount Written-off is not sufficient for the Non-Viability Event to cease to continue and (b) in the case of an event falling within paragraph (b) of the definition of Non-Viability Event, the Write-off will be effected in full before any public sector injection of capital or equivalent support. Further, the Non-Viability Event Write-off Amount in respect of each Note will be calculated based on a percentage of the outstanding principal amount of that Note.

“Parity Capital Instrument” means any Parity Obligation which contains provisions relating to a write-down or conversion into ordinary shares in respect of its outstanding principal amount on the occurrence, or as a result, of a Non-Viability Event and in respect of which the conditions (if any) to the operation of such provisions are (or with the giving of any certificate or notice which is capable of being given by the Issuer, would be) satisfied.

“Subordinated Capital Instrument” means any Junior Obligation or Parity Obligation which contains provisions relating to a write-down or conversion into ordinary shares in respect of its outstanding principal amount on the occurrence, or as a result, of a Non-Viability Event and in respect of which the conditions (if any) to the operation of such provisions are (or with the giving of any certificate or notice which is capable of being given by the Issuer, would be) satisfied.

(C) Hong Kong Resolution Authority Power

Notwithstanding any other term of the Notes, including without limitation Condition 4(B), or any other agreement or arrangement, each Noteholder and the Trustee shall be subject, and shall be deemed to agree, be bound by and acknowledge that they are each subject, to having the Notes being written off, cancelled, converted or modified, or to having the form of the Notes changed, in the exercise of any Hong Kong Resolution Authority Power by the relevant Hong Kong Resolution Authority without prior notice and which may include (without limitation) and result in any of the following or some combination thereof:

- (a) the reduction or cancellation of all or a part of the outstanding principal amount of, or interest on, the Notes;
- (b) the conversion of all or a part of the outstanding principal amount of, or interest on, the Notes into shares or other securities or other obligations of the Issuer or another person (and the issue to or conferral on the holder of such shares, securities or obligations), including by means of an amendment, modification or variation of the terms of the Notes; and

- (c) the amendment or alteration of the maturity of the Notes or amendment or alteration of the amount of interest payable on the Notes, or the date on which the interest becomes payable, including by suspending payment for a temporary period, or any other amendment or alteration of these Conditions.

With respect to (a), (b) and (c) above of this Condition 4(C), references to principal and interest shall include payments of principal and interest that have become due and payable (including principal that has become due and payable at the maturity date), but which have not been paid, prior to the exercise of any Hong Kong Resolution Authority Power. The rights of the Noteholders and the Trustee under the Notes and these Conditions are subject to, and will be amended and varied, if necessary, solely to give effect to, the exercise of any Hong Kong Resolution Authority Power by the relevant Hong Kong Resolution Authority.

No repayment of the outstanding principal amount of the Notes or payment of interest on the Notes shall become due and payable or be paid after the exercise of any Hong Kong Resolution Authority Power by the relevant Hong Kong Resolution Authority unless, at the time that such repayment or payment, respectively, is scheduled to become due, such repayment or payment would be permitted to be made by the Issuer under the laws and regulations applicable to the Issuer and the Group.

Upon the exercise of any Hong Kong Resolution Authority Power by the relevant Hong Kong Resolution Authority with respect to the Notes, the Issuer shall provide a written notice as soon as practicable regarding such exercise of the Hong Kong Resolution Authority Power to the Noteholders in accordance with Condition 11 and to the Trustee and the Principal Paying Agent in writing.

Neither the reduction or cancellation, in part or in full, of the outstanding principal amount of, or interest on the Notes, the conversion thereof into another share, security or obligation of the Issuer or another person, or any other amendment or alteration of these Conditions, or any other modification or change in form of the Notes as a result of the exercise of any Hong Kong Resolution Authority Power by the relevant Hong Kong Resolution Authority with respect to the Issuer nor the exercise of the Hong Kong Resolution Authority Power by the relevant Hong Kong Resolution Authority with respect to the Notes shall constitute an Event of Default under Condition 9(A).

For the purposes of this Condition 4(C):

“Hong Kong Resolution Authority Power” means any power which may exist from time to time under the Resolution Ordinance or any other laws, regulations, rules or requirements relating to the resolution of financial institutions, including licensed banks, deposit-taking companies, restricted licence banks, banking group companies, insurance companies and/or investment firms incorporated in or authorised, designated, recognised or licensed to conduct regulated financial activities in Hong Kong in effect and applicable in Hong Kong to the Issuer or other members of the Group (including, for the avoidance of doubt, powers under Part 4 and Part 5 of the Resolution Ordinance or any other laws, regulations, rules or requirements relating thereto, as the same may be amended from time to time (whether pursuant to the Resolution Ordinance or otherwise), and pursuant to which obligations of a licensed bank, deposit-taking company, restricted licence bank, banking group company, insurance company or investment firm or any of its affiliates can be reduced, cancelled, transferred, modified and/or converted into shares or other securities or obligations of the obligor or any other person.

“relevant Hong Kong Resolution Authority” means any authority with the ability to exercise a Hong Kong Resolution Authority Power in relation to the Issuer from time to time.

“**Resolution Ordinance**” means the Financial Institutions (Resolution) Ordinance (Cap. 628) of Hong Kong, as amended or superseded from time to time.

Please see the investment consideration entitled “The operation of the resolution regime in Hong Kong may override the contractual terms of the Notes.” for further information.

5. Payments

(A) *Payments in respect of the Notes*

- (i) Payment of principal and interest will be made by wire transfer in immediately available funds to the registered account of the Noteholders. Payments of principal and interest due on redemption or otherwise than on an Interest Payment Date will only be made against surrender (or in the case of part payments only, endorsement) of the relevant Certificate at the specified office of any Paying Agent. Interest on Notes due on an Interest Payment Date will be paid on the due date for payment thereof to the Noteholder shown on the Register on the Record Date (as defined in Condition 5(E)) before the relevant Interest Payment Date without the need for surrender or presentation of the relevant Certificate.
- (ii) For the purposes of this Condition 5, a Noteholder’s “**registered account**” means the U.S. dollar account maintained by or on behalf of it with a bank that processes payments in U.S. dollars, details of which appear on the Register at the close of business on the Record Date (as defined below).
- (iii) Payment instructions (for value the due date, or, if the due date is not a Payment Business Day, for value the next succeeding Payment Business Day) will be initiated on the due date, or, if the due date is not a Payment Business Day, on the next succeeding Payment Business Day. A holder of the Notes shall not be entitled to any Interest or other payment in respect of any delay in payment resulting from the due date for a payment not being a Payment Business Day. In this paragraph, “**Payment Business Day**” means any day on which banks are open for general business (including dealings in foreign currencies) in New York City and Hong Kong and, in the case of surrender (or, in the case of part payment only, endorsement) of a Certificate, in the place in which the Certificate is surrendered (or, as the case may be, endorsed).
- (iv) If a Paying Agent makes a partial payment in respect of any Note, the Issuer shall procure that the amount and date of such payment are noted on the Register and, in the case of partial payment upon presentation of a Certificate, that a statement indicating the amount and the date of such payment is endorsed on the relevant Certificate.

(B) *Payments subject to Fiscal Laws*

Payments will be subject in all cases to (i) any fiscal or other laws and regulations applicable thereto, but without prejudice to the provisions of Condition 7, in the place of payment, and (ii) any withholding or deduction required pursuant to an agreement described in Section 1471(b) of the U.S. Internal Revenue Code of 1986 (the “**Code**”) or otherwise imposed pursuant to Sections 1471 through 1474 of the Code, any regulations or agreements thereunder, any official interpretations thereof, or (without prejudice to the provisions of Condition 7) any law implementing an intergovernmental approach thereto.

(C) Appointment of Agents

The Principal Paying Agent, the Registrar, the Transfer Agent and the Calculation Agent initially appointed by the Issuer and their respective specified offices are listed below. The Principal Paying Agent, the Registrar, the Transfer Agent and the Calculation Agent appointed under the Agency Agreement act solely as agents of the Issuer and do not assume any obligation or relationship of agency or trust for or with any Noteholder. The Issuer reserves the right at any time with the prior written approval of the Trustee to vary or terminate the appointment of the Principal Paying Agent, any other Paying Agent, the Registrar, any Transfer Agent or the Calculation Agent and to appoint additional or other Paying Agents or Transfer Agents or Calculation Agents, in each case in accordance with the Agency Agreement, provided that the Issuer shall at all times maintain (i) a Principal Paying Agent, (ii) a Registrar, (iii) a Transfer Agent, (iv) one or more Calculation Agent(s), and (v) such other agents as may be required by any other stock exchange on which the Notes may be listed.

Notice of any such change or any change of any specified office shall promptly be given by the Issuer to the Noteholders in accordance with Condition 11.

(E) Record Date

Each payment in respect of a Note will be made to the person shown as the Noteholder in the Register at the close of business in the place of the Registrar's specified office on the fifteenth day before the due date for such payment (the "**Record Date**").

Notwithstanding the foregoing, so long as the Global Certificate is held on behalf of Euroclear, Clearstream or any other clearing system, each payment in respect of the Global Certificate will be made to the person shown as the holder in the Register at the close of business of the relevant clearing system on the Clearing System Business Day before the due date for such payments.

6. Redemption and Purchase

(A) Redemption at Maturity

Unless previously redeemed or purchased and cancelled as provided below, the Issuer will redeem the Notes at their principal amount on the Maturity Date. The Notes may not be redeemed at the option of the Issuer other than in accordance with these Conditions.

(B) Redemption for Tax Reasons

Subject to Condition 6(G), the Notes then outstanding may be redeemed at the option of the Issuer in whole, but not in part, at any time, on giving not less than 30 nor more than 60 days' notice to the Trustee and the Principal Paying Agent in writing and to the Noteholders in accordance with Condition 11 (which notice shall be irrevocable and shall specify the date fixed for redemption), if the Issuer satisfies the Trustee, in accordance with this Condition 6(B), immediately before the giving of such notice that (a) it has or will become obliged to pay additional amounts as described under Condition 7 as a result of any change in, or amendment to, the laws or regulations of Hong Kong or any political subdivision or any authority thereof or therein having the power to tax, or any change in the application or official interpretation of such laws or regulations, which change or amendment becomes effective on or after 30 July 2024 and (b) such obligation will apply on the occasion of the next payment due in respect of the Notes and cannot be avoided by the Issuer taking reasonable measures available to it (a "**Withholding Tax Event**"); provided that no such notice of redemption shall be given earlier than 90 days prior to the earliest date on which the Issuer would be obliged to pay such additional amounts or give effect to such treatment, as the case may be, were a payment in respect of the Notes then due.

Prior to giving any notice of redemption pursuant to this Condition, the Issuer shall deliver to the Trustee (i) a certificate signed by one Director of the Issuer stating that the requirement referred to in (a) above of this Condition 6(B) will apply on the next Interest Payment Date and cannot be avoided by the Issuer taking reasonable measures available to it and (ii) a copy of the written consent of the Monetary Authority as referred to in Condition 6(G); and the Trustee shall be entitled (but shall not be obliged) to accept and conclusively rely on the certificate and consent as sufficient evidence of the satisfaction of the conditions precedent set out above, in which event it shall be conclusive and binding on the Noteholders, and the Trustee shall be protected and shall have no liability to any Noteholders or any person for so accepting and relying on such certificate or consent.

None of the Trustee or the Agents shall be responsible for monitoring or taking any steps to ascertain whether any of the circumstances mentioned in this Condition 6(B) has occurred or for calculating or verifying the calculations of any amount payable under any notice of redemption under this Condition 6(B) and none of them shall be liable to the Noteholders or the Issuer or any other person for not doing so.

Notes redeemed pursuant to this Condition 6(B) will be redeemed at their outstanding principal amount together (if appropriate) with interest accrued to (but excluding) the date of redemption, subject to adjustments following the occurrence of a Non-Viability Event in accordance with Condition 4(B).

(C) *Redemption of the Notes for Tax Deduction Reasons*

Subject to Condition 6(G), the Notes may be redeemed at the option of the Issuer in whole, but not in part, at any time, on giving not less than 30 nor more than 60 days' notice to the Trustee and the Principal Paying Agent in writing and to the Noteholders in accordance with Condition 11 (which notice shall be irrevocable, subject to Condition 4(B), and shall specify the date fixed for redemption), following the occurrence of a Tax Deduction Event.

For the purposes of this Condition 6(C), a "**Tax Deduction Event**" occurs if the Issuer satisfies the Trustee, in accordance with this Condition 6(C), immediately before the giving of such notice that:

- (a) in respect of the interest payable on the Notes, the Issuer is no longer, or will no longer be, entitled to claim a deduction in respect of computing its taxation liabilities in Hong Kong or any political subdivision or any authority thereof or therein having power to tax as a result of any change in, or amendment to, the laws or regulations of Hong Kong or any political subdivision or any authority thereof or therein or any change in the application or official interpretation of such laws or regulations, which change or amendment becomes effective on or after 30 July 2024; and
- (b) such non tax deductibility cannot be avoided by the Issuer taking reasonable measures available to it,

provided that: (i) the Conditions for redemption set out in Condition 6(G) have been satisfied and (ii) no such notice of redemption shall be given earlier than 90 days prior to the earliest date on which the Issuer would cease to be able to claim a tax deduction in respect of the interest payable on the Notes as provided in paragraph (a) above of this Condition 6(C) .

Prior to the giving of any notice of redemption pursuant to this Condition 6(C), the Issuer shall deliver to the Trustee (I) a certificate signed by one Director of the Issuer stating that the Issuer is entitled to effect such redemption and setting forth a statement of facts showing that: (1) the conditions precedent to the right of the Issuer so to redeem have occurred, and (2) such non tax deductibility cannot be avoided by the Issuer taking

reasonable measures available to it and (II) a copy of the written consent of the Monetary Authority as referred to in Condition 6(G), and the Trustee shall be entitled (but shall not be obliged) to accept and conclusively rely on the certificate and consent as sufficient evidence of the satisfaction of the conditions precedent set out above, in which event it shall be conclusive and binding on the Noteholders.

Notes redeemed pursuant to this Condition 6(C) will be redeemed at their outstanding principal amount together (if appropriate) with interest accrued to (but excluding) the date of redemption, subject to adjustment following the occurrence of a Non-Viability Event in accordance with Condition 4(B).

(D) *Redemption of the Notes for Regulatory Reasons*

Subject to Condition 6(G), the Notes may be redeemed at the option of the Issuer in whole, but not in part, at any time on giving not less than 30 nor more than 60 days' notice to the Trustee and the Principal Paying Agent in writing and to the Noteholders in accordance with Condition 11 (which notice shall be irrevocable and shall specify the date fixed for redemption) following the occurrence of a Capital Event.

For the purposes of this Condition 6(D), a “**Capital Event**” occurs if the Issuer satisfies the Trustee, in accordance with this Condition 6(D), immediately before the giving of the notice of redemption referred in this Condition 6(D), the Notes, after having qualified as such, will no longer qualify (in whole or in part) as Tier 2 Capital (or equivalent) of the Issuer (other than non-qualification solely as a result of any discounting or amortisation requirements as to the eligibility of the Notes for such inclusion pursuant to the relevant legislation and supervisory guidance in force from time to time), as a result of a change or amendment in (or any change in the application or official interpretation of) the relevant provisions of the Banking Ordinance (Cap. 155) of Hong Kong, the Capital Regulations, or any successor legislation or regulations made thereunder, or any supervisory guidance issued by the Monetary Authority in relation thereto, in each case, as amended or superseded from time to time. No such notice of redemption shall be given earlier than 90 days prior to the earliest date on which it is determined that a Capital Event has occurred.

Prior to giving any notice of redemption pursuant to this Condition 6(D), the Issuer shall deliver to the Trustee (a) a certificate signed by one Director of the Issuer stating that the Issuer is entitled to effect such redemption and setting forth a statement of facts showing that the conditions precedent to the right of the Issuer to redeem have occurred and (b) a copy of the written consent of the Monetary Authority; and the Trustee shall be entitled (but shall not be obliged) to accept and conclusively rely on the certificate and consent as sufficient evidence of the satisfaction of the conditions precedent set out above, in which event it shall be conclusive and binding on the Noteholders.

Notes redeemed pursuant to this Condition 6(D) will be redeemed at their outstanding principal amount together (if appropriate) with interest accrued to (but excluding) the date of redemption, subject to adjustments following the occurrence of a Non-Viability Event in accordance with Condition 4(B).

(E) Redemption at the Option of the Issuer

Subject to Condition 6(G), the Issuer may, having given:

- (i) not less than 15 nor more than 45 days' notice to the Noteholders in accordance with Condition 11; and
- (ii) not less than 15 days before the giving of the notice referred to in (i) above of this Condition 6(E), notice to the Trustee and the Principal Paying Agent;

(which notices shall be irrevocable and shall specify the date fixed for redemption), redeem all but not some only of the Notes then outstanding on the Reset Date, at their outstanding principal amount together (if appropriate) with interest accrued to (but excluding) the date of redemption, subject to adjustments following the occurrence of a Non-Viability Event in accordance with Condition 4(B).

The Issuer does not provide any undertaking that it will redeem the Notes at any time.

(F) Purchase and Cancellation

Subject to Condition 6(G), the Issuer and any of its Subsidiaries may, at any time, purchase Notes in the open market or otherwise at any price. The Notes so purchased, while held by or on behalf of the Issuer or any such Subsidiary, shall not entitle the holder to vote at any meetings of the Noteholders and shall not be deemed to be outstanding for, among other things, the purposes of calculating quorums at meetings of the Noteholders or for the purposes of Condition 10(A).

All Certificates representing Notes purchased by or on behalf of the Issuer and any of its Subsidiaries shall be surrendered for cancellation to the Transfer Agent or Registrar and, upon surrender thereof, all such Notes shall be cancelled forthwith. Any Certificates so surrendered for cancellation may not be reissued or resold and the obligations of the Issuer in respect of any such Notes shall be discharged.

(G) Conditions for Redemption and Purchase in Respect of the Notes

Notwithstanding any other provision in these Conditions, the Issuer shall not redeem any of the Notes (other than pursuant to Condition 9) and neither the Issuer nor any Restricted Person shall purchase any of the Notes unless the prior written consent of the Monetary Authority thereto shall have been obtained, to the extent such consent is required under the Banking Ordinance (Cap. 155) of Hong Kong or the Capital Regulations, or any successor legislation or regulations made thereunder, or any supervisory guidance issued by the Monetary Authority in relation thereto, in each case, as amended or suspended from time to time.

This provision shall not apply to the Issuer or any of its Subsidiaries holding the Notes in a purely nominee capacity.

For the purposes of these Conditions, “**Restricted Person**” means any affiliate of the Issuer over which the Issuer exercises control or significant influence (excluding any holding company of the Issuer).

7. Taxation

- (i) All payments of principal and interest by or on behalf of the Issuer in respect of the Notes shall be made free and clear of, and without withholding or deduction for, any taxes, duties, assessments or governmental charges of whatever nature imposed, levied, collected, withheld or assessed by or within Hong Kong or any authority therein or thereof having power to tax, unless such withholding or deduction is required by law. If the Issuer is required to make a deduction or withholding by or within Hong Kong, the Issuer shall pay such additional amounts (“**Additional Tax Amounts**”) as shall result in receipt by the Noteholders of such amounts as would have been received by them had no such withholding or deduction been required, except that no such additional amounts shall be payable with respect to any Note: *Other connection:* to, or to a third party on behalf of, a holder who is liable to such taxes, duties, assessments or governmental charges in respect of such Notes by reason of his having some connection with Hong Kong other than the mere holding of such Notes; or
- (ii) *Presentation more than 30 days after the Relevant Date:* presented (or in respect of which the Certificate representing it is presented) for payment more than 30 days after the Relevant Date except to the extent that the holder of it would have been entitled to such additional amounts on presenting it for payment on the thirtieth day.

As used in these Conditions, “**Relevant Date**” in respect of any Note means the date on which payment in respect of it first becomes due or (if any amount of the money payable is improperly withheld or refused) the date on which payment in full of the amount outstanding is made or (if earlier) the date seven days after that on which notice is duly given to the Noteholders that, upon further presentation of the Note (or the relevant Certificate) being made in accordance with these Conditions, such payment will be made, provided that payment is in fact made upon such presentation.

References in these Conditions to “**principal**” and/or “**interest**” shall be deemed to include any Additional Tax Amounts that may be payable under this Condition 7 or any undertaking given in addition to or in substitution for it under the Trust Deed.

Neither the Trustee nor any Agent shall in any event be responsible for paying any tax, duty, charges, withholding or other payment referred to in this Condition 7 or for determining whether such amounts are payable or the amount thereof, and shall not be responsible or liable for any failure by the Issuer or the Noteholders or any other person to pay such tax, duty, charges, withholding or other payment in any jurisdiction or be responsible to provide any notice or information in relation to the Notes in connection with payment of such tax, duty, charges, withholding or other payment imposed by or in any jurisdiction.

8. Prescription

Claims against the Issuer for payment in respect of the Notes shall be prescribed and will become void unless made within a period of 10 years (in the case of principal) or five years (in the case of interest) from the Relevant Date (as defined in Condition 7).

9. Events of Default and Enforcement

(A) *Events of Default and Winding-Up Proceedings*

- (i) If default is made in the payment of any amount of principal or interest in respect of the Notes on the due date for payment thereof and such failure continues for a period of (I) seven days in the case of principal or (II) 14 days in the case of interest (each, an “*Event of Default*”) then in order to enforce the obligations of the Issuer, the Trustee at its sole discretion may and, if so requested in writing by holders of at least 25 per cent. in principal amount of the outstanding Notes or if so directed by an Extraordinary Resolution (as defined in the Trust Deed), shall (subject to the Trustee in any such case having been indemnified and/or provided with security and/or pre-funded to its satisfaction) institute a Winding-Up Proceeding against the Issuer.
- (ii) If an order is made or an effective resolution is passed for the Winding-Up of the Issuer (whether or not an Event of Default has occurred and is continuing) then the Trustee at its sole discretion may and, if so requested in writing by holders of at least 25 per cent. in principal amount of the outstanding Notes or if so directed by an Extraordinary Resolution, shall (subject to the Trustee in any such case having been indemnified and/or provided with security and/or pre-funded to its satisfaction) give written notice to the Issuer declaring the Notes to be immediately due and payable, whereupon they shall become immediately due and payable at their outstanding principal amount together with interest accrued to (but excluding) the date of actual payment, subject to adjustments following the occurrence of a Non-Viability Event in accordance with Condition 4(B), without further action or formality.

In these Conditions,

“**Winding-Up Proceedings**” means, with respect to the Issuer, proceedings in the jurisdiction of incorporation of the Issuer for the liquidation, winding-up, or similar proceedings in respect of the Issuer.

(B) *Enforcement*

- (i) Without prejudice to Condition 9(A), the Trustee may subject as provided below, at its discretion and without further notice, take such steps and/or actions and/or institute such proceedings against the Issuer if the Issuer fails to perform, observe or comply with any obligation, condition or provision relating to the Notes binding on it under these Conditions or the Trust Deed (other than any obligation of the Issuer for the payment of any principal or interest in respect of the Notes), *provided that* the Issuer shall not as a consequence of such steps, actions or proceedings be obliged to pay any sum or sums representing or measured by reference to principal or interest in respect of the Notes sooner than the same would otherwise have been payable by it.
- (ii) The Trustee shall not be bound to take action as referred to in Conditions 9(A) and 9(B)(i) or any other action under these Conditions or the Trust Deed unless (a) it shall have been so requested in writing by Noteholders holding at least 25 per cent. in principal amount of the Notes then outstanding or if so directed by an Extraordinary Resolution of the Noteholders and (b) it shall have been indemnified and/or secured and/or pre-funded to its satisfaction.
- (iii) No Noteholder shall be entitled to proceed directly against the Issuer unless the Trustee, having become bound so to proceed, fails to do so within a reasonable period and such failure is continuing.

- (iv) Subject to applicable laws, no remedy (including the exercise of any right of set-off or analogous event) other than those provided for in Condition 9(A) and Conditions 9(B)(i) and 9(B)(ii) above or submitting a claim in the Winding-Up of the Issuer will be available to the Trustee or the Noteholders.
- (v) No Noteholder shall be entitled either to institute proceedings for the Winding-Up of the Issuer or to submit a claim in such Winding-Up, except that if the Trustee, having become bound to institute such proceedings as aforesaid, fails to do so, or, being able and bound to submit a claim in such Winding-Up, fails to do so, in each case within a reasonable period and such failure is continuing, then any such Noteholder may, on giving an indemnity and/or security and/or pre-funding satisfactory to the Trustee in its discretion, in the name of the Trustee (but not otherwise), himself institute Winding-Up Proceedings and/or submit a claim in the Winding-Up of the Issuer to the same extent (but not further or otherwise) that the Trustee would have been entitled to do.

10. Meetings of Noteholders, Modifications and Consolidations

(A) *Meetings of Noteholders*

The Trust Deed contains provisions for convening meetings of Noteholders to consider any matter affecting their interests, including the sanctioning by Extraordinary Resolution (as defined in the Trust Deed) of a modification of any of these Conditions or any provisions of the Trust Deed or the Agency Agreement. Such a meeting may be convened by the Issuer or the Trustee and shall be convened by the Trustee if requested in writing to do so by Noteholders holding not less than 10 per cent. in principal amount of the Notes for the time being outstanding and subject to the Trustee being indemnified and/or secured and/or pre-funded to its satisfaction against all costs and expenses. The quorum for any meeting convened to consider an Extraordinary Resolution shall be two or more persons present holding or representing more than 50 per cent. in principal amount of the Notes for the time being outstanding, or at any adjourned meeting two or more persons present being or representing Noteholders whatever the principal amount of the Notes held or represented, unless the business of such meeting includes consideration of proposals, *inter alia*, (i) to amend the dates of maturity or redemption of the Notes or any date for payment of interest on the Notes, (ii) to reduce or cancel the principal amount of, or any premium payable on redemption of, the Notes, (iii) to reduce the rate or rates of interest in respect of the Notes or to vary the method or basis of calculating the rate or rates or amount of interest or the basis for calculating any interest in respect of the Notes, (iv) to vary any method of, or basis for, calculating the relevant redemption amount, (v) to vary the currency or currencies of payment or denomination of the Notes, (vi) to amend the subordination or loss absorption provisions or (vii) to modify the provisions concerning the quorum required at any meeting of Noteholders or the majority required to pass an Extraordinary Resolution, in which case the necessary quorum shall be two or more persons holding or representing not less than two-thirds, or at any adjourned meeting not less than one-third in principal amount of the Notes for the time being outstanding. Any Extraordinary Resolution duly passed shall be binding on the Noteholders (whether or not they were present at the meeting at which such resolution was passed).

The Trust Deed provides that a resolution passed (i) at a meeting duly convened and held in accordance with the Trust Deed by a majority consisting of not less than two-thirds of the votes cast on such resolution, (ii) in writing signed by or on behalf of the Noteholders of not less than 90 per cent. in principal amount of the Notes for the time being outstanding and who are entitled to receive notice of a meeting of the Noteholders pursuant to the Trust Deed or (iii) consent given by way of electronic consents through the relevant clearing system(s) (in a form satisfactory to the Trustee) by or on behalf of the holders of not less

than three-fourths in principal amount of the Notes for the time being outstanding, shall, in each case, shall for all purposes be as valid and effective as an Extraordinary Resolution passed at a meeting of Noteholders duly convened and held. Such a resolution in writing may be contained in one document or several documents in the same form, each signed by or on behalf of one or more Noteholders.

(B) *Modifications and Waivers*

The Trustee may (but shall not be obliged to) agree, without the consent of the Noteholders, to (a) any modification of any of the provisions of the Trust Deed or these Conditions that is of a formal, minor or technical nature or is made to correct a manifest error or to comply with any mandatory provision of law, and (b) any other modification (except as mentioned in the Trust Deed), and any waiver or authorisation of any breach or proposed breach, of any of the provisions of the Trust Deed and/or these Conditions that is in the opinion of the Trustee not materially prejudicial to the interests of the Noteholders. Any such modification, authorisation or waiver shall be binding on the Noteholders, and unless the Trustee otherwise agrees, such modification, authorisation or waiver shall be notified by the Issuer to the Noteholders as soon as practicable in accordance with Condition 11.

(C) *Entitlement of the Trustee*

In connection with the exercise of its functions, powers, rights and discretions (including but not limited to those referred to in this Condition 10), the Trustee shall have regard to the interests of the Noteholders as a class and shall not have regard to the consequences of such exercise for individual Noteholders and the Trustee, acting for and on behalf of Noteholders, shall not be entitled to require, nor shall any Noteholder be entitled to claim, from the Issuer or the Trustee any indemnification or payment in each case in respect of any tax consequence of any such exercise upon individual Noteholders.

(D) *Consolidation, Merger and Sale of Assets*

The Issuer shall not consolidate with or merge into any other company or entity, and the Issuer may not, directly or indirectly, sell, convey, transfer or lease all or substantially all of its properties and assets to any company or other entity unless:

- (i) the company or other entity formed by or surviving such consolidation or merger or the person, company or other entity which acquires by conveyance or transfer, or which leases, all or substantially all of the properties and assets of the Issuer shall expressly assume by way of supplemental trust deed the due and punctual payment of the principal of, and interest on, the Notes and the performance of the Notes, the Trust Deed and the Agency Agreement on the part of the Issuer to be performed or observed;
- (ii) immediately after giving effect to such transaction, no Event of Default with respect to the Notes, and no event, which after notice or lapse of time, or both, would become an Event of Default with respect to the Notes, shall have happened and be continuing;
- (iii) the Issuer has delivered to the Trustee (in form and substance satisfactory to the Trustee) (i) a certificate signed by one Director of the Issuer and (ii) an opinion of independent legal advisers of recognised standing (acceptable to the Trustee) stating that such consolidation, merger, conveyance, transfer or lease and any such supplemental trust deed comply with this Condition 10(D)(iii) and that all conditions precedent relating to such transaction have been complied with; and

- (iv) immediately after giving effect to such consolidation, amalgamation or merger of the Issuer, no internationally recognised rating agency has in respect of the Notes, issued any notice downgrading its credit rating for such Notes or indicating that it intends to downgrade its credit rating for such Notes, in each case as a result of such consolidation, amalgamation or merger.

11. Notices

Notices to the holders of the Notes shall be mailed to them by uninsured mail (at the cost of the Issuer) at their respective addresses in the Register and deemed to have been given on the fourth weekday (being a day other than a Saturday or a Sunday) after the date of mailing and, so long as the Notes are listed on a stock exchange or admitted to trading by another relevant authority and the rules of that exchange or a relevant authority so require, published in a daily newspaper having general circulation in the place or places or such other manner as required by those rules. If any such publication is not practicable, notice shall be validly given if published in another leading daily English language newspaper with general circulation in Asia. Any such notice shall be deemed to have been given on the date of such publication or, if published more than once or on different dates, on the first date on which publication is made, as provided above.

So long as the Notes are represented by a Global Certificate and such Global Certificate is held on behalf of Euroclear or Clearstream or any other clearing system, notices to the holders of the Notes may be given by delivery of the relevant notice to that clearing system for communication by it to entitled accountholders in substitution for publication as required by the Conditions.

12. Indemnification of the Trustee

The Trust Deed contains provisions for the indemnification of the Trustee and for its relief from responsibility, including without limitation provisions relieving it from taking steps, actions or proceedings to enforce payment or taking other actions unless first indemnified and/or secured and/or pre-funded to its satisfaction.

The Trustee, the Agents and its respective affiliates are entitled (i) to enter into business transactions with the Issuer and/or any related entity and to act as trustee for the holders of any other securities issued by, or relating to, the Issuer and any entity related to the Issuer, (ii) to exercise and enforce its rights, comply with its obligations and perform its duties under or in relation to any such transactions or, as the case may be, any such trusteeship without regard to the interests of, or consequences for, the Noteholders and (iii) to retain and not be liable to account for any profit made or any other amount or benefit received thereby or in connection therewith.

The Trustee and the Agents may rely conclusively, and may act or refrain from acting, in each case, without liability to Noteholders, the Issuer or any other person on any report, confirmation or certificate or any advice or opinion of any legal counsel, accountants, financial advisers, financial institution or any other expert, whether or not obtained by or addressed to it and whether their liability in relation thereto is limited (by its terms or by any engagement letter relating thereto entered into by the Trustee or in any other manner) by reference to a monetary cap, methodology or otherwise. The Trustee and the Agents may accept and shall be entitled to conclusively rely on any such report, confirmation, certificate, advice or opinion, in which event such report, confirmation, certificate, advice or opinion shall be binding on the Issuer and the Noteholders. The Trustee and the Agents shall not be responsible or liable to the Issuer, the Noteholders or any other person for any loss occasioned by acting on or refraining from acting on any such report, information, confirmation, certificate, opinion or advice.

Neither the Trustee nor any of the Agents shall have any duty or obligation to monitor compliance with the provisions of the Trust Deed, the Agency Agreement or these Conditions or to monitor whether an Event of Default, Withholding Tax Event, Tax Deduction Event, Non-Viability Event or Capital Event has occurred, and shall not be responsible or liable to the Issuer, the Noteholders or any other person for not doing so.

Each Noteholder shall be solely responsible for making and continuing to make its own independent appraisal and investigation into the financial condition, creditworthiness, condition, affairs, status and nature of the Issuer and its Subsidiaries, and the Trustee shall not at any time have any responsibility or liability for the same and each Noteholder shall not rely on the Trustee in respect thereof.

13. Replacement of Certificates

If a Certificate is lost, stolen, mutilated, defaced or destroyed, it may be replaced, subject to applicable laws, regulations and stock exchange or other relevant authority regulations, at the specified office of the Principal Paying Agent and of the Registrar, in each case on payment by the claimant of the fees and costs incurred in connection therewith and on such terms as to evidence, security and indemnity (which may provide, *inter alia*, that if the allegedly lost, stolen or destroyed Certificate is subsequently presented for payment, there shall be paid to the Issuer on demand the amount payable by the Issuer in respect of such Certificates) and otherwise as the Issuer may require. Mutilated or defaced Certificates must be surrendered before replacements will be issued.

14. Notification to NDRC

The Issuer undertakes to (i) file or cause to be filed with the National Development and Reform Commission of the PRC (the “**NDRC**”) the requisite information and documents in connection with the Notes within 10 Registration Business Days after the Issue Date in accordance with the NDRC Administrative Measures; and (ii) file or cause to be filed with the NDRC other requisite information and documents in connection with the Notes from time to time within the relevant prescribed timeframes in accordance with the NDRC Administrative Measures (together with (i) above, the “**NDRC Post-issue Filings**”).

The Issuer shall complete the NDRC Post-issue Filings within the relevant prescribed timeframes and shall comply with all applicable PRC laws and regulations in connection with the Notes (including without limitation the NDRC Administrative Measures) and shall within five Registration Business Days after submission of the NDRC Post-issue Filing with respect to (i) above provide the Trustee with (i) a certificate in English signed by any one Director confirming the submission of such NDRC Post-issue Filing and (ii) copies of the relevant documents evidencing such NDRC Post-issue Filing. The Trustee shall have no duty to monitor or ensure the completion of or on-going compliance with the NDRC Post-issue Filings on or before the deadline referred to above or to verify the accuracy, validity and/or genuineness of any documents in relation to or in connection with the NDRC Post-issue Filings or any translation or certification thereof or to give notice to the Noteholders confirming the completion of or the on-going compliance with the NDRC Post-issue Filings, and shall not be liable to any Noteholder or any other persons for any of the foregoing and for not doing so.

For the purposes of this Condition 14:

“**NDRC Administrative Measures**” means the Administrative Measures for Examination and Registration of Medium- and Long-term Foreign Debt of Enterprises (企業中長期外債審核登記管理辦法(國家發展和改革委員會令第56號)) issued by the NDRC on 5 January 2023 and effective on 10 February 2023 and any implementation rules, regulations, certificates, circulars, notices or policies thereof as issued by the NDRC from time to time;

“**PRC**” means the People’s Republic of China (for the purposes of this Condition 14, excludes Hong Kong, the Macau Special Administrative Region and Taiwan); and

“**Registration Business Day**” means a day (other than a Saturday or Sunday) on which commercial banks and foreign exchange markets are open for general business in Beijing.

15. Contracts (Rights of Third Parties) Act 1999

No person shall have any right to enforce any term or condition of the Notes under the Contracts (Rights of Third Parties) Act 1999, but this shall not affect any rights or remedies which exist or are available apart from such Act.

16. Governing Law and Submission to Jurisdiction

(A) Governing Law

The Notes and any non-contractual obligations arising out of or in connection with the Notes are governed by, and shall be construed in accordance with, English law, save that the subordination provisions set out in Condition 3(B) shall be governed by, and construed in accordance with, the laws of Hong Kong.

(B) Submission to Jurisdiction

- (i) Subject to Condition 16(B)(iii) below, the English courts are to have jurisdiction to settle any disputes, claims, difference or controversy that may arise out of, in relation to or in connection with the Trust Deed, the Agency Agreement, the Notes, including any dispute as to their existence, validity, interpretation, performance, breach or termination or the consequences of their nullity and any dispute relating to any non-contractual obligations arising out of or in connection with them (a “**Dispute**”) and each of the Issuer, the Trustee, the Agents and any Noteholder in relation to any Dispute, submits to the jurisdiction of the English courts.
- (ii) For the purposes of this Condition, the Issuer waives any objection to the English courts on the grounds that they are an inconvenient or inappropriate forum to settle any Dispute.
- (iii) To the extent allowed by law, the Trustee, the Agents and the Noteholders may, in respect of any Dispute or Disputes, take (i) proceedings in any other court with jurisdiction and (ii) concurrent proceedings in any number of jurisdictions.

(C) Appointment of Process Agent

The Issuer has irrevocably appointed Cogency Global (UK) Limited at its registered office for the time being in England, currently at 6 Lloyds Avenue, Unit 4CL, London EC3N 3AX as its agent for service of process in any proceedings before the English courts in relation to any Disputes, and agrees that, in the event of such agent being unable or unwilling for any reason so to act, it will forthwith appoint another person as its agent for service of process in England in respect of any Dispute and will notify the Trustee and the Noteholders in accordance with Condition 11 of such appointment. Nothing herein shall affect the right to serve process in any other manner permitted by law.

THE GLOBAL CERTIFICATE

The Global Certificate contains the following provisions which apply to the Notes whilst they are represented by the Global Certificate, some of which modify the effect of the Conditions. Terms defined in the Conditions have the same meaning in paragraphs 1 to 6 below.

1. Accountholders

For so long as all of the Notes are represented by the Global Certificate and the Global Certificate is held on behalf of a clearing system, each person (other than another clearing system) who is for the time being shown in the records of Euroclear or Clearstream (as the case may be) as the holder of a particular aggregate principal amount of such Notes (each an “**Accountholder**”) (in which regard any certificate or other document issued by Euroclear or Clearstream (as the case may be) as to the aggregate principal amount of such Notes standing to the account of any person shall, in the absence of manifest error, be conclusive and binding for all purposes) shall be treated as the holder of such aggregate principal amount of such Notes (and the expression “**Noteholders**” and references to “**holding of Notes**” and to “**holder of Notes**” shall be construed accordingly) for all purposes other than with respect to payments on such Notes, the right to which shall be vested, as against the Issuer and the Trustee, solely in the nominee for the relevant clearing system or the common depository (the “**Relevant Nominee**”) in accordance with and subject to the terms of the Global Certificate and the Trust Deed. Each Accountholder must look solely to Euroclear or Clearstream, as the case may be, for its share of each payment made to the Relevant Nominee.

2. Cancellation

Cancellation of any Note following its redemption or purchase by the Issuer will be effected by reduction in the aggregate principal amount of the Notes in the register of Noteholders and by the annotation of the appropriate schedule to the Global Certificate.

3. Payments

Payments of principal and interest in respect of Notes represented by the Global Certificate will be made upon presentation or, if no further payment falls to be made in respect of the Notes, against presentation and surrender of the Global Certificate to or to the order of the Registrar or such other Agent as shall have been notified to the holder of the Global Certificate for such purpose.

Distributions of amounts with respect to book-entry interests in the Notes held through Euroclear or Clearstream will be credited, to the extent received by the Principal Paying Agent, to the cash accounts of Euroclear or Clearstream participants in accordance with the relevant system’s rules and procedures.

A record of each payment made will be endorsed on the appropriate schedule to the Global Certificate by or on behalf of the Registrar and shall be prima facie evidence that payment has been made.

4. Payment Record Date

Each payment in respect of the Global Certificate will be made to the person shown as the Noteholder in the register of Noteholders at the close of business (in the relevant clearing system) on the Clearing System Business Day before the due date for such payment (the “**Record Date**”) where “**Clearing System Business Day**” means a weekday (Monday to Friday, inclusive), except 25 December and 1 January).

5. Notices

Notwithstanding Condition 11 (Notices), so long as all the Notes are represented by the Global Certificate and the Global Certificate is held on behalf of a clearing system, notices to Noteholders may be given by delivery of the relevant notice to that clearing system for communication by it to entitled Accountholders in substitution for notification as required by the Conditions and shall be deemed to have been given at the time of delivery to the relevant clearing system(s). The Issuer shall also ensure that notices are duly given in a manner which complies with the rules and regulations of any stock exchange on which the Notes are for the time being listed.

6. Transfers

Transfers of book-entry interests in the Notes will be effected through the records of Euroclear and Clearstream and their respective participants in accordance with the rules and procedures of Euroclear and Clearstream and their respective direct and indirect participants.

TAXATION

The statements herein regarding taxation are based on the laws in force as at the date of this Offering Circular and are subject to any changes in law occurring after such date, which changes could be made on a retroactive basis. The following summary does not purport to be a comprehensive description of all of the tax considerations that may be relevant to a decision to purchase, own or dispose of the Notes and does not purport to deal with the tax consequences applicable to all categories of investors, some of which (such as dealers or certain professional investors) may be subject to special rules. Persons considering the purchase of the Notes should consult their own tax advisers concerning the application of tax laws to their particular situations as well as any consequences of the purchase, ownership and disposition of the Notes arising under the laws of any other taxing jurisdiction.

Hong Kong

Withholding Tax

No withholding tax is payable in Hong Kong in respect of payments of principal or interest on the Notes or in respect of any capital gains arising from the sale of the Notes.

Profits Tax

Hong Kong profits tax is chargeable on every person carrying on a trade, profession or business in Hong Kong in respect of profits arising in or derived from Hong Kong from such trade, profession or business (excluding profits arising from the sale of capital assets).

Interest on the Notes may be deemed to be profits arising in or derived from Hong Kong from a trade, profession or business carried on in Hong Kong in the following circumstances:

- (i) interest on the Notes is derived from Hong Kong and is received by or accrues to a corporation carrying on a trade, profession or business in Hong Kong; or
- (ii) interest on the Notes is derived from Hong Kong and is received by or accrues to a person (other than a corporation), carrying on a trade, profession or business in Hong Kong and is in respect of the funds of that trade, profession or business; or
- (iii) interest on the Notes is received by or accrues to a financial institution (as defined in the Inland Revenue Ordinance (Cap. 112) of Hong Kong (the “**Inland Revenue Ordinance**”)) and arises through or from the carrying on by the financial institution of its business in Hong Kong; or
- (iv) interest on the Notes is received by or accrues to a corporation, other than a financial institution, and arises through or from the carrying on in Hong Kong by the corporation of its intra-group financing business (within the meaning of section 16(3) of the Inland Revenue Ordinance).

Pursuant to the Exemption from Profits Tax (Interest Income) Order, interest income accruing to a person (other than a financial institution) on deposits (denominated in any currency and whether or not the deposit is evidenced by a certificate of deposit) placed with, inter alia, an authorised institution in Hong Kong (within the meaning of section 2 of the Banking Ordinance (Cap. 155) of Hong Kong) is exempt from the payment of Hong Kong profits tax. This exemption does not apply, however, to deposits that are used to secure or guarantee money borrowed in certain circumstances. Based on the definition of “deposit” in the Banking Ordinance (Cap. 155) of Hong Kong and provided no prospectus involving the issue of Notes is registered under the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Cap. 32) of Hong Kong, the issue of Notes by the Issuer is likely to constitute a deposit to which the above exemption from payment will apply.

Sums received by or accrued to a financial institution by way of gains or profits arising through or from the carrying on by the financial institution of its business in Hong Kong from the sale, disposal or redemption of Notes will be subject to Hong Kong profits tax. Sums received by or accrued to a corporation, other than a financial institution, by way of gains or profits arising through or from the carrying on in Hong Kong by the corporation of its intra-group financing business (within the meaning of section 16(3) of the Inland Revenue Ordinance) from the sale, disposal or other redemption of the Notes will be subject to Hong Kong profits tax.

Sums derived from the sale, disposal or redemption of Notes will be subject to Hong Kong profits tax where received by or accrued to a person, other than a financial institution, who carries on a trade, profession or business in Hong Kong and the sum has a Hong Kong source unless otherwise exempted. The source of such sums will generally be determined by having regard to the manner in which the Notes are acquired and disposed of.

In addition, with effect from 1 January 2024, pursuant to various foreign-sourced income exemption legislation in Hong Kong (the “**FSIE Amendments**”), certain specified foreign-sourced income (including interest, dividend, disposal gain or intellectual property income, in each case, arising in or derived from a territory outside Hong Kong) accrued to an MNE entity (as defined in the FSIE Amendments) carrying on a trade, profession or business in Hong Kong is regarded as arising in or derived from Hong Kong and subject to Hong Kong profits tax when it is received in Hong Kong. The FSIE Amendments also provide for relief against double taxation in respect of certain foreign-sourced income and transitional matters.

In certain circumstances, Hong Kong profits tax exemptions (such as concessionary tax rates) may be available. Investors are advised to consult their own tax advisors to ascertain the applicability of any exemptions to their individual position.

Stamp Duty

No Hong Kong stamp duty will be chargeable upon the issue or transfer of a Note.

Foreign Account Tax Compliance Act

Pursuant to certain provisions of the U.S. Internal Revenue Code of 1986, commonly known as FATCA, a “foreign financial institution” (as defined by FATCA) may be required to withhold on certain payments it makes (“**foreign passthru payments**”) to persons that fail to meet certain certification, reporting or related requirements. The issuer is a foreign financial institution for these purposes. A number of jurisdictions (including Hong Kong) have entered into, or have agreed in substance to, intergovernmental agreements with the United States to implement FATCA (“**IGAs**”), which modify the way in which FATCA applies in their jurisdictions. Under the provisions of IGAs as currently in effect, a foreign financial institution in an IGA jurisdiction would generally not be required to withhold under FATCA or an IGA from payments that it makes. Certain aspects of the application of the FATCA provisions and IGAs to instruments such as the Notes, including whether withholding would ever be required pursuant to FATCA or an IGA with respect to payments on instruments such as Notes, are uncertain and may be subject to change. Even if withholding would be required pursuant to FATCA or an IGA with respect to payments on instruments such as the Notes, such withholding would not apply prior to the date that is two years after the date on which final regulations defining “foreign passthru payments” are published in the U.S. Federal Register and the Notes characterised as debt (or which are not otherwise characterised as equity and have a fixed term) for U.S. federal tax purposes that are issued on or prior to the date that is six months after the date on which final regulations defining “foreign passthru payments” are filed with the U.S. Federal Register generally would be grandfathered for purposes of FATCA withholding unless materially modified after such date. Noteholders should consult their own tax advisers regarding how these rules may apply to their investment in the Notes.

SUBSCRIPTION AND SALE

Each of Nanyang Commercial Bank, Limited, BOCI Asia Limited, Merrill Lynch (Asia Pacific) Limited, Cinda International Capital Limited, China Securities (International) Corporate Finance Company Limited, CCB International Capital Limited, ABCI Capital Limited, BNP Paribas and BOCOM International Securities Limited (together, the “**Joint Global Coordinators**”), Australia and New Zealand Banking Group Limited, Bank of China (Hong Kong) Limited, The Bank of East Asia, Limited, Central China International Securities Co., Limited, China CITIC Bank International Limited, China Everbright Bank Co., Ltd., Hong Kong Branch, China International Capital Corporation Hong Kong Securities Limited, Citigroup Global Markets Limited, CLSA Limited, CMB International Capital Limited, CMB Wing Lung Bank Limited, CMBC Securities Company Limited, CNCB (Hong Kong) Capital Limited, Crédit Agricole Corporate and Investment Bank, DBS Bank Ltd., GF Securities (Hong Kong) Brokerage Limited, Guotai Junan Securities (Hong Kong) Limited, The Hongkong and Shanghai Banking Corporation Limited, ICBC International Securities Limited, Industrial Bank Co., Ltd. Hong Kong Branch, Mizuho Securities Asia Limited, SMBC Nikko Securities (Hong Kong) Limited, SPDB International Capital Limited, Standard Chartered Bank, and UBS AG Hong Kong Branch (together with the Joint Global Coordinators, the “**Joint Bookrunners**” and the “**Joint Lead Managers**”) has, pursuant to a subscription agreement dated 30 July 2024 (the “**Subscription Agreement**”), severally agreed with the Issuer, subject to the satisfaction of certain conditions, to subscribe for the principal amount of the Notes set out opposite its name below as its underwriting commitment. Each Joint Lead Manager’s underwriting commitment may not represent the amount of Notes actually subscribed by each Joint Lead Manager.

Joint Lead Manager	Underwriting Commitment
	<i>(U.S.\$)</i>
1. Nanyang Commercial Bank, Limited	122,000,000
2. BOCI Asia Limited	122,000,000
3. Merrill Lynch (Asia Pacific) Limited	122,000,000
4. Cinda International Capital Limited	122,000,000
5. CCB International Capital Limited	122,000,000
6. China Securities (International) Corporate Finance Company Limited	10,000,000
7. ABCI Capital Limited	10,000,000
8. BNP Paribas	10,000,000
9. BOCOM International Securities Limited	10,000,000
10. Australia and New Zealand Banking Group Limited	2,000,000
11. Bank of China (Hong Kong) Limited	2,000,000
12. The Bank of East Asia, Limited	2,000,000
13. Central China International Securities Co., Limited	2,000,000
14. China CITIC Bank International Limited	2,000,000
15. China Everbright Bank Co., Ltd., Hong Kong Branch	2,000,000
16. China International Capital Corporation Hong Kong Securities Limited	2,000,000
17. Citigroup Global Markets Limited	2,000,000
18. CLSA Limited	2,000,000
19. CMB International Capital Limited	2,000,000
20. CMB Wing Lung Bank Limited	2,000,000
21. CMBC Securities Company Limited	2,000,000
22. CNCB (Hong Kong) Capital Limited	2,000,000
23. Crédit Agricole Corporate and Investment Bank	2,000,000
24. DBS Bank Ltd.	2,000,000
25. GF Securities (Hong Kong) Brokerage Limited	2,000,000
26. Guotai Junan Securities (Hong Kong) Limited	2,000,000
27. The Hongkong and Shanghai Banking Corporation Limited	2,000,000
28. ICBC International Securities Limited	2,000,000

Joint Lead Manager	Underwriting Commitment
	<i>(U.S.\$)</i>
29. Industrial Bank Co., Ltd. Hong Kong Branch	2,000,000
30. Mizuho Securities Asia Limited.	2,000,000
31. SMBC Nikko Securities (Hong Kong) Limited	2,000,000
32. SPDB International Capital Limited.	2,000,000
33. Standard Chartered Bank	2,000,000
34. UBS AG Hong Kong Branch	<u>2,000,000</u>
TOTAL	<u><u>700,000,000</u></u>

The Issuer has agreed to pay to the Joint Lead Managers a management and underwriting commission in connection with their underwriting commitments in accordance with the Subscription Agreement. The Issuer has also agreed to indemnify the Joint Lead Managers against certain liabilities incurred in connection with the issue of the Notes. In addition, the Issuer has agreed to reimburse the Joint Lead Managers for certain of their expenses in connection with the issue of the Notes. The Subscription Agreement provides that the obligations of the Joint Lead Managers are subject to certain conditions precedent, and entitles the Joint Lead Managers to terminate the Subscription Agreement in certain circumstances at any time up to the time when subscription moneys have been received and the Notes issued.

The Issuer has agreed that, from the date of this Offering Circular until the date falling 30 calendar days after the Issue Date, it will ensure that no other international offering of foreign currency denominated debt instruments or debt securities (other than certificates of deposit and for the avoidance of doubt, any financial products offered in the ordinary course of its business by the Issuer to its customers) issued or guaranteed by the Issuer are either placed or syndicated, directly or on its behalf, in any manner which might, in the opinion of the Joint Lead Managers (following consultation with the Issuer, if practicable), have a detrimental effect on the successful placement of the Notes.

In connection with the issue of the Notes, any one of the Joint Lead Managers appointed as such (the “**Stabilisation Manager**”) or any person acting on behalf of the Stabilisation Manager may, to the extent permitted by applicable laws and directives, over allot the Notes or effect transactions with a view to supporting the price of the Notes at a level higher than that which might otherwise prevail, but in so doing, the Stabilisation Manager or any person acting on behalf of the Stabilisation Manager shall act as principal and not as agent of the Issuer. However, there is no assurance that the Stabilisation Manager or any person acting on behalf of the Stabilisation Manager will undertake stabilisation action. Any loss or profit sustained as a consequence of any such overallocation or stabilisation shall be for the account of the Joint Lead Managers.

If a jurisdiction requires that the offering of the Notes be made by a licensed broker or dealer and any of the Joint Lead Managers or any affiliate of the Joint Lead Managers is a licensed broker or dealer in that jurisdiction, the issue of the Notes shall be deemed to be made by such Joint Lead Manager or affiliate on behalf of the Issuer in such jurisdiction.

The Joint Lead Managers and certain of their affiliates, or affiliate of the Issuer may act as investors and place orders, receive allocations and trade the Notes and be allocated the Notes for asset management and/or proprietary purposes but not with a view to distribution, and such orders, allocations or trade of the Notes may be material. The Joint Lead Managers and their respective affiliates may also purchase the Notes for their own accounts in the secondary market or deal in any other securities of the Issuer, and therefore, they may offer to sell the Notes or other securities otherwise than in connection with the offering of the Notes. Accordingly, references herein to the offering of the Notes should be read as including any offering of the Notes to the Joint Lead Managers

and/or their respective affiliates, or affiliates of the Issuer as investors for their own account. Such entities are not expected to disclose such transactions or the extent of any such investment, otherwise than in accordance with any applicable legal or regulatory requirements. If such transactions occur, the trading price and liquidity of the Notes may be impacted.

Furthermore, it is possible that a significant proportion of the Notes may be initially allocated to, and subsequently held by, a limited number of investors. If this is the case, the trading price and liquidity of trading in the Notes may be constrained. The Issuer and the Joint Lead Managers are under no obligation to disclose the extent of the distribution of the Notes amongst individual investors, otherwise than in accordance with any applicable legal or regulatory requirements.

In the ordinary course of their various business activities, the Joint Lead Managers and their respective affiliates may make or hold (on their own account, on behalf of clients or in their capacity as investment advisers) a broad array of investments and actively traded debt and equity securities (or related derivative securities) and financial instruments (including bank loans) for their own account and for the accounts of their customers and may at any time hold long and short positions in such securities and instruments and enter into other transactions, including credit derivatives (such as asset swaps, repackaging and credit default swaps) in relation thereto. Such transactions, investments and securities activities may involve securities and instruments of the Issuer or its subsidiaries, associates or associated companies, including the Notes, may be entered into at the same time in the secondary market and be carried out with counterparties that are also purchasers, holders or sellers of the Notes and could adversely affect the trading price and liquidity of the Notes. The Joint Lead Managers and their affiliates may make investment recommendations and/or publish or express independent research views (positive or negative) in respect of the Notes or other financial instruments of the Issuer, and may recommend to their clients that they acquire long and/or short positions in the Notes or other financial instruments of the Issuer.

In addition, the Issuer has agreed with the Joint Lead Managers that it will pay a concession to certain private banks in connection with the distribution of the Notes to their clients. This concession will be based on the aggregate principal amount of the Notes so distributed.

Other Relationships

The Joint Lead Managers and their affiliates are full service financial institutions engaged in various activities which may include securities trading, commercial and investment banking, financial advice, investment management, principal investment, hedging, financing and brokerage activities. Each of the Joint Lead Managers and their affiliates may have engaged in, and may in the future engage in, investment banking and other commercial dealings in the ordinary course of business with the Issuer or its subsidiaries, jointly controlled entities or associates from time to time. They have received, and may in the future receive, customary fees and commissions for these transactions. In addition to the transactions noted above, the Joint Lead Managers and their affiliates may, from time to time, engage in other transactions with, and perform services for, the Issuer or its subsidiaries, jointly controlled entities or associates in the ordinary course of their business. In addition, the Joint Lead Managers and certain of their respective subsidiaries and affiliates may hold shares or other securities in the Issuer as beneficial owners, on behalf of clients or in the capacity of investment advisors.

Important Notice to CMIs (including private banks)

This notice to CMIs (including private banks) is a summary of certain obligations the SFC Code imposes on CMIs, which require the attention and cooperation of other CMIs (including private banks). Certain CMIs may also be acting as OCs for this offering and are subject to additional requirements under the SFC Code.

Prospective investors who are the directors, employees or major shareholders of the Issuer, a CMI or its group companies would be considered under the SFC Code as having an Association with the Issuer, the CMI or the relevant group company. CMIs should specifically disclose whether their

investor clients have any Association when submitting orders for the Notes. In addition, private banks should take all reasonable steps to identify whether their investor clients may have any Associations with the Issuer or any CMI (including its group companies) and inform the Joint Lead Managers accordingly.

CMIs are informed that the marketing and investor targeting strategy for this offering includes institutional investors, corporate professional investors, sovereign wealth funds, pension funds, hedge funds, family offices and high net worth individuals, in each case, subject to the selling restrictions set out elsewhere in this Offering Circular.

CMIs should ensure that orders placed are bona fide, are not inflated and do not constitute duplicated orders (i.e. two or more corresponding or identical orders placed via two or more CMIs). CMIs should enquire with their investor clients regarding any orders which appear unusual or irregular. CMIs should disclose the identities of all investors when submitting orders for the Notes (except for omnibus orders where underlying investor information may need to be provided to any OCs when submitting orders). Failure to provide underlying investor information for omnibus orders, where required to do so, may result in that order being rejected. CMIs should not place “X-orders” into the order book.

CMIs should segregate and clearly identify their own proprietary orders (and those of their group companies, including private banks as the case may be) in the order book and book messages.

CMIs (including private banks) should not offer any rebates to prospective investors or pass on any rebates provided by the Issuer. In addition, CMIs (including private banks) should not enter into arrangements which may result in prospective investors paying different prices for the Notes. CMIs are informed that a private bank rebate is payable as stated above.

The SFC Code requires that a CMI disclose complete and accurate information in a timely manner on the status of the order book and other relevant information it receives to targeted investors for them to make an informed decision. In order to do this, those Joint Lead Managers in control of the order book should consider disclosing order book updates to all CMIs.

When placing an order for the Notes, private banks should disclose, at the same time, if such order is placed other than on a “principal” basis (whereby it is deploying its own balance sheet for onward selling to investors). Private banks who do not provide such disclosure are hereby deemed to be placing their order on such a “principal” basis. Otherwise, such order may be considered to be an omnibus order pursuant to the SFC Code. Private banks should be aware that placing an order on a “principal” basis may require the relevant affiliated Joint Lead Manager(s) (if any) to categorise it as a proprietary order and apply the “proprietary orders” requirements of the SFC Code to such order and will result in that private bank not being entitled to, and not being paid, any rebate.

In relation to omnibus orders, when submitting such orders, CMIs (including private banks) that are subject to the SFC Code should disclose underlying investor information in respect of each order constituting the relevant omnibus order (failure to provide such information may result in that order being rejected).

Underlying investor information in relation to omnibus orders should consist of:

- The name of each underlying investor;
- A unique identification number for each investor;
- Whether an underlying investor has any “Associations” (as used in the SFC Code);
- Whether any underlying investor order is a “Proprietary Order” (as used in the SFC Code); and

- Whether any underlying investor order is a duplicate order.

Underlying investor information in relation to omnibus order should be sent to:
johnnylee@ncb.com.hk; jlee2866@bloomberg.net; lawrenceliao@ncb.com.hk;
jliao129@bloomberg.net; claireyin@ncb.com.hk; claireyin@bloomberg.net;
project.dragonfire2024@bocigroup.com; dcm@ccbintl.com; dcm@cinda.com.hk and
bofa_dcm_syndicate_pb_orders@bofa.com.

To the extent information being disclosed by CMI and investors is personal and/or confidential in nature, CMIs (including private banks) agree and warrant: (A) to take appropriate steps to safeguard the transmission of such information to any OCs; and (B) that they have obtained the necessary consents from the underlying investors to disclose such information to any OCs. By submitting an order and providing such information to any OCs, each CMI (including private banks) further warrants that they and the underlying investors have understood and consented to the collection, disclosure, use and transfer of such information by any OCs and/or any other third parties as may be required by the SFC Code, including to the Issuer, relevant regulators and/or any other third parties as may be required by the SFC Code, for the purpose of complying with the SFC Code, during the bookbuilding process for this offering. CMIs that receive such underlying investor information are reminded that such information should be used only for submitting orders in this offering. The Joint Lead Managers may be asked to demonstrate compliance with their obligations under the SFC Code, and may request other CMIs (including private banks) to provide evidence showing compliance with the obligations above (in particular, that the necessary consents have been obtained). In such event, other CMIs (including private banks) are required to provide the relevant Joint Lead Manager with such evidence within the timeline requested.

United States

The Notes have not been and will not be registered under the Securities Act and may not be offered, sold or delivered within the United States unless pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act.

Each Joint Lead Manager has represented, warranted and agreed that it has not offered, sold or delivered and will not offer, sell or deliver any Notes within the United States, and will only offer or sell any Notes outside of the United States in accordance with Rule 903 of Regulation S. Accordingly, neither it, its affiliates nor any persons acting on its behalf have engaged or will engage in any directed selling efforts with respect to the Notes. Terms used in this paragraph have the meanings given to them by Regulation S under the Securities Act.

United Kingdom

Each Joint Lead Manager has represented, warranted and agreed that:

- (1) it has only communicated or caused to be communicated and will only communicate or cause to be communicated an invitation or inducement to engage in investment activity (within the meaning of Section 21 of the FSMA) received by it in connection with the issue or sale of any Notes in circumstances in which Section 21(1) of the FSMA does not apply to the Issuer; and
- (2) it has complied and will comply with all applicable provisions of the FSMA with respect to anything done by it in relation to the Notes in, from or otherwise involving the United Kingdom.

Prohibition of Sales to UK Retail Investors

Each Joint Lead Manager has represented, warranted and agreed that it has not offered, sold or otherwise made available and will not offer, sell or otherwise make available any Notes which are the subject of the offering contemplated by this Offering Circular in relation thereto to any retail investor in the United Kingdom. For the purposes of this provision, the expression “**retail investor**” means a person who is one (or more) of the following:

- (1) a retail client, as defined in point (8) of Article 2 of Regulation (EU) No 2017/565 as it forms part of domestic law by virtue of the EUWA; or
- (2) a customer within the meaning of the provisions of the FSMA and any rules or regulations made under the FSMA to implement the Insurance Distribution Directive, where that customer would not qualify as a professional client, as defined in point (8) of Article 2(1) of Regulation (EU) No 600/2014 as it forms part of domestic law by virtue of the EUWA.

Prohibition of Sales to EEA Retail Investors

Each Joint Lead Manager has represented, warranted and agreed that it has not offered, sold or otherwise made available and will not offer, sell or otherwise make available any Notes which are the subject of the offering contemplated by this Offering Circular in relation thereto to any retail investor in the European Economic Area. For the purposes of this provision, the expression “**retail investor**” means a person who is one (or more) of the following:

- (1) a retail client as defined in point (11) of Article 4(1) of MiFID II; or
- (2) a customer within the meaning the Insurance Distribution Directive, where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of MiFID II.

Hong Kong

Each Joint Lead Manager has represented, warranted and agreed that:

- (1) it has not offered or sold and will not offer or sell in Hong Kong, by means of any document, any Notes other than (a) to “professional investors” as defined in the Securities and Futures Ordinance (Cap. 571) of Hong Kong (the “**SFO**”) and any rules made under the SFO; or (b) in other circumstances which do not result in the document being a “prospectus” as defined in the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Cap. 32) of Hong Kong (the “**C(WUMP)O**”) or which do not constitute an offer to the public within the meaning of the C(WUMP)O; and
- (2) it has not issued or had in its possession for the purposes of issue, and will not issue or have in its possession for the purposes of issue, whether in Hong Kong or elsewhere, any advertisement, invitation or document relating to the Notes, which is directed at, or the contents of which are likely to be accessed or read by, the public of Hong Kong (except if permitted to do so under the securities laws of Hong Kong) other than with respect to Notes which are or are intended to be disposed of only to persons outside Hong Kong or only to “professional investors” as defined in the SFO and any rules made under the SFO.

The PRC

Each Joint Lead Manager has represented, warranted and agreed that no Notes will be offered or sold in the PRC (for such purposes, not including Hong Kong, the Macau Special Administrative Region and Taiwan of the People's Republic of China) directly or indirectly, except in compliance with applicable laws and regulations. This Offering Circular does not constitute an offer to sell or the solicitation of an offer to buy any securities in the PRC to any person to whom it is unlawful or make the offer or solicitation in the PRC.

Singapore

Each Joint Lead Manager has acknowledged that this Offering Circular has not been registered as a prospectus with the Monetary Authority of Singapore. Accordingly, each Joint Lead Manager has represented, warranted and agreed that it has not offered or sold any Notes or caused the Notes to be made the subject of an invitation for subscription or purchase and will not offer or sell any Notes or cause the Notes to be made the subject of an invitation for subscription or purchase, and has not circulated or distributed, nor will it circulate or distribute, this Offering Circular or any other document or material in connection with the offer or sale, or invitation for subscription or purchase, of the Notes, whether directly or indirectly, to any person in Singapore other than (i) to an institutional investor (as defined in Section 4A of the Securities and Futures Act 2001 of Singapore, as modified or amended from time to time (the "SFA")) pursuant to Section 274 of the SFA, (ii) to an accredited investor (as defined in 4A of the SFA) pursuant to and in accordance with the conditions specified in Section 275 of the SFA,

Taiwan

Each Joint Lead Manager understands that the Notes have not been and will not be registered or filed with, or approved by, the Financial Supervisory Commission of Taiwan, the Republic of China ("**Taiwan**") and/or other regulatory authority pursuant to relevant securities laws and regulations and, accordingly, each Joint Lead Manager has represented and undertaken that it will not offer, issue or sell the Notes in Taiwan through a public offering or in circumstances which constitute an offer within the meaning of the Securities and Exchange Act of Taiwan or relevant laws and regulations that require a registration, filing or approval of the Financial Supervisory Commission and/or other regulatory authority of Taiwan. No person or entity in Taiwan has been authorised or will be authorised to offer or sell the Notes in Taiwan.

Japan

The Notes have not been and will not be registered under the Financial Instruments and Exchange Act of Japan (Act No. 25 of 1948, as amended) (the "**FIEA**") and each Joint Lead Manager has represented, warranted and agreed that it will not offer or sell any Notes, directly or indirectly, in Japan or to, or for the benefit of, any resident of Japan (as defined under Item 5, Paragraph 1, Article 6 of the Foreign Exchange and Foreign Trade Act (Act No. 228 of 1949, as amended)), or to others for re-offering or resale, directly or indirectly, in Japan or to, or for the benefit of, a resident of Japan, except pursuant to an exemption from the registration requirements of, and otherwise in compliance with, the FIEA and any other applicable laws, regulations and ministerial guidelines of Japan.

General

None of the Issuer or the Joint Lead Managers makes any representation that any action will be taken in any jurisdiction by the Joint Lead Managers or the Issuer that would permit a public offering of the Notes, or possession or distribution of this Offering Circular (in preliminary, proof or final form) or any other offering or publicity material relating to the Notes, in any country or jurisdiction where action for that purpose is required. The Issuer will not have any responsibility for, and the Joint Lead Managers will obtain any consent, approval or permission required by them for, the acquisition, offer, sale or delivery by them of Notes under the laws and regulations in force in any jurisdiction to which they are subject or in or from which they make any acquisition, offer, sale or delivery. The Joint Lead Managers are not authorised to make any representation or use any information in connection with the issue, subscription and sale of the Notes other than as contained in, or which is consistent with, the Offering Circular or any amendment or supplement to it.

GENERAL INFORMATION

1. **Clearing Systems:** The Notes have been accepted for clearance through Euroclear and Clearstream with the Common Code of 284254449. The International Securities Identification Number (“**ISIN**”) for the Notes is XS2842544491.
2. **Legal Entity Identifier:** The Legal Entity Identifier of the Issuer is SC4P6WZO702RYEIU7J93.
3. **Listing of Notes:** Application will be made to the SEHK for the listing of, and permission to deal in, the Notes. It is expected that dealing will, if permission is granted to deal in and for the listing of the Notes on the SEHK, commence on or about 7 August 2024.
4. **Litigation:** Neither the Issuer nor any other member of the Group is involved in any litigation or arbitration proceedings relating to claims or amounts which are material in the context of the issue of the Notes, nor is the Issuer or any other member of the Group aware that any such proceedings are pending or threatened.
5. **Authorisations:** The Issuer has obtained all necessary consents, approvals and authorisations as may be required in connection with the issue and performance of the Notes, including, but not limited to, approval by the Monetary Authority. The issue of the Notes was authorised by a resolution of the Board of Directors of the Issuer passed on 27 October 2023. Listing of the Notes on the SEHK is conditional upon satisfaction of the requirements of the SEHK, including execution of the Trust Deed and the Agency Agreement relating to the Notes.
6. **No Material Adverse Change:** Except as disclosed in this Offering Circular, there has been no change, or any development or event involving a prospective change, which is materially adverse to the condition (financial or otherwise), business, properties, prospects, results of operations or management of the Issuer or the Group since 31 December 2023.
7. **Available Documents:** For so long as any of the Notes is outstanding, copies of the Trust Deed and the Agency Agreement, each to be dated on or about 6 August 2024, may be made available to Noteholders following prior written request and satisfactory proof of holding and identity during normal business hours (being between 9:00a.m. and 3:00 p.m., (Hong Kong time) Monday to Friday, other than public holidays) by the Noteholders at the specified office of the Principal Paying Agent at 3/F, CCB Tower, 3 Connaught Road Central, Central, Hong Kong, provided the Trustee and/or the Principal Paying Agent has been supplied with the relevant documents by the Issuer.
8. **Auditors:** The audited consolidated financial statements of the Issuer as at and for the years ended 31 December 2022 and 2023 included in this Offering Circular have been audited by Ernst & Young and PricewaterhouseCoopers, respectively, as stated in the auditor’s reports appearing in this Offering Circular in relation to such consolidated financial statements.

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Note: References to page numbers in the Independent Auditor's Report on the audited consolidated financial statements refer to the original page numbers in the 2023 Annual Report of the Issuer which may be found at <http://www.ncb.com.hk>, and cross-references to page numbers included in the Independent Auditor's Report are to such original page numbering. Neither the 2023 Annual Report nor any other information on the issuer's website has been incorporated by reference into this Offering Circular.

獨立核數師報告

Independent Auditor's Report

致南洋商業銀行有限公司全體成員
(於香港註冊成立的有限公司)

意見

我們已審計的內容

南洋商業銀行有限公司(以下簡稱「貴銀行」)及其附屬公司(以下統稱「貴集團」)列載於第60至244頁的綜合財務報表,包括:

- 於2023年12月31日的綜合資產負債表;
- 截至該日止年度的綜合利潤表;
- 截至該日止年度的綜合全面收益表;
- 截至該日止年度的綜合權益變動表;
- 截至該日止年度的綜合現金流量表;及
- 綜合財務報表附註,包括重要會計政策資訊及其他解釋資訊。

我們的意見

我們認為,該等綜合財務報表已根據香港會計師公會頒布的《香港財務報告準則》真實而中肯地反映了貴集團於2023年12月31日的綜合財務狀況及其截至該日止年度的綜合財務表現及綜合現金流量,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布的《香港審計準則》進行審計。我們在該等準則下承擔的責任已在本報告「核數師就審計綜合財務報表承擔的責任」部分中作進一步闡述。

我們相信,我們所獲得的審計憑證能充足及適當地為我們的審計意見提供基礎。

獨立性

根據香港會計師公會頒布的《專業會計師道德守則》(以下簡稱「守則」),我們獨立於貴集團,並已履行守則中的其他專業道德責任。

To the members of Nanyang Commercial Bank, Limited
(Incorporated in Hong Kong with limited liability)

OPINION

What we have audited

The consolidated financial statements of Nanyang Commercial Bank, Limited (the "Bank") and its subsidiaries (the "Group"), which are set out on pages 60 to 244, comprise:

- the consolidated balance sheet as at 31 December 2023;
- the consolidated income statement for the year then ended;
- the consolidated statement of comprehensive income for the year then ended;
- the consolidated statement of changes in equity for the year then ended;
- the consolidated cash flow statement for the year then ended; and
- the notes to the consolidated financial statements, comprising material accounting policy information and other explanatory information.

Our opinion

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2023, and of its consolidated financial performance and its consolidated 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 ("HKSAs") issued by the HKICPA. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of the Group 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.

獨立核數師報告

Independent Auditor's Report

關鍵審計事項

關鍵審計事項是根據我們的專業判斷，認為對本期綜合財務報表的審計最為重要的事項。這些事項是在我們審計整體綜合財務報表及出具意見時進行處理的。我們不會對這些事項提供單獨的意見。

我們在審計中識別的關鍵審計事項是有關於客戶貸款的預期信用損失計量，概述如下：

關鍵審計事項	我們的審計如何處理關鍵審計事項
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客戶貸款的預期信用損失計量	
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請參閱財務報表附註2.14重要會計政策、附註3.1應用會計政策時之重大會計估計及判斷、附註4.1信貸風險及附註22貸款減值準備的披露。

我們瞭解並評估了管理層針對客戶貸款預期信用損失計量的內部控制及評估流程。

我們評估了重大錯報的固有風險，包括考慮估計的不確定程度和其他固有風險因素的水準，如所用估計模型的複雜性、重大管理層判斷和假設的主觀性，以及管理層偏向影響的敏感性。

於2023年12月31日，貴集團綜合資產負債表中的客戶貸款賬面價值為港幣2,934.07億元，客戶貸款的減值準備為港幣49.00億元。截至2023年12月31日止年度，貴集團綜合收益表中確認的客戶貸款減值準備損失為港幣32.41億元。

我們進行了以下的內部控制測試程序：

- 預期信用損失模型管理相關的內部控制，包括組合劃分、模型的選擇和關鍵參數更新的審批及應用；
- 對於信用風險顯著增加政策的評估和應用相關的內部控制；
- 模型所用關鍵數據相關的內部控制；
- 對於第三階段客戶貸款未來現金流的預測並計算其現值相關的內部控制。

貴集團客戶貸款減值運用的複雜模型與管理層判斷及估計的主要考慮如下：

- (1) 根據信用風險特徵對組合劃分，並選擇適當的模型和假設；包括前瞻性衡量中所使用的宏觀經濟因素、情境和權重的採用；

KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

The key audit matter identified in our audit is on the 'Measurement of expected credit loss ("ECL") for advances to customers' which is summarised as follows:

Key Audit Matter	How our audit addressed the Key Audit Matter
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Measurement of expected credit loss ("ECL") for advances to customers	
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Refer to material accounting policies in Note 2.14, critical accounting estimates and judgements in applying accounting policies in Note 3.1, and disclosures on credit risk and loan impairment allowances in Note 4.1 and 22 to the consolidated financial statements.

We understood and evaluated management's internal controls and assessment process for the measurement of ECL for advances to customers.

As at 31 December 2023, the carrying amount of advances to customers in the Group's consolidated balance sheet for the purpose of ECL assessment was HK\$293,407 million. An impairment allowance of HK\$4,900 million was made by management as at 31 December 2023. The impairment losses on advances to customers recognised in the Group's consolidated income statement for the year ended 31 December 2023 amounted to HK\$3,241 million.

We assessed the inherent risk of material misstatement by considering the degree of estimation uncertainty and level of other inherent risk factors such as the complexity of estimation models used, the subjectivity of significant management judgements and assumptions, and susceptibility to management bias.

The determination of the ECL for advances to customers involves complex models and significant management judgement and assumptions, mainly on:

We have performed the following test of internal controls:

- (1) Segmentation of portfolios based on credit risk characteristics, and selection of appropriate models and assumptions; including the macro-economic factors, scenarios and weightings used in the forward-looking measurement;

- we tested controls over the ECL model management, including monitoring of continued appropriateness of portfolio segmentation and selection of models, approval and application of key parameters and assumptions;
- we evaluated the policy and tested controls over the application of criteria to identify significant increases in credit risk;
- we tested controls over input of key data used by the ECL models;
- we tested controls over the estimated future cash flows and calculation of present values with respect to advances to customers classified as stage 3.

獨立核數師報告 Independent Auditor's Report

關鍵審計事項 (續)

關鍵審計事項 我們的審計如何處理關鍵審計事項

客戶貸款的預期信用損失計量 (續)

- (2) 預期信用損失階段劃分對信用風險顯著增加、違約或信用減損的判斷標準；
- (3) 對於已減值的第三階段客戶貸款的預計未來現金流量。

我們確定客戶貸款的預期信用損失計量為關鍵審計事項，是由於貴集團的客戶貸款的減值準備金額重大且計量具有高度的估計不確定性和固有風險，使用了複雜的模型，涉及重大管理層判斷和假設，並運用了大量的參數和數據。

在我們內部信用風險專家的協助下，我們評估了客戶貸款預期信用損失計量所用的模型、方法、重大判斷和假設，以及數據和關鍵參數。我們執行的實質性審計程式主要包括：

- 我們評估了組合劃分之恰當性，以及在考慮客戶貸款風險特徵、貴集團風險管理實踐的情況下，計量不同組合的預期信用損失所用模型之恰當性；
- 我們通過與第三方機構公开发佈的預測數據的比較以及其他的分析程序，包括對前瞻調整係數所用的權重執行敏感性分析，對管理層選取的宏觀經濟指標進行了評估；
- 我們抽樣測試了預期信用損失計算，檢查模型計算引擎是否符合貴集團的方法；
- 我們抽取貸款樣本，基於管理層已獲得的借款人的財務和非財務資訊以及管理層提供的其他外部證據，評估了管理層就信用風險顯著增加、識別違約和信用減值資產判斷的恰當性；

KEY AUDIT MATTERS (Cont'd)

Key Audit Matter How our audit addressed the Key Audit Matter

Measurement of expected credit loss ("ECL") for advances to customers (Cont'd)

- (2) criteria for determining whether or not there was a significant increase in credit risk, default or credit impaired in ECL staging;
- (3) estimated future cash flows for stage 3 advances to customers that are impaired.

We have identified the measurement of ECL for advances to customers as a key audit matter due to the material balance of the Group's impairment allowances for advances to customers and high inherent risk given the uncertainty of estimates, adoption of complex models, involvement of significant management judgements and assumptions and use of numerous parameters and data inputs in such measurement.

We involved our credit risk specialists in evaluating the methodologies and models for ECL measurement including key parameters and assumptions. The substantive audit procedures performed by us were mainly as follows:

- we assessed the appropriateness of portfolios segmentation and the models selected for the measurement of ECL in respect of different portfolios with consideration given to the risk characteristics of advances to customers and the Group's risk management practices;
- we evaluated management's selection of the forecasted macro-economic indicators by comparing with publicly available forecasts from third-party institutions and by performing other analysis, including sensitivity analysis on weightings used in the forward-looking measurements;
- we selected samples of ECL calculations and examined whether the model calculation engines are consistent with the Group's methodologies;
- on a sampling basis, we assessed the appropriateness of management's staging classifications and judgements used in determining significant increases in credit risk and identification of default or credit-impaired assets based on the borrower's financial and non-financial information and other external evidence provided by management;

獨立核數師報告 Independent Auditor's Report

關鍵審計事項 (續)

關鍵審計事項 我們的審計如何處理關鍵審計事項

客戶貸款的預期信用損失計量 (續)

- 在抽樣基礎上，我們對第三階段客戶貸款評估了關鍵管理層判斷和估計對預期信用損失計算的合理性，例如來自借款人的未來現金流量和抵押品估值以及用於支持預期信用損失計算的貼現率。

我們根據適用的會計準則，檢查並評估了財務報表披露中與預期信用損失計量相關的披露的適當性。

基於我們所執行的程式，已獲取的證據能夠支援管理層在評估客戶貸款的預期信用損失計量時所使用的模型、重大判斷和假設及相關數據和關鍵參數、組合劃分的判定標準和第三階段客戶貸款的未來現金流量的估計。

其他資訊

貴銀行董事須對其他資訊負責。其他資訊包括年報內的所有資訊，但不包括綜合財務報表及我們的核數師報告。

我們對綜合財務報表的意見並不涵蓋其他資訊，我們亦不對該等其他資訊發表任何形式的鑒證結論。

結合我們對綜合財務報表的審計，我們的責任是閱讀其他資訊，在此過程中，考慮其他資訊是否與綜合財務報表或我們在審計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，如果我們認為其他資訊存在重大錯誤陳述，我們需要報告該事實。在這方面，我們沒有任何報告。

KEY AUDIT MATTERS (Cont'd)

Key Audit Matter How our audit addressed the Key Audit Matter

Measurement of expected credit loss ("ECL") for advances to customers (Cont'd)

- on a sampling basis in Stage 3, we assessed the reasonableness of key management judgements and estimates to the ECL calculation such as future cash flows from borrowers and collateral valuations together with discount rates used to support the computation of ECL.

We checked and evaluated the appropriateness of the financial statement disclosures in relation to the measurement of ECL in the context of applicable accounting framework.

Based on the procedures performed, we considered that the significant judgements and assumptions made in deriving at the relevant data and parameters used in the ECL models; the determination criteria used for staging of advances to customers; and estimation of future cash flows for stage 3 advances to customers, were supported by available evidence.

OTHER INFORMATION

The directors of the Bank are responsible for the other information. The other information comprises all of the information included in the annual report other than the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated 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 consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated 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.

獨立核數師報告

Independent Auditor's Report

董事及治理層就綜合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布的《香港財務報告準則》及香港《公司條例》擬備真實而中肯的綜合財務報表，並對其認為為使綜合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。

在擬備綜合財務報表時，董事負責評估 貴集團持續經營的能力，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 貴集團清盤或停止經營，或別無其他實際的替代方案。

治理層須負責監督 貴集團的財務報告過程。

核數師就審計綜合財務報表承擔的責任

我們的目標，是對綜合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，並出具包括我們意見的核數師報告。我們僅按照香港《公司條例》第405條向 閣下（作為整體）報告我們的意見，除此之外本報告別無其他目的。我們不會就本報告的內容向任何其他人士負上或承擔任何責任。合理保證是高水準的保證，但不能保證按照《香港審計準則》進行的審計，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滙總起來可能影響綜合財務報表使用者依賴綜合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。

RESPONSIBILITIES OF DIRECTORS AND THOSE CHARGED WITH GOVERNANCE FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors of the Bank are responsible for the preparation of the consolidated 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 consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the directors are responsible for assessing the Group'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 Group or to cease operations, or have no realistic alternative but to do so.

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

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the consolidated 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. We report 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 consolidated financial statements.

獨立核數師報告

Independent Auditor's Report

核數師就審計綜合財務報表承擔的責任(續)

在根據《香港審計準則》進行審計的過程中，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綜合財務報表存在重大錯誤陳述的風險，設計及執行審計程式以應對這些風險，以及獲取充足和適當的審計憑證，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。
- 瞭解與審計相關的內部控制，以設計適當的審計程式，但目的並非對貴集團內部控制的有效性發表意見。
- 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。根據所獲取的審計憑證，確定是否存在與事項或情況有關的重大不確定性，從而可能導致對貴集團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綜合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計憑證。然而，未來事項或情況可能導致貴集團不能持續經營。
- 評價綜合財務報表的整體列報方式、結構和內容，包括披露，以及綜合財務報表是否中肯反映交易和事項。
- 就貴集團內實體或業務活動的財務資訊獲取充足、適當的審計憑證，以便對綜合財務報表發表意見。我們負責貴集團審計的方向、監督和執行。我們為審計意見承擔全部責任。

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

(Cont'd)

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

- Identify and assess the risks of material misstatement of the consolidated 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 Group's internal control.
- 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 Group'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 consolidated 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 Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

獨立核數師報告

Independent Auditor's Report

核數師就審計綜合財務報表承擔的責任(續)

除其他事項外，我們與治理層溝通了計劃的審計範圍、時間安排、重大審計發現等，包括我們在審計中識別出內部控制的任何重大缺陷。

我們還向治理層提交聲明，說明我們已符合有關獨立性的相關專業道德要求，並與他們溝通有可能合理地被認為會影響我們獨立性的所有關係和其他事項，以及在適用的情況下，用以消除對獨立性產生威脅的行動或採取的防範措施。

從與治理層溝通的事項中，我們確定哪些事項對本期綜合財務報表的審計最為重要，因而構成關鍵審計事項。我們在核數師報告中描述這些事項，除非法律法規不允許公開披露這些事項，或在極端罕見的情況下，如果合理預期在我們報告中溝通某事項造成的負面後果超過產生的公眾利益，我們決定不應在報告中溝通該事項。

出具本獨立核數師報告的審計項目合夥人是葉少寬。

羅兵咸永道會計師事務所
執業會計師

香港，2024年3月21日

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

(Cont'd)

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.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is Yip Siu Foon, Linda.

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, 21 March 2024

綜合收益表

Consolidated Income Statement

截至12月31日止年度 For the year ended 31 December

			2023 港幣千元 HK\$'000	2022 港幣千元 HK\$'000
	附註 Notes			
利息收入	Interest income		21,765,336	14,531,133
利息支出	Interest expense		(13,763,809)	(7,359,109)
淨利息收入	Net interest income	6	8,001,527	7,172,024
服務費及佣金收入	Fee and commission income		1,433,236	1,379,583
服務費及佣金支出	Fee and commission expense		(79,634)	(79,262)
淨服務費及佣金收入	Net fee and commission income	7	1,353,602	1,300,321
淨交易性收益	Net trading gain	8	436,253	270,139
以公允值變化計入損益之 金融工具淨收益	Net gain on financial instruments at fair value through profit or loss		380,843	607,645
其他金融資產之淨收益	Net gain on other financial assets	9	324,860	260,754
其他經營收入	Other operating income	10	16,517	39,105
提取減值準備前之淨經營收入	Net operating income before impairment allowances		10,513,602	9,649,988
減值準備淨撥備	Net charge of impairment allowances	11	(3,141,951)	(1,684,557)
淨經營收入	Net operating income		7,371,651	7,965,431
經營支出	Operating expenses	12	(3,660,691)	(3,489,617)
經營溢利	Operating profit		3,710,960	4,475,814
投資物業公允值調整之淨虧損	Net loss from fair value adjustments on investment properties	13	(9,040)	(6,920)
出售／重估物業、器材及 設備之淨虧損	Net loss from disposal/revaluation of properties, plant and equipment	14	(8,727)	(24,411)
除稅前溢利	Profit before taxation		3,693,193	4,444,483
稅項	Taxation	15	(250,744)	(536,169)
年度溢利	Profit for the year		3,442,449	3,908,314
股息	Dividends	16	-	-

第67至244頁之附註屬本綜合財務報表之組成部分。

The notes on pages 67 to 244 are an integral part of these consolidated financial statements.

綜合全面收益表

Consolidated Statement of Comprehensive Income

截至12月31日止年度 For the year ended 31 December

		2023 港幣千元 HK\$'000	2022 港幣千元 HK\$'000
年度溢利	Profit for the year	3,442,449	3,908,314
其後不可重新分類至收益表內的項目：	Items that will not be reclassified subsequently to income statement:		
公允價值變化計入其他全面收益之股份工具：	Equity instruments at fair value through other comprehensive income:		
公允價值變化計入其他全面收益之股份工具的公允價值變化	Change in fair value of equity instruments at fair value through other comprehensive income	3,762	(28,089)
房產：	Premises:		
房產重估	Revaluation of premises	(45,485)	(92,207)
遞延稅項	Deferred tax	14,027	81,829
		(31,458)	(10,378)
界定利益福利計劃：	Defined benefit plan:		
重新計量精算盈餘	Actuarial gain on remeasurement	15,805	48,650
遞延稅項	Deferred tax	(2,608)	(8,027)
		13,197	40,623
		(14,499)	2,156
其後可重新分類至收益表內的項目：	Items that may be reclassified subsequently to income statement:		
公允價值變化計入其他全面收益的債務工具：	Debt instruments at fair value through other comprehensive income:		
公允價值變化計入其他全面收益的債務工具之公允價值變化	Change in fair value of debt instruments at fair value through other comprehensive income	1,500,641	(1,947,058)
預計信用損失之減值變化	Changes in allowance for expected credit losses	(203,942)	3,360
因處置公允價值變化計入其他全面收益的債務工具之轉撥重新分類至收益表	Release upon disposal of debt instruments at fair value through other comprehensive income reclassified to income statement	(326,527)	(259,527)
遞延稅項	Deferred tax	(157,922)	377,558
		812,250	(1,825,667)
淨投資對沖下對沖工具之公允價值變化	Change in fair value of hedging instruments under net investment hedges	41,769	189,033
貨幣換算差額	Currency translation difference	(389,114)	(1,695,940)
		464,905	(3,332,574)
年度除稅後其他全面收益	Other comprehensive income for the year, net of tax	450,406	(3,330,418)
年度全面收益總額	Total comprehensive income for the year	3,892,855	577,896

第67至244頁之附註屬本綜合財務報表之組成部分。

The notes on pages 67 to 244 are an integral part of these consolidated financial statements.

綜合資產負債表

Consolidated Balance Sheet

於12月31日 As at 31 December

		附註 Notes	2023 港幣千元 HK\$'000	2022 港幣千元 HK\$'000 (經重列， 附註26) (Restated, Note 26)
資產	ASSETS			
庫存現金及存放銀行及 其他金融機構的結餘	Cash and balances with banks and other financial institutions	19	53,833,393	62,413,355
在銀行及其他金融機構一至 十二個月內到期之定期存放	Placements with banks and other financial institutions maturing between one and twelve months	19	2,273,269	4,601,418
公允值變化計入損益之 金融資產	Financial assets at fair value through profit or loss	20	15,838,110	18,613,952
衍生金融工具	Derivative financial instruments	21	1,039,044	1,884,945
貸款及其他賬項	Advances and other accounts	22	293,904,736	290,467,189
金融投資	Financial investments	23	174,186,800	151,195,360
投資物業	Investment properties	24	407,600	559,140
物業、器材及設備	Properties, plant and equipment	25	9,071,270	9,089,246
無形資產	Intangible assets	26	843,464	619,709
應收稅項資產	Current tax assets		-	63,128
遞延稅項資產	Deferred tax assets	32	551,106	327,947
其他資產	Other assets	27	3,199,805	1,841,649
資產總額	Total assets		555,148,597	541,677,038
負債	LIABILITIES			
銀行及其他金融機構之 存款及結餘	Deposits and balances from banks and other financial institutions		35,581,892	44,923,135
公允值變化計入損益之 金融負債	Financial liabilities at fair value through profit or loss	28	5,784,773	7,119,358
衍生金融工具	Derivative financial instruments	21	1,349,761	1,112,781
客戶存款	Deposits from customers	29	394,389,863	365,462,464
已發行債務證券及存款證	Debt securities and certificates of deposit in issue	30	28,719,835	35,422,412
其他賬項及準備	Other accounts and provisions	31	14,622,905	19,285,943
應付稅項負債	Current tax liabilities		704,069	359,983
遞延稅項負債	Deferred tax liabilities	32	536,314	364,108
後償負債	Subordinated liabilities	33	5,468,028	5,455,215
負債總額	Total liabilities		487,157,440	479,505,399

綜合資產負債表

Consolidated Balance Sheet

於12月31日 As at 31 December

		附註 Notes	2023 港幣千元 HK\$'000	2022 港幣千元 HK\$'000 (經重列， 附註26) (Restated, Note 26)
資本	EQUITY			
股本	Share capital	34	3,144,517	3,144,517
儲備	Reserves		57,424,614	53,949,266
本銀行股東應佔資本總額	Total equity attributable to equity holder of the Bank		60,569,131	57,093,783
額外資本工具	Additional equity instruments	35	7,422,026	5,077,856
資本總額	Total equity		67,991,157	62,171,639
負債及資本總額	Total liabilities and equity		555,148,597	541,677,038

第67至244頁之附註屬本綜合財務報表之組成部分。

The notes on pages 67 to 244 an integral part of these consolidated financial statements.

經董事會於2024年3月21日通過核准並由以下人士代表簽署：

Approved by the Board of Directors on 21 March 2024 and signed on behalf of the Board by:

孫建東
董事

鄭建崗
董事

Sun Jiandong
Director

Cheng Kin Kong
Director

綜合權益變動表

Consolidated Statement of Changes in Equity

		儲備								
		Reserves								
		公允價值								
		變化計入其他								
		全面收益儲備								
		房產								
		重估儲備								
		Reserve for								
		fair value								
		through other								
		comprehensive								
		income								
		監管儲備*								
		Regulatory								
		reserve*								
		換算儲備								
		Translation								
		reserve								
		留存盈利								
		Retained								
		earnings								
		總計								
		Total								
		港幣千元								
		HK\$'000								
		港幣千元								
		HK\$'000								
於2022年1月1日	At 1 January 2022	3,144,517	9,314,890	605	6,461,691	506,703	2,636,044	992,661	43,276,813	66,333,924
年度溢利	Profit for the year	-	-	-	-	-	-	-	3,908,314	3,908,314
其他全面收益：	Other comprehensive income:									
房產	Premises	-	-	-	(10,378)	-	-	-	-	(10,378)
界定利益福利計劃之精算盈餘	Actuarial gains on defined benefit plan	-	-	-	-	-	-	-	40,623	40,623
公允價值變化計入其他全面收益之金融工具	Financial instruments at fair value through other comprehensive income	-	-	-	-	(1,853,756)	-	-	-	(1,853,756)
淨投資對沖下對沖工具之公允價值變化	Change in fair value of hedging instruments under net investment hedges	-	-	-	-	-	-	189,033	-	189,033
貨幣換算差額	Currency translation difference	-	-	-	(33,185)	(14,440)	-	(1,648,315)	-	(1,695,940)
全面收益總額	Total comprehensive income	-	-	-	(43,563)	(1,868,196)	-	(1,459,282)	3,948,937	577,896
因房產出售之轉撥	Release upon disposal of premises	-	-	-	(50,698)	-	-	-	50,698	-
發行額外資本工具 ¹	Issue of additional equity instruments ¹	-	5,077,856	-	-	-	-	-	-	5,077,856
贖回額外資本工具	Redemption of the additional equity instruments	-	(9,314,890)	-	-	-	-	-	(101,932)	(9,416,822)
支付額外資本工具票息	Distribution payment for additional equity instruments	-	(401,215)	-	-	-	-	-	-	(401,215)
轉撥自/(至)留存盈利	Transfer from/(to) retained earnings	-	401,215	-	-	-	(519,542)	-	118,327	-
於2022年12月31日	At 31 December 2022	3,144,517	5,077,856	605	6,367,430	(1,361,493)	2,116,502	(466,621)	47,292,843	62,171,639

1. 於2022年內，本行發行港幣5,099,868,000元（美元650,000,000）永久非累計次級額外一級資本證券「額外資本工具」。直接發行成本港幣22,012,000元經已入賬，並從額外資本工具中扣除。

1. During the year 2022, the Bank issued HK\$5,099,868,000 (US\$650,000,000) perpetual non-cumulative subordinated additional tier 1 capital securities ("additional equity instruments"). Direct issuance costs of HK\$22,012,000 are accounted for as a deduction from the additional equity instruments.

綜合權益變動表

Consolidated Statement of Changes in Equity

		儲備								
		Reserves								
		公允價值								
		變化計入其他								
		全面收益儲備								
		房產								
		重估儲備								
		Reserve for								
		fair value								
		監管儲備*								
		換算儲備								
		留存盈利								
		總計								
		股本	額外資本工具	資本儲備	重估儲備	通過其他	監管儲備*	換算儲備	留存盈利	總計
		Share	Additional	Capital	Premises	through other	Regulatory	Translation	Retained	Total
		capital	equity	reserve	valuation	income	reserve*	reserve	earnings	
		港幣千元	港幣千元	港幣千元	港幣千元	港幣千元	港幣千元	港幣千元	港幣千元	港幣千元
		HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
於2023年1月1日	At 1 January 2023	3,144,517	5,077,856	605	6,367,430	(1,361,493)	2,116,502	(466,621)	47,292,843	62,171,639
年度溢利	Profit for the year	-	-	-	-	-	-	-	3,442,449	3,442,449
其他全面收益：	Other comprehensive income:									
房產	Premises	-	-	-	(31,458)	-	-	-	-	(31,458)
界定利益福利計劃之 精算盈餘	Actuarial gains on defined benefit plan	-	-	-	-	-	-	-	13,197	13,197
公允價值變化計入其他全面 收益之金融工具	Financial instruments at fair value through other comprehensive income	-	-	-	-	816,012	-	-	-	816,012
淨投資對沖下對沖工具之 公允價值變化	Change in fair value of hedging instruments under net investment hedges	-	-	-	-	-	-	41,769	-	41,769
貨幣換算差額	Currency translation difference	-	-	-	(6,990)	(895)	-	(381,229)	-	(389,114)
全面收益總額	Total comprehensive income	-	-	-	(38,448)	815,117	-	(339,460)	3,455,646	3,892,855
發行額外資本工具 ²	Issue of additional equity instruments ²	-	2,344,170	-	-	-	-	-	-	2,344,170
支付額外資本工具票息	Distribution payment for additional equity instruments	-	(417,507)	-	-	-	-	-	-	(417,507)
轉撥自/(至)留存盈利	Transfer from/(to) retained earnings	-	417,507	-	-	-	158,973	-	(576,480)	-
於2023年12月31日	At 31 December 2023	3,144,517	7,422,026	605	6,328,982	(546,376)	2,275,475	(806,081)	50,172,009	67,991,157

2. 年內，本行發行港幣2,354,955,000元（美元300,000,000）永久非累計次級額外一級資本證券「額外資本工具」。直接發行成本港幣10,785,000元經已入賬，並從額外資本工具中扣除。

2. During the year, the Bank issued HK\$2,354,955,000 (US\$300,000,000) perpetual non-cumulative subordinated additional tier 1 capital securities ("additional equity instruments"). Direct issuance costs of HK\$10,785,000 are accounted for as a deduction from the additional equity instruments.

* 除對貸款提取減值準備外，按金管局要求撥轉部分留存盈利至監管儲備作銀行一般風險之用（包括未來損失或其他不可預期風險）。

* In accordance with the requirements of the HKMA, the amounts are set aside for general banking risks, including future losses or other unforeseeable risks, in addition to the loan impairment allowances recognised.

第67至244頁之附註屬本綜合財務報表之組成部分。

The notes on pages 67 to 244 are an integral part of these consolidated financial statements.

綜合現金流量表

Consolidated Cash Flow Statement

截至12月31日止年度 For the year ended 31 December

		附註 Notes	2023 港幣千元 HK\$'000	2022 港幣千元 HK\$'000
經營業務之現金流量	Cash flows from operating activities			
除稅前經營現金之(流出)/流入	Operating cash (outflow)/inflow before taxation	36(a)	(3,316,057)	12,178,986
退還香港利得稅	Hong Kong profits tax refund		10,530	–
支付香港利得稅	Hong Kong profits tax paid		(94,473)	(330,510)
退還/(支付)海外利得稅	Overseas profits tax refund/(paid)		34,215	(210,353)
經營業務之現金(流出)/流入淨額	Net cash (outflow)/inflow from operating activities		(3,365,785)	11,638,123
投資業務之現金流量	Cash flows from investing activities			
購入物業、器材及設備	Purchase of properties, plant and equipment	25	(243,208)	(1,443,415)
增置無形資產	Additions of intangible assets	26	(326,695)	(394,329)
出售物業、器材及設備所得款項	Proceeds from disposal of properties, plant and equipment		5,680	32,152
出售無形資產所得款項	Proceeds from disposal of intangible assets		–	1,789
投資業務之現金流出淨額	Net cash outflow from investing activities		(564,223)	(1,803,803)
融資業務之現金流量	Cash flows from financing activities			
發行額外資本工具	Issuance of additional equity instruments		2,344,170	5,077,856
贖回額外資本工具	Redemption of additional equity instruments		–	(9,416,822)
支付額外資本工具票息	Distribution payment for additional equity instruments		(417,507)	(401,215)
支付後償負債票息	Distribution payment for subordinated liabilities		(207,394)	(208,102)
繳付租賃負債	Payment of lease liabilities		(270,457)	(256,740)
融資業務之現金流入/(流出)淨額	Net cash inflow/(outflow) from financing activities		1,448,812	(5,205,023)
現金及等同現金項目(減少)/增加	(Decrease)/Increase in cash and cash equivalents		(2,481,196)	4,629,297
於1月1日之現金及等同現金項目	Cash and cash equivalents at 1 January		60,122,186	56,384,885
匯率變動對現金及等同現金項目的影響	Effect of exchange rate changes on cash and cash equivalents		(897,582)	(891,996)
於12月31日之現金及等同現金項目	Cash and cash equivalents at 31 December	36(b)	56,743,408	60,122,186

第67至244頁之附註屬本綜合財務報表之組成部分。

The notes on pages 67 to 244 are an integral part of these consolidated financial statements.

財務報表附註

Notes to the Financial Statements

1. 主要業務

南洋商業銀行有限公司於香港註冊成立(下稱「本銀行」)及其附屬公司於香港或上海成立(以下連同本銀行統稱「本集團」)。本銀行為根據香港銀行業條例所規定獲認可之持牌銀行。

本銀行主要從事銀行及相關之金融服務。本銀行之附屬公司的主要業務載於「附錄—本銀行之附屬公司」內。本銀行之公司註冊地址為香港中環德輔道中151號。

2. 重要會計政策

用於編製本綜合財務報表之重要會計政策詳列如下。

除特別註明外，該等會計政策均被一致地應用於所有列示之財務年度中。

2.1 編製基準

本集團之綜合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(香港財務報告準則為一統稱，當中包括所有適用之香港財務報告準則、香港會計準則及詮釋)編製，並符合香港《公司條例》之規定。

本綜合財務報表乃按歷史成本法編製，惟就重估以公允價值變化計入其他全面收益之金融資產、以公允價值變化計入損益之金融資產及金融負債(包括衍生金融工具)、以公允價值列賬之貴金屬、以公允價值列賬之投資物業及以公允價值或重估價值扣除累計折舊及累計減值損失後列賬之房產作出調整。收回資產會以其賬面值或公允價值扣除出售成本之較低者列賬，並已列載於附註2.23。

按照香港財務報告準則編製財務報表時，需採用若干重大之會計估算。管理層亦需於採用本集團之會計政策時作出有關判斷。當中涉及高度判斷、複雜之範疇、或對綜合財務報表而言屬重大影響之假設及估算，已載於附註3。

1. PRINCIPAL ACTIVITIES

Nanyang Commercial Bank, Limited was incorporated in Hong Kong (hereinafter as the "Bank") and its subsidiaries were incorporated in Hong Kong or Shanghai (together with the Bank hereinafter as the "Group"). The Bank is a licensed bank authorised under the Hong Kong Banking Ordinance.

The principal activities of the Bank are the provision of banking and related financial services. The principal activities of the Bank's subsidiaries are shown in "Appendix – Subsidiaries of the Bank". The address of the Bank's registered office is 151 Des Voeux Road Central, Hong Kong.

2. MATERIAL ACCOUNTING POLICIES

The material accounting policies applied in the preparation of these consolidated financial statements are set out below.

These policies have been consistently applied to all the years presented, unless otherwise stated.

2.1 Basis of preparation

The consolidated financial statements of the Group have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRS") (HKFRSs is a collective term which includes all applicable individual Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKASs") and Interpretations) issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and the Hong Kong Companies Ordinance.

The consolidated financial statements have been prepared under the historical cost convention, as modified by the revaluation of financial assets at fair value through other comprehensive income, financial assets and financial liabilities (including derivative financial instruments) at fair value through profit or loss, precious metals at fair value, investment properties which are carried at fair value and premises which are carried at fair value or revalued amount less accumulated depreciation and accumulated impairment losses. Repossessed assets are stated at the lower of their carrying amounts or fair values less costs to sell as further explained in Notes 2.23.

The preparation of financial statements in conformity with HKFRSs requires the use of certain critical accounting estimates. It also requires the Management to exercise judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in Note 3.

財務報表附註

Notes to the Financial Statements

2. 重要會計政策 (續)

2.1 編製基準 (續)

- (a) 於2023年1月1日起開始的會計年度首次生效之與本集團相關的修訂

2. MATERIAL ACCOUNTING POLICIES (Cont'd)

2.1 Basis of preparation (Cont'd)

- (a) *Amendments that are relevant to the Group and initially adopted for the first time for the financial year beginning on 1 January 2023*

修訂 Amendments	內容 Content	起始適用之年度 Applicable for financial years beginning on/after
香港會計準則第1號及香港財務報告準則實務報告第2號(經修訂) Amendments to HKAS 1 and HKFRS Practice Statement 2	會計政策的披露 Disclosure of Accounting Policies	2023年1月1日 1 January 2023
香港會計準則第8號(經修訂) Amendments to HKAS 8	會計估計的定義 Definition of Accounting Estimates	2023年1月1日 1 January 2023
香港會計準則第12號(經修訂) Amendments to HKAS 12	與單項交易產生的資產和負債相關的遞延稅項 Deferred Tax related to Assets and Liabilities arising from a Single Transaction	2023年1月1日 1 January 2023
香港會計準則第12號(經修訂) Amendments to HKAS 12	國際稅務改革－第二支柱模範規則 International Tax Reform – Pillar Two Model Rules	2023年1月1日 1 January 2023

財務報表附註

Notes to the Financial Statements

2. 重要會計政策 (續)

2.1 編製基準 (續)

(a) 於2023年1月1日起開始的會計年度首次生效之與本集團相關的修訂 (續)

- 香港會計準則第1號及香港財務報告準則實務報告第2號(經修訂)「會計政策的披露」。該修訂將企業披露其主要會計政策的要求替換為披露其重要會計政策的要求，並增加了有關企業如何在會計政策披露決策中應用重要性概念的指引。修訂需前瞻性採用。採納該等修訂不會對本集團的財務報表產生重大影響。
- 香港會計準則第8號(經修訂)「會計估計的定義」。該修訂澄清了會計估計變更與會計政策變更的區別。此外，該修訂闡明了企業如何使用計量技術和輸入參數來製定會計估計。修訂需前瞻性採用。採納該等修訂不會對本集團的財務報表產生重大影響。
- 香港會計準則第12號(經修訂)「與單項交易產生的資產和負債相關的遞延稅項」。該修訂縮小了初始確認豁免的適用範圍，明確了不能應用於例如租賃和解除義務交易產生金額相等的應課稅及可抵扣的暫時性差異，該修訂適用於最早呈列的比較期間期初與租賃和解除義務相關的交易，任何累積影響確認為對期初餘額的調整在該日期適當的保留利潤或其他權益。該修訂除了就租賃及解除義務相關交易之外，對其他交易則可前瞻性採用。採納該等修訂不會對本集團的財務報表產生重大影響。

2. MATERIAL ACCOUNTING POLICIES (Cont'd)

2.1 Basis of preparation (Cont'd)

(a) Amendments that are relevant to the Group and initially adopted for the first time for the financial year beginning on 1 January 2023 (Cont'd)

- Amendments to HKAS 1 and HKFRS Practice Statement 2, "Disclosure of Accounting Policies". The amendments replace the requirement for entities to disclose their significant accounting policies with a requirement to disclose their material accounting policies and adding guidance on how entities apply the concept of materiality in making decisions about accounting policy disclosures. The amendments are to be applied prospectively. The application of the amendments does not have a material impact on the Group's financial statements.
- Amendments to HKAS 8, "Definition of Accounting Estimates". The amendments clarify the distinction between changes in accounting estimates and changes in accounting policies. Also, they clarify how entities use measurement techniques and inputs to develop accounting estimates. The amendments are to be applied prospectively. The application of the amendments does not have a material impact on the Group's financial statements.
- Amendments to HKAS 12, "Deferred Tax related to Assets and Liabilities arising from a Single Transaction". The amendments narrow the scope of the initial recognition exception so that it no longer applies to transactions that give rise to equal taxable and deductible temporary differences, such as leases and decommissioning obligations. Therefore, entities are required to recognise a deferred tax asset and a deferred tax liability for temporary differences arising from these transactions. The amendments shall be applied to transactions related to leases and decommissioning obligations at the beginning of the earliest comparative period presented, with any cumulative effect recognised as an adjustment to the opening balance of retained profits or other component of equity as appropriate at that date. In addition, the amendments shall be applied prospectively to transactions other than leases and decommissioning obligations. The application of the amendments does not have a material impact on the Group's financial statements.

財務報表附註

Notes to the Financial Statements

2. 重要會計政策 (續)

2.1 編製基準 (續)

(a) 於2023年1月1日起開始的會計年度首次生效之與本集團相關的修訂 (續)

- 香港會計準則第12號(經修訂)「國際稅務改革—第二支柱模範規則」。該修訂對為實施經濟合作暨發展組織(OECD)發佈的第二支柱模範規則而頒佈或實質頒佈的稅法所產生的所得稅而推出遞延稅項會計的暫時強制性豁免，包括實施規則中描述的合格之當地最低稅負制稅額的稅法。修訂還提出了有關此類稅額的披露要求。採納該等修訂不會對本集團的財務報表產生重大影響。

(b) 已頒佈與本集團相關但尚未強制性生效及未於2023年提前採納之修訂及詮釋

以下已頒佈之修訂及詮釋於2024年1月1日起或以後開始的會計年度始強制性生效。

2. MATERIAL ACCOUNTING POLICIES (Cont'd)

2.1 Basis of preparation (Cont'd)

(a) Amendments that are relevant to the Group and initially adopted for the first time for the financial year beginning on 1 January 2023 (Cont'd)

- The amendments to HKAS 12, "International Tax Reform – Pillar Two Model Rules". The amendments introduce a temporary mandatory exception from deferred tax accounting for the income tax arising from tax laws enacted or substantively enacted to implement the Pillar Two model rules published by the Organisation for Economic Co-operation and Development (OECD), including tax laws that implement qualified domestic minimum top-up taxes described in those rules. The amendments also introduce disclosure requirements about such tax. The application of the amendments does not have a material impact on the Group's financial statements.

(b) Amendments and interpretation issued that are relevant to the Group but not yet mandatorily effective and have not been early adopted by the Group in 2023

The following amendments and interpretation have been issued and are mandatorily effective for financial years beginning on or after 1 January 2024:

修訂／詮釋 Amendments/interpretation	內容 Content	起始適用之年度 Applicable for financial years beginning on/after
香港詮釋第5號(修改)	財務報表呈列—包含需按還款條款的定期貸款借款人分類	2024年1月1日
HK Int 5 (Revised)	Presentation of Financial Statements – Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause	1 January 2024

- 香港詮釋第5號(修改)「財務報表呈列—包含需按還款條款的定期貸款借款人分類」。本詮釋於2020年10月的修改是由於2020年修訂引致。在2022年12月，因2022年的修訂使詮釋得到進一步修改，以使相應的措詞保持一致，且結論沒有變化。修訂採用追溯法及允許提前採納。本集團正在考慮該詮釋對集團財務報表的影響及其採用時間。

- HK Int 5 (Revised), "Presentation of Financial Statements—Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause". This interpretation was revised in October 2020 as a consequence of 2020 Amendments. In December 2022, the interpretation was further revised as a consequence of 2022 Amendments, to align the corresponding wordings with no change in conclusion. The amendments are to be applied retrospectively. Early adoption is permitted. The Group is considering the financial impact of the interpretation and the timing of its application.

財務報表附註

Notes to the Financial Statements

2. 重要會計政策 (續)

2.2 綜合財務報表

綜合財務報表包含本公司及所有其附屬公司截至12月31日的財務報表。

附屬公司

附屬公司是指由本集團控制的企業。控制體現為本集團涉及，或有權從參與被投資企業業務中取得可變動回報，並有權力通過被投資企業影響自身回報（即賦予本集團現行權力以指引被投資企業的相關活動）。附屬公司於控制權轉入本集團之日起完全納入合併，並於本集團的控制權終止當日不再納入合併。

集團內部交易、交易餘額、以及未實現收益已被對銷；除非能提供集團內交易所轉讓資產已發生減值的證據，否則未實現損失也將被對銷。如有需要，附屬公司的會計政策會作出適當調整，以確保本集團所採用會計政策的一致性。

於本銀行的資產負債表內，對附屬公司的投資是以成本扣除減值損失準備列賬。本銀行按照已收及應收股息基準確認附屬公司之業績。當本銀行具有權利收取附屬公司的派息時，將於收益表內確認。

2.3 分類報告

分類的經營業績與呈報予管理層的內部報告方式一致，管理層乃本集團的總體營運決策核心，負責資源分配及對營運分類的表現評估。在釐定經營分類表現時，將會包括與各分類直接相關的收入及支出。

2. MATERIAL ACCOUNTING POLICIES (Cont'd)

2.2 Consolidation

The consolidated financial statements include the financial statements of the Bank and all of its subsidiaries for the year ended 31 December.

Subsidiaries

Subsidiaries are entities controlled by the Group. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee (i.e., existing rights that give the Group the current ability to direct the relevant activities of the investee). Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date that control ceases.

Inter-company transactions, balances and unrealised gains on transactions between Group companies are eliminated; unrealised losses are also eliminated unless the transaction provides evidence of impairment of the assets transferred. Where necessary, accounting policies of subsidiaries have been changed to ensure consistency with the policies adopted by the Group.

In the Bank's balance sheet, the investments in subsidiaries are stated at cost less allowance for impairment losses. The results of subsidiaries are accounted for by the Bank on the basis of dividends received and receivable. Dividend income from subsidiaries is recognised in the income statement when the right to receive payment is established.

2.3 Segmental reporting

The operating result of segments are reported in a manner consistent with the internal reporting provided to the Management, which is the chief operating decision maker of the Group, that allocates resources and assesses the performance of operating segments. Income and expenses directly associated with each segment are included in determining operating segment performance.

財務報表附註

Notes to the Financial Statements

2. 重要會計政策 (續)

2.4 外幣換算

本集團各企業的財務報表所載項目均按各企業於主要經濟環境營運的貨幣計量(「功能貨幣」)。本綜合財務報表以港幣列示，即本銀行之功能及呈列貨幣。

外幣交易均按交易或重新計量項目之估值當日的即期匯率換算為功能貨幣。外幣交易以交易日之匯率結算所引致的匯兌損益，以及以外幣為本位的貨幣性資產及負債按會計結算日的匯率換算的匯兌損益，均直接於收益表確認，惟於其他全面收益內遞延作為合資格現金流對沖或合資格淨投資對沖除外。

以公允值變化計入損益的貨幣性證券的兌換差額會列作公允值收益或虧損的一部分。對於被分類為以公允值變化計入其他全面收益，以外幣為本位的貨幣性證券，其公允值變動可分為源自證券攤餘成本變動的兌換差額和證券賬面值的其他兌換變動兩部分。源自證券攤餘成本變動的兌換差額會於收益表內確認，而證券賬面值的其他兌換變動則被確認於其他全面收益。

對於非貨幣性項目，其兌換差額會列作公允值收益或虧損的一部分。而非貨幣性金融資產(例如以公允值變化計入其他全面收益之股權投資)的兌換差額會包含在其他全面收益內。

所有本集團內非以港幣為功能貨幣的企業，其業績及財務狀況按以下方式換算為港幣：

- 資產及負債按會計結算日之收市匯率換算；
- 收入及支出按平均匯率換算；及
- 所有產生之換算差額通過其他全面收益於權益項目下之換算儲備內確認。

2. MATERIAL ACCOUNTING POLICIES (Cont'd)

2.4 Foreign currency translation

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The consolidated financial statements are presented in Hong Kong dollars, which is the Bank's functional and presentation currency.

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or exchange rates at the end of the reporting period for items that are re-measured. Foreign exchange gains and losses resulting from the settlement of foreign currency transactions using the exchange rates prevailing at the dates of the transactions and monetary assets and liabilities denominated in foreign currencies translated at the exchange rate at the end of the reporting period are recognised directly in the income statement, except when deferred in other comprehensive income as qualifying cash flow hedge or qualifying net investment hedges.

Translation differences on monetary securities held at fair value through profit or loss are reported as part of the fair value gain or loss. Changes in the fair value of monetary securities denominated in foreign currency classified as fair value through other comprehensive income are analysed between translation differences resulting from changes in the amortised cost of the securities and other changes in the carrying amount of the securities. Translation differences related to changes in the amortised cost are recognised in the income statement, and other changes in the carrying amount are recognised in other comprehensive income.

Translation differences on non-monetary items are reported as part of the fair value gain or loss. Translation differences on non-monetary financial assets such as equities classified as fair value through other comprehensive income are included in other comprehensive income.

The results and financial position of all the Group entities that have a functional currency different from Hong Kong dollars are translated into Hong Kong dollars as follows:

- assets and liabilities are translated at the closing rates at the end of the reporting period;
- income and expenses are translated at average exchange rates; and
- all resulting exchange differences are recognised in the translation reserve in equity through other comprehensive income.

財務報表附註

Notes to the Financial Statements

2. 重要會計政策 (續)

2.4 外幣換算 (續)

於合併財務報表時，換算對外國企業之淨投資、借款及其他被界定為對沖此投資的貨幣工具所產生之換算差額需列入其他全面收益及分別累計於換算儲備中。當出售該外國企業投資時，此外幣兌換差額需列作為出售收益或虧損的一部分，並由權益中重新分類至收益表內。

2.5 衍生金融工具及對沖會計

衍生金融工具以衍生交易合同簽訂當日的公允值進行初始確認，並以公允值進行後續計量。公允值從活躍市場上的公開市場報價中取得，包括最近的市場交易，或通過使用估值方法，包括貼現現金流量模型、期權定價模型（如適用）。當公允值為正值時，衍生金融工具將被列為資產；當公允值為負值時，則被列為負債。

若干衍生金融工具會嵌藏在金融負債中，當其經濟特徵和風險與主合同沒有緊密關聯，而主合同並非以公允值變化計入損益時，這些嵌藏式衍生金融工具需要單獨以公允值計量，並且其公允值變動計入收益表。

除非衍生金融工具已被界定為用作對沖，並且是屬於有效之對沖工具，則需按對沖會計之要求計量，否則，將被分類為持作交易用途，其公允值變動即時於收益表內確認。

對於被界定為對沖工具，並有效地對沖的衍生金融工具，確認其收益或虧損的方法是按被對沖項目的性質而定。

本集團於交易發生時會記錄對沖工具與相關被對沖項目之關係、風險管理目的和進行各類對沖交易時所採取之策略。本集團並於對沖活動發生時及期間，評估其經濟關係、信貸風險、對沖比例及對沖工具能否高度有效地抵銷相關被對沖項目之公允值或現金流變動，並作出記錄。此等乃符合採用對沖會計方法處理之先決條件。對沖會計可能會因對沖工具和被對沖項目失去經濟關係，或交易對手的信用風險重大變化主導對沖工具和被對沖項目的公允值變化而無效。

2. MATERIAL ACCOUNTING POLICIES (Cont'd)

2.4 Foreign currency translation (Cont'd)

On consolidation, exchange differences arising from the translation of the net investment in foreign entities, borrowings and other currency instruments designated as hedges of such investments are taken to other comprehensive income and are accumulated separately in the translation reserve. When a foreign entity is sold, such exchange differences are reclassified from equity to in the income statement, as part of the gain or loss on sale.

2.5 Derivative financial instruments and hedge accounting

Derivatives are initially recognised at fair value on the date the derivative contract is entered into and are subsequently re-measured at fair value. Fair values are obtained from quoted market prices in active markets, including recent market transactions, and through the use of valuation techniques, including discounted cash flow models and option pricing models, as appropriate. All derivatives are carried as assets when fair value is positive and as liabilities when fair value is negative.

Certain derivatives embedded in financial liabilities are treated as separate derivatives when their economic characteristics and risks are not closely related to those of the host contract and the host contract is not carried at fair value through profit or loss. These embedded derivatives are measured at fair value with changes in fair value recognised in the income statement.

Derivatives are categorised as held for trading and changes in their fair value are recognised immediately in the income statement unless they are designated as hedges and are effective hedging instruments, then they are subject to measurement under the hedge accounting requirements.

For derivative instruments being designated as hedging instrument in an effective hedge, the method of recognising the resulting fair value gain or loss depends on the nature of the item being hedged.

The Group documents at inception the relationship between hedging instruments and hedged items, as well as its risk management objective and strategy for undertaking various hedge transactions. The Group also documents its assessment, both at the hedge inception and on an ongoing basis, of the economic relationship, credit risk, the hedge ratio and an evaluation of the effectiveness of the hedging instruments in offsetting changes in fair values or cash flow of hedged items. These criteria should be met before a hedge can be qualified to be accounted for under hedge accounting. Hedge accounting may become ineffective if the hedging instrument and the hedged item lose economic relationship, or a significant change of the counterparties' credit risks that dominates the fair value change of the hedging instruments or the hedged items.

財務報表附註

Notes to the Financial Statements

2. 重要會計政策 (續)

2.5 衍生金融工具及對沖會計 (續)

(a) 公允值對沖

被界定為有效之公允值對沖，其衍生金融工具之公允值變動，連同被對沖風險之資產或負債相關之公允值變動，一併於收益表內確認。

當公允值對沖會計中被對沖項目為公允值計入其他收益的債務金融工具時，在對沖會計期間其公允值變動金額應計入收益表。若對沖關係不再符合對沖會計之要求或並非基於終止確認被對沖項目而終止的其他原因，其以於收益表內已確認的累計有效對沖之部分相關的公允值變化應以實質利息法被攤銷回估值儲備內。而當被對沖項目被終止確認時，於收益表內已確認的未攤銷的累計有效對沖公允值變化的部分，將即時重分類至估值儲備。

(b) 淨投資對沖

對沖工具有效對沖部分的收益或虧損，會於其他全面收益內確認及於權益內累計；無效部分的收益或虧損即時於收益表內確認。之前於其他全面收益中累計的收益或虧損金額會列作出售收益或虧損的一部分，並於出售海外運作時被重新分類至收益表內。

2.6 金融工具之抵銷

若存在法律上可行使的權利，可對已確認入賬之項目進行抵銷，且有意以淨額方式結算，或將資產變現並同時清償債務，則金融資產及負債可予抵銷，並把淨額於資產負債表內列賬。

2.7 利息收入及支出、服務費及佣金收入及支出

所有金融資產和金融負債，其利息收入和支出按實際利息法在收益表中確認。

2. MATERIAL ACCOUNTING POLICIES (Cont'd)

2.5 Derivative financial instruments and hedge accounting (Cont'd)

(a) Fair value hedge

Changes in the fair value of derivatives that are designated and qualified as effective fair value hedges are recognised in the income statement, together with any changes in the fair value of the hedged asset or liability that are attributable to the hedged risk.

For fair value hedge relationships where the hedged items are debt instruments carried at fair value through other comprehensive income, changes in fair value are recorded in the income statement whilst hedge accounting is in place. When the hedge relationship no longer meets the criteria for hedge accounting or is terminated for reasons other than derecognition, the cumulative effective hedged portion of fair value change recognised in the income statements are amortised by the effective interest method back to the revaluation reserve. If the hedged item is derecognised, the unamortised cumulative effective hedged portion of fair value change recognised in the income statement are reclassified to revaluation reserve immediately.

(b) Net investment hedge

A gain or loss on the effective portion of the hedging instrument is recognised in other comprehensive income and accumulated in equity; a gain or loss on the ineffective portion is recognised immediately in the income statement. Accumulated gains and losses previously recognised in other comprehensive income are reclassified to the income statement upon disposal of the foreign operation as part of the gain or loss on disposal.

2.6 Offsetting financial instruments

Financial assets and liabilities are offset and the net amount reported in the balance sheet when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis, or realise the asset and settle the liability simultaneously.

2.7 Interest income and expense and fee and commission income and expense

Interest income and expense are recognised in the income statement for all financial assets and financial liabilities using the effective interest method.

財務報表附註

Notes to the Financial Statements

2. 重要會計政策 (續)

2.7 利息收入及支出、服務費及佣金收入及支出 (續)

實際利息法是一種計算金融資產或金融負債的攤餘成本以及在相關期間分攤利息收入或利息支出的方法。實際利率是在金融工具預計到期日或較短期間(如適用)內，將其未來收到或付出的現金流貼現為金融資產或金融負債賬面淨額所使用的利率。在計算實際利率時，本集團在估計未來現金流時，會考慮金融工具的所有合同條款(如提前還款權或為住宅按揭貸款客戶提供的優惠)，但不會考慮未來的信用損失。計算範圍包括訂約各方所支付或所收取的費用、溢價或折讓和點子，以及貸款貸出時產生而屬於整體有效利息一部分之相關費用及成本。

對於所有以利率作為被對沖風險的對沖交易，被套期工具的利息收入或利息支出(例如固定利率債務證券)均與從該套期工具例如利率掉期產生的利息收入和利息支出以淨額披露。

對於第三階段的金融資產，當一項金融資產或一組類似的金融資產確認減值損失後，會按照計量減值損失時對未來現金流進行貼現時使用的利率，按折減後之價值確認利息收入。

當在合同規定下，例如戶口服務及信用卡費用，相關服務需要在一定時間內提供。該服務之費用收入應按有系統性之基準以固定或可變價格在協議有效期內隨時間所確認，或在交易為基礎之安排下例如經紀服務及銀團貸款安排費，服務費收入應在服務完整地提供予客戶後之單一時間點確認。

2.8 金融資產

本集團於初始確認時將金融資產分類為：(i)以公允價值變化計入損益、(ii)以攤餘成本作計量或(iii)以公允價值變化計入其他全面收益並作後續計量。分類取決於企業管理其金融工具的業務模式以及工具的合約現金流量特徵或對公允價值選擇權的選擇。除以公允價值變化計入損益之金融資產外，其他金融資產之交易成本均已包含於初始賬面值內。

2. MATERIAL ACCOUNTING POLICIES (Cont'd)

2.7 Interest income and expense and fee and commission income and expense (Cont'd)

The effective interest method is a method of calculating the amortised cost of a financial asset or a financial liability and of allocating the interest income or interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or, when appropriate, a shorter period to the net carrying amount of the financial asset or financial liability. When calculating the effective interest rate, the Group estimates future cash flows considering all contractual terms of the financial instrument (e.g. prepayment options or incentives relating to residential mortgage loans) but does not consider future credit losses. The calculation includes fees, premiums or discounts and basis points paid or received between parties to the contract, and directly attributable origination fees and costs which represent an integral part of the effective yield.

For all hedge transactions where interest rate is the hedged risk, interest income or interest expense from hedged instruments such as fixed rate debt securities are disclosed on a net basis together with net interest income/expense arising from the hedging instrument such as interest rate swap.

For financial assets under stage 3, once a financial asset or a group of similar financial assets has been written down as a result of an impairment loss, interest income is recognised on the written down value using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss.

Fee income from services are recognized over time at a fixed or variable price on a systematic basis over the life of the agreement when the contract requires services to be provided over time such as account service and credit card fees, or recognized at a point in time under transaction-based arrangements when service has been fully provided to the customer such as broking services and loan syndication arrangement.

2.8 Financial assets

The Group classifies its financial assets at initial recognition and subsequently measured financial assets as: (i) at fair value through profit or loss ("FVPL"), (ii) at amortised cost ("AC") or (iii) at fair value through other comprehensive income ("FVOCI"). The classification depends on the entity's business model for managing its financial instruments and the contractual cash flow characteristics of the instruments, or the election of fair value option. All financial assets are recognised initially at fair value. Except for financial assets carried at fair value through profit or loss, all transaction costs of financial assets are included in their initial carrying amounts.

財務報表附註

Notes to the Financial Statements

2. 重要會計政策 (續)

2.8 金融資產 (續)

(1) 以公允價值變化計入損益之金融資產

這類金融資產包括三個細項：持作交易用途之金融資產，購入時即界定為以公允價值變化計入損益之金融資產以及強制性以公允價值變化計入損益之金融資產。

如果取得該金融資產主要是以短期沽售為目的，或屬於組合一部分並共同管理的可識別金融工具，若有證據表明其短期獲利行為，則被分類為持作交易用途。除被界定為有效對沖工具外，所有衍生金融工具均被分類為持作交易用途類別。

金融資產如能滿足以下其中之一項條件，可被管理層界定為以公允價值變化計入損益之金融資產：

- 可以消除或明顯減少因按不同基準計量金融資產之價值，或確認其收益或虧損，而出現不一致之計量或確認情況（一般被稱為「會計錯配」）；

這些資產以公允價值進行初始確認，交易費用直接計入收益表，並以公允價值進行後續計量。

該等資產的公允價值變化所產生的損益計入淨交易性收益／虧損或界定為以公允價值變化計入損益之金融工具淨收益／虧損。

(2) 以攤餘成本作計量之金融資產

如果滿足以下兩個條件，則金融資產分類為以攤餘成本作後續計量：(i) 金融資產以業務模式持有，其目的是持有金融資產以收取合同現金流，以及(ii) 金融資產的合約條款在指定日期產生現金流，該現金流僅為本金和未償還本金的利息。它們最初以公允價值加上任何直接歸屬交易成本入賬，其後使用實際利率法計算攤餘成本並減去減值準備作計量。包括折溢價攤銷的利息收入將按照實際利息法計算確認在收益表中。當資產終止確認，修改或減值時，收益或損失在損益中確認。

2. MATERIAL ACCOUNTING POLICIES (Cont'd)

2.8 Financial assets (Cont'd)

(1) Financial assets at fair value through profit or loss

This category has three sub-categories: financial assets held for trading, those designated at fair value through profit or loss at inception, and financial assets mandatorily required to be measured at fair value through profit or loss.

A financial asset which has been acquired or incurred principally for the purpose of selling in the short term or is part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short-term profit-taking is classified as held for trading. Derivatives are also classified as held for trading unless they are designated as effective hedging instruments.

A financial asset can be designated at fair value through profit or loss, if it meets one of the criteria set out below, and is so designated by the Management:

- eliminates or significantly reduces a measurement or recognition inconsistency (sometimes referred to as "an accounting mismatch") that would otherwise arise from measuring the financial assets or recognising the gains and losses on them on different bases;

These assets are recognised initially at fair value, with transaction costs taken directly to the income statement, and are subsequently re-measured at fair value.

Gains and losses from changes in the fair value of such assets are reported in net trading gain/loss or net gain/loss on financial instruments at fair value through profit or loss.

(2) Financial assets at amortised cost

Financial assets are classified as subsequently measured at amortised cost if both of the following conditions are met: (i) the financial assets are held within a business model with the objective to hold financial assets in order to collect contractual cash flows, and (ii) the contractual terms of the financial assets give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding. They are initially recorded at fair value plus any directly attributable transaction costs and are subsequently measured at amortised cost using the effective interest method less allowances for impairment losses. Interest income which includes the amortisation of premium or discount is calculated using the effective interest method and is recognised in the income statement. Gains or losses are recognised in profit or loss when the asset is derecognised, modified or impaired.

財務報表附註

Notes to the Financial Statements

2. 重要會計政策 (續)

2.8 金融資產 (續)

(3) 以公允價值變化計入其他全面收益之金融資產

如果滿足以下兩個條件，則債務工具分類為以公允價值變化計入其他全面收益：(i) 金融資產以業務模式持有，持有目的是收取合同現金流和銷售，以及(ii) 金融資產的合約條款在指定日期產生現金流，該現金流僅為本金及未償還本金的利息。

以公允價值變化計入其他全面收益之金融資產以公允價值加上直接相關的交易費用進行初始入賬，並以公允價值進行後續計量。因該等投資之公允價值變化而產生之未實現收益或虧損直接確認在其他全面收益中；當該類金融資產終止確認或減值時，之前確認於權益儲備中的累計收益或虧損將轉入收益表內。惟包括折溢價攤銷的利息收入將按照實際利息法計算確認在收益表中。

對於股權投資，可以在初始確認時進行不可撤銷的選擇，以確認未實現和實現的其他綜合收益的公允價值收益或損失，而無需將公允價值收益或損失重新分類至損益表(不可轉回)，即使在處置時也是如此。以公允價值變化計入其他全面收益分類的權益工具之股息，在本集團收取付款的權利確立時在其他營業收入中確認。指定為以公允價值變化計入其他全面收益的權益工具無須作減值評估。

以公允價值變化計入其他全面收益之證券的兌換差額的處理方法已詳列於附註2.4。

2.9 金融負債

本集團按以下類別分類金融負債：(i) 交易性負債、(ii) 界定為公允價值變化計入損益之金融負債、(iii) 存款、已發行債務證券及存款證、後償負債及其他負債。所有金融負債於交易發生時界定其分類並以公允價值進行初始確認，非以公允價值變化計入損益之金融負債則需加減交易成本。

2. MATERIAL ACCOUNTING POLICIES (Cont'd)

2.8 Financial assets (Cont'd)

(3) *Financial assets at fair value through other comprehensive income*

Debt instruments are classified as subsequently measured at fair value through other comprehensive income if both of the following conditions are met: (i) the financial assets are held within a business model with the objective of both holding to collect contractual cash flows and selling, and (ii) the contractual terms of the financial assets give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial assets at fair value through other comprehensive income are initially recorded at fair value plus any directly attributable transaction costs, and are subsequently measured at fair value. Unrealised gains and losses arising from changes in the fair value of investments are recognised directly in other comprehensive income, until the financial asset is derecognised or impaired at which time the accumulated gain or loss previously recognised in equity should be transferred to the income statement. However, interest income which includes the amortisation of premium and discount is calculated using the effective interest method and is recognised in the income statement.

For equity investments, an irrevocable election can be made at initial recognition to recognise unrealised and realised fair value gains or losses in other comprehensive income without subsequent reclassification of fair value gains or losses to the income statement even upon disposal (non-recycling). Dividends on equity instruments classified as fair value through other comprehensive income are recognised in other operating income when the Group's right to receive payment is established. Equity instruments designated at fair value through other comprehensive income are not subject to impairment assessment.

The treatment of translation differences on fair value through other comprehensive income securities is dealt with in Note 2.4.

2.9 Financial liabilities

The Group classifies its financial liabilities under the following categories: (i) trading liabilities, (ii) financial liabilities designated at fair value through profit or loss, (iii) deposits, debt securities and certificates of deposit in issue, subordinated liabilities, and other liabilities. All financial liabilities are classified at inception and recognised initially at fair value, and in the case of financial liability not at fair value through profit or loss, plus or minus transaction costs.

財務報表附註

Notes to the Financial Statements

2. 重要會計政策 (續)

2.9 金融負債 (續)

(1) 交易性負債

旨在短期內購回之金融負債被分類為持作交易用途之負債。交易性負債以公允值列賬，公允值之變動所產生的收益或虧損確認於收益表內。

(2) 界定為公允值變化計入損益之金融負債

金融負債可於初始時指定為可界定為公允值變化計入損益。如果金融負債符合以下標準之一，則可指定為界定為公允值變化計入損益：

- 可以消除或明顯減少因按不同基準計量金融負債之價值，或確認其收益或虧損，而出現不一致之計量或確認情況（一般被稱為「會計錯配」）；
- 應用於一組金融資產、金融負債、或兩者兼有的組合，其管理是依據事先書面確立的風險管理或投資策略來運作，其表現是按公允值為基礎來衡量，並按此基礎將該組金融工具的資訊向管理層作出內部報告；或
- 與包含一個或多個嵌藏式衍生金融工具之金融負債相關，且這些嵌藏式衍生金融工具對該等金融負債的現金流產生重大影響。

界定為公允值變化計入損益之金融負債以公允值列賬，公允值之變動所產生的收益或虧損確認於收益表內，除了因自身信用風險產生的公允值變化會被計入其他全面收益及往後被終止確認時被重分類至留存盈利，除非該變化會構成或擴大收益表內之會計錯配，所有公允值變化而產生之收益或虧損則確認於收益表內。

(3) 存款、已發行債務證券及存款證、後償負債及其他負債

除被分類為交易性負債或界定為公允值變化計入損益之金融負債外，存款、已發行債務證券及存款證、後償負債及其他負債均以攤餘成本列賬。扣除交易費用後之淨收款和贖回價值的差額（如有），按照實際利息法於期內在收益表中確認。

2. MATERIAL ACCOUNTING POLICIES (Cont'd)

2.9 Financial liabilities (Cont'd)

(1) Trading liabilities

A financial liability is classified as held for trading if it is incurred principally for the purpose of repurchasing in the short term. It is measured at fair value and any gains and losses from changes in fair value are recognised in the income statement.

(2) Financial liabilities designated at fair value through profit or loss

A financial liability can be designated at fair value through profit or loss if it is so designated at inception. A financial liability is so designated if it meets one of the following criteria:

- eliminates or significantly reduces a measurement or recognition inconsistency (sometimes referred to as "an accounting mismatch") that would otherwise arise from measuring the financial liabilities or recognising the gains and losses on them on different bases;
- applies to a group of financial assets, financial liabilities or both that is managed and its performance is evaluated on a fair value basis, in accordance with a documented risk management or investment strategy, and information about the Group is provided internally on that basis to the Management; or
- relates to financial liabilities containing one or more embedded derivative that significantly modifies the cash flow resulting from those financial liabilities.

Financial liabilities designated at fair value through profit or loss are measured at fair value and any gains and losses from changes in fair value are recognised in the income statement, except for fair value changes arising from own credit risks are recognised as other comprehensive income and subsequently reclassified to the retained earnings upon derecognition, unless such would create or enlarge an accounting mismatch in the income statement, then all gains and losses from changes in fair value are recognised in the income statement.

(3) Deposit, debt securities and certificates of deposit in issue, subordinated liabilities, and other liabilities

Deposits, debt securities and certificates of deposit in issue, subordinated liabilities, and other liabilities, other than those classified as trading liabilities or designated at fair value through profit or loss are carried at amortised cost. Any difference (if available) between proceeds net of transaction costs and the redemption value is recognised in the income statement over the period using the effective interest method.

財務報表附註

Notes to the Financial Statements

2. 重要會計政策 (續)

2.10 財務擔保合約及未提取貸款承諾

財務擔保合約是指簽發人在指定的債務人未能根據持有人與債務人之間的債務合約條款而履行還款責任時，需向持有人償付由此而產生之損失的指定付款。

財務擔保合約以合約簽發當日的公允值初始確認為金融負債，並列示於財務報表內的「其他賬項及準備」項下。及後，本集團之責任按以下兩者之較高者計量：(i) 預期信用損失減值準備；及(ii) 初始確認之金額減按直線法於擔保有效期內確認之累計攤銷（如適用）。財務擔保合約負債的變動則於收益表中確認。

未提取貸款承諾是指集團在承諾期間需要以既定的合同條款向客戶發放貸款的承諾。這些承諾屬於附註2.14中規定的預期信用損失要求的範圍。

財務擔保和貸款承諾的預期信用損失準備在財務報表的「其他賬項及準備」項下列報。

2.11 金融工具的確認，終止確認和修改

以公允值變化計入損益、以公允值變化計入其他全面收益及以攤餘成本作後續計量之金融資產，其買賣會於交易當日（即本集團購入或售出資產當日）確認。貸款及其他金融資產於付出現金予交易對手時確認。在從該等金融資產取得現金流之權利完結或本集團已轉讓實質上所有風險及回報時，將終止對該等金融資產之確認。當本集團未有轉讓或未有保留已轉讓金融資產之實質上所有風險及回報，但仍保留對其控制時，本集團會按持續參與的部分繼續確認該等已轉讓的金融資產；若本集團已失去對其控制時，則終止確認。如重新商定或修訂以公允值變化計入其他全面收益或以攤餘成本作計量之金融工具的合約現金流量，則應使用原實際利率對修訂後的合約現金流量進行折現，並與減值前的原攤餘成本進行比較。如果差異重大，則應終止確認原有的金融工具，然後以上述現值重新確認。否則，該差額將調整為原有賬面價值，並計入當期損益。

2. MATERIAL ACCOUNTING POLICIES (Cont'd)

2.10 Financial guarantee contracts and undrawn loan commitments

Financial guarantee contracts are contracts that require the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payments when due, in accordance with the terms of a contract between the holder and the debtor.

Financial guarantee contracts are initially recognised as financial liabilities and reported under “Other accounts and provisions” in the financial statements at fair value on the date the guarantee was given. Subsequent to initial recognition, the Group’s liabilities under such guarantees are measured at the higher of (i) an ECL provision and (ii) the amount initially recognised less, where appropriate, accumulated amortisation recognised over the life of the guarantee on a straight-line basis. Any changes in the liability relating to financial guarantee contracts are taken to the income statement.

Undrawn loan commitments are commitments under which, over the duration of the commitment, the Group is required to provide a loan with pre-specified terms to the customer. These commitments are in the scope of the expected credit losses requirements as set out in Note 2.14.

The expected credit losses provision for financial guarantees and loan commitments are reported under “other accounts and provisions” in the financial statements.

2.11 Recognition, derecognition and modification of financial instruments

Purchases and sales of financial assets subsequently measured at FVPL, at FVOCI and AC are recognised on the trade date, the date on which the Group purchases or sells the assets. Loans and advances and other financial assets are recognised when cash is advanced to the counterparty. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or where the Group has transferred substantially all risks and rewards of ownership. When the Group neither transfers nor retains substantially all the risks and rewards of ownership of the financial asset, the Group either continues to recognise the transferred financial asset to the extent of its continuing involvement if control remains or derecognise it if there is no retained control. If the contractual cashflow of FVOCI or AC financial instruments are renegotiated or modified, the modified contractual cashflow should be discounted using the original effective interest rate, and compared with the original amortised cost before impairment. If the difference is material, the original financial instrument should be derecognised and then re-recognised with the present value aforementioned. Otherwise, the difference is adjusted to the original carrying value and accounted for in the profit or loss.

財務報表附註

Notes to the Financial Statements

2. 重要會計政策 (續)

2.11 金融工具的確認，終止確認和修改 (續)

售出予交易對手之證券及票據，如根據回購協議，附有按預定價格並於將來指定時間回購之責任稱為「回購」。而向交易對手購入之證券及票據，如根據回售協議，附有按預定價格於將來指定時間再出售予交易對手之責任則稱為「反向回購」。

「回購」或借出證券於初始時按已向交易對手所取得之實際現金額，列賬於銀行及其他金融機構之存款及結餘(如適用)。用作抵押回購協議之金融資產不會被終止確認，並仍列為證券投資或以公允值變化計入其他全面收益之金融資產。「反向回購」或借入證券則於初始時按已付予交易對手之實際現金額，於資產負債表內列為庫存現金及存放銀行及其他金融機構的結餘(如適用)。於反向回購協議下所收到用作抵押之金融資產將不會被確認為資產負債表上。出售價與回購價之差額則以實際利息法於協議年內分期確認為利息收入或利息支出。

2.12 公允值計量

本集團於每個會計結算日以公允值計量房產及投資物業、貴金屬及部分金融工具。公允值是指在估值日當期集團可接觸的主要交易市場或最有利之市場狀況下，市場參與者進行有序交易出售資產或轉移負債之價格。

計量資產或負債公允值運用的假設為市場參與者在其最佳經濟利益的情況下，所採用的資產或負債計價。

本集團使用最能代表金融工具公允價值的買賣差價內的價格，在適當情況下，包括在本集團根據其淨市場風險敞口管理此類金融資產和負債的情況下，使用金融資產和金融負債組合的淨抵銷風險頭寸的剩餘部分。儘管本集團以淨額計量這些金融工具組合的公允價值，除非符合抵銷標準，相關金融資產和金融負債才在財務報表中單獨列示。

2. MATERIAL ACCOUNTING POLICIES (Cont'd)

2.11 Recognition, derecognition and modification of financial instruments (Cont'd)

Securities and bills sold to a counterparty with an obligation to repurchase at a pre-determined price on a specified future date under a repurchase agreement are referred to as repos. Securities and bills purchased from a counterparty with an obligation to re-sell to the counterparty at a pre-determined price on a specified future date under a resale agreement are referred to as reverse repos.

Repos or securities lending are initially recorded as Deposits and balances from banks and other financial institutions, as appropriate, at the actual amount of cash received from the counterparty. Financial assets given as collateral for repurchase agreements are not derecognised and are recorded as investment in securities or financial assets at fair value through other comprehensive income. Reverse repos or securities borrowing are initially recorded in the balance sheet as Cash and balances with banks and other financial institutions, as appropriate, at the actual amount of cash paid to the counterparty. Financial assets received as collateral under reverse repurchase agreements are not recognised on the balance sheet. The difference between sale and repurchase price is recognised as interest income or interest expense over the life of the agreements using the effective interest method.

2.12 Fair value measurement

The Group measures its premises and investment properties, precious metals and certain financial instruments at fair value at the end of each reporting period. 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 in its principal market or the most advantageous market accessible by the Group at the measurement date.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

The Group uses the price within the bid-offer spread that is most representative of the fair value of financial instruments, where appropriate, includes using on the residual of the net offsetting risk position of portfolios of financial assets and financial liabilities in cases the Group manages such groups of financial assets and liabilities according to their net market risk exposures. Despite the Group measures the fair value of these groups of financial instruments on a net basis, the underlying financial assets and financial liabilities are separately presented in the financial statements unless the offsetting criterias are fulfilled.

財務報表附註

Notes to the Financial Statements

2. 重要會計政策 (續)

2.12 公允值計量 (續)

非金融資產之公允值計量為考慮市場參與者使用該資產所產生的最高及最佳經濟利益，或出售予另一市場參與者而該參與者可產生的最高及最佳經濟利益。

若資產或負債所處之市場並不活躍，本集團會在合適並有足夠數據的情況下，採用估值方法釐定其公允值，包括運用當時之公允市場交易、貼現現金流量分析、期權定價模型及其他市場參與者通用之估值方法，並會盡可能使用市場上可觀察的相關參數，避免使用不可觀察的參數。

2.13 貴金屬

貴金屬包括黃金、銀及其他貴金屬。貴金屬以其公允值作初始確認和其後重估。貴金屬於進行市場劃價後所產生之收益或虧損，將包括於淨交易性收益／虧損內。

2.14 金融資產減值

本集團就下列項目確認預期信用損失的損失準備：

- 以攤餘成本計量之金融資產；
- 以公允值變化計入其他全面收益之債務證券；和
- 不以公允值變化計入損益作計量之已發出的貸款承諾及財務擔保。

以公允價值計量的金融資產，包括以公允值變化計入損益作計量之股份證券，指定為以公允值變化計入其他全面收益之股權證券（不可轉回）及衍生金融資產，均不需要作預期信用損失評估。

預期信用損失是信用損失的概率加權估計。信貸虧損按所有預期現金缺口的現值計量，即根據合約應付本集團的現金流量與本集團預期收到的現金流量之間的差額。

就未提取貸款承諾及財務擔保而言，預期現金缺口按(i)如果貸款承諾持有人／財務擔保受益人提取貸款／索賠而將應付本集團之合約現金流及(ii)如果貸款被提取／財務擔保被索賠，本集團預計可收到的現金流的差額計量。

2. MATERIAL ACCOUNTING POLICIES (Cont'd)

2.12 Fair value measurement (Cont'd)

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

If the market for assets or liabilities is not active, the Group uses valuation techniques, including the use of recent arm's length transactions, discounted cash flow analysis, option pricing models and other valuation techniques commonly used by market participants, that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

2.13 Precious metals

Precious metals comprise gold, silver and other precious metals. Precious metals are initially recognised and subsequently re-measured at fair value. Mark-to-market gains or losses on precious metals are included in net trading gain/loss.

2.14 Impairment of financial assets

The Group recognises a loss allowance for expected credit losses ("ECLs") on the following items:

- financial assets measured at amortised cost;
- debt securities measured at FVOCI; and
- loan commitments and financial guarantees issued, which are not measured at FVPL.

Financial assets measured at fair value, including equity securities measured at FVPL, equity securities designated at FVOCI (non-recycling) and derivative financial assets, are not subject to the ECL assessment.

ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the present value of all expected cash shortfalls (i.e. the difference between the cash flows due to the Group in accordance with the contract and the cash flows that the Group expects to receive).

For undrawn loan commitments and financial guarantees outstanding, expected cash shortfalls are measured as the difference between (i) the contractual cash flows that would be due to the Group if the holder of the loan commitment draws down on the loan/the beneficiary of the financial guarantee claims on the financial guarantee and (ii) the cash flows that the Group expects to receive if the loan is drawn down/the financial guarantee is claimed.

財務報表附註

Notes to the Financial Statements

2. 重要會計政策 (續)

2.14 金融資產減值 (續)

如果貼現的影響重大，那麼預期的現金缺口會以貼現處理。估計預期信用損失時考慮的最長期限是集團暴露於信用風險的最長合同期。

在計量預期信用損失時，集團會考慮合理而無需花費過多的成本或精力且可支持的訊息。這包括有關過去事件，當前狀況和未來經濟狀況預測的訊息。

預期信用損失在以下其中一個基礎上計量：

- 12個月的預期信用損失：此為預計在報告日期後12個月內由可能發生的違約事件造成的損失；或
- 終身預期信用損失：此為預期由預期信用損失模型採用的項目之預期壽命內由所有可能的違約事件導致的損失。

當初始確認該等金融工具時，本集團將在未來12個月內預期信用損失計入第一階段。並且在初始確認後信用風險顯著增加時，將終身預期信用損失確認為第二階段。如果對該金融資產的估計未來現金流量產生不利影響的一項或多項事件已經發生，則會對信用減值金融工具的終身預期信用損失確認為第三階段且按相關第三階段之金融資產扣除減值金額計算利息。

本集團考慮違約事件發生，當(i)如果本集團不採取變現押品或擔保(如持有)，借款人不太可能全額償還其對本集團的信貸責任；或(ii)該金融資產是逾期90天。本集團考慮了合理且可支持的定量和定性訊息，包括無需花費過多的成本或努力即可獲得的歷史經驗和前瞻性訊息。

2. MATERIAL ACCOUNTING POLICIES (Cont'd)

2.14 Impairment of financial assets (Cont'd)

The expected cash shortfalls are discounted where the effect of discounting is material. The maximum period considered when estimating ECLs is the maximum contractual period over which the Group is exposed to credit risk.

In measuring ECLs, the Group takes into account reasonable and supportable information that is available without undue cost or effort. This includes information about past events, current conditions and forecasts of future economic conditions.

ECLs are measured on either of the following bases:

- 12-month ECLs: these are losses that are expected to result from possible default events within the 12 months after the reporting date; or
- lifetime ECLs: these are losses that are expected to result from all possible default events over the expected lives of the items to which the ECL model applies.

The Group will account for expected credit losses within the next 12 months as Stage 1 when those financial instruments are initially recognised; and to recognise lifetime expected credit losses as Stage 2 when there has been significant increases in credit risk since initial recognition. Lifetime expected credit losses will be recognised for credit-impaired financial instruments as Stage 3 if one or more events that have a detrimental impact on the estimated future cash flows of that financial asset have occurred and interest will then be accrued net of the impairment amount of the respective Stage 3 financial assets.

The Group considers that a default event occurs when (i) the borrower is unlikely to pay its credit obligations to the Group in full, without recourse by the Group to act on such as realising security (if any is held); or (ii) the financial asset is 90 days past due. The Group 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.

財務報表附註

Notes to the Financial Statements

2. 重要會計政策 (續)

2.14 金融資產減值 (續)

在評估自初始確認後金融工具的信用風險 (包括貸款承諾及財務擔保) 是否顯著增加時, 本集團將報告日期評估的金融工具違約風險與初始確認日評估的風險進行比較。本集團會考慮以下資料, 包括但不限於:

- 未能在合同到期日支付本金或利息;
- 金融工具的外部或內部信用評級 (如果有) 的實際或預期的顯著惡化;
- 欠款人經營業績的實際或預期顯著惡化; 和
- 科技、市場、經濟或法律環境的現有或預期變化, 對欠款人履行其對集團還款義務的能力產生重大不利影響。

就貸款承諾及財務擔保而言, 本集團成為不可撤銷承諾的一方的日期為考慮初始確認評估預期信用損失的日期。在評估自初始確認貸款承諾及財務擔保以來信貸風險是否顯著增加時, 本集團會考慮貸款承諾及財務擔保所涉及的貸款及擔保發生違約風險的變動。

根據金融工具的性质, 對信用風險顯著增加的評估是在個別基礎上或共同基礎上進行的。當評估在共同基礎上進行時, 金融工具根據共享信用風險特徵進行分類, 例如逾期狀態和信用風險評級。

預期信用損失會在每個報告日期重新計量, 以反映自初始確認以來金融工具信用風險的變化。預期信用損失金額的任何變動均在損益表中確認為減值損益。本集團確認所有金融工具的減值損益, 並通過損失準備金賬戶對其賬面金額進行相應調整, 但以公允價值計入其他綜合收益之債務證券投資除外, 其損失準備在其他綜合收益中確認並於公允價值備中累計。

2. MATERIAL ACCOUNTING POLICIES (Cont'd)

2.14 Impairment of financial assets (Cont'd)

In assessing whether the credit risk of a financial instrument (including a loan commitment and financial guarantee) has increased significantly since initial recognition, the Group compares the risk of default occurring on the financial instrument assessed at the reporting date with that assessed at the date of initial recognition. The Group takes into account following information, including but not limited to:

- failure to make payments of principal or interest on their contractually due dates;
- an actual or expected significant deterioration in a financial instrument's external or internal credit rating (if available);
- an actual or expected significant deterioration in the operating results of the debtor; and
- existing or forecast changes in the technological, market, economic or legal environment that have a significant adverse effect on the debtor's ability to meet its obligation to the group.

For loan commitments and financial guarantees, the date of initial recognition for the purpose of assessing ECLs is considered to be the date that the Group becomes a party to the irrevocable commitment. In assessing whether there has been a significant increase in credit risk since initial recognition of a loan commitment and financial guarantee, the Group considers changes in the risk of default occurring on the loan and guarantee to which the loan commitment and financial guarantee relates.

Depending on the nature of the financial instruments, the assessment of a significant increase in credit risk is performed on either an individual basis or a collective basis. When the assessment is performed on a collective basis, the financial instruments are grouped based on shared credit risk characteristics, such as past due status and credit risk ratings.

ECLs are remeasured at each reporting date to reflect changes in the financial instrument's credit risk since initial recognition. Any change in the ECL amount is recognised as an impairment gain or loss in income statement. The Group recognises an impairment gain or loss for all financial instruments with a corresponding adjustment to their carrying amount through a loss allowance account, except for investments in debt securities that are measured at FVOCI, for which the loss allowance is recognised in other comprehensive income and accumulated in the fair value reserve.

財務報表附註

Notes to the Financial Statements

2. 重要會計政策 (續)

2.14 金融資產減值 (續)

根據附註2.7確認的利息收入乃根據金融資產的賬面總值計算，惟在金融資產為信貸減值(第三階段)的情況下，利息收入乃根據金融資產的攤銷成本(即賬面總值減去虧損撥備)計算。

當金融資產無法收回時，在完成所有必要程序及確定損失金額後，本集團對該等資產進行撇銷，沖減相應的貸款損失減值準備。該等已撇銷資產仍受制於執行活動。撇銷後收回的貸款金額沖減在收益表中的貸款減值損失。

如果在以後的會計報表期間，減值損失的金額減少，且該等減少與確認減值後發生的事件有客觀關聯(例如債務人信用評級的改善)，則之前已確認的減值損失可按不多於該之前已減值之金額，通過調整準備金予以回撥，回撥的金額於收益表內確認。

當貸款條款經重新商訂後與原來出現重大差異時，該貸款不再被視為逾期貸款，而作為新貸款處理。

2.15 投資物業

持作賺取長期租金收益或資本增值或兩者兼備者，且並非集團旗下各公司所佔用之物業(包括由物業所在的租賃土地產生的使用權資產)，均列作投資物業。出租予本集團內公司之物業，於個別公司之財務報表中分類為投資物業，及於綜合財務報表中分類為房產。

投資物業初始以成本值(包括相關交易成本)計量。經初始確認後，投資物業按公允值計量。

只有在與項目相關的未來經濟利益很有可能流入本集團，並能夠可靠地計量其成本的情況下，本集團才會將其後續支出計入為資產賬面值之一部分。在建工程以公允值計量。至於所有其他修理及維護費用，均需於產生時確認於當期收益表內。

任何公允值之變動會直接於收益表內確認。

2. MATERIAL ACCOUNTING POLICIES (Cont'd)

2.14 Impairment of financial assets (Cont'd)

Interest income recognised in accordance with Note 2.7 is calculated based on the gross carrying amount of the financial asset unless the financial asset is credit-impaired (Stage 3), in which case interest income is calculated based on the amortised cost (i.e. the gross carrying amount less loss allowance) of the financial asset.

When a financial asset is uncollectible, it is written off against the related allowance for impairment losses. Such assets are written off after all the necessary procedures have been completed and the amount of the loss has been determined. The assets written off are still subject to enforcement activity. Subsequent recoveries of amounts previously written off decrease the amount of impairment losses in the income statement.

If, in a subsequent period, the amount of allowance for impairment losses decreases and the decrease can be related objectively to an event occurring after the impairment loss was recognised (such as an improvement in the debtor's credit rating), the previously recognised impairment loss to the extent of its decrease is reversed by adjusting the allowance account. The amount of the reversal is recognised in the income statement.

Loans whose terms have been renegotiated with substantial difference in the terms are no longer considered to be past due but are treated as new loans.

2.15 Investment properties

Properties (including right-of use assets arising from leases over leasehold land on which properties are situated) that are held for long-term rental yields or for capital appreciation or both, and that are not occupied by the companies in the Group, are classified as investment properties. Properties leased out within Group companies are classified as investment properties in individual companies' financial statements and as premises in consolidated financial statements.

Investment properties are recognised initially at cost, including related transaction costs. After initial recognition, investment properties are measured at fair value.

Subsequent expenditure is charged to the asset's carrying amount only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The work in progress item is stated at fair value. All other repairs and maintenance costs are expensed in the income statement during the financial period in which they are incurred.

Any changes in fair value are recognised directly in the income statement.

財務報表附註

Notes to the Financial Statements

2. 重要會計政策 (續)

2.15 投資物業 (續)

若投資物業改為自用，會被重新分類為房產，其於重新分類日之公允值會成為其會計賬上的成本值。若房產項目因其用途改變而成為投資物業，則根據香港會計準則第16號「物業、器材及設備」將此項目於轉分類日之賬面值與其公允值之間的差額作為房產重估，確認於其他全面收益內。惟若公允值增值抵銷以往之重估損失或減值損失，該增值則於收益表內確認，並以過往已確認的損失金額為限。

2.16 物業、器材及設備

物業(包括由物業所在的租賃土地產生的使用權資產)主要為分行及辦公樓房產。房產需定期但最少每年以取自外間獨立估價師之公允值扣除隨後發生之累計折舊及減值損失列示。重估當日之累計折舊額需先沖銷資產之賬面毛值，沖減後之淨額則重新調整至該資產之重估值。相隔期間由董事參考相近物業之公開市值以檢討房產之賬面值，如董事認為該房產價值有重大變動則會作出相應調整。

所有器材及設備及除租賃土地外的使用權資產均以歷史成本扣除累計折舊及減值損失列賬。歷史成本包括因取得及安裝該項目而直接產生之費用。

與資產有關的後續支出，只有當其產生的未來經濟利益很可能流入本集團，並且該支出能夠可靠地計量時，才能將其計入資產的賬面價值或作為單獨的一項資產進行確認(如適當)。該等後續支出以成本扣除減值列賬直至其開始產生經濟利益，之後則根據相關資產之後續計量基準進行計量。所有其他修理及維護費用均在發生時計入當期收益表。

房產重估後之賬面增值通過其他全面收益撥入房產重估儲備中。與同一個別資產早前之增值作對銷之減值部分，通過其他全面收益於房產重估儲備中扣減；餘下之減值額則確認於收益表內。其後任何增值將撥入收益表(以早前扣減之金額為限)，然後撥至房產重估儲備內。出售房產時，房產重估儲備中與先前估值有關之已實現部分，將從房產重估儲備撥轉至留存盈利。

2. MATERIAL ACCOUNTING POLICIES (Cont'd)

2.15 Investment properties (Cont'd)

If an investment property becomes owner-occupied, it is reclassified as premises, and its fair value at the date of reclassification becomes its cost for accounting purposes. If an item of premises becomes an investment property because its use has changed, any difference resulting between the carrying amount and the fair value of this item at the date of transfer is recognised in other comprehensive income as a revaluation of premises under HKAS 16 "Property, Plant and Equipment". However, if a fair value gain reverses a previous revaluation loss or impairment loss, the gain is recognised in the income statement up to the amount previously debited.

2.16 Properties, plant and equipment

Properties (including right-of use assets arising from leases over leasehold land on which properties are situated) are mainly branches and office premises. Premises are shown at fair value based on periodic, at least annually, valuations by external independent valuers less subsequent accumulated depreciation and impairment loss. Any accumulated depreciation at the date of revaluation is eliminated against the gross carrying amount of the asset and the net amount is restated to the revalued amount of the asset. In the intervening periods, the directors review the carrying amount of premises, by reference to the open market value of similar properties, and adjustments are made when there has been a material change.

All plant and equipment and right-of-use assets other than leasehold land are stated at historical cost less accumulated depreciation and impairment loss. Historical cost includes expenditures that are directly attributable to the acquisition and installation of the items.

Subsequent costs are included in an asset's carrying amount or are recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The item is stated at cost less impairment until it begins to generate economic benefits, then the item is subsequently measured according to the measurement basis of its respective assets class. All other repairs and maintenance costs are charged to the income statement during the financial period in which they are incurred.

Increases in the carrying amount arising on revaluation of premises are credited to the premises revaluation reserve through other comprehensive income. Decreases that offset previous increases of the same individual asset are charged against premises revaluation reserve through other comprehensive income; all other decreases are expensed in the income statement. Any subsequent increases are credited to the income statement up to the amount previously debited, and then to the premises revaluation reserve. Upon disposal of premises, the relevant portion of the premises revaluation reserve realised in respect of previous valuations is released and transferred from the premises revaluation reserve to retained earnings.

財務報表附註

Notes to the Financial Statements

2. 重要會計政策 (續)

2.16 物業、器材及設備 (續)

折舊以直線法，將資產之成本值或重估值於其如下估計可用年限內攤銷：

- 物業
按政府土地租約年期
- 器材及設備
2至15年
- 使用權資產
按資產可用年期及租約年期之較短者

本集團在每個會計結算日重檢資產的可用年限，並已按適當情況作出調整。

在每個會計結算日，源自內部及外界之資料均會被用作評定物業、器材及設備是否出現減值之跡象。如該跡象存在，則估算資產之可收回價值，及在合適情況下將減值損失確認以將資產減至其可收回價值。該等減值損失在收益表內確認，但假若某資產乃按估值列賬，而減值損失又不超過同一資產之重估盈餘，此等損失則當作重估減值。可收回價值指該資產之公允值扣除出售成本後之金額，與其使用價值之較高者。減值損失會按情況於房產重估儲備或收益表內回撥。

出售之收益及虧損是按扣除稅項及費用之出售淨額與有關資產賬面值之差額而釐定，並於出售日在收益表內確認。任何有關重估盈餘會由房產重估儲備轉撥至留存盈利，不會重新分類至收益表內。

2. MATERIAL ACCOUNTING POLICIES (Cont'd)

2.16 Properties, plant and equipment (Cont'd)

Depreciation is calculated on the straight-line method to write down the cost or revalued amount of such assets over their estimated useful lives as follows:

- Properties
Over the life of government land leases
- Plant and equipment
2 to 15 years
- Right-of-use assets
Shorter of useful lives and lease terms

The useful lives of assets are reviewed, and adjusted if appropriate, as at the end of each reporting period.

At the end of each reporting period, both internal and external sources of information are considered to determine whether there is any indication that properties, plant and equipment, are impaired. If any such indication exists, the recoverable amount of the asset is estimated and where relevant, an impairment loss is recognised to reduce the asset to its recoverable amount. Such an impairment loss is recognised in the income statement except where the asset is carried at valuation and the impairment loss does not exceed the revaluation surplus for that same asset, in which case it is treated as a revaluation decrease. The recoverable amount is the higher of the asset's fair value less costs to sell and value in use. Impairment loss is reversed through the premises revaluation reserve or the income statement as appropriate.

Gains and losses on disposals are determined by comparing proceeds with carrying amount, relevant taxes and expenses. These are recognised in the income statement on date of disposal. Any related revaluation surplus is transferred from the revaluation reserve to retained earnings and is not reclassified to the income statement.

財務報表附註

Notes to the Financial Statements

2. 重要會計政策 (續)

2.17 無形資產

無形資產是本集團持有及控制之沒有實物形態的可識別非貨幣性資產，主要為電腦應用軟件。無形資產以購入成本扣除累計攤銷及減值損失計量。

年期有限的無形資產之攤銷按直線法於預期資產可用年限內計入損益。下列年期有限的無形資產均可自可供使用日期開始攤銷，其預期可用年限如下：

- 資產化之電腦應用軟件
3至10年

每年重檢可用年限及攤銷方法。

出售之收益或虧損是按扣除稅項及費用之出售淨額與有關資產賬面值之差額而釐定，並於出售日在收益表內確認。

2.18 租賃

在簽訂合同時，集團會評估該合同是否或有否包含租賃。如果一份合同在一段期間內，為換取對價而渡讓一項可識別資產使用的控制權，則該合同是一項租賃或包含一項租賃。在承租人同時擁有主導資產的使用的權利及從使用中獲得幾乎全部的經濟利益的情況下，控制權即已於合同期內渡讓。

(1) 作為承租人

在租賃開始日期時，除為期12個月或以內的短期租賃和低價值資產的租賃外，集團會確認相應的使用權資產及租賃負債。如集團簽訂了與低價值資產相關的租賃，集團則會按每張合同決定是否將租賃合同資產化。不被資產化之租賃合同的相關租賃付款額會在租賃期內系統地確認為支出。

當租賃合同被資產化後，租賃負債會以租約內租賃付款的未來現金流，(包含合理確認會被行使的續租權所延展的續租期間的付款)，以租賃合同中的內含利率，或如該等利率不能被有效確定時，則使用承租人於租賃開始日期的增量借貸利率折現成現值，作為初始確認金額。

2. MATERIAL ACCOUNTING POLICIES (Cont'd)

2.17 Intangible assets

Intangible assets are identifiable non-monetary assets without physical substance owned and controlled by the Group, mainly computer application software. Intangible assets are stated at acquisition cost less accumulated amortisation and impairment.

Amortisation of intangible assets with finite useful lives is charged to profit or loss on a straight-line basis over the assets' estimated useful lives. The following intangible assets with finite useful lives are amortised from the date they are available for use and their estimated useful lives are as follows:

- Capitalised computer application software
3 to 10 years

Both the period and method of amortisation are reviewed annually.

Gains or losses on disposals are determined as the difference between the net disposal proceeds and the carrying amount, relevant taxes and expenses. These are recognised in the income statement on the date of disposal.

2.18 Leases

At inception of a contract, the Group assesses whether the contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. Control is conveyed where the customer has both the right to direct the use of the identified asset and to obtain substantially all of the economic benefits from that use over the contract period.

(1) As a lessee

On the lease commencement date, the Group recognises a right-of-use asset and a lease liability, except for short-term leases that have a lease term of 12 months or less and leases of low-value assets. When the Group enters into a lease in respect of a low-value asset, the Group decides whether to capitalise the lease on a lease-by-lease basis. The lease payments associated with those leases which are not capitalised are recognised as an expense on a systematic basis over the lease term.

Where the lease is capitalised, the lease liability is initially recognised at the present value of the lease payments payable over the lease term, after taking into account payments to be made in the optional period if the extension option is reasonably certain to be exercised, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, using a relevant incremental borrowing rate.

財務報表附註

Notes to the Financial Statements

2. 重要會計政策 (續)

2.18 租賃 (續)

(1) 作為承租人 (續)

與短期租賃有關的付款包括設備相關的短期租賃和低價值資產租賃會按直線法於收益表中確認為開支。

在初始確認後，租賃負債會以攤餘成本計量，利息支出則會以實際利息法計算。

租賃合同被資產化後而確認的使用權資產，於初始時以成本計量，而成本則由租賃負債的初始金額，加上租賃開始日期當天或之前已付的租賃付款額及初始直接費用組成。在適用範圍下，使用權資產的金額亦包含估算的拆卸及移除相關資產、復原使用資產或其所在的地點之費用的現值，並扣除已收取的租賃激勵項目。除下列種類的使用權資產外，使用權資產後續以成本扣除累計折舊及減值損失計量，並於租賃負債被重新計量時作出調整：

- 符合投資物業定義的使用權資產會以公允值計量；及
- 與集團已註冊為擁有人的租賃土地及建築物相關但不符合投資物業定義的使用權資產會以重估價值計量。

當未來租賃付款額受指數或利率的變化而發生改變，或集團估算在餘值擔保安排下的應付款項將會發生改變，或租期發生改變，或集團對於是否合理確定行使某一購買、續租或終止租約選項作出重新評估時，租賃負債會被重新計量。當在這些情況下重新計量租賃負債後，相應的調整會計入使用權資產的賬面金額，或如使用權資產的賬面價值已減記至零，則將調整計入收益。

集團將不符合投資物業定義的使用權資產披露於「物業、器材及設備」項下，及將租賃負債分開披露於「其他賬項及準備」項下。

2. MATERIAL ACCOUNTING POLICIES (Cont'd)

2.18 Leases (Cont'd)

(1) As a lessee (Cont'd)

Payments associated with short-term leases of equipment and all leases of low-value assets are recognised on a straight-line basis as an expense in the income statement.

After initial recognition, the lease liability is measured at amortised cost and interest expense is calculated using the effective interest method.

The right-of-use asset recognised when a lease is capitalised is initially measured at cost, which comprises the initial amount of the lease liability plus any lease payments made at or before the commencement date, and any initial direct costs incurred. Where applicable, the cost of the right-of-use assets also includes an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, discounted to their present value, less any lease incentives received. The right-of-use asset is subsequently stated at cost less accumulated depreciation and impairment losses except for the following types of right-of-use asset:

- right-of-use assets that meet the definition of investment property are carried at fair value; and
- right-of-use assets related to leasehold land and buildings that do not meet the definition of investment property where the Group is the registered owner of the leasehold interest are carried at revalued amount.

The lease liability is remeasured when there is a change in future lease payments arising from a change in an index or rate, or there is a change in the group's estimate of the amount expected to be payable under a residual value guarantee, or there is a change arising from the reassessment of whether the Group will be reasonably certain to exercise a purchase, extension or termination option. When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in income statement if the carrying amount of the right-of-use asset has been reduced to zero.

The Group presents right-of-use assets that do not meet the definition of investment property in 'Properties, plant and equipment' and presents lease liabilities separately in "Other accounts and provisions".

財務報表附註

Notes to the Financial Statements

2. 重要會計政策 (續)

2.18 租賃 (續)

(2) 作為出租人

集團作為出租人時，會在簽訂租賃合同時判斷每份租賃合同應為融資租賃或是經營租賃。如租約已實質上轉讓了幾乎所有因擁有相關資產產生的風險及回報，該租賃應歸類為融資租賃。如非此等情況，則租賃應被分類為經營租賃。

來自經營租賃的租金收入會在租期內以直線法確認。

2.19 現金及等同現金項目

就綜合現金流量表而言，現金及等同現金項目指按原來到期日，於購入日期起計三個月內到期之結餘，包括現金、銀行及其他金融機構之結餘、短期票據及被分類為投資證券及存款證。

2.20 準備

當本集團因為已發生之事件而須承擔法律性或推定性之現有責任，而解除該責任時有可能消耗有經濟利益之資源，需在責任金額能夠可靠地作出估算之情況下，為確認有關責任而撥備。

2.21 僱員福利

(1) 退休福利成本

本集團根據認可職業退休計劃或強積金計劃之定額供款退休計劃作出供款，集團僱員均可參與。在職業退休計劃下，集團與僱員之供款按僱員基本薪金之百分比計算，在強積金計劃下該等供款則按強積金規例計算。退休福利計劃成本代表本集團應向此等計劃支付之供款，會於產生時在收益表支取。僱員於全數享有其應得之集團供款部分前退出此職業退休計劃，因而被沒收之本集團供款，會被本集團用作扣減其目前供款負擔或根據職業退休計劃信託契據條款沖減其開支。

退休計劃之資產與本集團之資產分開持有，並由獨立管理基金保管。

2. MATERIAL ACCOUNTING POLICIES (Cont'd)

2.18 Leases (Cont'd)

(2) As a lessor

When the Group acts as a lessor, it determines at lease inception whether each lease is a finance lease or an operating lease. A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to the ownership of an underlying assets to the lessee. If this is not the case, the lease is classified as an operating lease.

The rental income from operating leases is recognised on a straight-line basis over the lease term.

2.19 Cash and cash equivalents

For the purposes of the consolidated cash flow statement, cash and cash equivalents comprise balances with original maturity less than three months from the date of acquisition, including cash, balances with banks and other financial institutions, short-term bills and notes classified as investment securities and certificates of deposit.

2.20 Provisions

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate of the amount of the obligation can be made.

2.21 Employee benefits

(1) Retirement benefit costs

The Group contributes to defined contribution retirement schemes under either recognised ORSO schemes or MPF schemes that are available to the Group's employees. Contributions to the schemes by the Group and employees are calculated as a percentage of employees' basic salaries for the ORSO schemes and in accordance with the MPF rules for MPF schemes. The retirement benefit scheme costs are charged to the income statement as incurred and represent contributions payable by the Group to the schemes. Contributions made by the Group that are forfeited by those employees who leave the ORSO scheme prior to the full vesting of their entitlement to the contributions are used by the Group to reduce the existing level of contributions or to meet its expenses under the trust deed of the ORSO schemes.

The assets of the schemes are held in independently-administered funds separate from those of the Group.

財務報表附註

Notes to the Financial Statements

2. 重要會計政策 (續)

2.21 僱員福利 (續)

(2) 有償缺勤

僱員獲享之年度休假及病假在累積時確認，本集團會對僱員服務至會計結算日所累積，但尚未使用之年度休假及預計所需支付之病假作出估算及撥備。

除病假及經特別批准之年度休假外，其他有償缺勤均不允許累積。若僱員於獲享有償缺勤之年度內未能悉數享用該等可用缺勤，剩餘之可用缺勤將被取消。除未到期之休假外，僱員於離職時亦無權收取現金以彌補任何未被使用之可用缺勤。

(3) 獎金計劃

若因僱員提供之服務而令集團產生法律性或推定性之現有責任，而該責任之金額亦能可靠地作出估算，集團需確認該預期之獎金支出並以負債列賬。如獎金計劃之負債金額重大，且預期會於12個月後才被償付，會以貼現處理。

(4) 界定利益福利計劃

本集團設置了一項非存置基金的界定利益福利計劃，此界定利益福利計劃所提供福利之成本是以預期累計福利單位精算估值方法計算。

重新計量界定利益福利計劃之精算盈虧會在發生期內即時確認於綜合資產負債表內，並同時透過借記或貸記其他全面收益列入留存溢利。重新計量之盈虧不會在往後年度重分類至收益。

往年服務成本在以下情況之較早者確認於收益：

- 界定利益福利計劃作出修訂或削減之日；及
- 本集團確認重組相關費用之日。

2. MATERIAL ACCOUNTING POLICIES (Cont'd)

2.21 Employee benefits (Cont'd)

(2) Leave entitlements

Employee entitlements to annual leave and sick leave are recognised when they accrue to employees. A provision is made for the estimated liability for unused annual leave and the amount of sick leave expected to be paid as a result of services rendered by employees up to the end of the reporting period.

Compensated absences other than sick leave and special approved annual leaves are non-accumulating; they lapse if the current period's entitlement is not used in full. Except for unexpired annual leaves, they do not entitle employees to a cash payment for unused entitlement on leaving the Group.

(3) Bonus plans

The expected cost of bonus payments are recognised as a liability when the Group has a present legal or constructive obligation as a result of services rendered by employees and a reliable estimate of the obligation can be made. Liabilities for bonus plans that are expected to be settled longer than twelve months will be discounted if the amounts are significant.

(4) Defined benefit plan

The Group operates a defined benefit plan which is unfunded. The cost of providing benefits under the defined benefit plan is determined using the projected unit credit actuarial valuation method.

Remeasurements arising from actuarial gains and losses of the defined benefit plan, is recognised immediately in the consolidated balance sheet with a corresponding debit or credit to retained earnings through other comprehensive income in the period in which they occur. Remeasurements are not reclassified to income statement in subsequent periods.

Past service costs are recognised in income statement at the earlier of:

- the date of the plan amendment or curtailment; and
- the date that the Group recognises restructuring-related costs.

財務報表附註

Notes to the Financial Statements

2. 重要會計政策 (續)

2.21 僱員福利 (續)

(4) 界定利益福利計劃 (續)

淨利息是以折現率與界定利益福利計劃淨負債計算所得，本集團就以下界定利益福利計劃承擔之變動按其性質確認於綜合收益表內之利息支出或經營支出：

- 服務成本包括當期及以往的服務成本、削減福利之盈虧及非經常性之結算。
- 淨利息支出。

2.22 本期及遞延所得稅項

在有關期間的稅務支出包括本期及遞延稅項。除因有關項目乃直接記於其他全面收益而需於其他全面收益內確認其稅項外，稅項於收益表內確認。

基於溢利而需支付之所得稅，是根據本銀行及附屬公司在營運及產生應課稅收入之司法管轄地區於會計結算日已執行或實際會執行之適用稅法計算，並於溢利產生當期確認為本期所得稅項支出。

所有因綜合財務報表內資產及負債之稅務基礎與其賬面值之暫時性差異而產生之遞延所得稅項均以資產負債表負債法提撥。遞延所得稅項是按會計結算日已執行或實際會執行之稅率及稅法，及預期於相關之遞延所得稅資產實現時或遞延所得稅負債需清付時所適用之稅率計算。

主要之暫時性差異源於資產減值準備、房產及設備之折舊、以及若干資產之重估，包括以公允值變化計入其他全面收益之證券及房產。除業務合併外，若資產或負債在交易初始確認時，並未有對會計損益或應課稅損益構成影響及不產生等額應課稅及可抵扣的暫時性差異的交易，則無需確認遞延所得稅項。

所有因應課稅暫時性差異而產生之遞延所得稅負債均會被確認。當未來之應課稅利潤預計可被用作抵扣可抵扣之暫時性差異、結轉之未使用稅務抵免及未使用稅務虧損時，因該等可抵扣之暫時性差異、結轉之未使用稅務抵免及未使用稅務虧損而產生之遞延所得稅資產將全部被確認。

2. MATERIAL ACCOUNTING POLICIES (Cont'd)

2.21 Employee benefits (Cont'd)

(4) Defined benefit plan (Cont'd)

Net interest is calculated by applying the discount rate to the net defined benefit liability. The Group recognises the following changes in the net defined benefit obligation under "interest expenses" and "operating expenses" in the consolidated income statement by function:

- service costs comprising current service costs, past service costs, gains and losses on curtailments and non-routine settlements.
- net interest expense.

2.22 Current and deferred income taxes

Tax expenses for the period comprises current and deferred tax. Tax is recognised in the income statement, except to the extent that it relates to items recognised directly in other comprehensive income. In this case, the tax is also recognised in other comprehensive income.

Income tax payable on profits, based on the applicable tax law enacted or substantially enacted at the end of the reporting period in each jurisdiction where the Bank and the subsidiaries operate and generate taxable income, is recognised as a current income tax expense in the period in which profits arise.

Deferred income tax is provided in full, using the balance sheet liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. Deferred income tax is determined using tax rates and laws that have been enacted or substantially enacted by the end of the reporting period and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

The principal temporary differences arise from asset impairment provisions, depreciation of premises and equipment, and revaluation of certain assets including at fair value through other comprehensive income securities and premises. However, the deferred income tax is not recognised if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss and does not give rise to equal taxable and deductible temporary differences.

Deferred income tax liabilities are provided in full on all taxable temporary differences. Deferred income tax assets are recognised on deductible temporary differences, the carry forward of any unused tax credits and unused tax losses to the extent that it is probable that future taxable profit will be available against which the deductible temporary differences, the carry forward of unused tax credits and unused tax losses can be utilised.

財務報表附註

Notes to the Financial Statements

2. 重要會計政策 (續)

2.22 本期及遞延所得稅項 (續)

遞延所得稅項乃記於收益表內。但因以公允值變化計入其他全面收益之證券的公允值重新計量及對房產之重估記入其他全面收益內，故由此產生的遞延所得稅項也記入其他全面收益內，並於以後隨著相關遞延收益和虧損的確認而一同確認在收益表中。

投資物業的遞延稅項負債或遞延稅項資產的計算方法是假設該等投資物業是通過出售來回收其重估賬面值及採用相關的稅率計算。

2.23 收回資產

收回資產按其收回日之公允值扣除出售成本後之淨值及有關貸款之攤餘成本之較低者列賬。有關貸款及有關已提準備於資產負債表中予以註銷。其後，收回資產取其成本及公允值扣除出售成本後之淨值中之較低者計量，並被確認為「待出售非流動資產」，包括於「其他資產」項下。

2.24 信託業務

本集團一般以信託人或其他授託人身分，代表個人、信託及其他機構持有或管理資產。由於該等資產並不屬於本集團，該等資產及據此而產生之任何收益或虧損，將不計入本財務報表內。

2.25 或然負債及或然資產

或然負債是指由過去已發生的事件引起的可能需要履行的責任，其存在將由一宗或多宗本集團所不能完全控制的未來不確定事件出現與否來確認。或然負債也可能是由於過去已發生事件而引致的現有責任，但由於估計不會導致經濟利益的流出或因不能可靠地計量責任金額，故未有被確認。

2. MATERIAL ACCOUNTING POLICIES (Cont'd)

2.22 Current and deferred income taxes (Cont'd)

Deferred income tax is charged or credited in the income statement except for deferred income tax relating to fair value re-measurement of securities at fair value through other comprehensive income and revaluation of premises which are charged or credited to other comprehensive income, in which case the deferred income tax is also credited or charged to other comprehensive income and is subsequently recognised in the income statement together with the realisation of the deferred gain and loss.

Deferred tax liability or deferred tax asset arising from investment property is determined based on the presumption that the revaluation amount of such investment property will be recovered through sale with the relevant tax rate applied.

2.23 Repossessed assets

Repossessed assets are initially recognised at the lower of their fair value less costs to sell and the amortised cost of the related outstanding loans on the date of repossession, and the related loans and advances together with the related impairment allowances are derecognised from the balance sheet. Subsequently, repossessed assets are measured at the lower of their cost and fair values less costs to sell and are reported as "non-current assets held for sale" included in "Other assets".

2.24 Fiduciary activities

The Group commonly acts as a trustee, or in other fiduciary capacities, that result in its holding or managing assets on behalf of individuals, trusts and other institutions. These assets and any gains or losses arising thereon are excluded from these financial statements, as they are not assets of the Group.

2.25 Contingent liabilities and contingent assets

A contingent liability is a possible obligation that arises from past events and whose existence will only be confirmed by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group. It can also be a present obligation arising from past events that is not recognised because it is not probable that an outflow of economic resources will be required or the amount of obligation cannot be measured reliably.

財務報表附註

Notes to the Financial Statements

2. 重要會計政策 (續)

2.25 或然負債及或然資產 (續)

或然負債不會被確認為準備，但會在財務報表附註中加以披露。如情況發生變化，使經濟利益的流出變得很有可能時，則會將其確認為準備。

或然資產是指由過去已發生的事件引起的可能產生之資產，其存在將由一宗或多宗本集團所不能完全控制的未來不確定事件出現與否來確認。

或然資產不會被確認，但如有可能收到經濟利益時，會在財務報表附註中披露。若將會收到之經濟利益可被實質確定時，將確認為資產。

2.26 有關連人士

就此等財務報表而言，若一方人士(i)能控制、共同控制本集團、或對本集團有重大影響力；(ii)與本集團同屬一財務報告集團的成員，例如：母公司、附屬公司、同系附屬公司；(iii)為本集團或母公司集團中的聯營公司或合資企業；(iv)為本集團或母公司的主要高層人員；(v)與本集團受到共同控制；(vi)被識別為受第(iv)類人士所控制的企業；及(vii)向本集團或本集團之母公司提供主要管理人員服務，則該等人士被視為有關連人士。有關連人士可為個人或企業。

2. MATERIAL ACCOUNTING POLICIES (Cont'd)

2.25 Contingent liabilities and contingent assets (Cont'd)

A contingent liability is not recognised as a provision but is disclosed in the notes to the financial statements. When a change in the probability of an outflow occurs so that outflow is probable, it will then be recognised as a provision.

A contingent asset is a possible asset that arises from past events and whose existence will only be confirmed by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group.

Contingent assets are not recognised but are disclosed in the notes to the financial statements when an inflow of economic benefits is probable. When the inflow is virtually certain, it will be recognised as an asset.

2.26 Related parties

For the purposes of these financial statements, a party is considered to be related to the Group if that party (i) controls, jointly controls or has significant influence over the Group; (ii) is a member of the same financial reporting group, such as parents, subsidiaries and fellow subsidiaries; (iii) is an associate or a joint venture of the Group or parent reporting group; (iv) is a key management personnel of the Group or parents; (v) is subject to common control with the Group; (vi) is an entity in which a person identified in (iv) controls; and (vii) provides key management personnel services to the Group or its parent. Related parties may be individuals or entities.

財務報表附註

Notes to the Financial Statements

3. 應用會計政策時之重大會計估計及判斷

本集團作出的會計估計和假設通常會影響下一會計年度的資產和負債的賬面價值。該等估計及判斷是根據過往歷史經驗及於有關情況下被認為合理之其他因素，包括對未來事件的預期而作出，並會持續接受評估。對因必要的估計及判斷轉變，而會影響其賬面值的資產及負債項目範圍，將列示如下。如可釐定，重要假設或其他估量所存在之不明朗因素及其轉變所帶來之影響將於以下列出。而未來有可能根據實際情況的變化對這些會計估計做出重大調整。

3.1 金融資產減值要求

根據香港財務報告準則第9號對所有類別的金融資產（除公允價值變化入損益之金融資產）進行減值損失計量均涉及判斷，特別是在釐定減值損失及評估信貸風險的大幅增加時，以及出現違約及資產為信用減值時，對未來現金流量及抵押價值的金額及發生的時間的估計。此等估計受多項因素推動，當中有關的變動可能導致須作出不同程度的撥備。

本集團的預期信用損失是採用複雜模型計算，並通過使用一系列假設來選取變量輸入及其相互依存。預期信用損失模型考慮之會計判斷及預測結果包括以下元素：

- 本集團內部信用評級模型，以定出個別評級對應之違約概率。
- 本集團評估是否已出現信貸風險顯著上升的標準及定性評估，已出現之金融資產需按整個存續期計提預期信用損失準備金。
- 採用組合模式評估其預期信用損失的金融資產之組合劃分。

3. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS IN APPLYING ACCOUNTING POLICIES

The Group makes estimates and assumptions that affect the carrying amounts of assets and liabilities within the next financial year. Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Areas susceptible to changes in essential estimates and judgements, which affect the carrying amount of assets and liabilities, are set out below. The effect of changes to either the key assumptions or other estimation uncertainties will be presented below if it is practicable to determine. It is possible that actual results may require material adjustments to the estimates referred to below.

3.1 Impairment requirements on financial assets

The measurement of impairment losses under HKFRS 9 across all categories of financial assets (except for financial assets at fair value through profit and loss) requires judgement, in particular, the estimation of the amount and timing of future cash flows and collateral values when determining impairment losses and the assessment of a significant increase in credit risk and in the event of default and when assets are credit-impaired. These estimates are driven by a number of factors, changes in which can result in different levels of allowances.

The Group's ECL calculations are outputs of complex models with a number of underlying assumptions regarding the choice of variable inputs and their interdependencies. Elements of the ECL models that are considered accounting judgements and estimates include:

- The Group's internal credit grading model, which assigns PDs to the individual grades.
- The Group's criteria for assessing if there has been a significant increase in credit risk and so allowances for financial assets should be measured on a lifetime ECL basis and the qualitative assessment.
- The segmentation of financial assets when their ECL is assessed on a collective basis.

財務報表附註

Notes to the Financial Statements

3. 應用會計政策時之重大會計估計及判斷 (續)

3.1 金融資產減值要求 (續)

- 預期信用損失模型的構建，包括宏觀經濟情境的決定，以及其對違約概率、違約風險承擔及違約損失率的影響。
- 前瞻性宏觀經濟因素之預測，維持本集團對未來宏觀經濟環境觀點的一致性。
- 選擇前瞻性宏觀經濟情境及其概率加權，從而成為預期信用損失模型的經濟因素。

本集團的第三階段預期信用損失計算是基於第三階段貸款的未來可收回現金流預測個別評估。

本集團政策規定需定期按實際損失經驗重檢有關模型，在需要時進行模型調整。

3.2 衍生金融工具和其他金融工具的公允值

沒有活躍市場報價之衍生金融工具和其他金融工具，其公允值會根據估值方法釐定。所採用之估值方法包括貼現現金流量分析，以及從外間購入，並被業內廣泛採用之財務分析或風險管理系統之內置模型，如期權定價模型。在實際操作可行的情況下，定價模型會採用可觀察數據。若估值模型未有考慮某些因素，如信貸風險，估值調整將有可能被採用。選用適合的估值參數、假設和模型技術需要管理層的判斷和估計。具體詳情可參閱附註5。

3.3 遞延稅項資產

按未使用的稅務虧損而確認之遞延稅項資產，乃以預計可被運用作抵扣該等虧損之應課稅溢利金額為限。釐定遞延稅項資產的確認金額，需要管理層作出重大判斷，包括基於未來最有可能產生應課稅溢利的時間及其金額。

按未使用的稅務抵免確認遞延稅項資產。在釐定需確認之遞延稅項資產的金額時，需根據對可運用的稅務抵免之估算及收回此等已確認之遞延稅項資產的可能性而作出重大的會計判斷。

3. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS IN APPLYING ACCOUNTING POLICIES (Cont'd)

3.1 Impairment requirements on financial assets (Cont'd)

- Development of ECL models, including the determination of macroeconomic scenarios and the effect on PDs, EADs and LGDs.
- Forward-looking macroeconomic factor forecasts maintain a consistent Group's view on future macroeconomic environment.
- Selection of forward-looking macroeconomic scenarios and their probability weightings, to derive the economic inputs into the ECL models.

The Group's stage 3 ECL calculations are based on the estimation of recoverable future cash flows of stage 3 advances to customers on an individual basis.

It has been the Group's policy to regularly review its models in the context of actual loss experience and adjust when necessary.

3.2 Fair values of derivative financial instruments and other financial instruments

The fair values of derivative financial instruments and other financial instruments that are not quoted in active markets are determined by using valuation techniques. Valuation techniques used include discounted cash flows analysis and models with built-in functions available in externally acquired financial analysis or risk management systems widely used by the industry such as option pricing models. To the extent practical, the models use observable data. In addition, valuation adjustments may be adopted if factors such as credit risk are not considered in the valuation models. Management judgement and estimates are required for the selection of appropriate valuation parameters, assumptions and modeling techniques. Further details will be discussed in Note 5.

3.3 Deferred tax assets

Deferred tax assets on unused tax losses are recognised to the extent that it is probable that taxable profit will be available against which the losses can be utilised. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of future taxable profits.

Deferred tax assets on unused tax credits are recognised. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the estimation of available tax credits and the possibility to recover such deferred tax assets recognised.

財務報表附註

Notes to the Financial Statements

4. 金融風險管理

本集團因從事各類業務而涉及金融風險。主要金融風險包括信貸風險、市場風險(包括外匯風險及利率風險)及流動資金風險。本附註概述本集團的這些風險承擔，以及其目標、風險管理的管治架構、政策與程序及量度這些風險的方法。

金融風險管理架構

本集團風險管理管治架構覆蓋業務發展的全部過程，以保證在業務經營中的各類風險都能得到有效管理及控制。本集團擁有完善的風險管理架構，並有一套全面的風險管理政策及程序，用以識別、量度、評估、監察、匯報及控制可能出現的各類風險。本集團亦定期重檢及更新風險管理政策及程序，以配合市場及業務策略的轉變。不同層面的風險承擔者分別負責與其相關的風險管理責任。

董事會代表著股東的利益，是本集團風險管理的最高決策機構，並對風險管理負最終責任。董事會在其屬下委員會的協助下，建立良好的風險管理文化，負責確定本集團的風險管理策略和風險偏好，確保具備有效的風險管理系統以落實執行有關策略。

風險管理委員會是董事會成立的常設委員會，負責監察本集團的各類風險；審查、批准高層次的風險管理政策，並監督其執行；向董事會建議風險管理高層架構，包括總裁最高信貸審批權限及信貸審批委員會的信貸審批範圍。如風險管理委員會認為交易過於重大而應由董事會批准，可把該筆交易申請提交董事會。風險管理委員會從風險管理角度評估本銀行薪酬激勵機制是否符合風險文化及風險偏好，及具體薪酬是否適當反映所承受的風險及由此產生的結果。並協助培養集團穩固的風險文化。稽核委員會協助董事會履行內部監控系統的監控職責。

4. FINANCIAL RISK MANAGEMENT

The Group is exposed to financial risks as a result of engaging in a variety of business activities. The principal financial risks are credit risk, market risk (including currency risk and interest rate risk) and liquidity risk. This note summarises the Group's exposures to these risks, as well as its objectives, risk management governance structure, policies and processes for managing and the methods used to measure these risks.

Financial risk management framework

The Group's risk management governance structure is designed to cover all business processes and ensure various risks are properly managed and controlled in the course of conducting business. The Group has a robust risk management organisational structure with a comprehensive set of policies and procedures to identify, measure, evaluate, monitor, report, and control various risks that may arise. These risk management policies and procedures are regularly reviewed and updated to reflect changes in markets and business strategies. Various groups of risk takers assume their respective responsibilities for risk management.

The Board of Directors, representing the interests of shareholders, is the highest decision-making authority of the Group and has the ultimate responsibility for risk management. The Board, with the assistance of its committees, has the primary responsibility for the formulation of risk management strategies and risk appetite, establishing a sound risk culture and risk management system to implement these strategies.

The Risk Management Committee, a standing committee established by the Board of Directors, is responsible for overseeing the Group's various types of risks, reviewing and approving high-level risk management policies and monitoring their implementation, recommending senior risk management organisational framework to the Board, including credit approval authority for the Chief Executive and scope of credit approval for the Credit Approval Committee. The Risk Management Committee would refer any specific transaction to the Board if it is deemed so significant that Board approval is desirable. The Risk Management Committee, from the risk management viewpoint assesses whether incentives created by the remuneration system are aligned with the risk culture and risk appetite, and whether remuneration awards appropriately reflect the level of risk-taking and consequences. It also assists to fostering a strong risk culture within the Group. The Audit Committee assists the Board in fulfilling its role in overseeing the internal control system.

財務報表附註

Notes to the Financial Statements

4. 金融風險管理 (續)

金融風險管理架構 (續)

信貸審批委員會負責在董事會授權範圍內審批或審議貸款業務及信貸管理相關事項，及對信貸業務進行監控工作，並定期就相關工作事項向風險管理委員會進行彙報。總裁負責組織落實董事會所確立的風險管理策略及目標，管理各類風險，確保重大風險承擔獲得有效管控。

本集團的不同單位具有其相應的風險管理責任。業務單位是風險管理的第一道防線，而風險管理單位則獨立於業務單位，負責各類風險的日常管理，以及草擬、檢查和更新各類風險管理政策和程序。

本集團建立了合適的內部控制程序，包括設立權責分立清晰的組織架構，以監察業務運作是否符合既定政策、程序及限額。適當的匯報機制也充分地使監控職能獨立於業務範疇，同時促成機構內適當的職責分工，有助營造適當的內部控制環境。

產品開發及風險監控

「產品」涵蓋以不同渠道提供予客戶的各類產品及服務。

為了提高風險評估及監控工作的有效性，本集團建立了一套完善的產品開發及風險監控管理制度。在產品開發過程中，本集團各單位具有清晰的職責及分工，並制定了適當的風險盡職審查程序。

根據董事會及管理層提出的發展目標，產品管理單位負責提出相應的業務發展和產品開發計劃，進行具體的產品開發工作。策略發展單位負責確保業務發展和產品開發計劃符合集團整體策略；風險管理、法律、合規及財務等方面的專責單位負責對風險評估結果進行審核。

4. FINANCIAL RISK MANAGEMENT (Cont'd)

Financial risk management framework (Cont'd)

The Credit Approval Committee is responsible for reviewing or approving credit business and credit management related matters within the authorisation granted by the Board of Directors, monitoring the credit activities of the Group and reporting to the Risk Management Committee regularly. The Chief Executive is responsible for organising and implementing the risk management strategies and objectives established by the Board of Directors, managing various risks and ensuring significant risk exposures are properly managed.

Various units of the Group have their respective risk management responsibilities. Business units act as the first line of defence while risk management units, which are independent from the business units, are responsible for the day-to-day management of different kinds of risks. Risk management units have the primary responsibilities for drafting, reviewing and updating various risk management policies and procedures.

The Group has put in place appropriate internal control systems, including establishment of an organisational structure that sets clear lines of authority and responsibility for monitoring compliance with policies, procedures and limits. Proper reporting lines also provide sufficient independence of the control functions from the business areas, as well as adequate segregation of duties throughout the organisation which helps to promote an appropriate internal control environment.

Product development and risk monitoring

“Products” encompasses the products and services provided to customers through various channels.

To ensure the effectiveness of risk assessment and monitoring, the Group has a comprehensive product development and risk monitoring system where roles and responsibilities of all related units are clearly defined and proper due diligence processes on product development are in place.

In accordance with the strategic objectives set by the Board and the Management, respective product management units are responsible for formulating business and product development plans, and proceeding to specific product development activities. The strategic development unit shall ensure the plans are aligned with the Group's overall strategies. Units that are responsible for risk management, legal, compliance and finance, etc. are accountable for risk assessment and review.

財務報表附註

Notes to the Financial Statements

4. 金融風險管理 (續)

產品開發及風險監控 (續)

除負責新產品開發項目的管理工作外，產品管理單位與風險評估單位共同負責識別和評估項目所涉及的各项風險。風險評估單位需要對項目的風險評估結果和風險管理措施進行獨立審查，只有在風險評估單位滿意盡職審查結果，有關產品才可推出市場。

對於提供予客戶的財資產品則採納更審慎的方法，所有新的財資產品在推出前，都必須經審批同意通過。

4.1 信貸風險

信貸風險指因客戶或交易對手未能或不願意履行償債責任而造成損失的風險。本集團的交易賬和銀行賬、以及資產負債表內和表外均存在這種風險。信貸風險主要來自借貸、貿易融資及資金業務。

信貸風險管理架構

本集團制定了一套全面的信貸風險管理政策與程序和恰當的信貸風險限額，用以管理及控制信貸風險。本集團定期重檢及更新該等政策與程序及信貸風險限額，以配合市場及業務策略的轉變。

本集團的組織架構制定了明確的授權及職責，以監控遵守政策、程序及限額的情況。

信貸管理委員會是由總裁授權設立的管理委員會，負責落實信貸風險管理策略及審議信貸政策，同時監察本集團信貸組合、信貸資產質素、風險集中程度。本集團的不同單位具有其相應的信貸風險管理責任。業務單位是風險管理的第一道防線。風險管理單位獨立於業務單位，負責信貸風險的日常管理，對信貸風險的識別、量度、評估、監察、匯報和控制進行獨立的盡職調查，確保有效的制約與平衡，以及草擬、檢查和更新信貸風險管理政策與程序，並向風險總監、信貸管理委員會、總裁、信貸審批委員會及風險管理委員會報告。

4. FINANCIAL RISK MANAGEMENT (Cont'd)

Product development and risk monitoring (Cont'd)

Apart from product development, respective product management units work closely with relevant risk evaluating units to identify and assess the various risks of new products. Risk evaluating units conduct independent review on the risk assessment results and the corresponding risk management measures. Products can only be launched upon completion of the product due diligence process to the satisfaction of all risk evaluating units.

A prudent approach is adopted in offering treasury products to our customers. All new treasury products require approval before launching.

4.1 Credit risk

Credit risk is the risk of loss that a customer or counterparty is unable to or unwilling to meet its contractual obligations. Credit risk exists in the trading book and banking book, as well as from on- and off-balance sheet transactions of the Group. It arises principally from lending, trade finance and treasury businesses.

Credit risk management framework

The Group has formulated a comprehensive set of credit risk management policies and procedures, and appropriate credit risk limits to manage and control credit risk that may arise. These policies, procedures and credit risk limits are regularly reviewed and updated to cope with changes in market conditions and business strategies.

The Group's organisational structure establishes a clear set of authority and responsibility for monitoring compliance with policies, procedures and limits.

The Credit and Loans Management Committee, a management committee authorised by the Chief Executive, is responsible for the implementation of the credit risk management strategies as well as the approval of credit policies. It also monitors the Group's loan portfolio, quality of credit asset and risk concentration level. Different units of the Group have their respective credit risk management responsibilities. Business units act as the first line of defence. The risk management units, which are independent from the business units, are responsible for the day-to-day management of credit risks and have the primary responsibilities for providing an independent due diligence through identifying, measuring, evaluating, monitoring, reporting and controlling credit risk to ensure an effective checks and balances, as well as drafting, reviewing and updating credit risk management policies and procedures. They report directly to the Chief Risk Officer, Credit and Loans Management Committee, Chief Executive, Credit Approval Committee and Risk Management Committee.

財務報表附註

Notes to the Financial Statements

4. 金融風險管理 (續)

4.1 信貸風險 (續)

信貸風險管理架構 (續)

南洋商業銀行(中國)有限公司(「南商(中國)」)設有獨立的風險監控團隊，監控信貸風險相關情況，並定期向本銀行提交管理訊息和報告。

董事會是最終的信貸權力來源，董事會授權信貸審批委員會及總裁審批信貸業務。總裁在董事會授予之權限內按管理需要轉授權予信貸業務相關人員或委員會。本集團按照信貸業務性質、內部評級、交易風險的程度、信貸風險承擔大小，設置信貸業務的審批權限。

信貸風險評估及監控

因應迅速變化的市場情況，本集團已持續重檢信貸策略，並對關注的組合開展嚴格的信貸重檢。

貸款

不同客戶、交易對手或交易會根據其風險程度採用不同的信貸審批及監控程序。所有授信申請須經風險評估及適當審批。除一些符合指定條件的授信外，一般情況下大部分授信須經獨立的風險管理單位人員進行貸前審核。該些指定授信會由獨立於前線業務單位的指定單位作貸後檢(抽)查。非零售風險承擔授信申請需確定債務人評級(按照違約概率程度)和授信等級(按照違約損失率程度)以支持信貸審批；零售授信交易包括零售小企業貸款、住宅按揭貸款、私人貸款等採取零售內部評級系統進行信貸風險評估。本集團會應用貸款分類級別、債務人評級、授信等級和損失預測結果(如適用)於支持信貸審批。

本集團亦會應用貸款分類級別、債務人評級和損失預測結果(如適用)於支持信貸監控、信貸風險報告及分析。對於非零售風險承擔，本集團會對較高風險的客戶採取更頻密的評級重檢及更密切的監控；對於零售風險承擔則會在組合層面應用每月更新的內部評級及損失預測結果進行監察，對識別為高風險組別客戶，會進行更全面檢討。

4. FINANCIAL RISK MANAGEMENT (Cont'd)

4.1 Credit risk (Cont'd)

Credit risk management framework (Cont'd)

Nanyang Commercial Bank (China), Limited ("NCB (China)") sets up independent risk monitoring teams to monitor credit risk, and submits management information and reports to the Bank on a regular basis.

The Board of Directors is the ultimate source of credit authority. The Board of Directors delegates credit approval authority to the Credit Approval Committee and the Chief Executive. Based on management needs, the Chief Executive can further delegate to the credit-related subordinates or committee within the limit authorised by the Board of Directors. The Group sets the limits of credit approval authority according to the credit business nature, internal rating, the level of transaction risk, and the size of the credit exposure.

Credit risk measurement and control

In view of the rapidly changing market conditions, the Group has been continuously revising its credit strategies and conducting rigorous reviews on the concerned portfolios.

Advances

Different credit approval and control procedures are adopted according to the level of risk associated with the customer, counterparty or transaction. All credit applications are subject to thorough risk assessment and proper approval. In general, most of the credit applications will be reviewed and assessed by independent officer(s) of risk management unit(s) before approval, with exceptions given to designated advances which satisfy certain conditions. After funding being drawn, these designated advances will be (randomly) reviewed by designated unit(s) which is(are) independent from the front line business units. Obligor ratings (in terms of probability of default) and facility ratings (in terms of loss given default) are assigned to credit applications for non-retail exposures to support credit approval. Retail internal rating systems are deployed in the risk assessment of retail credit transactions, including small business retail exposures, residential mortgage loans, personal loans, etc. Loan grades, obligor and facility ratings as well as loss estimates (if applicable) are used to support credit approval.

The Group also uses loan grades, obligor ratings and loss estimates (if applicable) to support monitoring, reporting and analysis of credit risk. For non-retail exposures, more frequent rating review and closer monitoring are required for higher-risk customers. For retail exposures, monthly updated internal ratings and loss estimates are used for credit monitoring on a portfolio basis. More comprehensive review is required for obligors being identified under high-risk pools.

財務報表附註

Notes to the Financial Statements

4. 金融風險管理 (續)

4.1 信貸風險 (續)

信貸風險評估及監控 (續)

貸款 (續)

信貸風險管理報告會定期或不定期提供予管理層、信貸審批委員會、風險管理委員會及董事會，以供其持續監控信貸風險。

本集團也會按照行業、地區、客戶或交易對手等維度識別信貸風險集中度，並監察每一交易對手信貸風險、信貸資產組合質素、信貸風險集中度的變化，定期向本集團管理層匯報。

本集團參照金管局貸款分類制度的指引，實施信貸資產的五級分類如下：

「合格」是指借款人目前有履行還款責任的貸款，同時全數償還利息及本金的機會也不成疑問。

「需要關注」是指借款人正面對困難，可能會影響本集團收回貸款的本金及利息。現時並未預期出現最終損失，但如不利情況持續，有可能出現最終損失。

「次級」是指借款人正出現明顯問題，以致可能影響還款的貸款。

「呆滯」是指不大可能全數收回，而本集團在扣除抵押品的可變現淨值後預計會承受本金和／或利息虧損的貸款。

「虧損」是指用盡所有追討欠款方法後（如變賣抵押品、提出法律訴訟等）仍被視為無法收回的貸款。

4. FINANCIAL RISK MANAGEMENT (Cont'd)

4.1 Credit risk (Cont'd)

Credit risk measurement and control (Cont'd)

Advances (Cont'd)

Regular or ad hoc credit risk management information reports are provided to the Management, Credit Approval Committee, Risk Management Committee and the Board of Directors to facilitate their continuous monitoring of credit risk.

In addition, the Group identifies credit concentration risk by industry, geography, customer and counterparty. The Group monitors changes in counterparty credit risk, quality of the credit portfolio and credit risk concentrations, and reports regularly to the Group's Management.

The Group adopts loan grading criteria which divides credit assets into five categories with reference to the HKMA's guidelines, as below:

"Pass" represents loans where the borrower is in current meeting its repayment obligations and full repayment of interest and principal is not in doubt.

"Special Mention" represents loans where the borrower is experiencing difficulties which may threaten the Group's position. Ultimate loss is not expected at this stage but could occur if adverse conditions persist.

"Substandard" represents loans where the borrower displays a definable weakness that is likely to jeopardise repayment.

"Doubtful" represents loans where collection in full is improbable and the Group expects to sustain a loss of principal and/or interest, taking into account the net realisable value of the collateral.

"Loss" represents loans which are considered uncollectible after all collection options (such as the realisation of collateral or the institution of legal proceedings) have been exhausted.

財務報表附註

Notes to the Financial Statements

4. 金融風險管理 (續)

4.1 信貸風險 (續)

信貸風險評估及監控 (續)

債務證券及衍生產品

對於債務證券的投資，本集團會應用債務人評級或外部信用評級、通過評估證券相關資產的質素及設定客戶及證券發行人信貸限額，以管理債務證券的信貸風險；對於衍生產品，本集團會採用客戶限額及與貸款一致的審批及監控程序管理信貸風險，並制定持續監控及止損程序。

結算風險主要來自交易對手相關外匯交易，以及來自任何以現金、證券或股票支付但未能如期相應收回該交易對手的現金、證券或股票的衍生產品交易。本集團對各交易對手或客戶制定每日結算限額，以涵蓋任何單一日子本集團的交易而產生的所有結算風險。

抵押品及其他改善信貸條件

本集團制定抵押品估值及管理的信貸風險管理政策與程序，明確抵押品的接受準則、法律有效性、貸款與估值比率、估損折扣比率、估值及保險等規定。本集團須定期重估抵押品價值，並按抵押品種類、授信性質及風險狀況而採用不同的估值頻率及方式。物業是本集團主要押品，本集團已建立機制利用指數以組合形式對物業進行估值。如需要，抵押品須購買保險並以本集團作為第一受益人。

對於由第三者提供擔保的貸款，本集團會評估擔保人的財政狀況、信貸紀錄及履約能力。

於2023年12月31日，本集團並無持有任何允許於借款人未違約情況下出售或再抵押之抵押品(2022年：無)。

4. FINANCIAL RISK MANAGEMENT (Cont'd)

4.1 Credit risk (Cont'd)

Credit risk measurement and control (Cont'd)

Debt securities and derivatives

For investments in debt securities, the obligor ratings or external credit ratings, assessment of the underlying assets and credit limits setting on customer/security issuer basis are used for managing credit risk associated with the investment. For derivatives, the Group sets customer limits to manage the credit risk involved and follows the same approval and control processes as applied for advances. On-going monitoring and stop-loss procedures are established.

Settlement risk arises mainly from foreign exchange transactions with counterparties and also from derivatives transactions in any situation where a payment in cash, securities or equities is made in the failure of a corresponding receipt in cash, securities or equities. Daily settlement limits are established for each counterparty or customer to cover all settlement risk arising from the Group's market transactions on any single day.

Collateral held as security and other credit enhancements

The valuation and management of collateral have been documented in the credit risk management policies and procedures which cover acceptance criteria, validity of collateral, loan-to-value ratio, haircut ratio, valuation and insurance, etc. The collateral is revalued on a regular basis, though the frequency and the method used varies with the type of collateral involved and the nature and the risk of the underlying credit. The Group has established a mechanism to update the value of its main type of collateral, real estate properties, with the use of public indices on a portfolio basis. If necessary, collateral is insured with the Group as the primary beneficiary.

For loans guaranteed by a third party, the Group will assess the guarantor's financial condition, credit history and ability to meet obligations.

As at 31 December 2023, the Group did not hold any collateral that it was permitted to sell or re-pledge in the absence of default by the borrower (2022: Nil).

財務報表附註

Notes to the Financial Statements

4. 金融風險管理 (續)

4.1 信貸風險 (續)

預期信用損失的計算方法

香港財務報告準則第9號引入減值模型，該模式要求以攤銷成本及公允價值計入其他綜合收益之金融工具確認預期信用損失。根據香港財務報告準則第9號，預期信用損失分三個階段進行評估，而金融資產及承擔則分為三個階段之一。

第一階段：如果金融工具在初始時沒有信用減值且金融工具的信用風險自初始確認後未顯著增加，則損失準備金的金額計量至12個月的預期信用損失；

第二階段：如果金融工具在初始時沒有信用減值，但自初始確認以來金融工具的信用風險顯著增加，則損失準備金的金額的計量等於整個存續期的預期信用損失金額；

第三階段：如果金融工具已為信用減值，一項或多項事件對該金融資產的估計未來現金流量產生不利影響，則損失準備金的計算金額的計量亦等於整個存續期的預期信用損失金額。

本集團利用在內部模型下實施的參數，在可行和可用的情況下評估預期信用損失。對於沒有模型的投資組合，使用所有其他合理且可支持的訊息，例如歷史訊息，相關損失經驗或假設。預期信用損失的計量是應用金融工具違約概率、違約損失和違約風險承擔以實際利率貼現至報告日期的結果。

預期信用損失以無偏見和概率加權金額計量，該金額通過評估一系列可能的結果、貨幣的時間價值以及關於過去事件，當前狀況和未來經濟狀況預測的合理和可支持的訊息來確定。本集團在預期信用損失計量中採用三個經濟情景以滿足香港財務報告準則第9號的要求。「基本情況」情景代表最可能的結果，而其他兩種情景，稱為「上行」情景和「下行」情景，代表與基本情況情景相比更樂觀或更悲觀的較少可能出現的情況。

4. FINANCIAL RISK MANAGEMENT (Cont'd)

4.1 Credit risk (Cont'd)

Expected Credit Loss ("ECL") Methodology

For impairment assessment, an impairment model is introduced in compliance with HKFRS 9, it requires the recognition of ECL for financial instrument held at amortized cost and fair value through other comprehensive income. Under HKFRS 9, ECL is assessed in three stages and the financial assets and commitments are classified in one of the three stages.

Stage 1: if the financial instrument is not credit-impaired upon origination and the credit risk on the financial instrument has not increased significantly since initial recognition, the loss allowance is measured at an amount up to 12-month ECL;

Stage 2: if the financial instrument is not credit-impaired upon origination but the credit risk on the financial instrument has increased significantly since initial recognition, the loss allowance is measured at an amount equal to the lifetime ECL;

Stage 3: if the financial instrument is credit-impaired, with one or more events that have a detrimental impact on the estimated future cash flows of that financial asset have occurred, the loss allowance is also measured at an amount equal to the lifetime ECL.

The Group leverages the parameters implemented under internal models where feasible and available to assess ECL. For the portfolios without models, all other reasonable and supportable information such as historical information, relevant loss experience or proxies are utilized. The measurement of ECL is the product of the financial instrument's probability of default ("PD"), loss given default ("LGD") and exposures at default ("EAD") discounted at the effective interest rate to the reporting date.

ECL is measured at an unbiased and probability-weighted amount that is determined by evaluating a range of possible outcomes, the time value of money and reasonable and supportable information about past events, current conditions and forecasts of future economic conditions. The Group adopts three economic scenarios in the ECL measurement to meet the requirements of HKFRS 9. The "Base case" scenario represents a most likely outcome and the other two scenarios, referred to as "Upside" scenario and "Downside" scenario, represent less likely outcomes which are more optimistic or more pessimistic compared to Base case scenario.

財務報表附註

Notes to the Financial Statements

4. 金融風險管理 (續)

4.1 信貸風險 (續)

預期信用損失的計算方法 (續)

基本情況情景、上行情景和下行情景均參考了內部經濟研究單位的宏觀經濟預測。

主要經營國家/地區的宏觀經濟因素，如香港本地生產總值增長率，香港通脹率，香港失業率，香港房地產價格增長率，中國本地生產總值增長率，中國通脹率和中國房地產價格增長率，均於各經濟情景採用。對於本集團的預期信用損失，這些宏觀經濟因素在統計分析和商業意見中具有重要意義。

為每個業務情景分配的機率反映了集團對經濟環境的看法，該觀點代表了集團審慎且一致的信貸策略，以確保減值準備的充足性。為基本情況情景分配較高的機率以反映最可能的結果，並將較低的機率分配給上行和下行情景則反映較少可能的結果。機率分配設定每季度重檢一次。於2023年12月，本集團基本情況情景的機率加權高於上行和下行情景之總和。

本年度，本集團根據模型重檢結果，對違約概率及違約損失率模型底層參數、宏觀情景參數及前瞻模型進行了優化。經測算，相關模型變更對減值計提影響不重大。相關模型變更已由本集團風險管理委員會審批通過。

預期信用損失的計算方法已由獨立的模型驗證單位驗證並經風險管理委員會批准。管理層負責審查模型表現和預期信用損失的變化。

4. FINANCIAL RISK MANAGEMENT (Cont'd)

4.1 Credit risk (Cont'd)

Expected Credit Loss ("ECL") Methodology (Cont'd)

The Base case scenario, Upside scenario and Downside scenario are made reference to macroeconomics forecast provided by internal economic research unit.

The macroeconomic factors for the major operating countries/regions such as: HK GDP growth rate, HK Inflation, HK unemployment rate, HK Property price growth, China GDP growth rate, China Inflation and China Property price growth are applied in the economic scenarios. These macroeconomic factors are considered to be important to the Group's ECL in statistical analysis and business opinion.

The probability assigned for each scenario reflects the Group's view of the economic environment, which implements the Group's prudent and consistent credit strategy of ensuring the adequacy of impairment allowance. A higher probability is assigned to the Base case scenario to reflect the most likely outcome and a lower probability is assigned to the Upside and Downside scenarios to reflect the less likely outcomes. The probabilities assigned are reviewed each quarter. As of December 2023, the probability weight of the Group's Base case scenario is higher than the sum of probability weight of Upside and Downside scenarios.

The Group enhanced the underlying parameters of the PD, LGD, probability weightings of macroeconomic scenarios and forward-looking information based on the results of model re-examination. After calculation, the relevant model changes have no significant impact on ECL. Relevant model changes have been approved by the Group's Risk Management Committee.

The ECL methodology has been validated by independent Model Validation Unit and approved by the Risk Management Committee. The Management is responsible to review model performance and changes in ECL.

財務報表附註

Notes to the Financial Statements

4. 金融風險管理 (續)

4.1 信貸風險 (續)

預期信用損失的計算方法 (續)

本集團用於評估預期信用損失的關鍵宏觀經濟因素：

宏觀經濟因素	Macroeconomic Factor	上行情景 Upaide scenario	基本情況情景 Base case scenario	下行情景 Downside scenario
2024年香港本地生產總值增長	2024 Hong Kong GDP Growth	3.01%	2.68%	2.17%

預期信用損失的計算受宏觀經濟因素及經濟情景所影響，若模型以較悲觀的宏觀經濟因素進行評估或增加概率加權至下行情景，將會導致預期信用損失上升。本集團根據既定機制每季度對減值模型所使用的宏觀經濟因素及經濟情景的概率加權進行重檢。

風險委員會負責審批預期信用損失方法論，管理層負責預期信用損失模型的應用。新資本協議管理及授信管理負責維護預期信用損失方法論，包括常規性的模型重檢及參數更新。獨立模型驗證團隊負責每年的預期信用損失模型驗證。如預期信用損失方法論有任何變更，本集團將按既定的程序進行審批。

於2023年12月31日，若5%的概率加權從基本情況情景轉移至下行情景，統計模型方法計算的預期信用損失將會增加1.13%；若5%的概率加權從基本情況情景轉移至上行情景，則將會減少0.63%。

4. FINANCIAL RISK MANAGEMENT (Cont'd)

4.1 Credit risk (Cont'd)

Expected Credit Loss ("ECL") Methodology (Cont'd)

The core macroeconomic factor used by the Group to assess ECL:

The calculation of ECL is affected by macroeconomic factors and economic scenarios. If more pessimistic macroeconomic factors are applied in ECL assessment or a higher probability weight is assigned to the Downside scenario, it would result in an increase in ECL. The Group reviews the macroeconomic factors used in the ECL model and the probability weight of economic scenarios on a quarterly basis according to the established mechanism.

RMC is responsible for approving ECL methodology and the Management is responsible for the ECL model implementation. Basel Management and Credit Management are responsible for the maintenance of ECL methodology including models review and parameters update on a regular basis. Independent Model Validation Team is responsible for the annual validation of ECL models. If there is any change in ECL methodology, the Group will follow the proper approval process.

As at 31 December 2023, the ECL under statistical approach will be increased by 1.13% if 5% of the probability weight is shifted from Base case scenario to Downside scenario; and will be decreased by 0.63% if 5% of the probability weight is shifted from Base case scenario to Upside scenario.

財務報表附註

Notes to the Financial Statements

4. 金融風險管理 (續)

4.1 信貸風險 (續)

預期信用損失的計算方法 (續)

於2023年12月31日按階段分布列示的信貸風險如下：

4. FINANCIAL RISK MANAGEMENT (Cont'd)

4.1 Credit risk (Cont'd)

Expected Credit Loss ("ECL") Methodology (Cont'd)

Summary of credit risk by stage distribution at 31 December 2023 is, as follows:

		2023						
		賬面總值/風險承擔						
		Gross carrying amount/Risk exposure						
		存放及定放 銀行及其他 金融機構的結餘	貸款及 其他賬項	金融投資	其他資產	財務擔保	貸款承擔	總額
		Balances and placements with banks and other financial institutions	Advances and other accounts	Financial investments	Other assets	Financial guarantees	Loan commitments	Total
		港幣千元	港幣千元	港幣千元	港幣千元	港幣千元	港幣千元	港幣千元
		HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
第一階段	Stage 1	55,315,175	280,838,680	174,161,917	2,840,114	54,091,488	149,050,077	716,297,451
第二階段	Stage 2	216,415	11,046,315	-	255	5,136	1,269,176	12,537,297
第三階段	Stage 3	-	6,919,550	-	5,424	5,840	4,341	6,935,155
總額	Total	55,531,590	298,804,545	174,161,917	2,845,793	54,102,464	150,323,594	735,769,903

		2022						
		賬面總值/風險承擔						
		Gross carrying amount/Risk exposure						
		存放及定放 銀行及其他 金融機構的結餘	貸款及 其他賬項	金融投資	其他資產	財務擔保	貸款承擔	總額
		Balances and placements with banks and other financial institutions	Advances and other accounts	Financial investments	Other assets	Financial guarantees	Loan commitments	Total
		港幣千元	港幣千元	港幣千元	港幣千元	港幣千元	港幣千元	港幣千元
		HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
第一階段	Stage 1	66,425,340	283,612,531	151,196,624	1,501,452	53,685,306	130,789,589	687,210,842
第二階段	Stage 2	-	7,423,013	-	166	94,559	1,684,023	9,201,761
第三階段	Stage 3	-	3,496,705	-	8,705	1,540	-	3,506,950
總額	Total	66,425,340	294,532,249	151,196,624	1,510,323	53,781,405	132,473,612	699,919,553

財務報表附註

Notes to the Financial Statements

4. 金融風險管理 (續)

4.1 信貸風險 (續)

內部評級和違約概率的估算過程

本集團盡可能利用內部評級模型，按前瞻性資料及香港財務報告準則第9號階段的風險分類調整，以釐定香港財務報告準則第9號預期信用損失計算的違約概率數據。對於每種經濟情況，適當地重複這一過程。本集團對其主要投資組合使用各種內部評級模型，其中批發客戶或零售賬戶被評級或分配至特定內部評級或風險池。內部評級模型包含定性和定量訊息，除了借款人特有的訊息外，還使用借款人/賬戶的行為等補充訊息。

批發貸款

對於批發貸款，借款人的還款能力由本集團指定部門評估。信用風險評估基於信用評級模型，該模型考慮了各種財務訊息和定性訊息（例如管理質量，行業風險，集團連繫，負面警告信號）。

零售貸款

零售貸款包括個人貸款，透支和零售按揭。這些產品以及一些不太複雜的小企業貸款通過自動評分卡或統計違約概率的模型進行評級。

(A) 信貸風險承擔

本集團之最高信貸風險承擔是未考慮任何抵押品或其他改善信貸條件的最大風險承擔。對於資產負債表內資產，最高信貸風險承擔相等於其賬面值。對於開出擔保函，最高信貸風險承擔是被擔保人要求本集團代為償付債務的最高金額。對於貸款承擔及其他信貸有關負債，最高信貸風險承擔為授信承諾的全額。

以下為所持抵押品及其他改善信貸條件的性質及其對本集團各類金融資產的覆蓋程度。

4. FINANCIAL RISK MANAGEMENT (Cont'd)

4.1 Credit risk (Cont'd)

The internal rating and PD estimation process

The Group leverages the internal rating models where possible, with adjustments to incorporate forward looking information and the HKFRS 9 stage classification of the exposure to determine the PDs for HKFRS 9 ECL calculations. This is repeated for each economic scenario as appropriate. The Group uses various internal rating models for its key portfolios in which its wholesale customers or retail accounts are rated or assigned to specific internal grades or risk pools. The internal rating models incorporate both qualitative and quantitative information and, in addition to information specific to the borrower, utilise supplemental information such as borrower's/account's behaviour.

Wholesale lending

For wholesale lending, the repayment ability of borrowers are assessed by designated divisions of the Group. The credit risk assessment is based on a credit rating model that takes into account various financial information and qualitative information (such as management quality, industry risks, group connection, negative warning signals).

Retail lending

Retail lending comprises personal loans, overdrafts and retail mortgages. These products along with and some of the less complex small business lending are rated by automated scorecards or statistical PD models.

(A) Credit exposures

The maximum credit exposure is the worst case scenario of exposure to the Group without taking into account any collateral held or other credit enhancements. For on-balance sheet assets, the maximum exposure to credit risk equals their carrying amount. For letters of guarantee issued, the maximum exposure to credit risk is the maximum amount that the Group could be required to pay if the guarantees are called upon. For loan commitment and other credit related liabilities, the maximum exposure to credit risk is the full amount of the committed facilities.

The nature of the collateral held and other credit enhancements and their financial effect to the different classes of the Group's financial assets are as follows.

財務報表附註

Notes to the Financial Statements

4. 金融風險管理 (續)

4.1 信貸風險 (續)

(A) 信貸風險承擔 (續)

在銀行及其他金融機構的結餘及定期存放

考慮到交易對手的性質，一般不會就此等資產尋求抵押品，但會採取其他風險緩解措施。

公允值變化計入損益之金融資產及金融投資

一般不會就債務證券尋求抵押品。

衍生金融工具

本集團傾向以國際掉期及衍生工具協會出版的主協議（「ISDA主協議」）作為衍生工具業務的協議文件。該ISDA主協議為敝做場外衍生交易提供合約框架，並載有於發生違約事件或終止事件後終止交易時所採用之淨額結算條款。此外，亦會視乎需要考慮於ISDA主協議之附約中附加信用支持附件。根據信用支持附件，保證金會按情況由交易一方轉交另一方，以減少風險承擔。

貸款及其他賬項、或然負債及承擔

一般抵押品種類已載於第101頁。本集團根據對貸款及其他賬項、或然負債及承擔的個別風險承擔的評估，考慮適當之抵押品。有關客戶貸款之抵押品覆蓋率已分析於第117至118頁。或然負債及承擔之主要組合及性質已載於附註37，就不需事先通知的無條件撤銷之承諾，如客戶的信貸質素下降，本集團會評估撤回其授信額度的需要性。於2023年12月31日，有抵押品覆蓋之或然負債及承擔為7.03%（2022年：7.57%）。

4. FINANCIAL RISK MANAGEMENT (Cont'd)

4.1 Credit risk (Cont'd)

(A) Credit exposures (Cont'd)

Balances and placements with banks and other financial institutions

Collateral is generally not sought on these exposures in consideration of the counterparty nature. However, other mitigation will be taken.

Financial assets at fair value through profit or loss and financial investments

Collateral is generally not sought on debt securities.

Derivative financial instruments

The Master Agreement published by the International Swaps and Derivatives Association, Inc. ("ISDA Master Agreement") is the preferred agreement for documenting derivatives activities of the Group. It provides the contractual framework under which dealing activities of over-the-counter ("OTC") derivative transactions are conducted, and sets out close-out netting provisions upon termination following the occurrence of an event of default or a termination event. In addition, if deemed necessary, Credit Support Annex ("CSA") will be included to form part of the Schedule to the ISDA Master Agreement. Under a CSA, margin is passed from one counterparty to another, as appropriate, to mitigate the exposures.

Advances and other accounts, contingent liabilities and commitments

The general types of collateral are disclosed on page 101. Advances and other accounts, contingent liabilities and commitments are collateralised to the extent considered appropriate by the Group taking account of the risk assessment of individual exposures. The collateral coverage of advances to customers is analysed on pages 117 to 118. The components and nature of contingent liabilities and commitments are disclosed in Note 37. Regarding the commitments that are unconditionally cancellable without prior notice, the Group would assess the necessity to withdraw the credit line in case where the credit quality of a borrower deteriorates. For contingent liabilities and commitments, 7.03% (2022: 7.57%) was covered by collateral as at 31 December 2023.

財務報表附註

Notes to the Financial Statements

4. 金融風險管理 (續)

4.1 信貸風險 (續)

(B) 總貸款及其他賬項

提取減值準備前之總貸款及其他賬項按產品類別概述如下：

4. FINANCIAL RISK MANAGEMENT (Cont'd)

4.1 Credit risk (Cont'd)

(B) Gross advances and other accounts

Gross advances and other accounts before impairment allowances are summarised by product type as follows:

		2023 港幣千元 HK\$'000	2022 港幣千元 HK\$'000
客戶貸款	Advances to customers		
個人	Personal		
– 按揭	– Mortgages	25,043,546	28,402,461
– 信用卡	– Credit cards	122,571	127,793
– 其他	– Others	25,700,703	27,555,030
公司	Corporate		
– 商業貸款	– Commercial loans	239,255,459	229,375,173
– 貿易融資	– Trade finance	8,184,039	8,304,827
		298,306,318	293,765,284
貿易票據	Trade bills	341,313	610,399
銀行及其他金融機構貸款	Advances to banks and other financial institutions	156,914	156,566
		298,804,545	294,532,249

有明確到期日之貸款，若其本金或利息已逾期及仍未償還，則列作逾期貸款。須定期分期償還之貸款，若其中一次分期還款已逾期及仍未償還，則列作逾期處理。須即期償還之貸款若已向借款人送達還款通知，但借款人未按指示還款，或貸款一直超出借款人獲通知之批准貸款限額，亦列作逾期處理。

Advances with a specific repayment date are classified as overdue when the principal or interest is past due and remains unpaid. Advances repayable by regular instalments are classified as overdue when an instalment payment is past due and remains unpaid. Advances repayable on demand are classified as overdue either when a demand for repayment has been served on the borrower but repayment has not been made in accordance with the instruction or when the advances have continuously exceeded the approved limit that was advised to the borrower.

財務報表附註

Notes to the Financial Statements

4. 金融風險管理 (續)

4.1 信貸風險 (續)

(B) 總貸款及其他賬項 (續)

當發生一項或多項事件對授信的未來現金流產生不利的影響，有關授信將視為信用減值授信。信用減值授信被確定為第三階段。根據以下可觀察證據來決定金融工具是信貸減值：

各類授信資產的特定分類貸款戶 (即次級、呆滯或虧損級別) 或有脫空而逾期超過90天以上的關注戶；

出現違約事件，其中包括債務人拖欠本息等；

債券發行人或借款人出現重大的財政困難；

借款人出現財政困難，基於經濟或法律原因，本行給予借款人在一般情況下放款人不予考慮之優惠條件；

借款人／債券發行人有可能會破產或進行其他債務重整；或

因財政困難致使該資產之活躍市場消失；

當貸款受全數抵押擔保，即使被界定為第三階段，亦未必導致減值損失。

4. FINANCIAL RISK MANAGEMENT (Cont'd)

4.1 Credit risk (Cont'd)

(B) Gross advances and other accounts (Cont'd)

Advances are credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows have occurred. Credit-impaired advances are classified as Stage 3. Evidence that a financial instrument is credit-impaired include observable data about the following events:

Overdue for more than 90 days;

An event of default occurs, including the debtor's default in arrears of principal and interest;

The bond issuer or borrower experiences significant financial difficulties;

The borrower encounters financial difficulties, and due to economic or legal reasons, the Bank provides the borrower with preferential terms that lenders would not consider under normal circumstances;

The borrower/bond issuer may go bankrupt or undergo other debt restructuring; and

The active market for the asset disappears due to financial difficulties;

Advances classified as Stage 3 may not necessarily result in impairment loss where the advances are fully collateralised.

財務報表附註

Notes to the Financial Statements

4. 金融風險管理 (續)

4.1 信貸風險 (續)

(B) 總貸款及其他賬項 (續)

(a) 非信用減值未逾期貸款

非信用減值未逾期貸款按內部信貸級別分析如下：

4. FINANCIAL RISK MANAGEMENT (Cont'd)

4.1 Credit risk (Cont'd)

(B) Gross advances and other accounts (Cont'd)

(a) Advances neither overdue nor credit-impaired

Advances that were neither overdue nor credit-impaired are analysed by internal credit grade as follows:

		2023			
		合格	需要關注	次級或以下	總計
		Pass	Special	Substandard	Total
		港幣千元	港幣千元	港幣千元	港幣千元
		HK\$'000	HK\$'000	HK\$'000	HK\$'000
客戶貸款	Advances to customers				
個人	Personal				
– 按揭	– Mortgages	24,509,492	117,267	–	24,626,759
– 信用卡	– Credit cards	121,229	33	–	121,262
– 其他	– Others	24,937,809	76,902	–	25,014,711
公司	Corporate				
– 商業貸款	– Commercial loans	221,397,786	9,425,630	–	230,823,416
– 貿易融資	– Trade finance	7,944,223	157,059	–	8,101,282
		278,910,539	9,776,891	–	288,687,430
貿易票據	Trade bills	341,313	–	–	341,313
銀行及其他金融機構 貸款	Advances to banks and other financial institutions	156,914	–	–	156,914
		279,408,766	9,776,891	–	289,185,657

財務報表附註 Notes to the Financial Statements

4. 金融風險管理 (續)

4.1 信貸風險 (續)

(B) 總貸款及其他賬項 (續)

(a) 非信用減值未逾期貸款 (續)

4. FINANCIAL RISK MANAGEMENT (Cont'd)

4.1 Credit risk (Cont'd)

(B) Gross advances and other accounts (Cont'd)

(a) Advances neither overdue nor credit-impaired (Cont'd)

		2022			
		合格	需要關注	次級或以下	總計
		Pass	Special	Substandard	Total
		港幣千元	港幣千元	港幣千元	港幣千元
		HK\$'000	HK\$'000	HK\$'000	HK\$'000
客戶貸款	Advances to customers				
個人	Personal				
– 按揭	– Mortgages	27,801,628	70,256	–	27,871,884
– 信用卡	– Credit cards	125,529	6	–	125,535
– 其他	– Others	26,699,090	108,771	–	26,807,861
公司	Corporate				
– 商業貸款	– Commercial loans	215,737,190	6,260,278	–	221,997,468
– 貿易融資	– Trade finance	8,151,923	99,464	–	8,251,387
		278,515,360	6,538,775	–	285,054,135
貿易票據	Trade bills	610,399	–	–	610,399
銀行及其他金融機構 貸款	Advances to banks and other financial institutions	156,566	–	–	156,566
		279,282,325	6,538,775	–	285,821,100

財務報表附註

Notes to the Financial Statements

4. 金融風險管理 (續)

4.1 信貸風險 (續)

(B) 總貸款及其他賬項 (續)

(b) 逾期未信用減值貸款

總逾期未信用減值貸款分析如下：

4. FINANCIAL RISK MANAGEMENT (Cont'd)

4.1 Credit risk (Cont'd)

(B) Gross advances and other accounts (Cont'd)

(b) Advances overdue but not credit-impaired

The gross amount of advances overdue but not credit-impaired is analysed as follows:

		逾期3個月 或以下 Overdue for three months or less 港幣千元 HK\$'000	逾期超過 3個月 但不超過 6個月 Overdue for six months or less but over three months 港幣千元 HK\$'000	2023 逾期超過 6個月 但不超過 1年 Overdue for one year or less but over six months 港幣千元 HK\$'000	逾期 超過1年 Overdue for over one year 港幣千元 HK\$'000	總計 Total 港幣千元 HK\$'000
客戶貸款	Advances to customers					
個人	Personal					
– 按揭	– Mortgages	299,287	–	–	–	299,287
– 信用卡	– Credit cards	690	–	–	–	690
– 其他	– Others	318,368	–	–	–	318,368
公司	Corporate					
– 商業貸款	– Commercial loans	2,048,538	–	–	–	2,048,538
– 貿易融資	– Trade Finance	32,455	–	–	–	32,455
		2,699,338	–	–	–	2,699,338

		逾期3個月 或以下 Overdue for three months or less 港幣千元 HK\$'000	逾期超過 3個月 但不超過 6個月 Overdue for six months or less but over three months 港幣千元 HK\$'000	2022 逾期超過 6個月 但不超過 1年 Overdue for one year or less but over six months 港幣千元 HK\$'000	逾期 超過1年 Overdue for over one year 港幣千元 HK\$'000	總計 Total 港幣千元 HK\$'000
客戶貸款	Advances to customers					
個人	Personal					
– 按揭	– Mortgages	432,218	–	–	–	432,218
– 信用卡	– Credit cards	1,216	–	–	–	1,216
– 其他	– Others	673,959	–	–	–	673,959
公司	Corporate					
– 商業貸款	– Commercial loans	4,053,611	–	–	–	4,053,611
– 貿易融資	– Trade Finance	53,440	–	–	–	53,440
		5,214,444	–	–	–	5,214,444

財務報表附註 Notes to the Financial Statements

4. 金融風險管理 (續)

4.1 信貸風險 (續)

(B) 總貸款及其他賬項 (續)

(c) 減值貸款

已個別識別減值貸款按產品類別分析如下：

4. FINANCIAL RISK MANAGEMENT (Cont'd)

4.1 Credit risk (Cont'd)

(B) Gross advances and other accounts (Cont'd)

(c) Impaired advances

Advances individually identified to be impaired are analysed by product type as follows:

		2023		2022	
		總貸款	抵押品市值	總貸款	抵押品市值
		Gross	Market	Gross	Market
		advances	value of	advances	collateral
		港幣千元	港幣千元	港幣千元	港幣千元
		HK\$'000	HK\$'000	HK\$'000	HK\$'000
客戶貸款	Advances to customers				
個人	Personal				
– 按揭	– Mortgages	117,500	203,037	98,359	234,746
– 信用卡	– Credit cards	619	–	1,042	–
– 其他	– Others	367,624	122,547	73,210	118,726
公司	Corporate				
– 商業貸款	– Commercial loans	6,383,505	1,454,584	3,324,094	163,011
– 貿易融資	– Trade finance	50,302	24,545	–	–
		6,919,550	1,804,713	3,496,705	516,483
第三階段之減值準備	Impairment allowances – Stage 3	3,081,745		2,170,354	
				2023	2022
				港幣千元	港幣千元
				HK\$'000	HK\$'000
就上述有抵押品覆蓋的客戶貸款之抵押品市值	Current market value of collateral held against the covered portion of such advances to customers			1,804,713	516,483
上述有抵押品覆蓋之客戶貸款	Covered portion of such advances to customers			1,337,764	178,681
上述沒有抵押品覆蓋之客戶貸款	Uncovered portion of such advances to customers			5,581,786	3,318,024

財務報表附註

Notes to the Financial Statements

4. 金融風險管理 (續)

4.1 信貸風險 (續)

(B) 總貸款及其他賬項 (續)

(c) 減值貸款 (續)

減值準備已考慮上述貸款之抵押品價值。

於2023年12月31日，沒有減值之貿易票據及銀行及其他金融機構貸款(2022年：無)。

特定分類或減值之客戶貸款分析如下：

4. FINANCIAL RISK MANAGEMENT (Cont'd)

4.1 Credit risk (Cont'd)

(B) Gross advances and other accounts (Cont'd)

(c) Impaired advances (Cont'd)

The impairment allowances were made after taking into account the value of collateral in respect of such advances.

As at 31 December 2023, there were no impaired trade bills and advances to banks and other financial institutions (2022: Nil).

Classified or impaired advances to customers are analysed as follows:

		2023 港幣千元 HK\$'000	2022 港幣千元 HK\$'000
特定分類或減值之客戶貸款總額	Gross classified or impaired advances to customers	6,919,550	3,496,705
特定分類或減值之客戶貸款總額對客戶貸款總額比率	Gross classified or impaired advances to customers as a percentage of gross advances to customers	2.32%	1.19%
第三階段之減值準備	Impairment allowances – Stage 3	3,081,745	2,170,354

特定分類或減值之客戶貸款是指按本集團貸款質量分類的「次級」、「呆滯」或「虧損」、或第三階段的貸款。

Classified or impaired advances to customers represent advances which are either classified as “substandard”, “doubtful” or “loss” under the Group’s classification of loan quality, or classified as Stage 3.

財務報表附註

Notes to the Financial Statements

4. 金融風險管理 (續)

4.1 信貸風險 (續)

(B) 總貸款及其他賬項 (續)

(d) 逾期超過3個月之貸款

逾期超過3個月之貸款總額分析如下：

		2023		2022	
		金額	佔客戶貸款 總額百分比 % of gross advances to customers	金額	佔客戶貸款 總額百分比 % of gross advances to customers
		Amount 港幣千元 HK\$'000		Amount 港幣千元 HK\$'000	
客戶貸款總額， 已逾期：	Gross advances to customers which have been overdue for:				
– 超過3個月但不超過 6個月	– six months or less but over three months	1,432,253	0.48%	65,438	0.02%
– 超過6個月但不超過 1年	– one year or less but over six months	2,865,185	0.96%	1,391,450	0.47%
– 超過1年	– over one year	1,078,367	0.36%	636,482	0.22%
逾期超過3個月之貸款	Advances overdue for over three months	5,375,805	1.80%	2,093,370	0.71%
就上述貸款作出之減值 準備	Impairment allowances made in respect of such advances				
– 第三階段	– Stage 3	2,632,047		1,597,659	

		2023 港幣千元 HK\$'000	2022 港幣千元 HK\$'000
就上述有抵押品覆蓋的 客戶貸款之抵押品市值	Current market value of collateral held against the covered portion of such advances to customers	1,667,562	461,855
上述有抵押品覆蓋之客戶貸款	Covered portion of such advances to customers	1,231,090	151,600
上述沒有抵押品覆蓋之客戶貸款	Uncovered portion of such advances to customers	4,144,715	1,941,770

逾期貸款或減值貸款的抵押品主要包括公司授信戶項下的商用資產如商業及住宅樓宇、個人授信戶項下的住宅按揭物業。

於2023年12月31日，沒有逾期超過3個月之貿易票據及銀行及其他金融機構貸款(2022年：無)。

Collateral held against overdue or impaired loans is principally represented by charges over business assets such as commercial and residential premises for corporate loans and mortgages over residential properties for personal loans.

As at 31 December 2023, there were no trade bills and advances to banks and other financial institutions overdue for more than three months (2022: Nil).

財務報表附註

Notes to the Financial Statements

4. 金融風險管理 (續)

4.1 信貸風險 (續)

(B) 總貸款及其他賬項 (續)

(e) 經重組貸款

4. FINANCIAL RISK MANAGEMENT (Cont'd)

4.1 Credit risk (Cont'd)

(B) Gross advances and other accounts (Cont'd)

(e) Rescheduled advances

		2023		2022	
		金額 Amount 港幣千元 HK\$'000	佔客戶貸款 總額百分比 % of gross advances to customers	金額 Amount 港幣千元 HK\$'000	佔客戶貸款 總額百分比 % of gross advances to customers
經重組客戶貸款淨額 (已扣減包含於 「逾期超過3個月之 貸款」部分)	Rescheduled advances to customers net of amounts included in "Advances overdue for more than three months"	16,023	0.01%	29,299	0.01%

經重組貸款乃指客戶因為財政困難或無能力如期還款，而經銀行與客戶雙方同意達成重整還款計劃之貸款，而該貸款已修訂的還款條款(包括利息或還款期限)屬非商業性。修訂還款計劃後之經重組貸款如仍逾期超過3個月，則包括在「逾期超過3個月之貸款」內。

Rescheduled advances are those advances that have been restructured or renegotiated between the bank and borrowers because of deterioration in the financial position of the borrower or of the inability of the borrower to meet the original repayment schedule, and the revised repayment terms, either of interest or the repayment period, are "non-commercial" to the Group. Rescheduled advances, which have been overdue for more than three months under the revised repayment terms, are included in "Advances overdue for more than three months".

財務報表附註

Notes to the Financial Statements

4. 金融風險管理 (續)

4.1 信貸風險 (續)

(B) 總貸款及其他賬項 (續)

(f) 客戶貸款集中度

(i) 按行業分類之客戶貸款總額

以下關於客戶貸款總額之行業分類分析，其行業分類乃參照有關貸款及墊款之金管局報表的填報指示而編製。

4. FINANCIAL RISK MANAGEMENT (Cont'd)

4.1 Credit risk (Cont'd)

(B) Gross advances and other accounts (Cont'd)

(f) Concentration of advances to customers

(i) Sectoral analysis of gross advances to customers

The following analysis of the gross advances to customers by industry sector is based on the categories with reference to the completion instructions for the HKMA return of loans and advances.

		2023					
		客戶 貸款總額 Gross advances to customers 港幣千元 HK\$'000	抵押品覆蓋 之百分比 % Covered by collateral or other security	特定分類 或減值 Classified or impaired 港幣千元 HK\$'000	逾期 Overdue 港幣千元 HK\$'000	第三階段之 減值準備 Impairment allowances – Stage 3 港幣千元 HK\$'000	第一和第二階段 之減值準備 Impairment allowances – Stage 1 and 2 港幣千元 HK\$'000
在香港使用之貸款	Loans for use in Hong Kong						
工商金融業	Industrial, commercial and financial						
– 物業發展	– Property development	17,179,011	38.00%	1,109,704	1,109,704	623,558	143,391
– 物業投資	– Property investment	16,930,883	93.11%	972,502	974,549	54,646	48,656
– 金融業	– Financial concerns	23,217,587	7.13%	–	–	–	64,718
– 股票經紀	– Stockbrokers	170,507	11.51%	–	–	–	93
– 批發及零售業	– Wholesale and retail trade	5,770,986	81.69%	6,873	54,307	5,119	20,348
– 製造業	– Manufacturing	2,536,681	23.85%	–	23,587	–	9,892
– 運輸及運輸設備	– Transport and transport equipment	3,626,081	25.03%	–	781	–	13,544
– 休閒活動	– Recreational activities	2,236,035	94.60%	–	–	–	1,218
– 資訊科技	– Information technology	823,737	1.78%	–	25,887	–	5,927
– 其他	– Others	23,563,424	47.66%	32,903	805,399	14,768	177,212
個人	Individuals						
– 購買居者有其屋計 劃、私人機構參建 居屋計劃及租者置 其屋計劃樓宇之 貸款	– Loans for the purchase of flats in Home Ownership Scheme, Private Sector Participation Scheme and Tenants Purchase Scheme advances	196,591	99.83%	–	1,429	–	27
– 購買其他住宅物業之 貸款	– Loans for purchase of other residential properties	10,049,099	99.81%	2,858	115,388	–	2,848
– 信用卡貸款	– Credit card advances	494	0.00%	–	–	–	177
– 其他	– Others	19,436,459	96.49%	13,977	295,202	2,719	5,806
在香港使用之貸款總額	Total loans for use in Hong Kong	125,737,575	57.69%	2,138,817	3,406,233	700,810	493,857
貿易融資	Trade finance	8,184,039	23.82%	50,302	82,756	33,645	25,747
在香港以外使用之貸款	Loans for use outside Hong Kong	164,384,704	23.04%	4,730,431	5,737,686	2,347,290	1,298,406
客戶貸款總額	Gross advances to customers	298,306,318	37.67%	6,919,550	9,226,675	3,081,745	1,818,010

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Notes to the Financial Statements

4. 金融風險管理 (續)

4.1 信貸風險 (續)

(B) 總貸款及其他賬項 (續)

(f) 客戶貸款集中度 (續)

(i) 按行業分類之客戶貸款總額 (續)

4. FINANCIAL RISK MANAGEMENT (Cont'd)

4.1 Credit risk (Cont'd)

(B) Gross advances and other accounts (Cont'd)

(f) Concentration of advances to customers (Cont'd)

(i) Sectoral analysis of gross advances to customers (Cont'd)

		2022					
		客戶 貸款總額 Gross advances to customers 港幣千元 HK\$'000	抵押品覆蓋 之百分比 % Covered by collateral or other security	特定分類 或減值 Classified or impaired 港幣千元 HK\$'000	逾期 Overdue 港幣千元 HK\$'000	第三階段之 減值準備 Impairment allowances – Stage 3 港幣千元 HK\$'000	第一和第二階段 之減值準備 Impairment allowances – Stage 1 and 2 港幣千元 HK\$'000
在香港使用之貸款	Loans for use in Hong Kong						
工商金融業	Industrial, commercial and financial						
– 物業發展	– Property development	18,906,326	29.53%	408,391	306,825	161,277	76,533
– 物業投資	– Property investment	16,357,855	88.38%	–	944,110	–	18,208
– 金融業	– Financial concerns	20,226,497	5.99%	–	–	–	61,290
– 股票經紀	– Stockbrokers	83,143	39.61%	–	–	–	93
– 批發及零售業	– Wholesale and retail trade	5,022,337	82.56%	1,574	31,769	1,073	22,019
– 製造業	– Manufacturing	3,171,700	42.54%	–	–	–	12,515
– 運輸及運輸設備	– Transport and transport equipment	3,207,299	10.92%	–	–	–	16,672
– 休閒活動	– Recreational activities	2,322,889	94.77%	–	–	–	4,880
– 資訊科技	– Information technology	955,463	2.52%	–	–	–	7,521
– 其他	– Others	22,178,352	52.00%	3,503	914,022	197	67,091
個人	Individuals						
– 購買居者有其屋計 劃、私人機構參建 居屋計劃及租者置 其屋計劃樓宇之 貸款	– Loans for the purchase of flats in Home Ownership Scheme, Private Sector Participation Scheme and Tenants Purchase Scheme	216,232	98.73%	–	4,674	–	40
– 購買其他住宅物業之 貸款	– Loans for purchase of other residential properties	10,558,791	99.95%	5,161	110,591	575	3,739
– 其他	– Others	21,324,994	95.26%	13,053	324,383	1,414	27,002
在香港使用之貸款總額	Total loans for use in Hong Kong	124,531,878	57.79%	431,682	2,636,374	164,536	317,603
貿易融資	Trade finance	8,304,827	20.22%	–	53,440	–	28,144
在香港以外使用之貸款	Loans for use outside Hong Kong	160,928,579	28.14%	3,065,023	5,382,244	2,005,818	1,548,888
客戶貸款總額	Gross advances to customers	293,765,284	40.49%	3,496,705	8,072,058	2,170,354	1,894,635

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Notes to the Financial Statements

4. 金融風險管理 (續)

4.1 信貸風險 (續)

(B) 總貸款及其他賬項 (續)

(f) 客戶貸款集中度 (續)

(i) 按行業分類之客戶貸款總額 (續)

於收益表撥備之新提減值準備，及當年撇銷特定分類或減值貸款如下：

4. FINANCIAL RISK MANAGEMENT (Cont'd)

4.1 Credit risk (Cont'd)

(B) Gross advances and other accounts (Cont'd)

(f) Concentration of advances to customers (Cont'd)

(i) Sectoral analysis of gross advances to customers (Cont'd)

The amounts of new impairment allowances charged to the income statement, and classified or impaired loans written off during the year are shown below:

		2023		2022	
		新提 減值準備 New impairment allowances 港幣千元 HK\$'000	撇銷特定 分類或 減值貸款 Classified or impaired loans written off 港幣千元 HK\$'000	新提 減值準備 New impairment allowances 港幣千元 HK\$'000	撇銷特定 分類或 減值貸款 Classified or impaired loans written off 港幣千元 HK\$'000
在香港使用之貸款	Loans for use in Hong Kong				
工商金融業	Industrial, commercial and financial				
- 物業發展	- Property development	550,360	501,874	187,656	-
- 物業投資	- Property investment	90,914	-	5,631	-
- 金融業	- Financial concerns	34,371	-	46,249	-
- 股票經紀	- Stockbrokers	93	-	88	-
- 批發及零售業	- Wholesale and retail trade	15,189	6,442	8,464	3,615
- 製造業	- Manufacturing	7,892	18	6,601	-
- 運輸及運輸設備	- Transport and transport equipment	2,872	-	3,188	-
- 休閒活動	- Recreational activities	137	-	2,627	-
- 資訊科技	- Information technology	1,492	-	2,120	-
- 其他	- Others	166,693	-	35,574	-
個人	Individuals				
- 購買居者有其屋計劃、私人機構參建居屋計劃及租者置其屋計劃樓宇之貸款	- Loans for the purchase of flats in Home Ownership Scheme, Private Sector Participation Scheme and Tenants Purchase Scheme	9	-	3	-
- 購買其他住宅物業之貸款	- Loans for purchase of other residential properties	1,373	1,845	1,876	-
- 信用卡貸款	- Credit card advances	130	-	13	-
- 其他	- Others	3,471	603	17,352	1,026
在香港使用之貸款總額	Total loans for use in Hong Kong	874,996	510,782	317,442	4,641
貿易融資	Trade finance	46,095	65,050	20,246	21,439
在香港以外使用之貸款	Loans for use outside Hong Kong	2,342,558	1,881,742	2,259,165	1,281,358
客戶貸款總額	Gross advances to customers	3,263,649	2,457,574	2,596,853	1,307,438

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Notes to the Financial Statements

4. 金融風險管理 (續)

4.1 信貸風險 (續)

(B) 總貸款及其他賬項 (續)

(f) 客戶貸款集中度 (續)

(ii) 按地理區域分類之客戶貸款總額

下列關於客戶貸款之地理區域分析是根據交易對手之所在地，並已顧及風險轉移因素。若客戶貸款之擔保人所在地與客戶所在地不同，則風險將轉移至擔保人之所在地。

客戶貸款總額

		2023	2022
		港幣千元	港幣千元
		HK\$'000	HK\$'000
香港	Hong Kong	174,266,919	177,080,708
中國內地	Mainland of China	111,051,570	105,484,437
其他	Others	12,987,829	11,200,139
		298,306,318	293,765,284

就客戶貸款總額作第一和第二階段之減值準備

		2023	2022
		港幣千元	港幣千元
		HK\$'000	HK\$'000
香港	Hong Kong	715,920	589,903
中國內地	Mainland of China	1,037,131	1,219,157
其他	Others	64,959	85,575
		1,818,010	1,894,635

4. FINANCIAL RISK MANAGEMENT (Cont'd)

4.1 Credit risk (Cont'd)

(B) Gross advances and other accounts (Cont'd)

(f) Concentration of advances to customers (Cont'd)

(ii) Geographical analysis of gross advances to customers

The following geographical analysis of advances to customers is based on the locations of the counterparties, after taking into account the transfer of risk. For an advance to customer guaranteed by a party situated in a country different from the customer, the risk will be transferred to the country of the guarantor.

Gross advances to customers

Impairment allowances – stage 1 and 2 in respect of the gross advances to customers

財務報表附註

Notes to the Financial Statements

4. 金融風險管理 (續)

4.1 信貸風險 (續)

(B) 總貸款及其他賬項 (續)

(f) 客戶貸款集中度 (續)

(ii) 按地理區域分類之客戶貸款總額 (續)

逾期貸款

		2023	2022
		港幣千元	港幣千元
		HK\$'000	HK\$'000
香港	Hong Kong	4,168,626	4,112,183
中國內地	Mainland of China	4,576,879	3,913,022
其他	Others	481,170	46,853
		9,226,675	8,072,058

就逾期貸款作第三階段之減值準備

Impairment allowances – Stage 3 in respect of the overdue advances

		2023	2022
		港幣千元	港幣千元
		HK\$'000	HK\$'000
香港	Hong Kong	1,005,793	1,108,867
中國內地	Mainland of China	1,666,343	860,350
其他	Others	194,549	–
		2,866,685	1,969,217

就逾期貸款作第一和第二階段之減值準備

Impairment allowances – Stage 1 and 2 in respect of the overdue advances

		2023	2022
		港幣千元	港幣千元
		HK\$'000	HK\$'000
香港	Hong Kong	61,278	6,139
中國內地	Mainland of China	105,090	21,944
其他	Others	3	27
		166,371	28,110

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Notes to the Financial Statements

4. 金融風險管理 (續)

4.1 信貸風險 (續)

(B) 總貸款及其他賬項 (續)

(f) 客戶貸款集中度 (續)

(ii) 按地理區域分類之客戶貸款總額 (續)

特定分類或減值貸款

4. FINANCIAL RISK MANAGEMENT (Cont'd)

4.1 Credit risk (Cont'd)

(B) Gross advances and other accounts (Cont'd)

(f) Concentration of advances to customers (Cont'd)

(ii) Geographical analysis of gross advances to customers (Cont'd)

Classified or impaired advances

		2023	2022
		港幣千元	港幣千元
		HK\$'000	HK\$'000
香港	Hong Kong	2,964,776	2,340,819
中國內地	Mainland of China	3,491,961	1,152,747
其他	Others	462,813	3,139
		6,919,550	3,496,705

就特定分類或減值貸款作第三階段之減值準備

Impairment allowances – Stage 3 in respect of the classified or impaired advances

		2023	2022
		港幣千元	港幣千元
		HK\$'000	HK\$'000
香港	Hong Kong	1,093,363	1,219,611
中國內地	Mainland of China	1,933,667	950,743
其他	Others	54,715	–
		3,081,745	2,170,354

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Notes to the Financial Statements

4. 金融風險管理 (續)

4.1 信貸風險 (續)

(C) 收回資產

於年內，本集團通過對抵押品行使收回資產權而取得的資產，其種類及賬面值概述如下：

於年內取得的資產概述如下：

		2023 港幣千元 HK\$'000	2022 港幣千元 HK\$'000
商業物業	Commercial properties	25,033	–
住宅物業	Residential properties	23,212	–
		48,245	–

本集團於2023年12月31日持有的收回資產之估值為港幣91,433,000元(2022年：港幣9,100,000元)。這包括本集團通過對抵押取得處置或控制權的物業(如通過法律程序或業主自願交出抵押資產方式取得)而對借款人的債務進行全數或部分減除。

當收回資產的變現能力受到影響時，本集團將按情況以下列方式處理：

- 調整出售價格
- 連同抵押資產一併出售貸款
- 安排債務重組

4. FINANCIAL RISK MANAGEMENT (Cont'd)

4.1 Credit risk (Cont'd)

(C) Repossessed assets

During the year, the Group obtained assets by taking possession of collateral held as security. The nature and carrying value of these assets are summarised as follows:

Assets obtained during the year are as follows:

		2023 港幣千元 HK\$'000	2022 港幣千元 HK\$'000
商業物業	Commercial properties	25,033	–
住宅物業	Residential properties	23,212	–
		48,245	–

The estimated market value of repossessed assets held by the Group as at 31 December 2023 amounted to HK\$91,433,000 (2022: HK\$9,100,000). The repossessed assets comprise properties in respect of which the Group has acquired access or control (e.g. through court proceedings or voluntary actions by the proprietors concerned) for release in full or in part of the obligations of the borrowers.

When the repossessed assets are not readily convertible into cash, the Group may consider the following alternatives:

- adjusting the selling prices
- selling the loans together with the assets
- arranging loan restructuring

財務報表附註

Notes to the Financial Statements

4. 金融風險管理 (續)

4.1 信貸風險 (續)

(D) 在銀行及其他金融機構的結餘及存款

下表為在銀行及其他金融機構的非逾期或信用減值之結餘及存款於12月31日按評級機構之評級分析。

4. FINANCIAL RISK MANAGEMENT (Cont'd)

4.1 Credit risk (Cont'd)

(D) Balances and placements with banks and other financial institutions

The following tables present an analysis of balances and placements with banks and other financial institutions that are neither overdue nor credit-impaired as at 31 December by rating agency designation.

		2023			
		Aaa至A3	A3以下	無評級	總計
		Aaa to A3	Lower	Unrated	Total
		港幣千元	than A3	港幣千元	港幣千元
		HK\$'000	港幣千元	港幣千元	港幣千元
		HK\$'000	HK\$'000	HK\$'000	HK\$'000
中央銀行	Central banks	16,109,883	–	–	16,109,883
銀行及其他金融機構	Banks and other financial institutions	25,303,792	9,154,289	4,963,626	39,421,707
		41,413,675	9,154,289	4,963,626	55,531,590

		2022			
		Aaa至A3	A3以下	無評級	總計
		Aaa to A3	Lower	Unrated	Total
		港幣千元	than A3	港幣千元	港幣千元
		HK\$'000	港幣千元	港幣千元	港幣千元
		HK\$'000	HK\$'000	HK\$'000	HK\$'000
中央銀行	Central banks	18,033,681	–	–	18,033,681
銀行及其他金融機構	Banks and other financial institutions	31,632,071	12,653,936	4,105,652	48,391,659
		49,665,752	12,653,936	4,105,652	66,425,340

於2023年12月31日，沒有逾期或信用減值之結餘及存款(2022年：無)。

As at 31 December 2023, there were no overdue or credit-impaired balances and placements with banks and other financial institutions (2022: Nil).

		2023	2022
		港幣千元	港幣千元
		HK\$'000	HK\$'000
就在銀行及其他金融機構的結餘及存款作第一和第二階段之減值準備	Impairment allowances – Stage 1 and 2 in respect of the balances and placements with banks and other financial institutions	513	627
就在銀行及其他金融機構的結餘及存款作第三階段之減值準備	Impairment allowances – Stage 3 in respect of the balances and placements with banks and other financial institutions	–	–

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Notes to the Financial Statements

4. 金融風險管理 (續)

4.1 信貸風險 (續)

(E) 債務證券及存款證

下表為以發行評級分析之債務證券及存款證賬面值。在無發行評級的情況下，則會按發行人的評級報告。

4. FINANCIAL RISK MANAGEMENT (Cont'd)

4.1 Credit risk (Cont'd)

(E) Debt securities and certificates of deposit

The following tables present an analysis of the carrying values of debt securities and certificates of deposit by issue rating. In the absence of such issue ratings, the ratings designated for the issuers are reported.

		2023					
		Aaa	Aa1至Aa3	A1至A3	A3以下	無評級	總計
		港幣千元	港幣千元	港幣千元	港幣千元	港幣千元	港幣千元
		HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
以公允價值變化計入	At fair value through other						
其他全面收益	comprehensive income	10,590,735	58,585,724	79,959,458	14,819,375	2,908,761	166,864,053
以攤餘成本作計量	At amortised cost	5,843,364	1,351,000	102,777	-	-	7,297,141
以公允價值變化計入損益	At fair value through profit or loss	-	6,262,411	1,279,826	79,530	32,998	7,654,765
總計	Total	16,434,099	66,199,135	81,342,061	14,898,905	2,941,759	181,815,959

		2022					
		Aaa	Aa1至Aa3	A1至A3	A3以下	無評級	總計
		港幣千元	港幣千元	港幣千元	港幣千元	港幣千元	港幣千元
		HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
以公允價值變化計入	At fair value through other						
其他全面收益	comprehensive income	2,363,472	53,247,121	68,469,130	10,283,544	3,580,560	137,943,827
以攤餘成本作計量	At amortised cost	10,314,643	2,813,476	101,570	-	-	13,229,689
以公允價值變化計入損益	At fair value through profit or loss	40,090	6,314,195	197,818	61,935	46,074	6,660,112
總計	Total	12,718,205	62,374,792	68,768,518	10,345,479	3,626,634	157,833,628

財務報表附註

Notes to the Financial Statements

4. 金融風險管理 (續)

4.1 信貸風險 (續)

(E) 債務證券及存款證 (續)

下表為非逾期或信用減值之債務證券及存款證於12月31日按發行評級之分析。在無發行評級的情況下，則會按發行人的評級報告。

4. FINANCIAL RISK MANAGEMENT (Cont'd)

4.1 Credit risk (Cont'd)

(E) Debt securities and certificates of deposit (Cont'd)

The following tables present an analysis of debt securities and certificates of deposit neither overdue nor credit-impaired as at 31 December by issue rating. In the absence of such issue ratings, the ratings designated for the issuers are reported.

		2023					總計
		Aaa	Aa1至Aa3	A1至A3	A3以下	無評級	總計
		港幣千元	港幣千元	港幣千元	港幣千元	港幣千元	港幣千元
		HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
以公允價值變化計入	At fair value through other						
其他全面收益	comprehensive income	10,590,735	58,585,724	79,959,458	14,819,375	2,908,761	166,864,053
以攤餘成本作計量	At amortised cost	5,843,364	1,351,000	102,777	-	-	7,297,141
以公允價值變化計入損益	At fair value through profit or loss	-	6,262,411	1,279,826	79,530	5,209	7,626,976
		16,434,099	66,199,135	81,342,061	14,898,905	2,913,970	181,788,170

		2022					總計
		Aaa	Aa1至Aa3	A1至A3	A3以下	無評級	總計
		港幣千元	港幣千元	港幣千元	港幣千元	港幣千元	港幣千元
		HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
以公允價值變化計入	At fair value through other						
其他全面收益	comprehensive income	2,363,472	53,247,121	68,469,130	10,283,544	3,580,560	137,943,827
以攤餘成本作計量	At amortised cost	10,314,643	2,813,476	101,570	-	-	13,229,689
以公允價值變化計入損益	At fair value through profit or loss	40,090	6,314,195	197,818	61,935	17,555	6,631,593
		12,718,205	62,374,792	68,768,518	10,345,479	3,598,115	157,805,109

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Notes to the Financial Statements

4. 金融風險管理 (續)

4.1 信貸風險 (續)

(E) 債務證券及存款證 (續)

下表為信用減值或逾期債務證券之發行評級分析。在無發行評級的情況下，則會按發行人的評級報告。

4. FINANCIAL RISK MANAGEMENT (Cont'd)

4.1 Credit risk (Cont'd)

(E) Debt securities and certificates of deposit (Cont'd)

The following tables present an analysis of credit-impaired or overdue debt securities by issue rating. In the absence of such issue ratings, the ratings designated for the issuers are reported.

		2023						其中：
		賬面值						累計減值準備
		Carrying values						Of which
		Aaa	Aa1至Aa3	A1至A3	A3以下	無評級	無評級	accumulated
		港幣千元	港幣千元	港幣千元	Lower than A3	Unrated	Unrated	impairment
		HK\$'000	HK\$'000	HK\$'000	港幣千元	港幣千元	港幣千元	allowances
		HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	港幣千元
以公允價值變化計入損益	At fair value through profit or loss	-	-	-	-	27,789	27,789	-
以公允價值變化計入其他	Debt securities at fair value through	-	-	-	-	-	-	-
全面收益之債務證券	other comprehensive income	-	-	-	-	-	-	-
其中：累計減值準備	Of which accumulated	-	-	-	-	-	-	-
	impairment allowances							

		2022						其中：
		賬面值						累計減值準備
		Carrying values						Of which
		Aaa	Aa1至Aa3	A1至A3	A3以下	無評級	無評級	accumulated
		港幣千元	港幣千元	港幣千元	Lower than A3	Unrated	Unrated	impairment
		HK\$'000	HK\$'000	HK\$'000	港幣千元	港幣千元	港幣千元	allowances
		HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	港幣千元
以公允價值變化計入損益	At fair value through profit or loss	-	-	-	-	28,519	28,519	-
以公允價值變化計入其他	Debt securities at fair value through	-	-	-	-	-	-	182,129
全面收益之債務證券	other comprehensive income	-	-	-	-	-	-	182,129
其中：累計減值準備	Of which accumulated	-	-	-	-	182,129	182,129	-
	impairment allowances							

於2023年12月31日，沒有減值或逾期之存款證（2022年：無）。

As at 31 December 2023, there were no impaired or overdue certificates of deposit (2022: Nil).

財務報表附註

Notes to the Financial Statements

4. 金融風險管理 (續)

4.1 信貸風險 (續)

(F) 中國大陸房地產敞口對信貸風險的影響

鑑於內地房地產行業的市道低迷以及流動性緊張問題，本行對相關行業之授信亦受到影響，並有個別授信戶出現違約。本行已因應有關風險狀況的變化，調整授信的評級並計提相應的減值準備。

為應對內地房地產行業風險之上升，本行已採取以下措施作出應對：

- (1) 加強房地產的集中度風險管理，設立內部管理目標，以降低相關行業的集中度風險，並採取更嚴格機制控制新增房地產貸款。
- (2) 加強對內房企業授信審查力度，審慎評估行業和企業信貸風險，調整行業准入要求。
- (3) 密切關注內地房地產行業的發展情況，加強風險預警及風險提示，及時評估風險及跟進借戶資信變化，以識別潛在風險客戶，並及時制定風險預案，及持續跟進，防止資產質量下遷。

4.2 市場風險

市場風險是指因金融市場價格(匯率、利率、股票價格、商品價格)波動導致整體的外匯、利率、股票和商品持倉值出現變化而可能給本集團帶來的損失。本集團採取適中的市場風險偏好，實現風險與收益的平衡。

市場風險管理目標，是根據本集團的風險偏好和資金業務發展策略，依靠完善的風險管理制度和相關管理手段，有效管理資金業務中可能產生的市場風險，促進資金業務健康發展。

4. FINANCIAL RISK MANAGEMENT (Cont'd)

4.1 Credit risk (Cont'd)

(F) *The impact of Mainland China real estate exposure on credit risk*

In light of the market downturn and tight liquidity issue for property development sector in Mainland China, the Bank's credit exposures to related sectors are also affected and there are several default cases occurred. The Bank has adjusted the customer credit rating and level of provisioning in response to changes in credit risk.

In response to rising risks in property development sector in Mainland China, the Bank has taken the following measures:

- (1) Strengthen the concentration risk management for real estate related sector, set internal goal to reduce the concentration risk for relevant sectors, and adopt stricter mechanisms to control new loans granted to relevant sectors.
- (2) Strengthen the credit review for property development related sectors in Mainland China, prudently assess credit risks for both industry and borrower level, and adjust the credit underwriting requirement for the relevant sectors.
- (3) Closely monitor the development of the mainland real estate sector, strengthen early warning and risk alert process, promptly assess and follow up in response to credit changes for identifying customers with potential risks, formulate and execute mitigation measures in a timely manner, in order to prevent asset quality deterioration.

4.2 Market risk

Market risk refers to the risk of loss arising from movements in the value of foreign exchange, interest rate, equity and commodity positions held by the Group due to the volatility of financial market price (foreign exchange rate, interest rate, equity price, commodity price). The Group adopts a moderate market risk appetite to achieve a balance between risk and return.

The Group's objective in managing market risk is to secure healthy growth of the treasury business, by effective management of potential market risk in the Group's business, according to the Group's overall risk appetite and strategy of treasury business on the basis of a well-established risk management regime and related management measures.

財務報表附註

Notes to the Financial Statements

4. 金融風險管理 (續)

4.2 市場風險 (續)

本集團按照風險管理企業管治原則管理市場風險，董事會以及其屬下的風險管理委員會、高層管理人員和市場風險職能單位，各司其職，各負其責。風險管理單位是負責協助高層管理人員履行日常管理職責，獨立監察本集團市場風險狀況以及管理政策和限額執行情況，並確保整體和個別的市場風險均控制在可接受水平內。風險暴露情況，每日由獨立單位負責根據已設定的風險限額進行監控，並定期連同損益報告向高層管理人員提交，若持倉超越風險限額，需即時向高層管理人員報告。南商(中國)設有獨立的風險監控團隊，監控每日的市場風險及限額執行情況，並定期向本銀行提交管理訊息和報告。

本集團設定市場風險指標及限額，用於識別、計量、監測和控制市場風險。主要風險指標和限額包括但不限於風險值、止損額、敞口額、敏感性分析(利率基點價值、希臘字母敏感度、信貸息差敏感度)以及壓力測試等。主要風險指標和限額視管理需要劃分為四個層級，分別由風險管理委員會、資產負債管理委員會或高層管理人員批准，各單位必須在批核的市場風險指標和限額範圍內開展業務。本集團亦定期進行市場風險模型驗證，以確保模型的合適性和相關模型能充分地量度市場風險。

(A) 風險值

本集團採用風險值量度一般市場風險，並定期向風險管理委員會和高層管理人員報告。本集團採用統一的風險值計量模型，運用歷史模擬法，以過去2年歷史市場數據為參照，計算99%置信水平下及1天持有期內本集團層面及本銀行的風險值，並設定本集團和本銀行的風險值限額。

4. FINANCIAL RISK MANAGEMENT (Cont'd)

4.2 Market risk (Cont'd)

In accordance with the Group's corporate governance principles in respect of risk management, the Board and Risk Management Committee, Senior Management and functional units perform their duties and responsibilities to manage the Group's market risk. The risk management units are responsible for assisting Senior Management to perform their day-to-day duties, independently monitoring the market risk profile and compliance of management policies and limits of the Group, to ensure that the aggregate and individual market risk profiles are within acceptable levels. Independent units are assigned to monitor the risk exposure against risk limits on a daily basis, together with profit and loss reports submitted to Senior Management on a regular basis, while limit excess will be reported to Senior Management at once when it occurs. NCB (China) sets up independent risk monitoring teams to monitor daily market risk and limit compliance, and submits management information and reports to the Bank on a regular basis.

The Group sets up market risk indicators and limits to identify, measure, monitor and control market risk. Major risk indicators and limits include but not limited to VAR (Value-at-Risk), Stop Loss, Open Position, Sensitivity Analysis (Basis Point Value, Greeks, CS01) and Stress Testing. To meet management requirements, major risk indicators and limits are classified into four levels, and are approved by the Risk Management Committee, Asset and Liability Management Committee or Senior Management respectively. Treasury business units are required to conduct their business within approved market risk indicators and limits. The Group also implements regular model validation to ascertain appropriateness of market risk models and ensure market risk to be adequately measured and captured.

(A) VAR

The Group uses the VAR to measure and report general market risks to the Risk Management Committee and Senior Management on a periodic basis. The Group adopts a uniformed VAR calculation model, using a historical simulation approach and two years of historical market data, to calculate the VAR of the Group and the Bank over one-day holding period with a 99% confidence level, and sets up the VAR limit of the Group and the Bank.

財務報表附註

Notes to the Financial Statements

4. 金融風險管理 (續)

4.2 市場風險 (續)

(A) 風險值 (續)

下表詳述本集團一般市場風險持倉的風險值¹。

4. FINANCIAL RISK MANAGEMENT (Cont'd)

4.2 Market risk (Cont'd)

(A) VAR (Cont'd)

The following table sets out the VAR for all general market risk exposure¹ of the Group.

		年份	於12月31日 At 31 December 港幣千元 HK\$'000	全年 最低數值 Minimum for the year 港幣千元 HK\$'000	全年 最高數值 Maximum for the year 港幣千元 HK\$'000	全年 平均數值 Average for the year 港幣千元 HK\$'000
全部市場風險之風險值	VAR for all market risk	2023	2,909	1,525	4,098	2,649
		2022	1,958	413	3,176	1,336
匯率風險之風險值	VAR for foreign exchange risk	2023	699	152	2,537	972
		2022	590	66	1,988	683
利率風險之風險值	VAR for interest rate risk	2023	3,026	1,343	3,603	2,511
		2022	1,847	414	2,621	1,087
商品風險之風險值	VAR for commodity risk	2023	285	–	304	104
		2022	–	–	2,385	268

註：

1. 不包括結構性敞口的風險值。

Note:

1. Structural positions have been excluded.

財務報表附註

Notes to the Financial Statements

4. 金融風險管理 (續)

4.2 市場風險 (續)

(A) 風險值 (續)

雖然風險值是量度市場風險的一項重要指標，但也有其局限性，例如：

- 採用歷史市場數據估計未來動態未能顧及所有可能出現的情況，尤其是一些極端情況；
- 一天持有期的計算方法假設所有頭盤均可以在一日內套現或對沖。這項假設未必能完全反映市場風險，尤其在市場流通度極低時，可能未及在一天持有期內套現或對沖所有頭盤；
- 根據定義，當採用99%置信水平時，即未有考慮在此置信水平以外或會出現的虧損；以及
- 風險值是以營業時間結束時的頭盤作計算基準，因此並不一定反映交易時段內的風險。

本集團充分了解風險值指標的局限性，因此，制定了壓力測試指標及限額以評估和管理風險值不能涵蓋的市場風險。市場風險壓力測試包括按不同風險因素及嚴峻程度所作的敏感性測試，以及對歷史事件的情景分析。

(B) 外匯風險

本集團的資產及負債集中在港元、美元及人民幣等主要貨幣。為確保外匯風險承擔保持在可接受水平，本集團利用風險限額（例如頭盤及風險值限額）作為監控工具。此外，本集團致力於減少同一貨幣的資產與負債錯配，並通常利用外匯合約（例如外匯掉期）管理由外幣資產負債所產生的外匯風險。

4. FINANCIAL RISK MANAGEMENT (Cont'd)

4.2 Market risk (Cont'd)

(A) VAR (Cont'd)

Although VAR is a valuable guide to risk, it should always be viewed in the context of its limitations. For example:

- the use of historical market data as a proxy for estimating future events may not encompass all potential events, particularly those which are extreme in nature;
- the use of a one-day holding period assumes that all positions can be liquidated or hedged in one day. This may not fully reflect the market risk arising at times of severe illiquidity, when a one-day holding period may be insufficient to liquidate or hedge all positions fully;
- the use of a 99% confidence level, by definition, does not take into account losses that might occur beyond this level of confidence; and
- VAR is calculated on the basis of exposures outstanding at the close of business and therefore does not necessarily reflect intra-day exposures.

The Group recognises these limitations by formulating stress test indicators and limits to assess and manage the market risk not covered by VAR. The market risk stress testing includes sensitivity testing on changes in risk factors with various degrees of severity, as well as scenario analysis on historical events.

(B) Currency risk

The Group's assets and liabilities are denominated in major currencies, particularly the HK dollar, the US dollar and Renminbi. To ensure the currency risk exposure of the Group is managed at an acceptable level, risk limits (e.g. Position and VAR limit) are used to serve as a monitoring tool. Moreover, the Group seeks to minimise the gap between assets and liabilities in the same currency. Foreign exchange contracts (e.g. FX swaps) are usually used to manage FX risk associated with foreign currency-denominated assets and liabilities.

財務報表附註

Notes to the Financial Statements

4. 金融風險管理 (續)

4.2 市場風險 (續)

(B) 外匯風險 (續)

下表列出本集團因自營交易、非自營交易及結構性倉盤而產生之主要外幣風險額，並參照有關持有外匯情況之金管局報表的填報指示而編製。

4. FINANCIAL RISK MANAGEMENT (Cont'd)

4.2 Market risk (Cont'd)

(B) Currency risk (Cont'd)

The following is a summary of the Group's major foreign currency exposures arising from trading, non-trading and structural positions and is prepared with reference to the completion instructions for the HKMA return of foreign currency position.

		2023 港幣千元等值 Equivalent in thousand of HK\$			
		美元 US Dollars 港幣千元 HK\$'000	人民幣 Renminbi 港幣千元 HK\$'000	其他外幣 Other foreign currencies 港幣千元 HK\$'000	外幣總額 Total foreign currencies 港幣千元 HK\$'000
現貨資產	Spot assets	130,187,281	176,219,790	32,210,738	338,617,809
現貨負債	Spot liabilities	(116,390,740)	(165,964,904)	(11,513,836)	(293,869,480)
遠期買入	Forward purchases	39,146,801	5,927,883	5,596,954	50,671,638
遠期賣出	Forward sales	(55,186,448)	(13,458,845)	(26,196,643)	(94,841,936)
(短)／長盤淨額	Net (short)/long position	(2,243,106)	2,723,924	97,213	578,031
結構性倉盤淨額	Net structural position	7,577,519	16,027,380	–	23,604,899

		2022 港幣千元等值 Equivalent in thousand of HK\$			
		美元 US Dollars 港幣千元 HK\$'000	人民幣 Renminbi 港幣千元 HK\$'000	其他外幣 Other foreign currencies 港幣千元 HK\$'000	外幣總額 Total foreign currencies 港幣千元 HK\$'000
現貨資產	Spot assets	135,675,774	147,954,518	27,839,326	311,469,618
現貨負債	Spot liabilities	(128,783,933)	(149,721,975)	(10,893,115)	(289,399,023)
遠期買入	Forward purchases	35,952,940	14,074,063	7,533,588	57,560,591
遠期賣出	Forward sales	(45,696,623)	(9,345,649)	(24,476,656)	(79,518,928)
(短)／長盤淨額	Net (short)/long position	(2,851,842)	2,960,957	3,143	112,258
結構性倉盤淨額	Net structural position	5,222,354	15,224,089	–	20,446,443

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Notes to the Financial Statements

4. 金融風險管理 (續)

4.2 市場風險 (續)

(C) 利率風險

銀行賬利率風險是指因利率水平、資產負債期限結構等要素發生變動而可能導致銀行整體收益和經濟價值承受損失的風險。本集團的銀行賬利率風險承擔主要來自結構性持倉。結構性持倉的主要利率風險類別為：

- 利率敏感缺口風險：因資產負債及表外項目的不同到期期限或重訂息期之利率變動所產生的風險。利率敏感缺口風險的程度視乎有關利率的期限結構的變動，是否一致地出現在整個收益率曲線（平行風險）或不同期限各有不同（非平行風險）；
- 息率基準風險：不同交易的定價基準不同，令資產的收益率和負債的成本可能會在同一重訂價格期間以不同的幅度變化；及
- 期權風險：由於利率期權衍生工具或資產、負債或表外項目所包含具有選擇權的元素引起可更改相關現金流的水平及時間。期權風險可按其特點進一步區分為自動化期權風險及習性期權風險。

本集團風險管理架構同樣適用於銀行賬利率風險管理。根據風險管理委員會批准的《銀行賬利率風險管理政策》，資產負債管理委員會具體履行管理集團利率風險的職責。資產負債管理處主責銀行賬利率風險管理，在金融市場部的配合下，資產負債管理處協助資產負債管理委員會開展日常的銀行賬利率風險管理工作，包括但不限於起草管理政策，選擇管理方法，設立風險指標和限額，評估目標資產負債平衡表，監督政策與限額執行情況，向管理層以及風險管理委員會提交銀行賬利率風險管理報告等。

4. FINANCIAL RISK MANAGEMENT (Cont'd)

4.2 Market risk (Cont'd)

(C) Interest rate risk

Interest rate risk in Banking Book ("IRRBB") means the risks to a bank's earnings and economic value arising from movements in interest rate and term structures of the bank's asset and liability positions. The Group's interest rate risk exposures in Banking Book are mainly structural. The major types of interest rate risk in Banking Book from structural positions are:

- IRR Gapping risk: arising from the changes in the interest rates on assets, liabilities and off-balance sheet items of different maturities and different repricing tenors. The extent of gapping risk depends on whether changes to the term structure of interest rates occur consistently across the yield curve (parallel risk) or differentially by period (non-parallel risk);
- Basis risk: different pricing basis for different transactions resulting that the yield on assets and cost of liabilities may change by different amounts within the same repricing period;
- Option risk: arising from interest rate option derivatives or from optional elements embedded in assets, liabilities and off-balance sheet items, where the AI or its customer can alter the level and timing of their cash flows. Option risk can be further characterised into automatic option risk and behavioural option risk.

The Group's risk management framework applies also to interest rate risk management in banking book. The Asset and Liability Management Committee exercises its oversight of interest rate risk in accordance with the "Banking Book Interest Rate Risk Management Policy" approved by Risk Management Committee. Asset and Liability Management Division is responsible for banking book interest rate risk management. With the cooperation of the Financial Market Department, Asset and Liability Management Division assists the Asset and Liability Management Committee to perform day-to-day banking book interest rate risk management. Its roles include, but are not limited to, the formulation of management policies, selection of methodologies, setting of risk indicators and limits, assessment of target balance sheet, monitoring of the compliance with policies and limits, and submission of banking book interest rate risk management reports to the Management and Risk Management Committee.

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Notes to the Financial Statements

4. 金融風險管理 (續)

4.2 市場風險 (續)

(C) 利率風險 (續)

本集團稽核部對銀行賬利率風險管理進行內部審計，督促有關單位執行政策要求，確認本行的銀行賬利率風險得到有效控制。模型驗證處負責定期對於銀行賬利率風險計量方法下所採用的模型進行獨立驗證工作。

本集團根據金管局於2018年頒佈之監管政策手冊IR-1《銀行帳內的利率風險》中的要求，設定銀行賬利率風險指標及限額，用於識別、計量、監測和控制銀行賬利率風險。淨利息波動比率和經濟價值波動比率反映利率變動對集團淨利息收入和資本基礎的影響，是本集團管理利率風險的重要風險指標。前者衡量利率變動導致的淨利息收入變動佔當年預期淨利息收入的比率；後者衡量利率變化對銀行經濟價值的影響佔最新資本基礎的比率。董事會為這兩項指標設定風險偏好，風險管理委員會按照風險偏好為這兩項指標設定限額，用來監測和控制本集團銀行賬利率風險。另外，本集團通過不限於利率敏感缺口、利率基準風險、久期及基點現值等指標及限額定期監控銀行賬利率風險情況。

本集團的主要風險指標和限額劃分三個層級，分別由風險管理委員會、資產負債管理委員會及財務總監批准。承擔銀行賬利率風險的各業務單位必須在利率風險指標限額範圍內開展相關業務；同時有效運用經資產與負債委員會核准的風險緩釋工具，對銀行賬利率風險進行風險緩釋，包括但不限於運用利率衍生工具、調整投資組合的久期等。在推出銀行賬新產品或新業務前，相關單位須先執行風險評估程序，包括評估其潛在的銀行賬利率風險，並考慮現行的銀行賬利率風險監控機制是否足夠。經風險評估程序，如擬推出的新產品或新業務對銀行利率風險造成重大影響，須報風險管理委員會批准。

4. FINANCIAL RISK MANAGEMENT (Cont'd)

4.2 Market risk (Cont'd)

(C) Interest rate risk (Cont'd)

The Group's Internal Audit Department acts as the independent audit on interest rate risk in banking book, supervises the related departments to execute the interest rate risk function according to the policy in order to effectively control the risk. The Group's Model Validation Division preforms independent model validation regularly for interest rate risk in banking book.

In accordance with the requirements of Supervisory Policy Manual IR-1 "Interest Rate Risk in the Banking Book" issued by the HKMA in 2018, the Group sets interest rate risk indicators and limits to identify, measure, monitor and control interest rate risk. The Group's key risk indicators, the Net Interest Income impact and the Economic Value of Equity impact, reflect the impact of interest rate movement on the Group's net interest income and capital base respectively. The former assesses the impact of interest rate movement on net interest income as a percentage to the projected net interest income for the year. The latter assesses the impact of interest rate movement on economic values as a percentage to the latest capital base. The risk appetites and limits of these two indicators are set by the Board and Risk Management Committee respectively to monitor and control the Group's banking book interest rate risk. In addition, the Group monitors the interest rate risk in banking book through indicators and limits including, but are not limited to, interest rate sensitivity gap limits, basis risk, duration and price value of a basis point ("PVBP").

The Group's indicators and limits are classified into three levels, which are approved by the Risk Management Committee, Asset and Liability Management Committee and Chief Financial Officer respectively. Risk-taking business units are required to conduct their business within the banking book interest rate risk limits. In addition, risk mitigation measures including, but not limited to, the use of interest rate derivatives, adjustment of portfolio duration, etc. as approved by ALCO, are effectively used to mitigate the IRRBB. Before launching a new product or business in the banking book, the relevant departments are required to go through a risk assessment process, which includes the assessment of underlying interest rate risk and consideration of the adequacy of current risk monitoring mechanism. Any material impact on banking book interest rate risk noted during the risk assessment process will be submitted to Risk Management Committee for approval.

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Notes to the Financial Statements

4. 金融風險管理 (續)

4.2 市場風險 (續)

(C) 利率風險 (續)

本集團採用情景分析和壓力測試方法，評估不利市場下銀行賬可能承受的利率風險。情景分析和壓力測試同時用於測試儲蓄存款客戶擇權對銀行淨利息收入的影響。

本集團主要面對港元、美元及人民幣利率風險。截至2023年12月31日，按照香港金融管理局新銀行賬利率風險標準化框架要求，評估在6個利率衝擊情景下的淨利息收入變動和經濟價值的影響，當中部份產品套用期權風險及行為模型假設作出評估。該6個利率衝擊情境，包括：(1)平行向上；(2)平行向下；(3)較傾斜；(4)較橫向；(5)短率上升；(6)短率下跌。

在計算經濟價值的影響時，利息現金流的計算包含商業利潤及其他利差項目，並以無風險利率曲線進行折現。當中主要行為假設包括：

- (1) 部份港元及美元支票及儲蓄存款會以歷史數據設定核心穩定存款並套用較長利率敏感年期，其餘無到期日存款的利率敏感年期按隔夜計算。於2023年12月31日，港元及美元支票及儲蓄存款的平均年期分別為1.97個月及1.28個月，最長利率敏感年期為3個月。
- (2) 對於提前提贖回權且無重大罰息的零售定期存款或定息放款會計算各組合的提前贖回率。

各種貨幣間的合計方法參照監管規定的標準化框架，取6個利率震盪情景下合計經濟價值變動損失中最大的損失值。

4. FINANCIAL RISK MANAGEMENT (Cont'd)

4.2 Market risk (Cont'd)

(C) Interest rate risk (Cont'd)

The Group uses scenario analyses and stress tests to assess the banking book interest rate risk that the Group would face under adverse circumstances. Scenario analyses and stress tests are also used to assess the impact on net interest income arising from the optionality of savings deposits.

The Group is principally exposed to HK Dollar, US Dollar and Renminbi in terms of interest rate risk. As at 31 December 2023, according to the new standard IRRBB framework of HKMA, the Group assesses the impact of changes in the Group's net interest income ("ΔNII") and economic value ("ΔEVE") respectively under 6 interest rate shock scenarios, in which optionality and behavioural assumptions of certain products will also be estimated in the exposure measurement. The 6 interest rate shock scenarios include: (1) Parallel up; (2) Parallel down; (3) Steepener; (4) Flattener; (5) Short rates up; and (6) Short rates down.

When calculating ΔEVE, commercial margins and other spread components are included in the cash flows and discounted by the risk-free rates. The key behavioural assumptions include:

- (1) Part of the current account and savings account deposits ("CASA") in HKD and USD are classified into core stable deposit based on historical data which would be assigned a longer interest rate sensitive tenor while the interest rate sensitive tenor of other non-maturity deposits is considered as "Next day". As at 31 December 2023, the average interest rate sensitive tenors of HKD and USD CASA is 1.97 months and 1.28 months, and the longest interest rate sensitive tenor is 3 months.
- (2) For retail term deposits and retail fixed rate loans subject to early redemption without significant penalty, early redemption rates are calculated under different portfolios.

Methods of aggregation across currencies strictly follow the IRRBB Standardised Framework. The aggregate EVE losses across all applicable currencies are calculated as the maximum loss across the six interest rate shock scenarios.

財務報表附註

Notes to the Financial Statements

4. 金融風險管理 (續)

4.2 市場風險 (續)

(C) 利率風險 (續)

4. FINANCIAL RISK MANAGEMENT (Cont'd)

4.2 Market risk (Cont'd)

(C) Interest rate risk (Cont'd)

		2023	
		經濟價值影響	淨利息收入變動
		△EVE	△NII
		港幣千元	港幣千元
		HK\$'000	HK\$'000
平行向上	Parallel up	2,137,472	(248,691)
平行向下	Parallel down	4,430	249,317
較傾斜	Steeper	110,546	不適用(N/A)
較橫向	Flattener	692,136	不適用(N/A)
短率上升	Short rate up	1,406,394	不適用(N/A)
短率下降	Short rate down	107,814	不適用(N/A)
最高	Maximum	2,137,472	249,317

		2022	
		經濟價值影響	淨利息收入變動
		△EVE	△NII
		港幣千元	港幣千元
		HK\$'000	HK\$'000
平行向上	Parallel up	2,762,673	(560,623)
平行向下	Parallel down	62,104	560,893
較傾斜	Steeper	371,570	不適用(N/A)
較橫向	Flattener	549,282	不適用(N/A)
短率上升	Short rate up	1,509,829	不適用(N/A)
短率下降	Short rate down	319,955	不適用(N/A)
最高	Maximum	2,762,673	560,893

註：正值為負面影響

Remarks: Positive values indicate losses under the alternative scenarios.

於2023年12月31日，在利率曲線平行向下情況下，所有貨幣的淨利息收入影響為港幣249,317,000元（2022年：港幣560,893,000元）。經濟價值的最大負面影響發生於利率曲線平行向上情況，經濟價值的影響為港幣2,137,472,000元（2022年：港幣2,762,673,000元）。與2022年12月31日相比，本集團淨利息收入影響減少港幣311,576,000元及經濟價值的最大負面影響減少港幣625,201,000元，主要為投資定息債券及發行額外一級資本證券。

As at 31 December 2023, the net interest income impact for all currencies is HK\$249,317,000 (2022: HK\$560,893,000) under the interest rate parallel down scenario. The maximum negative impact on Δ EVE is HK\$2,137,472,000 (2022: HK\$2,762,673,000) under the interest rate parallel up scenario. Compared with 31 December 2022, the Group's net interest income impact for all currencies is decreased by HK\$311,576,000 and maximum negative impact on Δ EVE is decreased by HK\$625,201,000, mainly due to investment in fixed rate bonds and issuance of additional tier 1 capital securities.

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Notes to the Financial Statements

4. 金融風險管理 (續)

4.2 市場風險 (續)

(C) 利率風險 (續)

下表概述了本集團於12月31日之資產負債表內的利率風險承擔。表內以賬面值列示資產及負債，並按合約重訂息率日期或到期日(以較早者為準)分類。

4. FINANCIAL RISK MANAGEMENT (Cont'd)

4.2 Market risk (Cont'd)

(C) Interest rate risk (Cont'd)

The tables below summarise the Group's on-balance sheet exposure to interest rate risk as at 31 December. Included in the tables are the assets and liabilities at carrying amounts, categorised by the earlier of contractual repricing date and maturity date.

		2023						
		一 至 一 個 月 內 Up to 1 month 港幣千元 HK\$'000	一 至 三 個 月 1 to 3 months 港幣千元 HK\$'000	三 至 十 二 個 月 3 to 12 months 港幣千元 HK\$'000	一 至 五 年 1 to 5 years 港幣千元 HK\$'000	五 年 以 上 Over 5 years 港幣千元 HK\$'000	不 計 息 Non-interest bearing 港幣千元 HK\$'000	總 計 Total 港幣千元 HK\$'000
資產	Assets							
庫存現金及存放銀行及其他金融機構的結餘	Cash and balances with banks and other financial institutions	48,916,994	-	-	-	-	4,916,399	53,833,393
在銀行及其他金融機構一至十二個月內到期之定期存放	Placements with banks and other financial institutions maturing between one and twelve months	-	1,545,669	727,600	-	-	-	2,273,269
公允價值變化計入損益之金融資產	Financial assets at fair value through profit or loss	603,012	5,195,402	8,317,642	318,367	-	1,403,687	15,838,110
衍生金融工具	Derivative financial instruments	-	-	-	-	-	1,039,044	1,039,044
貸款及其他賬項	Advances and other accounts	195,938,592	34,011,577	41,793,834	21,427,426	733,307	-	293,904,736
金融投資	Financial investments							
—以公允價值變化計入其他全面收益	— At fair value through other comprehensive income	15,818,685	33,740,231	52,557,957	61,756,020	2,991,160	25,606	166,889,659
—以攤餘成本作計量	— At amortised cost	2,725,416	1,561,211	1,900,694	1,109,820	-	-	7,297,141
投資物業	Investment properties	-	-	-	-	-	407,600	407,600
物業、器材及設備	Properties, plant and equipment	-	-	-	-	-	9,071,270	9,071,270
無形資產	Intangible assets	-	-	-	-	-	843,464	843,464
其他資產 (包括遞延稅項資產)	Other assets (including deferred tax assets)	-	-	-	-	-	3,750,911	3,750,911
資產總額	Total assets	264,002,699	76,054,090	105,297,727	84,611,633	3,724,467	21,457,981	555,148,597
負債	Liabilities							
銀行及其他金融機構之存款及結餘	Deposits and balances from banks and other financial institutions	18,465,183	6,182,567	8,604,668	-	-	2,329,474	35,581,892
公允價值變化計入損益之金融負債	Financial liabilities at fair value through profit or loss	3,576,107	674,069	1,534,597	-	-	-	5,784,773
衍生金融工具	Derivative financial instruments	-	-	-	-	-	1,349,761	1,349,761
客戶存款	Deposits from customers	334,795,608	8,589,889	30,670,942	7,499,236	-	12,834,188	394,389,863
已發行債務證券及存款證	Debt securities and certificates of deposit in issue	925,330	3,589,446	10,375,114	13,829,945	-	-	28,719,835
其他賬項及準備 (包括應付稅項及遞延稅項負債)	Other accounts and provisions (including current and deferred tax liabilities)	4,595,636	1,990,908	3,174,416	894,790	30,588	5,176,950	15,863,288
後償負債	Subordinated liabilities	-	-	-	-	5,468,028	-	5,468,028
負債總額	Total liabilities	362,357,864	21,026,879	54,359,737	22,223,971	5,498,616	21,690,373	487,157,440
利率敏感度缺口	Interest sensitivity gap	(98,355,165)	55,027,211	50,937,990	62,387,662	(1,774,149)	(232,392)	67,991,157

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4. 金融風險管理 (續)

4.2 市場風險 (續)

(C) 利率風險 (續)

4. FINANCIAL RISK MANAGEMENT (Cont'd)

4.2 Market risk (Cont'd)

(C) Interest rate risk (Cont'd)

		2022						
		一至	三至	一至	五年	五年以上	不計息	
		一個月內	三個月	十二個月	五年	五年以上	Non-interest	總計
		Up to	1 to 3	3 to 12	1 to 5	Over	bearing	Total
		1 month	months	months	years	5 years	港幣千元	港幣千元
		港幣千元	港幣千元	港幣千元	港幣千元	港幣千元	港幣千元	港幣千元
		HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
資產	Assets							
庫存現金及存放銀行及 其他金融機構的結餘	Cash and balances with banks and other financial institutions	53,918,408	-	-	-	-	8,494,947	62,413,355
在銀行及其他金融機構 一至十二個月內到期之 定期存放	Placements with banks and other financial institutions maturing between one and twelve months	-	3,947,341	654,077	-	-	-	4,601,418
公允值變化計入損益之 金融資產	Financial assets at fair value through profit or loss	305,267	4,269,806	12,546,014	46,763	-	1,446,102	18,613,952
衍生金融工具	Derivative financial instruments	-	-	-	-	-	1,884,945	1,884,945
貸款及其他賬項	Advances and other accounts	209,029,968	37,017,281	30,161,980	12,710,617	1,547,343	-	290,467,189
金融投資	Financial investments							
—以公允值變化計入 其他全面收益	— At fair value through other comprehensive income	12,638,975	26,444,530	24,863,132	72,495,576	1,501,614	21,844	137,965,671
—以攤餘成本作計量	— At amortised cost	2,333,947	-	9,445,618	1,450,124	-	-	13,229,689
投資物業	Investment properties	-	-	-	-	-	559,140	559,140
物業、器材及設備	Properties, plant and equipment	-	-	-	-	-	9,089,246	9,089,246
無形資產	Intangible assets	-	-	-	-	-	619,709	619,709
其他資產 (包括應收稅項及 遞延稅項資產)	Other assets (including current and deferred tax assets)	-	-	-	-	-	2,232,724	2,232,724
資產總額	Total assets	278,226,565	71,678,958	77,670,821	86,703,080	3,048,957	24,348,657	541,677,038
負債	Liabilities							
銀行及其他金融機構之 存款及結餘	Deposits and balances from banks and other financial institutions	18,042,050	8,889,198	15,627,994	-	-	2,363,893	44,923,135
公允值變化計入損益之 金融負債	Financial liabilities at fair value through profit or loss	5,065,482	656,066	1,397,810	-	-	-	7,119,358
衍生金融工具	Derivative financial instruments	-	-	-	-	-	1,112,781	1,112,781
客戶存款	Deposits from customers	163,419,766	101,078,563	80,165,831	6,545,816	-	14,252,488	365,462,464
已發行債務證券及存款證	Debt securities and certificates of deposit in issue	380,244	6,702,697	15,588,895	12,750,576	-	-	35,422,412
其他賬項及準備 (包括應付稅項及 遞延稅項負債)	Other accounts and provisions (including current and deferred tax liabilities)	4,039,878	2,081,033	8,297,128	971,801	131,212	4,488,982	20,010,034
後償負債	Subordinated liabilities	-	-	-	-	5,455,215	-	5,455,215
負債總額	Total liabilities	190,947,420	119,407,557	121,077,658	20,268,193	5,586,427	22,218,144	479,505,399
利率敏感度缺口	Interest sensitivity gap	87,279,145	(47,728,599)	(43,406,837)	66,434,887	(2,537,470)	2,130,513	62,171,639

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Notes to the Financial Statements

4. 金融風險管理 (續)

4.2 市場風險 (續)

(D) 基準利率改革

於2017年7月，英國金融行為監管局宣佈將於2021年底終止目前廣泛使用的倫敦銀行同業拆息利率作為基準利率，引致倫敦銀行同業拆息利率過度至無風險利率或替代基準利率。2021年3月，英國金融行為監管局更宣佈2021年12月31日之後停止發佈26種倫敦銀行同業拆息利率基準，包括英鎊、瑞士法郎、歐元、日元，以及1星期和2個月美元利率基準。而餘下的美元倫敦銀行同業拆息利率基準已在2023年6月30日之後停止發佈。

集團於2020年制定了銀行同業拆息過度計劃，並成立由風險總監作為主席的指導委員會來領導過度計劃。指導委員會包括前台、中台和後台的高級代表。銀行同業拆息過度計劃的管理監督由資產負債管理委員會和董事會執行。

銀行同業拆息過度使本集團面臨各種風險，該項目正在密切管理和監視。這些風險包括但不限於以下風險：

- 因需對現行合同進行修改以符合銀行同業拆息過度而與客戶和市場交易對手進行談判而產生的操守風險
- 因資產及負債不對稱採用基準利率而產生的基準風險
- 因過度銀行同業拆息導致擾亂市場，給本集團及其客戶帶來的財務風險
- 如銀行同業拆息過度導致流動性減少和零風險利率缺乏流動性且不可觀察而產生市場信息的缺乏帶來的定價風險
- 因更改集團的資訊科技系統和流程而產生的操作風險，以及如果無法獲得銀行同業拆息基準而引致付款被中斷的風險
- 若本集團的對沖關係失效和由於金融工具過度到零風險利率產生損益而導致的損益表波動帶來的會計風險

4. FINANCIAL RISK MANAGEMENT (Cont'd)

4.2 Market risk (Cont'd)

(D) Interest rate benchmark reform

In July 2017, the UK regulator, the Financial Conduct Authority ("FCA") announced the discontinuation of a widely-used benchmark rate, the London Interbank Offered Rate ("LIBOR"), by end of 2021, leading to a transition of LIBOR to Risk-Free Rates ("RFRs") or Alternative Reference Rates ("ARRs"). In March 2021, the FCA further announced that publication of 26 LIBOR settings would permanently be ceased, including British Pound (GBP), Swiss Franc (CHF), Euro (EUR), Japanese Yen (JPY) LIBOR settings and the 1-week and 2-month US Dollar (USD) LIBOR settings after 31 December 2021, while the remaining USD LIBOR settings are ceased immediately after 30 June 2023.

The Group established its IBOR Transition Programme in 2020 and formed an IBOR Steering Committee, which is chaired by the Chief Risk Officer, to lead the Transition Programme. The Steering Committee comprises senior representatives across Front Office, Middle Office and Back Office. The management oversight of the Transition Programme is performed by the Asset and Liability Management Committee ("ALCO") and the Board.

IBOR transition exposes the Group to various risks, which the Transition Programme is managing and monitoring closely. These risks include but are not limited to the following:

- Conduct risk arising from discussions with clients and market counterparties due to the amendments to existing contracts required under IBOR transition
- Basis risk arising from asymmetric adoption of benchmark rates across assets and liabilities
- Financial risk to the Group and its clients as markets are disrupted due to IBOR transition
- Pricing risk from potential lack of market information if liquidity in IBORs reduces and RFRs are illiquid and unobservable
- Operational risk arising from changes to the Group's IT systems and processes; and the risk of payments being disrupted if an IBOR ceases to be available
- Accounting risk if the Group's hedging relationships terminated and the Group experienced volatility in income statement caused by profit and loss arising from existing reference rate of financial instruments transiting to RFRs

財務報表附註

Notes to the Financial Statements

4. 金融風險管理 (續)

4.2 市場風險 (續)

(D) 基準利率改革 (續)

截至2023年12月31日，所有參考歐元、英鎊、日元、瑞士法郎以及1星期和2個月美元倫敦銀行同業拆息利率基準的既有合同都包含合適的後備方案，沒有剩餘“難以過度的既有合同”。

對於以餘下的美元倫敦銀行同業拆息利率基準定價的既有合同，全部敞口已包含合適的後備方案，所有既有合同的整改已於2023年內完成。在銀行同業拆息利率過渡期間，本集團繼續與客戶保持聯繫，以支持我們的客戶。

就貸款產品，包括循環貸款、定期貸款和銀團貸款的過度至無風險利率或替代基準利率已於2023年內完成。財資產品方面，債券和衍生工具如利率掉期的過度至無風險利率或替代基準利率也根據國際交換交易暨衍生性商品協會協議或清算所安排，已於2023年內完成。

本集團識別了過渡期間產生的主要風險，並通過銀行系統升級、客戶外展和合同整改、流程和模型變更、替代基準利率基準的產品開發、員工培訓和對銀行同業拆息過度的管理監督等措施減低大部分風險。本集團亦積極與監管機構合作，以確保從倫敦銀行同業拆息利率順利過渡。

在過渡期間，本集團的主要利率基準風險承擔已成功由美元倫敦銀行同業拆息利率逐漸過度至有擔保隔夜融資利率。

4. FINANCIAL RISK MANAGEMENT (Cont'd)

4.2 Market risk (Cont'd)

(D) Interest rate benchmark reform (Cont'd)

As at 31 December 2023, all legacy contracts referencing EUR, GBP, JPY, CHF, and 1-week and 2-month USD LIBOR settings have been remediated by including appropriate fallback in the contract, with no 'tough legacy' contracts remaining.

For legacy contracts referencing the remaining USD LIBOR settings, all exposures have already incorporated appropriate fallback, and the contract remediation of all legacy contracts is completed in 2023. The Group continues the client outreach to support our clients during the IBOR transition.

For loans products, the migration on revolving loans, term loans and syndicated loans to RFRs or ARR is completed 2023. For treasury products, the migration on bonds and derivatives such as interest rate swaps to RFRs or ARR is completed in 2023 following the International Swaps and Derivatives Association (ISDA) protocol or clearing house arrangement.

The Group has identified major risks arising from the IBOR Transition and mitigated most of the risks by performing banking system upgrade, client outreach and contract remediation, process and model changes, development of new ARR products, staff training and frequent management oversight of the Transition Programme. The Group also engages actively with regulators to ensure a smooth transition from LIBOR.

The Group's main interest rate benchmark exposure has successfully transitioned from USD LIBOR to Secured Overnight Funding Rate ("SOFR") during the IBOR transition.

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Notes to the Financial Statements

4. 金融風險管理 (續)

4.3 流動資金風險

流動資金風險是指銀行因無法提供充裕資金以應對資產增加或履行到期義務，而可能要承受的不欲接受的損失。本集團遵循穩健的流動資金風險偏好，確保在正常情況或壓力情景下均有能力提供穩定、可靠和足夠的現金來源，滿足流動資金需求；在極端情景下無需借助金管局的流動性支持，累積的淨現金流為正值，可以保證基本生存期內的流動資金需要。

本集團管理流動資金風險的目標，是按照流動資金風險偏好，以合理的成本有效管理資產負債表內及表外業務的流動性，實現穩健經營和持續盈利。本集團以客戶存款為主要的資金來源。為確保穩定和充足的資金來源，本集團積極吸納和穩定核心存款，並輔以同業市場拆入款項。本集團根據不同期限及壓力情景下的流動資金需求，安排資產組合的結構（包括貸款、債券投資及拆放同業等），保持充足的流動資產，以便提供足夠的流動資金支持正常業務需要，及在緊急情況下有能力以合理的成本及時籌集到資金，保證對外支付。本集團致力實現融資渠道和資金運用的多樣化，以避免資產負債過於集中，防止因資金來源或運用過於集中在某個方面，當其出現問題時，導致整個資金供應鏈斷裂，觸發流動資金風險。本集團制訂了集團內部流動資金風險管理指引，管理集團內各成員之間的流動資金，避免相互間在資金上過度依賴。本集團亦注重管理表外業務，如貸款承諾和衍生工具可能產生的流動資金風險。本集團的流動資金風險管理策略涵蓋了外幣資產負債流動管理、抵押品、即日流動性、集團內流動性以及其他風險引致的流動資金風險等，並針對流動資金風險制訂了應急計劃。

4. FINANCIAL RISK MANAGEMENT (Cont'd)

4.3 Liquidity risk

Liquidity risk is the risk that banks fail to provide sufficient funds to grow assets or pay due obligations, and need to bear an unacceptable loss. The Group maintains sound liquidity risk appetite to provide stable, reliable and adequate sources of cash to meet liquidity needs under normal circumstances or stressed scenarios; and to survive with net positive cumulative cash flow in extreme scenarios, without requesting the HKMA to act as the lender of last resort.

The Group's liquidity risk management objective is to effectively manage the liquidity of on- and off-balance sheet items with reasonable cost based on the liquidity risk appetite to achieve sound operation and sustainable profitability. Deposits from customers are the Group's primary source of funds. To ensure stable and sufficient source of funds are in place, the Group actively attracts new deposits, keeps the core deposit and obtains supplementary funding from the interbank market. According to different term maturities and the results of funding needs estimated from stressed scenarios, the Group adjusts its asset structure (including loans, bonds investment, interbank placement, etc.) to maintain sufficient liquid assets which provides adequate funds in support of normal business needs and ensure its ability to raise funds at a reasonable cost to serve external claims in case of emergency. The Group is committed to diversify the source of funds and the use of funds to avoid excessive concentration of assets and liabilities and prevent triggering liquidity risk due to the break of funding strand when problem occurred in one concentrated funding source. The Group has established intra-group liquidity risk management guideline to manage the liquidity funding among different entities within the Group, and to restrict their reliance of funding on each other. The Group also pays attention to manage liquidity risk created by off-balance sheet activities, such as loan commitments and derivatives. The Group has an overall liquidity risk management strategy to cover the liquidity management of foreign currency assets and liabilities, collateral, intra-day liquidity, intra-group liquidity, the liquidity risk arising from other risks, etc., and has formulated corresponding contingency plan.

財務報表附註

Notes to the Financial Statements

4. 金融風險管理 (續)

4.3 流動資金風險 (續)

風險管理委員會是流動資金風險管理決策機構，並對流動資金風險承擔最終管理責任。風險管理委員會授權資產負債管理委員會管理日常的流動資金風險，確保本集團的業務經營符合風險委員會設定的流動資金風險偏好和政策規定。資產負債管理處主責本集團流動資金風險管理，它與金融市場部合作根據各自的職責分工協助資產負債管理委員會履行具體的流動資金管理職能。

本集團設定流動資金風險指標和限額，每日用來識別、計量、監測和控制流動資金風險，包括但不限於流動性覆蓋比率、穩定資金淨額比率、貸存比率、最大累計現金流出、流動性緩衝資產組合、以及存戶集中度限額等。本集團採用現金流量分析以評估本集團於正常情況下的流動資金狀況，並最少每月進行流動資金風險壓力測試（包括自身危機、市場危機情況及合併危機），評估本集團抵禦各種嚴峻流動資金危機的能力。本集團亦建立了資產負債管理系統，提供數據及協助編製常規管理報表，以管理好流動資金風險。

本集團根據金管局於2016年頒佈之監管政策手冊LM-2《穩健的流動資金風險管理系統及管控措施》中的要求，落實對現金流分析及壓力測試當中所採用的習性模型及假設，以強化本集團於日常及壓力情景下的現金流分析。在日常情況下的現金流分析，本集團對各項應用於表內（如客戶存款）及表外（如貸款承諾）項目作出假設。因應不同資產、負債及表外項目的特性，根據合約到期日、客戶習性假設及資產負債規模變化假設，以預測本集團的未來現金流量狀況。本集團設定「最大累計現金流出」指標，根據以上假設預測在日常情況下的未來30日之最大累計現金淨流出，以評估本集團的融資能力是否足以應付該現金流缺口，以達到持續經營的目的。於2023年12月31日，在沒有考慮出售未到期有價證券的現金流入之情況下，本銀行之30日累計現金流是淨流入，為港幣9,203,588,000元（2022年：港幣17,326,179,000元），符合內部限額要求。

4. FINANCIAL RISK MANAGEMENT (Cont'd)

4.3 Liquidity risk (Cont'd)

Risk Management Committee ("RMC") is the decision-making authority of liquidity risk management, and assumes the ultimate responsibility of liquidity risk management. As authorised by RMC, the Asset and Liability Management Committee ("ALCO") exercises its oversight of liquidity risk and ensures the daily operations of the Group are in accordance with risk appetite and policies as set by RMC. Asset and Liability Management Division is responsible for overseeing the Group's liquidity risk. It cooperates with Financial Market Department to assist the ALCO to perform liquidity management functions according to their specific responsibilities.

The Group established liquidity risk management indicators and limits to identify, measure, monitor and control liquidity risk on daily basis. These indicators and limits include, but are not limited to liquidity coverage ratio ("LCR"), net stable funding ratio ("NSFR"), loan-to-deposit ratio, Maximum Cumulative Cash Outflow ("MCO"), liquidity buffer asset portfolio and depositor concentration limit. The Group applies cash flow analysis to assess the Group's liquidity condition under normal conditions and also performs a liquidity stress test (including institution specific, general market crisis and combined crisis) at least on monthly basis to assess the Group's capability to withstand various severe liquidity crises. Also, the Assets and Liabilities Management System is developed to provide data and the preparation for regular management reports to facilitate liquidity risk management duties.

In accordance with the requirements of Supervisory Policy Manual LM-2 "Sound Systems and controls for Liquidity Risk Management" issued by the HKMA in 2016, the Group has implemented behaviour model and assumptions of cash flow analysis and stress test to enhance the Group's cash flow analysis under both normal and stressed conditions. In cash flow analysis under normal circumstances, assumptions have been made relating to on-balance sheet items (such as deposits from customers) and off-balance sheet items (such as loan commitments). According to various characteristics of the assets, liabilities and off-balance sheet items, the Group forecasts the future cash flow based on contractual maturity date and the assumptions of customer behaviour and balance sheet changes. The Group establishes MCO indicator which predicts the future 30-day maximum cumulative net cash outflow in normal situations based on the above assumptions, to assess if the Group has sufficient financing capacity to meet the cash flow gap in order to achieve the objective of continuing operation. As at 31 December 2023, before taking the cash inflow through the sale of outstanding marketable securities into consideration, the Bank's 30-day cumulative cash flow was a net cash inflow amounting to HK\$9,203,588,000 (2022: HK\$17,326,179,000) and was in compliance with the internal limit requirements.

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4. 金融風險管理 (續)

4.3 流動資金風險 (續)

在流動資金風險壓力測試中，本集團設立了自身危機、市場危機及合併危機情景，合併危機情景結合自身危機及市場危機，並採用一套更嚴謹的假設，以評估本集團於更嚴峻的流動資金危機情況下的抵禦能力。壓力測試的假設包括零售存款、批發存款及同業存款之流失率，貸款承擔及與貿易相關的或然負債之提取率，貸款逾期比例及滾動發放比率，同業拆出及有價證券的折扣率等。於2023年12月31日，本集團在以上三種壓力情景下都能維持正現金流，表示本集團有能力應付壓力情景下的融資需要。此外，本集團的管理政策要求本集團維持流動資金緩衝，當中包括的高質素或質素相若有價證券為由官方實體、中央銀行、公營單位或多邊發展銀行發行或擔保，而其風險權重為0%或20%，或由非金融企業發行或擔保，其外部信用評級相等於BBB-或以上，以確保在壓力情況下的資金需求。於2023年12月31日，本銀行流動資金緩衝(折扣前)為港幣58,129,938,000元(2022年：港幣48,631,199,000元)。應急計劃明確了需根據壓力測試結果和預警指標結果為啟動方案的條件，並詳述了相關行動計劃、程序以及各相關部門的職責。集團每年進行測試及更新，確保計劃的有效性及其操作可行性。

流動性覆蓋比率是根據由2015年1月1日起生效的《銀行業(流動性)規則》計算，而穩定資金淨額比率於2018年1月1日起生效。本集團被金管局指定為第一類認可機構，並需要以綜合基礎計算。本集團須維持流動性覆蓋比率及穩定資金淨額比率不少於100%。

當指標維持高於法定最低水平時，流動性覆蓋比率確保集團持有足夠流動性資產應對短期流動性壓力，而穩定資金淨額比率確保集團維持足夠的穩定資金來源以支持長期資產。

在部分衍生工具合約中，交易對手有權基於對集團的信用狀況的關注而向集團收取額外的抵押品。

4. FINANCIAL RISK MANAGEMENT (Cont'd)

4.3 Liquidity risk (Cont'd)

In the liquidity stress test, institution specific, general market crisis and combined crisis scenario has been set up, combined crisis scenario is a combination of institution specific and general market crisis to assess the Group's capability to withstand a more severe liquidity crisis, with a more stringent set of assumptions being adopted. Stress test assumptions include the run-off rate of retail, wholesale and interbank deposits; drawdown rate of loan commitments and trade-related contingent liabilities; delinquency ratio and rollover rate of customer loans; and haircut of interbank placement and marketable securities. As at 31 December 2023, the Group was able to maintain a positive cash flow under the three stressed scenarios, indicating the Group has the ability to meet financing needs under stressed conditions. In addition, the Group has a policy in place to maintain a liquidity cushion which includes high quality or comparable quality marketable securities issued or guaranteed by sovereigns, central banks, public sector entities or multilateral development banks with 0% or 20% risk weight or marketable securities issued or guaranteed by non-financial corporate with a corresponding external credit rating of BBB- or above to ensure funding needs even under stressed scenarios. As at 31 December 2023, the Bank's liquidity cushion (before haircut) was HK\$58,129,938,000 (2022: HK\$48,631,199,000). A contingency plan is being established which details the conditions to trigger the plan based on stress test results and early warning indicators, the action plans and relevant procedures and responsibility of various departments. The Group tests and updates the Plan annually to ensure its effectiveness and operational feasibility.

The LCR is calculated in accordance with the Banking (Liquidity) Rules effective from 1 January 2015 and the NSFR is effective from 1 January 2018. The Group, being classified as category 1 authorised institution by the HKMA, is required to calculate LCR and NSFR on consolidated basis. The Group is required to maintain LCR and NSFR not less than 100%.

By maintaining a ratio in excess of minimum regulatory requirements, the LCR seeks to ensure that the Group holds adequate liquidity assets to mitigate a short-term liquidity stress and the NSFR ensures the Group maintaining sufficient stable funding sources to cover their long-term assets.

In certain derivative contracts, the counterparties have right to request from the Group additional collateral if they have concerns about the Group's creditworthiness.

財務報表附註

Notes to the Financial Statements

4. 金融風險管理 (續)

4.3 流動資金風險 (續)

本集團對流動資金風險的管理，同時適用於新產品或新業務。在新產品或業務推出前，相關單位必須首先履行風險評估程序，包括評估潛在的流動資金風險，並考慮現行管理措施是否足夠控制相關風險。如果新產品或新業務可能對銀行流動資金風險形成重大影響，須上報風險管理委員會審批。

本集團制訂統一的流動資金風險管理政策，附屬銀行根據集團的統一政策，結合自身特點制訂具體的管理辦法，並承擔管理本機構流動資金風險的責任。主要附屬銀行獨立地履行日常風險管理職能，並定期向本集團管理層匯報。

有關流動性覆蓋比率及淨穩定資金比率披露的資料可於「未經審核之補充財務資料—1. 流動性覆蓋比率及淨穩定資金比率」及本銀行網頁 www.ncb.com.hk 中「監管披露」一節瀏覽。

4. FINANCIAL RISK MANAGEMENT (Cont'd)

4.3 Liquidity risk (Cont'd)

The Group's liquidity risk management also covers new products or business developments. Before launching a new product or business, the relevant departments are required to go through a risk assessment process, which includes the assessment of underlying liquidity risk and consideration of the adequacy of the current risk management mechanism. Any material impact on liquidity risk noted during the risk assessment process will be reported to Risk Management Committee for approval.

The Group has established a set of uniform liquidity risk management policies. On the basis of the Group's uniform policy, the principal banking subsidiary develops its own liquidity management policies according to its own characteristics, and assumes its own liquidity risk management responsibility, executes its daily risk management processes independently, and reports to the Group's Management on a regular basis.

The information of liquidity coverage ratio and net stable funding ratio disclosures are available under "Unaudited Supplementary Financial Information – 1. Liquidity Coverage Ratio and Net Stable Funding Ratio" and section "Regulatory Disclosures" on the Bank's website at www.ncb.com.hk.

財務報表附註

Notes to the Financial Statements

4. 金融風險管理 (續)

4.3 流動資金風險 (續)

(A) 到期日分析

下表為本集團於12月31日之資產及負債的到期日分析，按於結算日時，資產及負債相距合約到期日的剩餘期限分類。

4. FINANCIAL RISK MANAGEMENT (Cont'd)

4.3 Liquidity risk (Cont'd)

(A) Maturity analysis

The tables below analyse the Group's assets and liabilities as at 31 December into relevant maturity groupings based on the remaining period at balance sheet date to the contractual maturity date.

		2023							
		即期	一個月內	一至三個月	三至十二個月	一至五年	五年以上	不確定	總計
		On demand	Up to 1 month	1 to 3 months	3 to 12 months	1 to 5 years	Over 5 years	Indefinite	Total
		港幣千元	港幣千元	港幣千元	港幣千元	港幣千元	港幣千元	港幣千元	港幣千元
		HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
資產	Assets								
庫存現金及存放銀行及其他金融機構的結餘	Cash and balances with banks and other financial institutions	22,868,017	30,965,376	-	-	-	-	-	53,833,393
在銀行及其他金融機構一至十二個月內到期之定期存放	Placements with banks and other financial institutions maturing between one and twelve months	-	-	1,545,669	727,600	-	-	-	2,273,269
公允價值變化計入損益之金融資產	Financial assets at fair value through profit or loss								
- 交易性	- Trading								
- 債務證券	- Debt securities	-	91,089	4,271,524	2,444,116	597,807	-	-	7,404,536
- 強制性以公允價值變化計入損益，非交易性	- Mandatorily measured at fair value through profit or loss, non trading								
- 債務證券	- Debt securities	-	-	-	77,837	144,603	-	27,789	250,229
- 其他	- Others	-	111,531	758,269	5,937,647	-	-	-	6,807,447
- 股份證券	- Equity securities	-	-	-	-	-	-	1,375,898	1,375,898
衍生金融工具	Derivative financial instruments	362,039	99,767	41,102	210,554	324,262	1,320	-	1,039,044
貸款及其他賬項	Advances and other accounts								
- 客戶貸款	- Advances to customers	41,504,574	10,398,146	17,607,785	61,264,307	112,593,065	45,894,136	4,144,550	293,406,563
- 貿易票據	- Trade bills	19	69,112	104,261	167,899	-	-	-	341,291
- 銀行及其他金融機構貸款	- Advances to banks and other financial institutions	-	-	692	156,190	-	-	-	156,882
金融投資	Financial investments								
- 以公允價值變化計入其他全面收益	- At fair value through other comprehensive income	-	8,247,659	21,756,217	53,644,624	80,243,301	2,972,252	-	166,864,053
- 以攤銷成本作計量	- At amortised cost	-	2,736,976	1,577,244	1,885,331	1,097,590	-	-	7,297,141
- 股份證券	- Equity securities	-	-	-	-	-	-	25,606	25,606
投資物業	Investment properties	-	-	-	-	-	-	407,600	407,600
物業、器材及設備	Properties, plant and equipment	-	-	-	-	-	-	9,071,270	9,071,270
無形資產	Intangible assets	-	-	-	-	-	-	843,464	843,464
其他資產(包括遞延稅項資產)	Other assets (including deferred tax assets)	1,283,018	1,756,975	19,671	57,113	538,598	845	94,691	3,750,911
資產總額	Total assets	66,017,667	54,476,631	47,682,434	126,573,218	195,539,226	48,868,553	15,990,868	555,148,597

財務報表附註

Notes to the Financial Statements

4. 金融風險管理 (續)

4.3 流動資金風險 (續)

(A) 到期日分析 (續)

4. FINANCIAL RISK MANAGEMENT (Cont'd)

4.3 Liquidity risk (Cont'd)

(A) Maturity analysis (Cont'd)

		2023							
		即期	一個月內	一至三個月	三至十二個月	一至五年	五年以上	不確定	總計
		On demand	Up to 1 month	1 to 3 months	3 to 12 months	1 to 5 years	Over 5 years	Indefinite date	Total
		港幣千元	港幣千元	港幣千元	港幣千元	港幣千元	港幣千元	港幣千元	港幣千元
		HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
負債	Liabilities								
銀行及其他金融機構之存款及結餘	Deposits and balances from banks and other financial institutions	3,335,424	17,769,803	5,882,567	8,594,098	-	-	-	35,581,892
公允價值變化計入損益之金融負債	Financial liabilities at fair value through profit or loss	-	3,576,107	674,069	1,534,597	-	-	-	5,784,773
衍生金融工具	Derivative financial instruments	150,750	393,778	316,690	278,543	185,385	24,615	-	1,349,761
客戶存款	Deposits from customers	98,786,054	72,828,834	116,082,750	97,820,721	8,871,504	-	-	394,389,863
已發行債務證券及存款證	Debt securities and certificates of deposit in issue	-	925,330	3,589,446	10,375,114	13,829,945	-	-	28,719,835
其他賬項及準備(包括應付稅項及遞延稅項負債)	Other accounts and provisions (including current and deferred tax liabilities)	5,938,466	1,893,371	2,066,919	3,647,840	1,680,737	16,373	619,582	15,863,288
後償負債	Subordinated liabilities	-	-	-	-	-	5,468,028	-	5,468,028
負債總額	Total liabilities	108,210,694	97,387,223	128,612,441	122,250,913	24,567,571	5,509,016	619,582	487,157,440
流動資金缺口	Net liquidity gap	(42,193,027)	(42,910,592)	(80,930,007)	4,322,305	170,971,655	43,359,537	15,371,286	67,991,157

財務報表附註

Notes to the Financial Statements

4. 金融風險管理 (續)

4.3 流動資金風險 (續)

(A) 到期日分析 (續)

4. FINANCIAL RISK MANAGEMENT (Cont'd)

4.3 Liquidity risk (Cont'd)

(A) Maturity analysis (Cont'd)

		2022						總計 Total
		即期 On demand	一個月內 Up to 1 month	一至三個月 1 to 3 months	三至十二個月 3 to 12 months	一至五年 1 to 5 years	五年以上 Over 5 years	
		港幣千元 HK\$'000	港幣千元 HK\$'000	港幣千元 HK\$'000	港幣千元 HK\$'000	港幣千元 HK\$'000	港幣千元 HK\$'000	港幣千元 HK\$'000
資產	Assets							
庫存現金及存放銀行及 其他金融機構的結餘	Cash and balances with banks and other financial institutions	23,262,819	39,150,536	-	-	-	-	62,413,355
在銀行及其他金融機構 一至十二個月內到期之 定期存放	Placements with banks and other financial institutions maturing between one and twelve months	-	-	3,947,341	654,077	-	-	4,601,418
公允價值變化計入損益之 金融資產	Financial assets at fair value through profit or loss							
- 交易性	- Trading							
- 債務證券	- Debt securities	-	32,504	3,084,442	3,457,224	46,742	-	6,620,912
- 強制性以公允價值變化 計入損益，非交易性	- Mandatorily measured at fair value through profit or loss, non trading							
- 債務證券	- Debt securities	-	-	-	10,681	-	28,519	39,200
- 其他	- Others	-	272,899	1,185,369	9,077,989	-	-	10,536,257
- 股份證券	- Equity securities	-	-	-	-	-	1,417,583	1,417,583
衍生金融工具	Derivative financial instruments	332,607	263,600	429,943	195,191	638,180	25,424	1,884,945
貸款及其他賬項	Advances and other accounts							
- 客戶貸款	- Advances to customers	31,740,660	12,379,379	17,740,827	55,165,100	116,486,772	54,202,281	1,985,276
- 貿易票據	- Trade bills	6	172,766	266,403	171,185	-	-	610,360
- 銀行及其他金融機構貸款	- Advances to banks and other financial institutions	-	-	611	-	155,923	-	156,534
金融投資	Financial investments							
- 以公允價值變化計入其他 全面收益	- At fair value through other comprehensive income	-	2,362,709	13,716,989	27,857,038	92,510,645	1,496,446	137,943,827
- 以攤銷成本作計量	- At amortised cost	-	2,342,580	5,530	9,442,541	1,439,038	-	13,229,689
- 股份證券	- Equity securities	-	-	-	-	-	21,844	21,844
投資物業	Investment properties	-	-	-	-	-	559,140	559,140
物業、器材及設備	Properties, plant and equipment	-	-	-	-	-	9,089,246	9,089,246
無形資產	Intangible assets	-	-	-	-	-	619,709	619,709
其他資產(包括應收稅項及 遞延稅項資產)	Other assets (including current and deferred tax assets)	906,841	813,910	21,556	76,348	356,768	-	57,301
資產總額	Total assets	56,242,933	57,790,883	40,399,011	106,107,374	211,634,068	55,724,151	541,677,038

財務報表附註

Notes to the Financial Statements

4. 金融風險管理 (續)

4.3 流動資金風險 (續)

(A) 到期日分析 (續)

4. FINANCIAL RISK MANAGEMENT (Cont'd)

4.3 Liquidity risk (Cont'd)

(A) Maturity analysis (Cont'd)

		2022							
		一個月內	一至三個月	三至十二個月	一至五年	五年以上	不確定	總計	
		即期	Up to	1 to 3	3 to 12	1 to 5	Over	日期	
		On demand	1 month	months	months	years	5 years	Indefinite	
		港幣千元	港幣千元	港幣千元	港幣千元	港幣千元	港幣千元	港幣千元	
		HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	
負債	Liabilities								
銀行及其他金融機構之存款及結餘	Deposits and balances from banks and other financial institutions	2,975,847	17,551,054	8,768,240	15,627,994	-	-	-	44,923,135
公允值變化計入損益之金融負債	Financial liabilities at fair value through profit or loss	-	5,065,482	656,066	1,397,810	-	-	-	7,119,358
衍生金融工具	Derivative financial instruments	137,926	176,973	274,130	220,605	303,147	-	-	1,112,781
客戶存款	Deposits from customers	124,783,153	50,119,339	100,958,091	83,038,261	6,563,620	-	-	365,462,464
已發行債務證券及存款證	Debt securities and certificates of deposit in issue	11,469	368,775	6,702,697	15,588,895	12,750,576	-	-	35,422,412
其他賬項及準備(包括應付稅項及遞延稅項負債)	Other accounts and provisions (including current and deferred tax liabilities)	5,799,615	1,098,087	2,342,551	8,283,155	1,744,503	131,812	610,311	20,010,034
後償負債	Subordinated liabilities	-	-	-	-	-	5,455,215	-	5,455,215
負債總額	Total liabilities	133,708,010	74,379,710	119,701,775	124,156,720	21,361,846	5,587,027	610,311	479,505,399
流動資金缺口	Net liquidity gap	(77,465,077)	(16,588,827)	(79,302,764)	(18,049,346)	190,272,222	50,137,124	13,168,307	62,171,639

本集團將逾期不超過1個月之資產，例如貸款及債務證券列為「即期」資產。對於按不同款額或分期償還之資產，只有該資產中實際逾期之部分被視作逾期。其他未到期之部分仍繼續根據剩餘期限分類，但假若對該資產之償還存有疑慮，則將該等款項列為「不確定日期」。上述列示之資產已扣除任何相關準備(如有)。

所作披露不代表此等證券將持有至到期日。

The Group has reported assets such as advances and debt securities which have been overdue for not more than one month as "On demand". In the case of an asset that is repayable by different payments or instalments, only that portion of the asset that is actually overdue is reported as overdue. Any part of the asset that is not due is reported according to the residual maturity unless the repayment of the asset is in doubt in which case the amount is reported as "Indefinite". The above assets are stated after deduction of provisions, if any.

The disclosure does not imply that the securities will be held to maturity.

財務報表附註

Notes to the Financial Statements

4. 金融風險管理 (續)

4.3 流動資金風險 (續)

(B) 按合約到期日分析之未折現現金流

(a) 非衍生工具之現金流

下表概述了本集團於12月31日之非衍生金融負債以剩餘合約到期日列示之現金流。

4. FINANCIAL RISK MANAGEMENT (Cont'd)

4.3 Liquidity risk (Cont'd)

(B) Analysis of undiscounted cash flows by contractual maturities

(a) Non-derivative cash flows

The tables below summarise the cash flows of the Group as at 31 December for non-derivative financial liabilities by remaining contractual maturity.

		2023						
		一個月內	一至三個月	三至十二個月	一至五年	五年以上	不確定日期	總計
		Up to	1 to 3	3 to 12	1 to 5	Over	Indefinite	Total
		1 month	months	months	years	5 years	港幣千元	港幣千元
		港幣千元	港幣千元	港幣千元	港幣千元	港幣千元	港幣千元	港幣千元
		HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
金融負債	Financial liabilities							
銀行及其他金融機構之存款及結餘	Deposits and balances from banks and other financial institutions	21,159,623	6,052,068	8,824,753	-	-	-	36,036,444
公允值變化計入損益之金融負債	Financial liabilities at fair value through profit or loss	3,586,500	680,000	1,568,000	-	-	-	5,834,500
客戶存款	Deposits from customers	171,832,463	117,087,688	99,854,676	9,348,575	-	-	398,123,402
已發行債券證券及存款證	Debt securities and certificates of deposit in issue	945,878	3,679,889	10,722,886	14,623,374	-	-	29,972,027
後償負債	Subordinated liabilities	-	-	207,775	831,101	5,652,140	-	6,691,016
其他金融負債	Other financial liabilities	7,283,637	1,995,090	3,183,358	901,269	16,373	611,288	13,991,015
金融負債總額	Total financial liabilities	204,808,101	129,494,735	124,361,448	25,704,319	5,668,513	611,288	490,648,404

		2022						
		一個月內	一至三個月	三至十二個月	一至五年	五年以上	不確定日期	總計
		Up to	1 to 3	3 to 12	1 to 5	Over	Indefinite	Total
		1 month	months	months	years	5 years	港幣千元	港幣千元
		港幣千元	港幣千元	港幣千元	港幣千元	港幣千元	港幣千元	港幣千元
		HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
金融負債	Financial liabilities							
銀行及其他金融機構之存款及結餘	Deposits and balances from banks and other financial institutions	20,659,028	8,842,065	16,061,093	-	-	-	45,562,186
公允值變化計入損益之金融負債	Financial liabilities at fair value through profit or loss	5,068,000	659,500	1,420,000	-	-	-	7,147,500
客戶存款	Deposits from customers	175,022,886	101,702,064	84,943,933	7,215,625	-	-	368,884,508
已發行債券證券及存款證	Debt securities and certificates of deposit in issue	395,252	6,741,175	16,169,574	13,879,994	-	-	37,185,995
後償負債	Subordinated liabilities	-	-	207,420	829,681	5,846,432	-	6,883,533
其他金融負債	Other financial liabilities	6,410,758	2,085,696	8,315,708	977,725	131,812	601,412	18,523,111
金融負債總額	Total financial liabilities	207,555,924	120,030,500	127,117,728	22,903,025	5,978,244	601,412	484,186,833

財務報表附註

Notes to the Financial Statements

4. 金融風險管理 (續)

4.3 流動資金風險 (續)

(B) 按合約到期日分析之未折現現金流 (續)

(b) 衍生工具之現金流

下表概述了本集團於12月31日以剩餘合約到期日列示之現金流，包括按淨額基準結算之衍生金融負債，及所有按總額基準結算之衍生金融工具（不論有關合約屬資產或負債）。除部分衍生工具以公允值列示外，下表披露的其他金額均為未經折現的合同現金流。

本集團按淨額基準結算之衍生金融工具主要包括利率掉期及外匯交易期權（不交收），而按總額基準結算之衍生金融工具主要包括貨幣遠期及貨幣掉期。

4. FINANCIAL RISK MANAGEMENT (Cont'd)

4.3 Liquidity risk (Cont'd)

(B) Analysis of undiscounted cash flows by contractual maturities (Cont'd)

(b) Derivative cash flows

The tables below summarise the cash flows of the Group by remaining contractual maturity as at 31 December for derivative financial liabilities that will be settled on a net basis, together with all derivative financial instruments that will be settled on a gross basis regardless of whether the contract is in an asset or liability position. The amounts disclosed in the tables are the contractual undiscounted cash flows, except for certain derivatives which are disclosed at fair value.

The Group's derivative financial instruments that will be settled on a net basis mainly include interest rate swaps and foreign exchange options (non-deliverable) whereas derivative financial instruments that will be settled on a gross basis mainly include currency forwards and currency swaps.

財務報表附註

Notes to the Financial Statements

4. 金融風險管理 (續)

4.3 流動資金風險 (續)

(B) 按合約到期日分析之未折現現金流 (續)

(b) 衍生工具之現金流 (續)

4. FINANCIAL RISK MANAGEMENT (Cont'd)

4.3 Liquidity risk (Cont'd)

(B) Analysis of undiscounted cash flows by contractual maturities (Cont'd)

(b) Derivative cash flows (Cont'd)

		2023					
		一個月內	一至三個月	三至十二個月	一至五年	五年以上	總計
		Up to 1 month	1 to 3 months	3 to 12 months	1 to 5 years	Over 5 years	Total
		港幣千元	港幣千元	港幣千元	港幣千元	港幣千元	港幣千元
		HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
按淨額基準結算之 衍生金融負債	Derivative financial liabilities settled on a net basis	(150,512)	(2,476)	(29,850)	(197,895)	(23,800)	(404,533)
按總額基準結算之 衍生金融工具	Derivative financial instruments settled on a gross basis						
總流入	Total inflow	64,131,730	20,833,288	6,462,970	-	-	91,427,988
總流出	Total outflow	(64,063,763)	(21,108,139)	(6,548,815)	-	-	(91,720,717)
		2022					
		一個月內	一至三個月	三至十二個月	一至五年	五年以上	總計
		Up to 1 month	1 to 3 months	3 to 12 months	1 to 5 years	Over 5 years	Total
		港幣千元	港幣千元	港幣千元	港幣千元	港幣千元	港幣千元
		HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
按淨額基準結算之 衍生金融負債	Derivative financial liabilities settled on a net basis	(145,405)	(15,601)	(25,500)	(154,965)	(2,103)	(343,574)
按總額基準結算之 衍生金融工具	Derivative financial instruments settled on a gross basis						
總流入	Total inflow	32,437,467	35,010,155	12,431,618	1,222,405	-	81,101,645
總流出	Total outflow	(32,355,245)	(34,840,363)	(12,506,074)	(1,222,405)	-	(80,924,087)

財務報表附註

Notes to the Financial Statements

4. 金融風險管理 (續)

4.3 流動資金風險 (續)

(B) 按合約到期日分析之未折現現金流 (續)

(c) 資產負債表外項目

貸款承擔

有關本集團於2023年12月31日向客戶承諾延長信貸及其他融資之表外金融工具，其合約金額為港幣150,323,594,000元（2022年：港幣132,473,612,000元），此等貸款承擔可於一年內提取。

財務擔保及其他財務融資

本集團於2023年12月31日之財務擔保及其他財務融資金額為港幣54,145,285,000元（2022年：港幣59,934,940,000元），其到期日少於一年。

4.4 資本管理

本集團資本管理的主要目標是維持與集團整體風險狀況相稱的資本充足水平，同時為股東帶來最大回報。資產負債管理委員會定期檢討本集團資本結構，並在需要時進行調整以保持風險、回報與資本充足性的最佳平衡。

本集團已經建立並維持一套有效的資本管理政策和調控機制。此套機制保證集團在支持業務發展的同時，滿足法定資本充足率的要求。資產負債管理委員會負責監控集團的資本充足性。本集團在報告時段內就銀行業務符合各項金管局的法定資本規定，詳述如下：

4. FINANCIAL RISK MANAGEMENT (Cont'd)

4.3 Liquidity risk (Cont'd)

(B) Analysis of undiscounted cash flows by contractual maturities (Cont'd)

(c) Off-balance sheet items

Loan commitments

The contractual amounts of the Group's off-balance sheet financial instruments as at 31 December 2023 that the Group commits to extend credit to customers and other facilities totalled HK\$150,323,594,000 (2022: HK\$132,473,612,000). Those loan commitments can be drawn within one year.

Financial guarantees and other financial facilities

Financial guarantees and other financial facilities of the Group as at 31 December 2023 totalled HK\$54,145,285,000 (2022: HK\$59,934,940,000) are maturing no later than one year.

4.4 Capital management

The major objective of the Group's capital management is to maximise total shareholders' return while maintaining a capital adequacy position in relation to the Group's overall risk profile. The ALCO periodically reviews the Group's capital structure and adjusts the capital mix where appropriate to maintain an optimal balance among risk, return and capital adequacy.

The Group has developed and maintained a sound framework of policies and controls on capital management to support the development of the Group's business and to meet the statutory capital adequacy ratio. The ALCO monitors the Group's capital adequacy. The Group has complied with all the statutory capital requirements of the HKMA for the reported periods in respect of banking operation as further elaborated below.

財務報表附註

Notes to the Financial Statements

4. 金融風險管理 (續)

4.4 資本管理 (續)

本集團採用標準(信用風險)計算法及標準(市場風險)計算法分別計算信用風險資本要求及市場風險資本要求。

本集團採用標準信貸估值調整方法計算具有信貸估值調整風險的交易對手資本要求及標準(業務操作風險)計算法計算操作風險資本要求，並根據《銀行業(資本)規則》第317C條獲金管局批准豁免計算結構性外匯敞口產生的市場風險資本要求。

本集團於2023年採用內部資本充足評估程序以符合金管局監管政策手冊「監管審查程序」內的要求。按金管局對第二支柱的指引，內部資本充足評估程序主要用以評估在第一支柱下未有涵蓋或充分涵蓋的重大風險所需的額外資本，從而設定本集團最低普通股權一級資本比率、最低一級資本比率及最低總資本比率。同時，本集團亦就前述的資本比率設定了運作區間，以支持業務發展需要及促進資本的有效運用。本集團認為內部資本充足評估程序是一個持續的資本管理過程，並會因應自身的整體風險狀況而定期重檢及按需要調整其資本結構。

此外，本集團每年制定年度資本規劃，由資產負債管理委員會審議後呈董事會批准。資本規劃從業務策略、股東回報、風險偏好、信用評級、監控要求等多維度評估對資本充足性的影響，從而預測未來資本需求及資本來源，以保障集團能維持良好的資本充足性及資本組合結構，配合業務發展，保持風險、回報與資本充足性的最佳平衡。

4. FINANCIAL RISK MANAGEMENT (Cont'd)

4.4 Capital management (Cont'd)

The Group adopts standardised (credit risk) ("STC") approach and standardised (market risk) ("STM") approach to calculate the credit risk capital charge and the market risk capital charge respectively.

The Group adopts the standardised credit valuation adjustment ("CVA") method to calculate the capital charge for the CVA risk of the counterparty and the standardised (operational risk) ("STO") approach to calculate the operational risk capital charge and, with the approval from the HKMA, excluded its structural FX positions pursuant to section 317C of the Banking (Capital) Rules in the calculation of the market risk capital charge.

The Group adopts an internal capital adequacy assessment process ("ICAAP") to comply with the HKMA's requirements in the Supervisory Policy Manual "Supervisory Review Process" in 2023. Based on the HKMA's guidelines on Pillar II, ICAAP has been initiated to assess the extra capital needed to cover the material risks not captured or not adequately captured under Pillar I, and therefore minimum Common Equity Tier 1 capital ratio, minimum Tier 1 capital ratio and minimum Total capital ratio are determined. Meanwhile, operating ranges for the aforementioned capital ratios have also been established which enable the flexibility for future business growth and efficiency of capital utilisation. The Group considers this ICAAP as an on-going process for capital management and periodically reviews and adjusts its capital structure where appropriate in relation to the overall risk profile.

In addition, the capital plan of the Group is drawn up annually and then submitted to the Board for approval after endorsement of the ALCO. The plan is built up by assessing the implications of various factors upon capital adequacy such as the business strategies, return on equity, risk appetite, credit rating, as well as regulatory requirements. Hence, the future capital requirement is determined and capital sources are identified also. The plan is to ensure the Group maintains adequate capital and appropriate capital structure which align with its business development needs, thereby achieving an optimal balance among risk, return and capital adequacy.

財務報表附註

Notes to the Financial Statements

4. 金融風險管理 (續)

4.4 資本管理 (續)

(A) 監管綜合基礎

監管規定的綜合基礎乃根據《銀行業(資本)規則》由本銀行及其部分金管局指定之附屬公司組成。在會計處理方面，則按照香港財務報告準則綜合附屬公司，其名單載於「附錄—本銀行之附屬公司」。

包括在會計準則綜合範圍，而不包括在監管規定綜合範圍內的附屬公司之詳情如下：

名稱	Name	2023		2022	
		資產總額 Total assets 港幣千元 HK\$'000	資本總額 Total equity 港幣千元 HK\$'000	資產總額 Total assets 港幣千元 HK\$'000	資本總額 Total equity 港幣千元 HK\$'000
南洋商業銀行信託有限公司	Nanyang Commercial Bank Trustee Limited	17,404	17,295	16,951	16,842
廣利南投資管理有限公司	Kwong Li Nam Investment Agency Limited	4,979	4,730	4,880	4,611
南洋商業銀行(代理人)有限公司	Nanyang Commercial Bank (Nominees) Limited	1,418	1,418	1,425	1,425
南商財富管理顧問有限公司	NCB Wealth Management Advisor Limited	389,277	328,994	107,822	93,962

以上附屬公司的主要業務載於「附錄—本銀行之附屬公司」。

於2023年12月31日，並無任何附屬公司只包括在監管規定綜合範圍，而不包括在會計準則綜合範圍(2022年：無)。

於2023年12月31日，亦無任何附屬公司同時包括在會計準則和監管規定綜合範圍而使用不同綜合方法(2022年：無)。

4. FINANCIAL RISK MANAGEMENT (Cont'd)

4.4 Capital management (Cont'd)

(A) Basis of regulatory consolidation

The consolidation basis for regulatory purposes comprises the positions of the Bank and certain subsidiaries specified by the HKMA in accordance with the Banking (Capital) Rules. For accounting purposes, subsidiaries are consolidated in accordance with HKFRSs and the list of subsidiaries is set out in "Appendix – Subsidiaries of the Bank".

The particulars of subsidiaries which are included within the accounting scope of consolidation but not included within the regulatory scope of consolidation are as follows:

The principal activities of the above subsidiaries are set out in "Appendix – Subsidiaries of the Bank".

There were no subsidiaries which are included within the regulatory scope of consolidation but not included within the accounting scope of consolidation as at 31 December 2023 (2022: Nil).

Neither were there any subsidiaries which are included within both the accounting scope of consolidation and the regulatory scope of consolidation where the methods of consolidation differ as at 31 December 2023 (2022: Nil).

財務報表附註

Notes to the Financial Statements

4. 金融風險管理 (續)

4.4 資本管理 (續)

(B) 資本比率

4. FINANCIAL RISK MANAGEMENT (Cont'd)

4.4 Capital management (Cont'd)

(B) Capital ratio

		2023	2022
普通股權一級資本比率	CET1 capital ratio	13.23%	12.67%
一級資本比率	Tier 1 capital ratio	15.20%	14.04%
總資本比率	Total capital ratio	18.56%	17.45%

用於計算以上資本比率之扣減後的綜合資本基礎分析如下：

The consolidated capital base after deductions used in the calculation of the above capital ratios is analysed as follows:

		2023 港幣千元 HK\$'000	2022 港幣千元 HK\$'000
普通股權一級資本：票據及儲備	CET1 capital: instruments and reserves		
直接發行的合資格普通股權	Directly issued qualifying CET1 capital instruments	3,144,517	3,144,517
一級資本票據			
保留溢利	Retained earnings	49,895,388	47,250,590
已披露的儲備	Disclosed reserves	7,197,109	6,600,849
監管扣減之前的普通股權一級資本	CET1 capital before regulatory deductions	60,237,014	56,995,956
普通股權一級資本：監管扣減	CET1 capital: regulatory deductions		
估值調整	Valuation adjustments	(288)	(570)
已扣除遞延稅項負債的 其他無形資產	Other intangible assets net of deferred tax liabilities	(840,471)	(589,377)
已扣除遞延稅項負債的 遞延稅項資產	Deferred tax assets net of deferred tax liabilities	(551,106)	(358,280)
按公平價值估值的負債因 本身的信用風險變動 所產生的損益	Gains and losses due to changes in own credit risk on fair valued liabilities	(913)	(2,429)
因土地及建築物(自用及 投資用途)進行價值 重估而產生的累積 公平價值收益	Cumulative fair value gains arising from the revaluation of land and buildings (own-use and investment properties)	(6,720,136)	(6,767,961)
一般銀行業務風險監管儲備	Regulatory reserve for general banking risks	(2,275,475)	(2,116,502)
對普通股權一級資本的 監管扣減總額	Total regulatory deductions to CET1 capital	(10,388,389)	(9,835,119)
普通股權一級資本	CET1 capital	49,848,625	47,160,837
額外一級資本	Additional Tier 1 capital	7,422,026	5,077,856

財務報表附註

Notes to the Financial Statements

4. 金融風險管理 (續)

4.4 資本管理 (續)

(B) 資本比率 (續)

4. FINANCIAL RISK MANAGEMENT (Cont'd)

4.4 Capital management (Cont'd)

(B) Capital ratio (Cont'd)

		2023 港幣千元 HK\$'000	2022 港幣千元 HK\$'000
一級資本	Tier 1 capital	57,270,651	52,238,693
二級資本：票據及準備金	Tier 2 capital: instruments and provisions		
合資格二級資本票據加任何 相關股份溢價	Qualifying Tier 2 capital instruments plus any related share premium	5,444,365	5,431,592
合資格計入二級資本的集體 減值備抵及一般銀行風險 監管儲備	Collective impairment allowances and regulatory reserve for general banking risks eligible for inclusion in Tier 2 capital	4,201,957	4,206,158
監管扣減之前的二級資本	Tier 2 capital before regulatory deductions	9,646,322	9,637,750
二級資本：監管扣減	Tier 2 capital: regulatory deductions		
加回合資格計入二級資本的 因對土地及建築物(自用 及投資用途)進行價值 重估而產生的累積公平 價值收益	Add back of cumulative fair value gains arising from the revaluation of land and buildings (own-use and investment properties) eligible for inclusion in Tier 2 capital	3,024,061	3,045,582
對二級資本的監管扣減總額	Total regulatory deductions to Tier 2 capital	3,024,061	3,045,582
二級資本	Tier 2 capital	12,670,383	12,683,332
總資本	Total capital	69,941,034	64,922,025

防護緩衝資本比率分析如下：

The capital buffer ratios are analysed as follows:

		於2023年 12月31日 At 31 December 2023	於2022年 12月31日 At 31 December 2022
防護緩衝資本比率	Capital conservation buffer ratio	2.5%	2.5%
逆周期緩衝資本比率	Countercyclical capital buffer ratio	0.58%	0.58%

財務報表附註 Notes to the Financial Statements

4. 金融風險管理 (續)

4.4 資本管理 (續)

(B) 資本比率 (續)

根據《銀行業(資本)規則》，引入防護緩衝資本(「CCB比率」)，目的是確保銀行在受壓期外，建立風險加權資產之2.5%之資本。逆周期緩衝資本(「CCyB比率」)是由個別司法管轄區設置，用以在信貸增長過度時期抵禦未來的損失。香港地區現時適用的逆周期緩衝資本為風險加權資產之1.00%。

有關資本披露的補充資料可於本銀行網頁www.ncb.com.hk中「監管披露」一節瀏覽。

(C) 槓桿比率

4. FINANCIAL RISK MANAGEMENT (Cont'd)

4.4 Capital management (Cont'd)

(B) Capital ratio (Cont'd)

In accordance with the Banking (Capital) Rules, the Capital Conservation Buffer ("CCB") is designed to ensure banks build up capital outside periods of stress of 2.5% of risk-weighted assets ("RWAs"). The Countercyclical Capital Buffer ("CCyB") which is set on an individual country basis and is built up during periods of excess credit growth to protect against future losses. The currently applicable CCyB for Hong Kong is 1.00% of RWAs.

The additional information of capital disclosures is available under section "Regulatory Disclosures" on the Bank's website at www.ncb.com.hk.

(C) Leverage ratio

		2023 港幣千元 HK\$'000	2022 港幣千元 HK\$'000
一級資本	Tier 1 capital	57,270,651	52,238,693
槓桿比率風險承擔	Leverage ratio exposure	596,049,346	593,156,997
槓桿比率	Leverage ratio	9.61%	8.81%

有關槓桿比率披露的補充資料可於本銀行網頁www.ncb.com.hk中「監管披露」一節瀏覽。

The additional information of leverage ratio disclosures is available under section "Regulatory Disclosures" on the Bank's website at www.ncb.com.hk.

財務報表附註

Notes to the Financial Statements

5. 資產和負債的公允值

所有以公允值計量或在財務報表內披露的資產及負債，均按香港財務報告準則第13號「公允值計量」的定義，於公允值層級表內分類。該等分類乃參照估值方法所採用的因素之可觀察性及重大性，並基於對整體公允值計量有重大影響之最低層級因素來釐定：

- 第一層級：相同資產或負債在活躍市場中的報價（未經調整）。此層級包括上市股份證券、部分政府發行的債務工具、若干場內交易的衍生合約及貴金屬。
- 第二層級：乃基於估值技術所採用的最低層級因素（同時需對整體公允值計量有重大影響）可被直接或間接地觀察。此層級包括大部分場外交易的衍生合約、從估值服務供應商獲取價格的債務證券、轉貼現及存款證。同時亦包括對可觀察的市場因素進行了不重大調整的貴金屬及物業。
- 第三層級：乃基於估值技術所採用的最低層級因素（同時需對整體公允值計量有重大影響）屬不可被觀察。此層級包括有重大不可觀察因素的股權投資、債務工具及福費廷。同時亦包括對可觀察的市場因素進行了重大調整的物業。

5. FAIR VALUES OF ASSETS AND LIABILITIES

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy as defined in HKFRS 13, "Fair value measurement". The categorisation are determined with reference to the observability and significance of the inputs used in the valuation methods and based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1: based on quoted prices (unadjusted) in active markets for identical assets or liabilities. This category includes listed equity shares, debt instruments issued by certain governments, certain exchange-traded derivative contracts and precious metals.
- Level 2: based on valuation techniques for which the lowest level input that is significant to the fair value measurement is observable, either directly or indirectly. This category includes majority of the OTC derivative contracts, debt securities, discounted bills and certificates of deposit with quote from pricing services vendors. It also includes precious metals and properties with insignificant adjustments made to observable market inputs.
- Level 3: based on valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable. This category includes equity investment, debt instruments and forfeiting with significant unobservable components. It also includes properties with significant adjustments made to observable market inputs.

財務報表附註

Notes to the Financial Statements

5. 資產和負債的公允值(續)

對於以重複基準確認於財務報表的資產及負債，本集團會於每一財務報告週期的結算日重新評估其分類(基於對整體公允值計量有重大影響之最低層級因素)，以確定有否在公允值層級之間發生轉移。

5.1 以公允值計量的金融工具

本集團建立了完善的公允值管治及控制架構，公允值數據由獨立於前線的控制單位確定或核實。各控制單位負責獨立核實前線業務之估值結果及重大公允值數據。其他特定控制程序包括核實可觀察的估值參數。重大估值事項將向管理層匯報。

一般而言，金融工具以單一工具為計量基礎。香港財務報告準則第13號允許在滿足特定條件的前提下，可以選用會計政策以同一投資組合下的金融資產及金融負債的淨敞口作為公允值的計量基礎。本集團的估值調整以單一工具為基礎，與金融工具的計量基礎一致。

當無法從公開市場獲取報價時，本集團通過一些估值技術或經紀/交易商之詢價來確定金融工具的公允值。

對於本集團所持有的金融工具，其估值技術使用的主要參數包括債券價格、利率、匯率、權益及股票價格、波幅、交易對手信貸利差及其他，主要為可從公開市場觀察及獲取的參數。

5. FAIR VALUES OF ASSETS AND LIABILITIES

(Cont'd)

For assets and liabilities that are recognised in the financial statements on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by reassessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

5.1 Financial instruments measured at fair value

The Group has an established governance structure and controls framework to ensure that fair values are either determined or validated by control units independent of the front offices. Control units have overall responsibility for independent verification of valuation results from front line businesses and all other significant fair value measurements. Specific controls include verification of observable pricing inputs. Significant valuation issues are reported to the Management.

Generally, the unit of account for a financial instrument is the individual instrument. HKFRS 13 permits a portfolio exception, through an accounting policy election, to measure the fair value of a portfolio of financial assets and financial liabilities on the basis of the net open risk position when certain criteria are met. The Group applies valuation adjustments at an individual instrument level, consistent with that unit of account.

The Group uses valuation techniques or broker/dealer quotations to determine the fair value of financial instruments when unable to obtain the open market quotation in active markets.

The main parameters used in valuation techniques for financial instruments held by the Group include bond prices, interest rates, foreign exchange rates, equity and stock prices, volatilities, counterparty credit spreads and others, which are mostly observable and obtainable from open market.

財務報表附註

Notes to the Financial Statements

5. 資產和負債的公允值(續)

5.1 以公允值計量的金融工具(續)

用以釐定以下金融工具公允值的估值方法如下：

債務工具、存款證、福費廷

此類工具的公允值由交易所、交易商或外間獨立估值服務供應商提供的市場報價或使用貼現現金流模型分析而決定。貼現現金流模型是一個利用預計未來現金流，以一個可反映市場上相類似風險的工具所需信貸息差之貼現率或一般以月末同樣產品成交利率為基準，同時參考同業詢價形成最後的貼現率。這些參數是市場上可觀察或由可觀察或不可觀察的市場數據證實。

衍生工具

場外交易的衍生工具合約包括外匯、利率或商品的遠期、掉期及期權合約。衍生工具合約的價格主要由貼現現金流模型及期權計價模型等估值技術釐定。所使用的參數為可觀察或不可觀察市場數據。可觀察的參數包括利率、匯率、商品價格及波幅。不可觀察的參數如波動率曲面可用於嵌藏於結構性存款中非交易頻繁的期權類產品。對一些複雜的衍生工具合約，公允值將按經紀/交易商之報價為基礎。

本集團對場外交易的衍生工具作出了信貸估值調整及債務估值調整。調整分別反映對市場因素變化、交易對手信譽及集團自身信貸息差的期望。有關調整主要是按每一交易對手，以未來預期敞口、違約率及收回率釐定。

5. FAIR VALUES OF ASSETS AND LIABILITIES

(Cont'd)

5.1 Financial instruments measured at fair value (Cont'd)

The technique used to calculate the fair value of the following financial instruments is as below:

Debt instruments, certificates of deposit and forfeiting

The fair value of these instruments is determined by obtaining quoted market prices from exchange, dealer or independent pricing service vendors or using discounted cash flow technique. Discounted cash flow model is a valuation technique that measures present value using estimated expected future cash flows from the instruments and then discounts these flows using a discount margin that reflects the credit spreads required by the market for instruments with similar risk or a discount rate which is referred to the transaction interest rate of instruments with similar risk as at the end of the month and inter-bank bid rate as the final discount rate. These inputs are observable or can be corroborated by observable or unobservable market data.

Derivatives

OTC derivative contracts include forward, swap and option contracts on foreign exchange, interest rate or commodity. The fair values of these contracts are mainly measured using valuation techniques such as discounted cash flow models and option pricing models. The inputs can be observable or unobservable market data. Observable inputs include interest rate, foreign exchange rates, commodity prices and volatilities. Unobservable inputs such as volatility surface may be used for less commonly traded option products which are embedded in structured deposits. For certain complex derivative contracts, the fair values are determined based on broker/dealer price quotations.

Credit valuation adjustments ("CVA") and debit valuation adjustments ("DVA") are applied to the Group's OTC derivatives. These adjustments reflect market factors movement, expectations of counterparty creditworthiness and the Group's own credit spread respectively. They are mainly determined for each counterparty and are dependent on expected future values of exposures, default probabilities and recovery rates.

財務報表附註

Notes to the Financial Statements

5. 資產和負債的公允值 (續)

5.1 以公允值計量的金融工具 (續)

(A) 公允值的等級

5. FAIR VALUES OF ASSETS AND LIABILITIES

(Cont'd)

5.1 Financial instruments measured at fair value (Cont'd)

(A) Fair value hierarchy

		2023			
		第一層級	第二層級	第三層級	總計
		Level 1	Level 2	Level 3	Total
		港幣千元	港幣千元	港幣千元	港幣千元
		HK\$'000	HK\$'000	HK\$'000	HK\$'000
金融資產	Financial assets				
公允值變化計入損益之 金融資產(附註20)	Financial assets at fair value through profit or loss (Note 20)				
– 交易性	– Trading				
– 債務證券及存款證	– Debt securities and certificates of deposit	–	7,404,536	–	7,404,536
– 強制性以公允值變化 計入損益，非交易性	– Mandatorily measured at fair value through profit or loss, non trading				
– 債務證券	– Debt securities	–	222,440	27,789	250,229
– 其他	– Others	–	680,312	6,127,135	6,807,447
– 股份證券	– Equity securities	57,635	–	1,318,263	1,375,898
衍生金融工具(附註21)	Derivative financial instruments (Note 21)	364,332	674,712	–	1,039,044
以公允值變化計入其他 全面收益的金融投資 (附註23)	Financial investments at fair value through other comprehensive income (Note 23)				
– 債務證券及存款證	– Debt securities and certificates of deposit	5,761,761	161,102,292	–	166,864,053
– 股份證券	– Equity securities	–	–	25,606	25,606
金融負債	Financial liabilities				
公允值變化計入損益之 金融負債(附註28)	Financial liabilities at fair value through profit or loss (Note 28)				
– 交易性	– Trading	–	5,784,773	–	5,784,773
衍生金融工具(附註21)	Derivative financial instruments (Note 21)	152,775	1,196,986	–	1,349,761

財務報表附註

Notes to the Financial Statements

5. 資產和負債的公允值(續)

5.1 以公允值計量的金融工具(續)

(A) 公允值的等級(續)

5. FAIR VALUES OF ASSETS AND LIABILITIES

(Cont'd)

5.1 Financial instruments measured at fair value (Cont'd)

(A) Fair value hierarchy (Cont'd)

		2022			
		第一層級	第二層級	第三層級	總計
		Level 1	Level 2	Level 3	Total
		港幣千元	港幣千元	港幣千元	港幣千元
		HK\$'000	HK\$'000	HK\$'000	HK\$'000
金融資產	Financial assets				
公允值變化計入損益之 金融資產(附註20)	Financial assets at fair value through profit or loss (Note 20)				
– 交易性	– Trading				
– 債務證券及存款證	– Debt securities and certificates of deposit	–	6,620,912	–	6,620,912
– 強制性以公允值變化 計入損益，非交易性	– Mandatorily measured at fair value through profit or loss, non trading				
– 債務證券	– Debt securities	–	10,681	28,519	39,200
– 其他	– Others	–	1,014,254	9,522,003	10,536,257
– 股份證券	– Equity securities	71,686	–	1,345,897	1,417,583
衍生金融工具(附註21)	Derivative financial instruments (Note 21)	336,416	1,548,529	–	1,884,945
以公允值變化計入其他 全面收益的金融投資 (附註23)	Financial investments at fair value through other comprehensive income (Note 23)				
– 債務證券及存款證	– Debt securities and certificates of deposit	–	137,943,827	–	137,943,827
– 股份證券	– Equity securities	–	–	21,844	21,844
金融負債	Financial liabilities				
公允值變化計入損益之 金融負債(附註28)	Financial liabilities at fair value through profit or loss (Note 28)				
– 交易性	– Trading	–	7,119,358	–	7,119,358
衍生金融工具(附註21)	Derivative financial instruments (Note 21)	137,959	974,822	–	1,112,781

本集團之金融資產及負債於年內均沒有第一層級及第二層級之間的轉移(2022年：無)。

There were no financial asset and liability transfers between level 1 and level 2 for the Group during the year (2022: Nil).

財務報表附註 Notes to the Financial Statements

5. 資產和負債的公允值(續)

5.1 以公允值計量的金融工具(續)

(B) 第三層級的项目變動

5. FAIR VALUES OF ASSETS AND LIABILITIES

(Cont'd)

5.1 Financial instruments measured at fair value (Cont'd)

(B) Reconciliation of level 3 items

		2023 金融資產 Financial assets			
		強制性以公允值 變化計入損益 Mandatorily measured at fair value through profit or loss 非交易性 Non trading		以公允值計入 其他全面收益 的金融投資 Financial investments at fair value through other comprehensive income	
		債務證券 Debt securities 港幣千元 HK\$'000	其他 Others 港幣千元 HK\$'000	股份證券 Equity securities 港幣千元 HK\$'000	股份證券 Equity securities 港幣千元 HK\$'000
於2023年1月1日	At 1 January 2023	28,519	9,522,003	1,345,897	21,844
收益	Gains				
– 收益表	– Income statement				
– 淨交易性虧損	– Net trading loss	(606)	(216,788)	(27,634)	–
– 其他以公允值變化計入 損益之金融工具 淨(虧損)/收益	– Net (loss)/gain on other financial instruments at fair value through profit or loss	(124)	395,360	–	–
– 其他全面收益	– Other comprehensive income				
– 以公允值計入其他全面 收益的金融資產之 公允值變化	– Change in fair value of financial assets at fair value through other comprehensive income	–	–	–	3,762
增置	Additions	–	151,420,348	–	–
處置、贖回及到期	Disposals, redemptions and maturity	–	(154,993,788)	–	–
於2023年12月31日	At 31 December 2023	27,789	6,127,135	1,318,263	25,606
於2023年12月31日持有的 金融資產於期內計入收益表 的未實現虧損總額	Total unrealised loss for the period included in income statement for financial assets held as at 31 December 2023	(124)	(5,717)	–	–

財務報表附註

Notes to the Financial Statements

5. 資產和負債的公允值 (續)

5.1 以公允值計量的金融工具 (續)

(B) 第三層級的項目變動 (續)

5. FAIR VALUES OF ASSETS AND LIABILITIES

(Cont'd)

5.1 Financial instruments measured at fair value (Cont'd)

(B) Reconciliation of level 3 items (Cont'd)

		2022 金融資產 Financial assets			
		強制性以公允值 變化計入損益 Mandatorily measured at fair value through profit or loss 非交易性 Non trading		以公允值計入 其他全面收益 的金融投資 Financial investments at fair value through other comprehensive income	
		債務證券 Debt securities 港幣千元 HK\$'000	其他 Others 港幣千元 HK\$'000	股份證券 Equity securities 港幣千元 HK\$'000	股份證券 Equity securities 港幣千元 HK\$'000
於2022年1月1日	At 1 January 2022	29,574	16,688,611	1,470,961	49,933
收益	Gains				
– 收益表	– Income statement				
– 淨交易性虧損	– Net trading loss	(960)	(1,758,172)	(125,064)	–
– 其他以公允值變化計入 損益之金融工具 淨(虧損)/收益	– Net (loss)/gain on other financial instruments at fair value through profit or loss	(95)	574,003	–	–
– 其他全面收益	– Other comprehensive income				
– 以公允值計入其他全面 收益的金融資產之 公允值變化	– Change in fair value of financial assets at fair value through other comprehensive income	–	–	–	(28,089)
增置	Additions	–	125,341,884	–	–
處置、贖回及到期	Disposals, redemptions and maturity	–	(131,324,323)	–	–
於2022年12月31日	At 31 December 2022	28,519	9,522,003	1,345,897	21,844
於2022年12月31日持有的 金融資產於期內計入收益表 的未實現虧損總額	Total unrealised loss for the period included in income statement for financial assets held as at 31 December 2022	(95)	(13,480)	–	–

財務報表附註

Notes to the Financial Statements

5. 資產和負債的公允值(續)

5.1 以公允值計量的金融工具(續)

(B) 第三層級的項目變動(續)

於2023年12月31日及2022年12月31日，分類為第三層級的金融工具主要為以公允值變化計入損益之金融資產及非上市股權。

對於某些低流動性其他以公允值變化計入損益和以公允值計入其他全面收益之金融資產，本集團從交易對手處詢價；其公允值的計量可能採用了對估值產生重大影響的不可觀察參數，因此本集團將這些金融工具劃分至第三層級。本集團已建立相關內部控制程序監控集團對此類金融工具的敞口。

非上市股權的公允值乃參考可供比較的上市公司之平均市價/盈利倍數，或若沒有合適可供比較的公同，則按其資產淨值釐定。本集團未上市的股份在公允價值計量中採用的重大不可觀察參數如下：

5. FAIR VALUES OF ASSETS AND LIABILITIES

(Cont'd)

5.1 Financial instruments measured at fair value (Cont'd)

(B) Reconciliation of level 3 items (Cont'd)

As at 31 December 2023 and 31 December 2022, financial instruments categorised as level 3 are mainly comprised of financial assets at fair value through profit or loss and unlisted equity shares.

For certain illiquid others financial assets classified as fair value through profit or loss and fair value through other comprehensive income, the Group obtains valuation quotations from counterparties which may be based on unobservable inputs with significant impact on the valuation. Therefore, these instruments have been classified by the Group as level 3. The Group has established internal control procedures to control the Group's exposure to such financial instruments.

The fair values of unlisted equity shares are determined with reference to multiples of comparable listed companies, such as average of the price/earning ratios of comparables, or net asset value, if appropriate comparables are not available. The significant unobservable inputs applied in the fair values measurement of the Group's unlisted equity shares are as follows:

估值方法 Valuation method	重大不可觀察參數 Significant unobservable inputs	範圍 Range	不可觀察參數與 公允值的關係 Relationship of unobservable inputs to fair value
市場比較法 Market comparison approach	市價/盈利倍數 Price/earning ratios	6.8–13.0 (2022: 3.4–16.4)	市價/盈利倍數愈高，公允值愈高 The higher the price/earning ratios, the higher the fair value.
	市價/賬面淨值倍數 Price/Book ratios	1.5–4.1 (2022: 1.5–4.4)	市價/賬面淨值愈高，公允值愈高 The higher the Price/Book ratios, the higher the fair value.
	企業價值/稅息折舊 及攤銷前利潤 EV/EBITDA	2.8–5.4 (2022: 5.0–7.8)	企業價值/稅息折舊及攤銷前利潤 愈高，公允值愈高 The higher the EV/EBITDA ratios, the higher the fair value.
	流動性貼水 Liquidity discount	30.0% (2022: 30.0%)	流動性貼水愈高，公允值愈低 The higher the liquidity discount, the lower the fair value.
近期交易法 Recent transaction approach	不適用 N/A	不適用 N/A	不適用 N/A

財務報表附註

Notes to the Financial Statements

5. 資產和負債的公允值(續)

5.1 以公允值計量的金融工具(續)

(B) 第三層級的項目變動(續)

公允值與適合採用之可比較市價／盈利倍數、市價／賬面淨值倍數比率和企業價值／稅息折舊及攤銷前利潤存在正向關係。若應用於估值技術上的重大不可觀察參數增加／減少5% (2022年12月31日：5%)，則本集團其他全面收益和溢利或虧損將增加／減少港幣1,280,000元 (2022年12月31日：港幣1,092,000) 和港幣65,913,000元 (2022年12月31日：67,295,000元)。當非上市股權股份的公允價值受到多於一項的不可觀察參數影響時，前述的影響反映由個別不同參數產生的最有利或最不利之變化。

5.2 非以公允值計量的金融工具

公允值是在一特定時點按相關市場資料及不同金融工具之資料來評估。以下之方法及假設已按實際情況應用於評估各類金融工具之公允值。

存放／尚欠銀行及其他金融機構之結餘及貿易票據

大部分之金融資產及負債將於結算日後一年內到期，其賬面值與公允值相若。

客戶貸款

大部分之客戶貸款是浮動利率，按市場息率計算利息，其賬面值與公允值相若。

以攤餘成本作計量的債務工具

以攤餘成本作計量的債務工具之公允值釐定與附註5.1內以公允值計量的債務工具採用之方法相同。

客戶存款

大部分之客戶存款將於結算日後一年內到期，其賬面值與公允值相若。

5. FAIR VALUES OF ASSETS AND LIABILITIES

(Cont'd)

5.1 Financial instruments measured at fair value (Cont'd)

(B) Reconciliation of level 3 items (Cont'd)

The fair value is positively correlated to the price/earning ratios, price/booking ratios and EV/EBITDA of appropriate comparables. Had the significant unobservable inputs applied on the valuation techniques increased/decreased by 5% (31 December 2022: 5%), the Group's other comprehensive income and profit or loss would have increased/decreased by HK\$1,280,000 (31 December 2022: HK\$1,092,000) and HK\$65,913,000 (31 December 2022: HK\$67,295,000) respectively. When the fair value of the unlisted shares are affected by more than one unobservable input, the aforesaid impact reflects the most favourable or the most unfavourable change from varying inputs individually.

5.2 Financial instruments not measured at fair value

Fair value estimates are made at a specific point in time based on relevant market information and information about various financial instruments. The following methods and assumptions have been used to estimate the fair value of each class of financial instrument as far as practicable.

Balances with/from banks and other financial institutions and trade bills

Substantially all the financial assets and liabilities mature within one year from the balance sheet date and their carrying value approximates fair value.

Advances to customers

Substantially all the advances to customers are on floating rate terms, bear interest at prevailing market interest rates and their carrying value approximates fair value.

Debt instruments at amortised cost

The fair value of debt instruments at amortisation cost is determined by using the same approach as those debt instruments measured at fair value as described in Note 5.1.

Deposits from customers

Substantially all the deposits from customers mature within one year from the balance sheet date and their carrying value approximates fair value.

財務報表附註 Notes to the Financial Statements

5. 資產和負債的公允值(續)

5.2 非以公允值計量的金融工具(續)

已發行債務證券及存款證

此類工具之公允值釐定與附註5.1內以公允值計量的債務工具及存款證採用之方法相同。

後償負債

此類工具之公允值釐定與附註5.1內以公允值計量的債務工具及存款證採用之方法相同。

除以上其賬面值與公允值相若的金融工具外，下表為非以公允值計量的金融工具之賬面值和公允值。

5. FAIR VALUES OF ASSETS AND LIABILITIES

(Cont'd)

5.2 Financial instruments not measured at fair value

(Cont'd)

Debt securities and certificates of deposit in issue

The fair value of these instruments is determined by using the same approach as those debt instruments and certificates of deposit measured at fair value as described in Note 5.1.

Subordinated liabilities

The fair value of the instrument is determined by using the same approach as those debt instruments and certificates of deposit measured at fair value as described in Note 5.1.

The following tables set out the carrying values and fair values of the financial instruments not measured at fair value, except for the above with their carrying values being approximation of fair values.

		2023		2022	
		賬面值 Carrying value 港幣千元 HK\$'000	公允值 Fair value 港幣千元 HK\$'000	賬面值 Carrying value 港幣千元 HK\$'000	公允值 Fair value 港幣千元 HK\$'000
金融資產	Financial assets				
以攤餘成本作計量的 債務工具	Debt instruments at amortised cost	7,297,141	7,275,390	13,229,689	13,151,875
金融負債	Financial liabilities				
已發行債務證券及存款證	Debt securities and certificates of deposit in issue	28,719,835	28,831,345	35,422,412	35,534,343
後償負債	Subordinated liabilities	5,468,028	5,365,073	5,455,215	5,157,981

財務報表附註

Notes to the Financial Statements

5. 資產和負債的公允值(續)

5.2 非以公允值計量的金融工具(續)

下表列示已披露其公允值的金融工具之公允值等級。

5. FAIR VALUES OF ASSETS AND LIABILITIES

(Cont'd)

5.2 Financial instruments not measured at fair value

(Cont'd)

The following tables show the fair value hierarchy for financial instruments with fair values disclosed.

		2023			
		第一層級	第二層級	第三層級	總計
		Level 1	Level 2	Level 3	Total
		港幣千元	港幣千元	港幣千元	港幣千元
		HK\$'000	HK\$'000	HK\$'000	HK\$'000
金融資產	Financial assets				
以攤餘成本作計量的債務工具	Debt instruments at amortised cost	25,215	7,250,175	–	7,275,390
金融負債	Financial liabilities				
已發行債務證券及存款證	Debt securities and certificates of deposit in issue	–	28,831,345	–	28,831,345
後償負債	Subordinated liabilities	–	5,365,073	–	5,365,073

		2022			
		第一層級	第二層級	第三層級	總計
		Level 1	Level 2	Level 3	Total
		港幣千元	港幣千元	港幣千元	港幣千元
		HK\$'000	HK\$'000	HK\$'000	HK\$'000
金融資產	Financial assets				
以攤餘成本作計量的債務工具	Debt instruments at amortised cost	10,280,213	2,871,662	–	13,151,875
金融負債	Financial liabilities				
已發行債務證券及存款證	Debt securities and certificates of deposit in issue	–	35,534,343	–	35,534,343
後償負債	Subordinated liabilities	–	5,157,981	–	5,157,981

財務報表附註

Notes to the Financial Statements

5. 資產和負債的公允值(續)

5.3 以公允值計量的非金融工具

本集團通過一些估值技術或活躍市場報價來確定非金融工具的公允值。

投資物業及房產

本集團之物業可分為投資物業及房產。所有本集團之投資物業及房產已進行重估。估值由獨立特許測量師萊坊測計師行有限公司進行，其擁有具備香港測量師學會資深專業會員及專業會員資格之人員，並在估值物業所處地區及種類上擁有經驗。當估值於每半年末及年末進行時，本集團管理層會跟測量師討論估值方法、估值假設及估值結果。估值方法於年內沒有改變。

(i) 第二層級公允值計量採用的估值方法及因素

被分類為第二層級之物業的公允值，乃參考可比較物業之近期出售成交價(市場比較法)或參考市場租金及資本化率(收入資本法)，再對可比較物業及被評估物業之間的差異作出適當調整。此等調整被認為對整體計量並不構成重大影響。

本集團之物業均位於香港及內地之主要城市，被認為是活躍及透明的物業市場。可比較物業之出售價、市場租金及資本化率一般均可在此等市場上被直接或間接觀察得到。

5. FAIR VALUES OF ASSETS AND LIABILITIES

(Cont'd)

5.3 Non-financial instruments measured at fair value

The Group uses valuation techniques or quoted market prices in active market to determine the fair value of non-financial instruments.

Investment properties and premises

The Group's properties can be divided into investment properties and premises. All of the Group's investment properties and premises were revalued. The valuations were carried out by an independent firm of chartered surveyors, Knight Frank Petty Limited, who have among their staff Fellow and Members of The Hong Kong Institute of Surveyors with recent experience in the locations and categories of properties being valued. The Group's Management had discussions with the surveyors on the valuation methods, valuation assumptions and valuation results when the valuation is performed at each interim and annual reporting date. There has been no change in valuation methods during the year.

(i) *Valuation methods and inputs used in Level 2 fair value measurements*

The fair value of properties classified as Level 2 is determined using either the market comparison approach by reference to recent sales price of comparable properties or the income capitalisation approach by reference to market rent and capitalisation rate, with appropriate adjustments to reflect the differences between the comparable properties and the subject properties. These adjustments are considered as insignificant to the entire measurement.

The Group's properties are located in Hong Kong and major cities in the PRC where the property markets are considered active and transparent. Sales price, market rent and capitalisation rate of comparable properties are generally observable either directly or indirectly in these markets.

財務報表附註

Notes to the Financial Statements

5. 資產和負債的公允值(續)

5.3 以公允值計量的非金融工具(續)

投資物業及房產(續)

(ii) 有關第三層級公允值計量的資料

被分類為第三層級的本集團物業之公允值均採用市場比較法或收入資本法，再按本集團物業相對於可比較物業之性質作折溢價調整來釐定。

以下為在公允值計量時對被分類為第三層級之本集團物業所採用的估值方法及重大不可觀察因素：

5. FAIR VALUES OF ASSETS AND LIABILITIES

(Cont'd)

5.3 Non-financial instruments measured at fair value

(Cont'd)

Investment properties and premises (Cont'd)

(ii) Information about Level 3 fair value measurements

The fair value of all of the Group's properties classified as Level 3 is determined using either the market comparison approach or the income capitalisation approach, adjusted for a premium or a discount specific to the features of the Group's properties compared to the comparable properties.

The valuation methods and significant unobservable inputs used in the fair value measurement of the Group's properties classified as Level 3 are as follows:

	估值方法 Valuation method	重大不可觀察因素 Significant unobservable inputs	加權平均 Weighted average	不可觀察因素與公允值的關係 Relationship of unobservable inputs to fair value
其他物業 Other properties	市場比較法或收入資本法 Market comparison approach or income capitalisation approach	物業相對可比較物業在性質上之折價 Discount on features of the property compared to comparable properties	2.7% (2022: 5.1%)	折價越高，公允值越低。 The higher the discount, the lower the fair value.

物業相對可比較物業在性質上之折價乃參考與可比較物業在不同因素上的差異，例如成交後之市場變動、位置、便達性、樓齡／狀況、樓層、面積、佈局等而釐定。

Discount on features of a property is determined after taken into account various factors, such as time for market movement, location, accessibility, building age/condition, floor level, size, layout, with reference to the differences in features with comparable properties.

財務報表附註

Notes to the Financial Statements

5. 資產和負債的公允值 (續)

5.3 以公允值計量的非金融工具 (續)

貴金屬

貴金屬之公允值是按活躍市場報價或有若干調整的市場報價為基礎。

(A) 公允值的等級

5. FAIR VALUES OF ASSETS AND LIABILITIES

(Cont'd)

5.3 Non-financial instruments measured at fair value

(Cont'd)

Precious metals

The fair values of precious metals are determined by obtaining quoted market prices in active market or market quote with certain adjustments.

(A) Fair value hierarchy

		2023			
		第一層級	第二層級	第三層級	總計
		Level 1	Level 2	Level 3	Total
		港幣千元	港幣千元	港幣千元	港幣千元
		HK\$'000	HK\$'000	HK\$'000	HK\$'000
非金融資產	Non-financial assets				
投資物業 (附註 24)	Investment properties (Note 24)	–	12,600	395,000	407,600
物業、器材及設備 (附註 25)	Properties, plant and equipment (Note 25)				
– 房產	– Premises	–	3,431,406	4,427,661	7,859,067
其他資產 (附註 27)	Other assets (Note 27)				
– 貴金屬	– Precious metals	105,937	178,329	–	284,266
		2022			
		第一層級	第二層級	第三層級	總計
		Level 1	Level 2	Level 3	Total
		港幣千元	港幣千元	港幣千元	港幣千元
		HK\$'000	HK\$'000	HK\$'000	HK\$'000
非金融資產	Non-financial assets				
投資物業 (附註 24)	Investment properties (Note 24)	–	13,400	545,740	559,140
物業、器材及設備 (附註 25)	Properties, plant and equipment (Note 25)				
– 房產	– Premises	–	1,270,902	6,631,015	7,901,917
其他資產 (附註 27)	Other assets (Note 27)				
– 貴金屬	– Precious metals	106,835	201,222	–	308,057

本集團之非金融資產於年內沒有第一層級及第二層級之間的轉移 (2022年：無)。

There were no non-financial asset transfers between level 1 and level 2 for the Group during the year (2022: Nil).

財務報表附註

Notes to the Financial Statements

5. 資產和負債的公允值(續)

5.3 以公允值計量的非金融工具(續)

(B) 第三層級的项目變動

5. FAIR VALUES OF ASSETS AND LIABILITIES

(Cont'd)

5.3 Non-financial instruments measured at fair value

(Cont'd)

(B) Reconciliation of level 3 items

		2023 非金融資產	
		Non-financial assets	
		投資物業	物業、器材 及設備
		Investment	Properties, plant and equipment
		properties	premises
		港幣千元	港幣千元
		HK\$'000	HK\$'000
於2023年1月1日	At 1 January 2023	545,740	6,631,015
收益	Gains		
– 收益表	– Income statement		
– 投資物業公允值調整之 淨虧損	– Net loss from fair value adjustments on investment properties	(8,240)	–
– 重估房產之淨虧損	– Net loss from revaluation of premises	–	(1,846)
– 其他全面收益	– Other comprehensive income		
– 房產重估	– Revaluation of premises	–	36,508
增置	Additions	–	21,309
折舊	Depreciation	–	(144,511)
重新分類	Reclassification	(142,500)	142,500
轉出	Transfer out	–	(2,242,027)
匯兌差額	Exchange difference	–	(15,287)
於2023年12月31日	At 31 December 2023	395,000	4,427,661
於2023年12月31日持有的 非金融資產於年內計入收益表 的未實現虧損總額	Total unrealised loss for the year included in income statement for non-financial assets held as at 31 December 2023		
– 投資物業公允值調整之 淨虧損	– Net loss from fair value adjustments on investment properties	(8,240)	–
– 重估房產之淨虧損	– Net loss from revaluation of premises	–	(1,846)
		(8,240)	(1,846)

財務報表附註

Notes to the Financial Statements

5. 資產和負債的公允值(續)

5.3 以公允值計量的非金融工具(續)

(B) 第三層級的項目變動(續)

5. FAIR VALUES OF ASSETS AND LIABILITIES

(Cont'd)

5.3 Non-financial instruments measured at fair value

(Cont'd)

(B) Reconciliation of level 3 items (Cont'd)

		2022	
		非金融資產	
		Non-financial assets	
		投資物業	物業、器材及設備
		Investment properties	Properties, plant and equipment
		房產	房產
		Premises	Premises
		港幣千元	港幣千元
		HK\$'000	HK\$'000
於2022年1月1日	At 1 January 2022	314,210	6,893,850
收益	Gains		
– 收益表	– Income statement		
– 投資物業公允值調整之淨虧損	– Net loss from fair value adjustments on investment properties	(6,920)	–
– 重估房產之淨虧損	– Net loss from revaluation of premises	–	(2,989)
– 其他全面收益	– Other comprehensive income		
– 房產重估	– Revaluation of premises	–	(157,996)
增置	Additions	–	66,126
出售	Disposals	–	(16,835)
折舊	Depreciation	–	(146,960)
重新分類	Reclassification	238,450	(238,450)
轉入	Transfer in	–	305,900
匯兌差額	Exchange difference	–	(71,631)
於2022年12月31日	At 31 December 2022	545,740	6,631,015
於2022年12月31日持有的非金融資產於年內計入收益表的未實現虧損總額	Total unrealised loss for the year included in income statement for non-financial assets held as at 31 December 2022		
– 投資物業公允值調整之淨虧損	– Net loss from fair value adjustments on investment properties	(6,920)	–
– 重估房產之淨虧損	– Net loss from revaluation of premises	–	(2,989)
		(6,920)	(2,989)

財務報表附註

Notes to the Financial Statements

5. 資產和負債的公允值(續)

5.3 以公允值計量的非金融工具(續)

(B) 第三層級的項目變動(續)

轉入及轉出第三層級的物業乃因該等被估物業相對其可比較物業在性質上之溢價／(折價)於年內出現變化所引致。性質上之溢價／(折價)乃取決於被估物業與近期成交之可比較物業在性質上的差異。由於每年來自近期市場成交之可比較物業均會不盡相同，被估物業與可比較物業在性質上之溢價／(折價)會相應每年有所變化，從而對可觀察的市場因素所進行之調整之重大性亦會隨之變化，引致物業被轉入及轉出第三層級。

5. FAIR VALUES OF ASSETS AND LIABILITIES

(Cont'd)

5.3 Non-financial instruments measured at fair value

(Cont'd)

(B) Reconciliation of level 3 items (Cont'd)

The transfer of properties into and out of level 3 is due to change in the premium/(discount) on features applied between the subject and comparable properties during the year. Premium/(discount) on features is determined with reference to differences in features between the subject properties and the comparable properties recently transacted in the market. As comparable properties that come from recent market transactions may be different in each year, the premium/(discount) on features applied between the subject and comparable properties would change from year to year accordingly. As a result, the significance of adjustments made to observable market inputs may vary and lead to the transfer of properties into and out of level 3.

財務報表附註 Notes to the Financial Statements

6. 淨利息收入

6. NET INTEREST INCOME

		2023 港幣千元 HK\$'000	2022 港幣千元 HK\$'000
利息收入	Interest income		
存放於同業及其他金融機構的 款項	Due from banks and other financial institutions	1,251,764	950,168
客戶貸款	Advances to customers	14,885,886	10,304,447
金融投資	Financial investments	5,567,584	3,249,311
其他	Others	60,102	27,207
		21,765,336	14,531,133
利息支出	Interest expense		
同業及其他金融機構存放的 款項	Due to banks and other financial institutions	(1,913,365)	(965,889)
客戶存款	Deposits from customers	(10,289,498)	(4,725,928)
已發行債務證券及存款證	Debt securities and certificates of deposit in issue	(1,081,827)	(1,158,247)
後償負債	Subordinated liabilities	(211,735)	(211,639)
租賃負債	Lease liabilities	(29,691)	(28,125)
其他	Others	(237,693)	(269,281)
		(13,763,809)	(7,359,109)
淨利息收入	Net interest income	8,001,527	7,172,024

以上全部為非以公允值變化計入損益之金融資產與金融負債所產生的利息收入及利息支出。

All the above interest income and interest expense are for financial assets and financial liabilities that are not recognised at fair value through profit or loss respectively.

財務報表附註

Notes to the Financial Statements

7. 淨服務費及佣金收入

7. NET FEE AND COMMISSION INCOME

		2023 港幣千元 HK\$'000	2022 港幣千元 HK\$'000
服務費及佣金收入	Fee and commission income		
貸款佣金	Loan commissions	419,668	490,171
保險	Insurance	364,931	170,202
匯票佣金	Bills commissions	206,094	228,995
證券經紀	Securities brokerage	149,265	184,986
基金分銷	Funds distribution	90,727	86,180
繳款服務	Payment services	44,686	45,734
保管箱	Safe deposit box	40,444	40,316
信用卡業務	Credit card business	3,667	2,995
信託及託管服務	Trust and custody services	172	1,069
買賣貨幣	Currency exchange	837	419
其他	Others	112,745	128,516
		1,433,236	1,379,583
服務費及佣金支出	Fee and commission expense		
證券經紀	Securities brokerage	(21,256)	(27,915)
信用卡業務	Credit card business	(2,693)	(1,419)
繳款服務	Payment services	(20)	(39)
其他	Others	(55,665)	(49,889)
		(79,634)	(79,262)
淨服務費及佣金收入	Net fee and commission income	1,353,602	1,300,321
其中源自	Of which arise from		
— 非以公允值變化計入損益之金融資產或金融負債	– financial assets or financial liabilities not at fair value through profit or loss		
— 服務費及佣金收入	– Fee and commission income	613,728	702,246
— 服務費及佣金支出	– Fee and commission expense	(7,792)	(8,056)
		605,936	694,190
— 信託及其他受託活動	– trust and other fiduciary activities		
— 服務費及佣金收入	– Fee and commission income	13,903	15,010
— 服務費及佣金支出	– Fee and commission expense	(1,317)	(1,289)
		12,586	13,721

財務報表附註 Notes to the Financial Statements

8. 淨交易性收益

8. NET TRADING GAIN

		2023 港幣千元 HK\$'000	2022 港幣千元 HK\$'000
淨收益／(虧損)源自	Net gain/(loss) from		
－外匯交易及外匯交易產品	－ foreign exchange and foreign exchange products	84,369	268,012
－利率工具及公允價值對沖的項目	－ interest rate instruments and items under fair value hedge	333,495	10,740
－股份工具	－ equity instruments	14	－
－商品	－ commodities	18,375	(8,613)
		436,253	270,139

9. 其他金融資產之淨收益

9. NET GAIN ON OTHER FINANCIAL ASSETS

		2023 港幣千元 HK\$'000	2022 港幣千元 HK\$'000
以公允價值變化計入其他全面收益的金融投資之淨收益	Net gain on financial investments measured at fair value through other comprehensive income	326,527	259,527
其他	Others	(1,667)	1,227
		324,860	260,754

財務報表附註 Notes to the Financial Statements

10. 其他經營收入

10. OTHER OPERATING INCOME

		2023 港幣千元 HK\$'000	2022 港幣千元 HK\$'000
證券投資股息收入	Dividend income from investment in securities		
— 非上市證券投資	— Unlisted investments	1,467	1,705
投資物業之租金總收入	Gross rental income from investment properties	6,446	8,942
減：有關投資物業之支出	Less: Outgoings in respect of investment properties	(1,290)	(918)
其他	Others	9,894	29,376
		16,517	39,105

「有關投資物業之支出」包括年內未出租投資物業之直接經營支出港幣642,000元（2022年：港幣329,000元）。

Included in the “Outgoings in respect of investment properties” is HK\$642,000 (2022: HK\$329,000) of direct operating expenses related to investment properties that were not let during the year.

11. 減值準備淨撥備

11. NET CHARGE OF IMPAIRMENT ALLOWANCES

		2023 港幣千元 HK\$'000	2022 港幣千元 HK\$'000
存放銀行及其他金融機構的結餘	Balances with banks and other financial institutions	114	(174)
貸款及其他賬項	Advances and other accounts	(3,240,516)	(1,535,028)
金融投資	Financial investments	22,579	(225,720)
其他資產	Other assets	(4,897)	(1,937)
財務擔保	Financial guarantees	65,608	89,392
貸款承擔	Loan commitments	15,161	(11,090)
減值準備淨撥備	Net charge of impairment allowances	(3,141,951)	(1,684,557)

財務報表附註

Notes to the Financial Statements

12. 經營支出

12. OPERATING EXPENSES

		2023 港幣千元 HK\$'000	2022 港幣千元 HK\$'000
人事費用(包括董事酬金)	Staff costs (including directors' emoluments)		
– 薪酬及其他費用	– Salaries and other costs	1,477,119	1,607,709
– 退休成本	– Pension cost	268,881	236,861
– 補充退休福利	– Supplementary retirement benefits	5,600	7,080
		1,751,600	1,851,650
房產及設備支出(不包括折舊)	Premises and equipment expenses (excluding depreciation)		
– 短期或低價值資產租賃	– leases of short-term or low-value assets	11,046	15,929
– 資訊科技	– Information technology	90,412	75,323
– 其他	– Others	74,274	71,233
		175,732	162,485
折舊及攤銷	Depreciation and amortisation	593,947	568,713
核數師酬金	Auditor's remuneration		
– 審計服務	– Audit services	8,217	10,319
– 非審計服務	– Non-audit services	1,969	3,320
其他經營支出	Other operating expenses		
– 業務外包費	– Outsourcing activities fee	438,640	378,742
– 其他	– Others	690,586	514,388
		3,660,691	3,489,617

13. 投資物業公允值調整之淨虧損

13. NET LOSS FROM FAIR VALUE ADJUSTMENTS ON INVESTMENT PROPERTIES

		2023 港幣千元 HK\$'000	2022 港幣千元 HK\$'000
投資物業公允值調整之淨虧損	Net loss from fair value adjustments on investment properties	(9,040)	(6,920)

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14. 出售／重估物業、器材及設備之淨虧損

14. NET LOSS FROM DISPOSAL/REVALUATION OF PROPERTIES, PLANT AND EQUIPMENT

		2023 港幣千元 HK\$'000	2022 港幣千元 HK\$'000
出售房產之淨虧損	Net loss from disposal of premises	–	(12,914)
出售設備、固定設施及裝備之淨虧損	Net loss from disposal of equipment, fixtures and fittings	(6,881)	(8,508)
重估房產之淨虧損	Net loss from revaluation of premises	(1,846)	(2,989)
		(8,727)	(24,411)

15. 稅項

15. TAXATION

收益表內之稅項組成如下：

Taxation in the income statement represents:

		2023 港幣千元 HK\$'000	2022 港幣千元 HK\$'000
本期稅項	Current tax		
香港利得稅	Hong Kong profits tax		
– 一年內計入稅項	– Current year taxation	334,476	503,404
– 往年超額撥備	– Over-provision in prior years	(10,204)	(12,591)
		324,272	490,813
海外稅項	Overseas taxation		
– 一年內計入稅項	– Current year taxation	143,904	57,524
– 往年超額撥備	– Over-provision in prior years	(11,233)	(461)
		456,943	547,876
遞延稅項	Deferred tax		
暫時性差額之產生及撥回及未使用稅項抵免	Origination and reversal of temporary differences and unused tax credits	(206,199)	(11,707)
		250,744	536,169

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15. 稅項 (續)

香港利得稅乃按照本年度估計應課稅溢利依稅率16.5% (2022年：16.5%) 提撥。海外溢利之稅款按照本年度估計應課稅溢利依本集團經營業務所在國家之現行稅率計算。

本集團除稅前溢利產生的實際稅項，與根據香港利得稅率計算的稅項差異如下：

15. TAXATION (Cont'd)

Hong Kong profits tax has been provided at the rate of 16.5% (2022: 16.5%) on the estimated assessable profits arising in Hong Kong during the year. Taxation on overseas profits has been calculated on the estimated assessable profits for the year at the rates of taxation prevailing in the countries in which the Group operates.

The taxation on the Group's profit before taxation that differs from the theoretical amount that would arise using the taxation rate of Hong Kong is as follows:

		2023 港幣千元 HK\$'000	2022 港幣千元 HK\$'000
除稅前溢利	Profit before taxation	3,693,193	4,444,483
按稅率16.5% (2022年：16.5%) 計算的稅項	Calculated at a taxation rate of 16.5% (2022: 16.5%)	609,377	733,340
其他國家稅率差異的影響	Effect of different taxation rates in other countries	(32,158)	28,614
無需課稅之收入	Income not subject to taxation	(294,978)	(224,444)
稅務上不可扣減之開支	Expenses not deductible for taxation purposes	61,034	86,585
未確認的稅務虧損	Tax losses not recognised	2	1
使用往年未確認的稅務虧損	Utilisation of previously unrecognised tax losses	(8)	(3,161)
往年超額撥備	Over-provision in prior years	(21,437)	(13,052)
海外預提稅	Foreign withholding tax	(420)	(1,882)
發行成本及支付額外資本工具 票息調整	Adjustment in respect of cost and distribution payment for additional equity instruments	(70,668)	(69,832)
計入稅項	Taxation charge	250,744	536,169
實際稅率	Effective tax rate	6.79%	12.06%

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16. 股息

16. DIVIDENDS

		2023		2022	
		每股港幣 Per share HK\$	總額 港幣千元 Total HK\$'000	每股港幣 Per share HK\$	總額 港幣千元 Total HK\$'000
股息	Dividends	—	—	—	—

2023年並無宣派股息(2022年：無)。

No dividend has been declared for the year ended 31 December 2023 (2022: Nil).

17. 退休福利成本

17. RETIREMENT BENEFIT COSTS

(a) 界定供款計劃

(a) Defined contribution schemes

本集團給予本集團員工的界定供款計劃主要為獲《強積金條例》豁免之職業退休計劃及中銀保誠簡易強積金計劃。根據職業退休計劃，僱員須向職業退休計劃之每月供款為其基本薪金之5%，而僱主之每月供款為僱員基本月薪之5%至15%不等（視乎僱員之服務年期）。僱員有權於退休、提前退休或僱用期終止且服務年資滿10年或以上等情況下收取100%之僱主供款。服務滿3年至9年的員工，因其他原因而終止僱用期（被即時解僱除外），可收取30%至90%之僱主供款。僱員收取的僱主供款，須受《強制性公積金計劃條例》所限。

Defined contribution schemes for the Group's employees are ORSO schemes exempted under the MPF Schemes Ordinance and the BOC-Prudential Easy Choice MPF Scheme. Under the ORSO schemes, employees make monthly contributions to the ORSO schemes equal to 5% of their basic salaries, while the employer makes monthly contributions equal to 5% to 15% of the employees' monthly basic salaries, depending on years of service. The employees are entitled to receive 100% of the employer's contributions upon retirement, early retirement or termination of employment after completing 10 years of service. Employees with 3 to 9 years of service are entitled to receive the employer's contributions at a scale ranging from 30% to 90% upon termination of employment for other reasons other than summary dismissal. All employer's contributions received by employee are subject to MPF Schemes Ordinance.

隨著《強積金條例》於2000年12月1日實施，本集團亦參與中銀保誠簡易強積金計劃，該計劃之受託人為中銀國際英國保誠信託有限公司，投資管理人為中銀國際英國保誠資產管理有限公司。

With the implementation of the MPF Schemes Ordinance on 1 December 2000, the Group also participates in the BOC-Prudential Easy Choice MPF Scheme, of which the trustee is BOCI-Prudential Trustee and the investment manager is BOCI-Prudential Manager.

截至2023年12月31日，在扣除約港幣2,488,000元（2022年：約港幣2,859,000元）之沒收供款後，職業退休計劃之供款總額約為港幣50,921,000元（2022年：約港幣41,497,000元），而本集團向強積金計劃之供款總額則約為港幣13,914,000元（2022年：約港幣11,586,000元）。

The Group's total contributions made to the ORSO schemes for the year ended 31 December 2023 amounting to approximately HK\$50,921,000 (2022: approximately HK\$41,497,000), after a deduction of forfeited contributions of approximately HK\$2,488,000 (2022: approximately HK\$2,859,000). For the MPF Scheme, the Group contributed approximately HK\$13,914,000 (2022: approximately HK\$11,586,000) for the year ended 31 December 2023.

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17. 退休福利成本 (續)

(b) 界定利益計劃

本集團設置了一項非存置基金的界定利益福利計劃予所有已退休員工。在該計劃下，員工獲得之退休福利包括免費之醫療、房屋津貼及其他退休福利。

本計劃面對利率風險及退休員工之預計生命週期改變風險。

界定利益福利承擔現值之最新一期精算估值於2023年12月31日以預期累計福利單位精算估值方法計算。

在本報告期末所使用之主要精算假設如下：

17. RETIREMENT BENEFIT COSTS (Cont'd)

(b) Defined benefit schemes

The Group operates an unfunded defined benefit plan for all its retired employees. Under the plan, the employees are entitled to retirement benefits which included fully redeemed medical care, housing allowance and other retirement benefits.

The plan is exposed to interest rate risk and the risk of changes in the life expectancy for pensioners.

The most recent actuarial valuations of the present value of the defined benefit obligations were carried out at 31 December 2023 by using the projected unit credit actuarial valuation method.

The principal actuarial assumptions used as at the end of the reporting period are as follows:

		2023	2022
折現率(%)	Discount rate (%)	3.80	3.75
預期醫療保險開支增長率(%)	Expected rate of medical insurance cost increases (%)	6.0	6.0
預期聯誼活動經費增長率(%)	Expected rate of social entertainment cost increases (%)	0.0	0.0
預期退休紀念品開支增長率(%)	Expected rate of retirement souvenir cost increases (%)	0.0	0.0
預期租金增長率(%)	Expected rate of rental increases (%)	3.0	3.0
預期離職率(%)	Expected rate of withdrawal (%)	3.0-18.0	3.0-18.0
預期死亡率	Expected death rate	香港人口生命表 Hong Kong Life Tables 2022	香港人口生命表 Hong Kong Life Tables 2021

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17. 退休福利成本 (續)

(b) 界定利益計劃 (續)

在本報告期末對主要精算假設之敏感性分析如下：

17. RETIREMENT BENEFIT COSTS (Cont'd)

(b) Defined benefit schemes (Cont'd)

A quantitative sensitivity analysis for significant assumptions as at the end of the reporting period is shown below:

		2023			
		界定利益 福利承擔之 增加/(減少)		界定利益 福利承擔之 增加/(減少)	
		Increase/ (decrease) in defined benefit obligations 港幣千元 HK\$'000		Increase/ (decrease) in defined benefit obligations 港幣千元 HK\$'000	
		比率增加 Increase in rate %		比率減少 Decrease in rate %	
折現率	Discount rate	1.0	(14,156)	1.0	18,447
預期醫療保險開支增長率	Expected rate of medical insurance cost	0.5	7,634	0.5	(6,755)
預期死亡率	Expected death rate	0.1	(3,465)	0.1	3,824

		2022			
		界定利益 福利承擔之 增加/(減少)		界定利益 福利承擔之 增加/(減少)	
		Increase/ (decrease) in defined benefit obligations 港幣千元 HK\$'000		Increase/ (decrease) in defined benefit obligations 港幣千元 HK\$'000	
		比率增加 Increase in rate %		比率減少 Decrease in rate %	
折現率	Discount rate	0.1	(1,930)	0.1	1,980
預期醫療保險開支增長率	Expected rate of medical insurance cost	0.5	10,050	0.5	(8,850)

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17. 退休福利成本 (續)

(b) 界定利益計劃 (續)

上述敏感性分析是根據期末主要假設之合理變動推算對界定利益福利承擔之影響。

在綜合收益表內確認本計劃的總開支如下：

		2023 港幣千元 HK\$'000	2022 港幣千元 HK\$'000
界定利益計劃	Defined benefit schemes		
— 當期服務成本	— Current service cost	1,660	3,730
— 過去服務成本	— Past service cost		
— 計劃改變	— plan amendment	—	940
— 淨利息費用	— Net interest cost	3,940	2,410
總支出	Total expenses	5,600	7,080

在綜合全面收益表內確認本計劃的總開支如下：

		2023 港幣千元 HK\$'000	2022 港幣千元 HK\$'000
界定利益計劃	Defined benefit schemes		
— 假設變動產生的精算盈餘	— Actuarial gains arising from changes in Assumptions	(11,024)	(52,810)
— 經驗調整產生的精算 (盈餘)/虧損	— Actuarial (gains)/losses arising from experience adjustments	(4,781)	4,160
於全面收益表確認的界定福利 成本部分	Components of defined benefit costs recognised in comprehensive income	(15,805)	(48,650)

17. RETIREMENT BENEFIT COSTS (Cont'd)

(b) Defined benefit schemes (Cont'd)

The sensitivity analysis above has been determined based on a method that extrapolates the impact on defined benefit obligations as a result of reasonable changes in key assumptions occurring at the end of the reporting period.

The total expenses recognised in the consolidated income statement in respect of the plan is as follows:

The total expenses recognised in the consolidated statement of comprehensive income in respect of the plan is as follows:

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17. 退休福利成本 (續)

(b) 界定利益計劃 (續)

本計劃的現值變動如下：

		2023 港幣千元 HK\$'000	2022 港幣千元 HK\$'000
福利負債	Benefit liability		
於1月1日	At 1 January	106,770	152,660
當期服務成本	Current service cost	1,660	3,730
過去服務成本	Past service cost		
— 計劃改變	— plan amendment	—	940
淨利息費用	Net interest cost	3,940	2,410
重新計量精算盈餘	Actuarial gain on remeasurement	(15,805)	(48,650)
福利支付額	Benefit paid	(4,229)	(4,320)
於12月31日	At 31 December	92,336	106,770

本界定利益福利計劃在未來之預期開支如下：

17. RETIREMENT BENEFIT COSTS (Cont'd)

(b) Defined benefit schemes (Cont'd)

The movement in respect of the plan is as follows:

		2023 港幣千元 HK\$'000	2022 港幣千元 HK\$'000
福利負債	Benefit liability		
於1月1日	At 1 January	106,770	152,660
當期服務成本	Current service cost	1,660	3,730
過去服務成本	Past service cost		
— 計劃改變	— plan amendment	—	940
淨利息費用	Net interest cost	3,940	2,410
重新計量精算盈餘	Actuarial gain on remeasurement	(15,805)	(48,650)
福利支付額	Benefit paid	(4,229)	(4,320)
於12月31日	At 31 December	92,336	106,770

Expected payment to the defined benefit plan in future years are as follows:

		2023 港幣千元 HK\$'000	2022 港幣千元 HK\$'000
未來12個月以內	Within the next 12 months	3,201	3,420
2年至5年	Between 2 and 5 years	13,328	15,180
6年至10年	Between 6 and 10 years	19,143	21,550
10年以上	Over 10 years	229,081	276,570
預期總開支	Total expected payments	264,753	316,720

於2023年12月31日，界定利益福利承擔在報告期末之平均久期為18.1年(2022年：19年)。

As at 31 December 2023, the average duration of the defined benefit obligations at the end of the reporting period is 18.1 years (2022: 19 years).

18. 董事、高層管理人員及主要人員酬金

(a) 董事酬金

本年度本集團就本銀行董事為本銀行及管理附屬公司提供之服務而已付及其應收未收之酬金詳情如下：

18. DIRECTORS', SENIOR MANAGEMENT'S AND KEY PERSONNEL'S EMOLUMENTS

(a) Directors' emoluments

Details of the emoluments paid to or receivable by the directors of the Bank in respect of their services rendered for the Bank and managing the subsidiaries within the Group during the year are as follows:

		2023 港幣千元 HK\$'000	2022 港幣千元 HK\$'000
袍金	Fees	2,882	3,110
其他酬金	Other emoluments	18,355	26,073
		21,237	29,183

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18. 董事、高級管理人員及主要人員 酬金 (續)

(b) CG-5下高級管理人員及主要人員的 薪酬

按金管局發出之CG-5《穩健的薪酬制度指引》，本年度本集團之高級管理人員及主要人員的薪酬詳情如下：

(i) 於年內授予的薪酬

		2023					
		高級管理人員 Senior Management			主要人員 Key Personnel		
		非遞延 Non- deferred	遞延 Deferred	總計 Total	非遞延 Non- deferred	遞延 Deferred	總計 Total
		港幣千元 HK\$'000	港幣千元 HK\$'000	港幣千元 HK\$'000	港幣千元 HK\$'000	港幣千元 HK\$'000	港幣千元 HK\$'000
固定薪酬	Fixed remuneration						
現金	Cash	24,283	–	24,283	25,598	–	25,598
其他形式	Other forms	3,371	–	3,371	2,736	–	2,736
浮動薪酬	Variable remuneration						
現金	Cash	4,655	5,801	10,456	5,652	3,768	9,420
		32,309	5,801	38,110	33,986	3,768	37,754

		2022					
		高級管理人員 Senior Management			主要人員 Key Personnel		
		非遞延 Non- deferred	遞延 Deferred	總計 Total	非遞延 Non- deferred	遞延 Deferred	總計 Total
		港幣千元 HK\$'000	港幣千元 HK\$'000	港幣千元 HK\$'000	港幣千元 HK\$'000	港幣千元 HK\$'000	港幣千元 HK\$'000
固定薪酬	Fixed remuneration						
現金	Cash	30,559	–	30,559	23,188	–	23,188
其他形式	Other forms	3,589	–	3,589	1,874	–	1,874
浮動薪酬	Variable remuneration						
現金	Cash	6,791	9,291	16,082	7,402	4,934	12,336
		40,939	9,291	50,230	32,464	4,934	37,398

以上薪酬包括8名(2022年：10名)高級管理人員及14名(2022年：13名)主要人員。按2023年12月31日的相關人員名單作統計。

18. DIRECTORS', SENIOR MANAGEMENT'S AND KEY PERSONNEL'S EMOLUMENTS (Cont'd)

(b) Remuneration for Senior Management and Key Personnel under CG-5

Pursuant to CG-5 Guideline on a Sound Remuneration System issued by the HKMA, details of the remuneration for Senior Management and Key Personnel of the Group during the year are as follows:

(i) Remuneration awarded during the year

		2023					
		Senior Management			Key Personnel		
		Non- deferred	Deferred	Total	Non- deferred	Deferred	Total
		HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Fixed remuneration	Fixed remuneration						
Cash	Cash	24,283	–	24,283	25,598	–	25,598
Other forms	Other forms	3,371	–	3,371	2,736	–	2,736
Variable remuneration	Variable remuneration						
Cash	Cash	4,655	5,801	10,456	5,652	3,768	9,420
		32,309	5,801	38,110	33,986	3,768	37,754

		2022					
		Senior Management			Key Personnel		
		Non- deferred	Deferred	Total	Non- deferred	Deferred	Total
		HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Fixed remuneration	Fixed remuneration						
Cash	Cash	30,559	–	30,559	23,188	–	23,188
Other forms	Other forms	3,589	–	3,589	1,874	–	1,874
Variable remuneration	Variable remuneration						
Cash	Cash	6,791	9,291	16,082	7,402	4,934	12,336
		40,939	9,291	50,230	32,464	4,934	37,398

The remuneration above includes 8 (2022: 10) members of Senior Management and 14 (2022: 13) members of Key Personnel. The list of members is as of 31 December 2023.

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18. 董事、高層管理人員及主要人員 酬金 (續)

(b) CG-5 下高級管理人員及主要人員的 薪酬 (續)

(ii) 遞延薪酬

18. DIRECTORS', SENIOR MANAGEMENT'S AND KEY PERSONNEL'S EMOLUMENTS (Cont'd)

(b) Remuneration for Senior Management and Key Personnel under CG-5 (Cont'd)

(ii) Deferred remuneration

		2023		2022	
		高級管理人員 Senior Management 港幣千元 HK\$'000	主要人員 Key Personnel 港幣千元 HK\$'000	高級管理人員 Senior Management 港幣千元 HK\$'000	主要人員 Key Personnel 港幣千元 HK\$'000
遞延薪酬	Deferred remuneration				
已歸屬	Vested	7,900	4,769	8,709	4,900
未歸屬	Unvested	13,655	9,120	18,911	9,270
		21,555	13,889	27,620	14,170
於1月1日	At 1 January	18,911	9,270	18,490	9,496
已授予	Awarded	5,801	3,768	9,291	4,934
已發放	Paid out	(4,640)	(2,881)	(6,158)	(2,611)
已發放(予本年底已非屬 該類別人員)	Paid out for members not in this category at the end of this year	(3,260)	(1,888)	(2,551)	(2,289)
已離職	Resignation	(2,589)	(155)	(161)	(260)
調整(按往年最終已授予 金額)	Adjustment (finalised amount of Awarded in previous years)	(568)	1,006	–	–
於12月31日	At 31 December	13,655	9,120	18,911	9,270

財務報表附註

Notes to the Financial Statements

18. 董事、高層管理人員及主要人員 酬金 (續)

(b) CG-5下高級管理人員及主要人員的 薪酬 (續)

就披露用途，本部分提及的高級管理人員及主要人員乃根據金管局《穩健的薪酬制度指引》定義。

- 高級管理人員：董事會直接管理的高級管理人員，負責總體策略或重要業務，包括總裁、候補總裁、執行董事、副總裁、總監、其他管理層成員、董事會秘書及稽核部總經理。
- 主要人員：個人業務活動涉及重大風險承擔，對風險暴露有重大影響，或個人職責對風險管理有直接、重大影響，或對盈利有直接影響的人員，包括直接創利部門總經理、主要附屬公司第一責任人、交易主管，以及對風險管理有直接影響的職能單位第一責任人。

於該等合併財務報表的發表日期，上述執行董事、高級管理人員及主要人員截至2023年12月31日止年度的總薪酬尚未落實。本集團管理層相信，最終酬金與上述所披露金額的差額不會對本集團的綜合財務報表產生重大影響。

18. DIRECTORS', SENIOR MANAGEMENT'S AND KEY PERSONNEL'S EMOLUMENTS (Cont'd)

(b) Remuneration for Senior Management and Key Personnel under CG-5 (Cont'd)

For the purpose of disclosure, Senior Management and Key Personnel mentioned in this section are defined according to the HKMA's Guideline on a Sound Remuneration System.

- Senior Management: The senior executives directly managed by the Board who are responsible for oversight of the firm-wide strategy or material business lines, including Chief Executive, Alternate Chief Executive, Executive Directors, Deputy Chief Executives, Chief Officers, other members of Management, Board Secretary and General Manager of Audit Department.
- Key Personnel: The employees whose individual business activities involve the assumption of material risk which may have significant impact on risk exposure, or whose individual responsibilities are directly and materially linked to the risk management, or those who directly generate the profit, including heads of material business lines with direct generation of profits, heads of major subsidiaries, head of trading, as well as heads of risk control functions with direct influence.

As of the date of these issuance of consolidated financial statements, the above compensation packages including performance based bonus for executive directors, senior management and key personnel for the year ended 31 December 2023 has not been finalised. Management of the Group believes that the difference between the final emoluments and that disclosed above will not have significant impact on the consolidated financial statements of the Group.

財務報表附註

Notes to the Financial Statements

19. 庫存現金、存放及定放銀行及其他金融機構的結餘

19. CASH, BALANCES AND PLACEMENTS WITH BANKS AND OTHER FINANCIAL INSTITUTIONS

		2023 港幣千元 HK\$'000	2022 港幣千元 HK\$'000
庫存現金及存放銀行及其他金融機構的結餘	Cash and balances with banks and other financial institutions		
– 庫存現金	– Cash	575,585	590,060
– 存放中央銀行的結餘	– Balances with central banks	16,109,883	18,033,681
– 存放銀行及其他金融機構的結餘	– Balances with banks and other financial institutions	6,182,559	4,639,087
– 在銀行及其他金融機構一個月內到期之定期存放	– Placements with banks and other financial institutions maturing within one month	30,965,730	39,150,873
		53,833,757	62,413,701
減值準備	Impairment allowances	(364)	(346)
		53,833,393	62,413,355
在銀行及其他金融機構一至十二個月內到期之定期存放	Placements with banks and other financial institutions maturing between one and twelve months	2,273,418	4,601,699
減值準備	Impairment allowances	(149)	(281)
		2,273,269	4,601,418
		56,106,662	67,014,773

財務報表附註

Notes to the Financial Statements

19. 庫存現金、存放及定放銀行及其他金融機構的結餘(續)

相關減值準備之變化分析如下：

19. CASH, BALANCES AND PLACEMENTS WITH BANKS AND OTHER FINANCIAL INSTITUTIONS (Cont'd)

An analysis of changes in the corresponding impairment allowances is, as follows:

		第一階段 Stage 1 港幣千元 HK\$'000	第二階段 Stage 2 港幣千元 HK\$'000	第三階段 Stage 3 港幣千元 HK\$'000	總計 Total 港幣千元 HK\$'000
於2023年1月1日	At 1 January 2023	(627)	–	–	(627)
增加	Addition	(277)	–	–	(277)
終止確認或償還(不包括 撤銷)	Derecognised or repaid (excluding written off)	600	–	–	600
期內各階段之間風險承擔 轉撥對期末預期損失的 影響	Impact on period end ECLs of exposures transferred between stages during the period	–	(220)	–	(220)
減值參數的轉變	Changes to inputs used for impairment calculations	11	–	–	11
於2023年12月31日	At 31 December 2023	(293)	(220)	–	(513)
		第一階段 Stage 1 港幣千元 HK\$'000	第二階段 Stage 2 港幣千元 HK\$'000	第三階段 Stage 3 港幣千元 HK\$'000	總計 Total 港幣千元 HK\$'000
於2022年1月1日	At 1 January 2022	(561)	–	–	(561)
增加	Addition	(608)	–	–	(608)
終止確認或償還(不包括 撤銷)	Derecognised or repaid (excluding written off)	503	–	–	503
減值參數的轉變	Changes to inputs used for impairment calculations	(69)	–	–	(69)
匯兌差額	Exchange difference	108	–	–	108
於2022年12月31日	At 31 December 2022	(627)	–	–	(627)

財務報表附註 Notes to the Financial Statements

20. 公允值變化計入損益之金融資產

20. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

		交易性 Trading		強制性以公允值 變化計入損益 Mandatorily measured at fair value through profit or loss 非交易性 Non trading		總計 Total	
		2023 港幣千元 HK\$'000	2022 港幣千元 HK\$'000	2023 港幣千元 HK\$'000	2022 港幣千元 HK\$'000	2023 港幣千元 HK\$'000	2022 港幣千元 HK\$'000
按公允值列賬	At fair value						
庫券	Treasury bills	5,947,317	6,180,799	–	–	5,947,317	6,180,799
存款證	Certificates of deposit	631,203	190,238	–	–	631,203	190,238
其他債務證券	Other debt securities	826,016	249,875	250,229	39,200	1,076,245	289,075
		7,404,536	6,620,912	250,229	39,200	7,654,765	6,660,112
股份證券	Equity securities	–	–	1,375,898	1,417,583	1,375,898	1,417,583
其他	Others	–	–	6,807,447	10,536,257	6,807,447	10,536,257
		7,404,536	6,620,912	8,433,574	11,993,040	15,838,110	18,613,952

於2023年12月31日，沒有界定為以公允值變化計入損益之金融資產(2022：無)。

As at 31 December 2023, there were no financial assets designated at fair value through profit or loss (2022: Nil).

財務報表附註 Notes to the Financial Statements

20. 公允值變化計入損益之金融資產 (續)

公允值變化計入損益之金融資產按上市地之分類如下：

		交易性 Trading		強制性以公允 值變化計入損益 Mandatorily measured at fair value through profit or loss 非交易性 Non trading	
		2023	2022	2023	2022
		港幣千元 HK\$'000	港幣千元 HK\$'000	港幣千元 HK\$'000	港幣千元 HK\$'000
債務證券	Debt securities				
— 於香港以外上市	– Listed outside Hong Kong	–	25,518	–	–
— 非上市	– Unlisted	7,404,536	6,595,394	250,229	39,200
股份證券	Equity securities				
— 非上市	– Unlisted	–	–	1,375,898	1,417,583
其他	Others				
— 非上市	– Unlisted	–	–	6,807,447	10,536,257
		7,404,536	6,620,912	8,433,574	11,993,040

公允值變化計入損益之金融資產按發行機構之分類如下：

		交易性 Trading		強制性以公允 值變化計入損益 Mandatorily measured at fair value through profit or loss 非交易性 Non trading	
		2023	2022	2023	2022
		港幣千元 HK\$'000	港幣千元 HK\$'000	港幣千元 HK\$'000	港幣千元 HK\$'000
官方實體	Sovereigns	5,947,317	6,180,799	–	–
公營單位	Public sector entities	41,072	84,098	–	–
銀行及其他金融機構	Banks and other financial institutions	1,280,937	306,428	7,029,887	10,536,257
公司企業	Corporate entities	135,210	49,587	1,403,687	1,456,783
		7,404,536	6,620,912	8,433,574	11,993,040

20. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS (Cont'd)

Financial assets at fair value through profit or loss are analysed by place of listing as follows:

Financial assets at fair value through profit or loss are analysed by type of issuer as follows:

財務報表附註

Notes to the Financial Statements

21. 衍生金融工具及對沖會計

集團訂立下列匯率、利率及商品相關的衍生金融工具合約作買賣及風險管理之用：

貨幣遠期是指於未來某一日期買或賣外幣的承諾。

貨幣、利率及貴金屬掉期是指交換不同現金流或商品的承諾。掉期的結果是交換不同貨幣、利率（如固定利率與浮動利率）或貴金屬（如黃金掉期）或以上的所有組合（如交叉貨幣利率掉期）。除某些貨幣掉期合約外，該等交易無需交換本金。

外匯期權是指期權的賣方（出讓方）為買方（持有方）提供在未來某一特定日期或未來一定時期內按約定的價格買進（認購期權）或賣出（認沽期權）一定數量的金融工具的權利（而非承諾）的一種協議。考慮到外匯風險，期權的賣方從購買方收取一定的期權費。本集團期權合約是與對手方在場外協商達成。

21. DERIVATIVE FINANCIAL INSTRUMENTS AND HEDGE ACCOUNTING

The Group enters into the following exchange rate, interest rate and commodity related derivative financial instrument contracts for trading and risk management purposes:

Currency forwards represent commitments to purchase and sell foreign currency on a future date.

Currency, interest rate and precious metal swaps are commitments to exchange one set of cash flows or commodity for another. Swaps result in an exchange of currencies, interest rates (for example, fixed rate for floating rate), or precious metals (for example, gold swaps) or a combination of all these (for example, cross-currency interest rate swaps). Except for certain currency swap contracts, no exchange of principal takes place.

Foreign currency options are contractual agreements under which the seller (writer) grants the purchaser (holder) the right, but not the obligation, either to buy (a call option) or sell (a put option) at or by a set date or during a set period, a specific amount of the financial instrument at a predetermined price. In consideration for the assumption of foreign exchange risk, the seller receives a premium from the purchaser. Options are negotiated over-the-counter between the Group and its counterparty.

財務報表附註

Notes to the Financial Statements

21. 衍生金融工具及對沖會計(續)

本集團之衍生金融工具合約／名義數額及其公允值詳列於下表。各類型金融工具的合約／名義數額僅顯示於資產負債表日未完成之交易量，而若干金融工具之合約／名義數額則提供了一個與資產負債表內所確認的公允值資產或負債的對比基礎。但是，這並不反映所涉及的未來的現金流或當前的公允值，因而也不能反映本集團所面臨的信貸風險或市場風險。隨著與衍生金融工具合約條款相關的匯率、市場利率或貴金屬價格的波動，衍生金融工具的估值可能產生有利(資產)或不利(負債)的影響，這些影響可能在不同期間有較大的波動。

(a) 衍生金融工具

本集團進行場外衍生產品交易的主要目的是開展客戶業務。集團與客戶及同業市場敘做的衍生產品交易均需嚴格遵從本集團各相關風險管理政策及規定。

衍生產品亦應用於管理銀行賬的利率風險，只有在獲批准之產品名單上載有的衍生產品方可進行交易。由衍生產品交易產生的風險承擔名義數額以設限控制，並制訂交易的最長期限。每宗衍生產品交易必須記錄於相應的系統，以進行結算、市場劃價、報告及監控。

21. DERIVATIVE FINANCIAL INSTRUMENTS AND HEDGE ACCOUNTING (Cont'd)

The contract/notional amounts and fair values of derivative financial instruments held by the Group are set out in the following tables. The contract/notional amounts of these instruments indicate the volume of transactions outstanding at the balance sheet dates and certain of them provide a basis for comparison with fair value instruments recognised on the balance sheet. However, they do not necessarily indicate the amounts of future cash flows involved or the current fair values of the instruments and, therefore, do not indicate the Group's exposure to credit or market risks. The derivative financial instruments become favourable (assets) or unfavourable (liabilities) as a result of fluctuations in foreign exchange rates, market interest rates or metal prices relative to their terms. The aggregate fair values of derivative financial instruments can fluctuate significantly from time to time.

(a) Derivative financial instruments

The Group trades OTC derivative products mainly for customer business. The Group strictly follows risk management policies and requirement in providing derivative products to our customers and in trading of derivative products in the interbank market.

Derivatives are also used to manage the interest rate risk of the banking book. A derivative instrument must be included in the approved product list before any transactions for that instrument can be made. There are limits to control the notional amount of exposure arising from derivative transactions, and the maximum tenor of the deal is set. Every derivative transaction must be input into the relevant system for settlement, mark-to-market revaluation, reporting and control.

財務報表附註 Notes to the Financial Statements

21. 衍生金融工具及對沖會計 (續)

(a) 衍生金融工具 (續)

下表概述各類衍生金融工具於12月31日之合約／名義數額和公允值：

21. DERIVATIVE FINANCIAL INSTRUMENTS AND HEDGE ACCOUNTING (Cont'd)

(a) Derivative financial instruments (Cont'd)

The following tables summarise the contract/notional amounts and fair value of each class of derivative financial instrument as at 31 December:

		2023		
		合約／ 名義數額 Contract/ notional amounts 港幣千元 HK\$'000	公允值 Fair values	
			資產 Assets 港幣千元 HK\$'000	負債 Liabilities 港幣千元 HK\$'000
匯率合約	Exchange rate contracts			
即期及遠期	Spot and forwards	6,800,556	366,335	(162,638)
掉期	Swaps	88,265,472	149,540	(856,909)
外匯交易期權	Foreign currency options	1,455,639	85,602	(85,632)
		96,521,667	601,477	(1,105,179)
利率合約	Interest rate contracts			
掉期	Swaps	53,828,802	411,202	(239,719)
商品合約	Commodity contracts	902,166	26,365	(4,863)
		151,252,635	1,039,044	(1,349,761)
		2022		
		合約／ 名義數額 Contract/ notional amounts 港幣千元 HK\$'000	公允值 Fair values	
			資產 Assets 港幣千元 HK\$'000	負債 Liabilities 港幣千元 HK\$'000
匯率合約	Exchange rate contracts			
即期及遠期	Spot and forwards	13,424,969	485,638	(274,076)
掉期	Swaps	68,074,050	620,072	(439,025)
外匯交易期權	Foreign currency options	2,801,886	174,012	(174,072)
		84,300,905	1,279,722	(887,173)
利率合約	Interest rate contracts			
掉期	Swaps	44,654,907	600,330	(224,562)
商品合約	Commodity contracts	453,723	4,893	(1,046)
		129,409,535	1,884,945	(1,112,781)

財務報表附註 Notes to the Financial Statements

21. 衍生金融工具及對沖會計 (續)

(b) 對沖會計

公允值對沖

本集團利用利率掉期合約對沖由市場利率引致的金融資產公允值變動。

下表概述了於2023年12月31日以剩餘合約到期日列示之對沖工具的合約/名義數額。

21. DERIVATIVE FINANCIAL INSTRUMENTS AND HEDGE ACCOUNTING (Cont'd)

(b) Hedge accounting

Fair value hedges

The Group uses interest rate swaps to hedge against change in fair value of financial assets arising from movements in market interest rates.

The table below summarises the contract/notional amounts of the hedging instruments as at 31 December 2023 by remaining contractual maturity.

		2023					
		一至	三至				
		一個月內	三個月	十二個月	一至五年	五年以上	總計
		Up to	1 to 3	3 to 12	1 to 5	Over	Total
		1 month	months	months	years	5 years	Total
		港幣千元	港幣千元	港幣千元	港幣千元	港幣千元	港幣千元
		HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
利率掉期	Interest rate swaps	-	-	3,336,089	5,504,704	1,416,934	10,257,727

		2022					
		一至	三至				
		一個月內	三個月	十二個月	一至五年	五年以上	總計
		Up to	1 to 3	3 to 12	1 to 5	Over	Total
		1 month	months	months	years	5 years	Total
		港幣千元	港幣千元	港幣千元	港幣千元	港幣千元	港幣千元
		HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
利率掉期	Interest rate swaps	241,730	-	659,690	8,176,865	294,944	9,373,229

財務報表附註 Notes to the Financial Statements

21. 衍生金融工具及對沖會計 (續)

(b) 對沖會計 (續)

公允值對沖 (續)

界定為對沖工具之相關金額如下：

		2023 公允值 Fair values		用以確認對沖 無效部分之 公允值變動 Change in fair value used for recognising hedge ineffectiveness 港幣千元 HK\$'000	
		合約/ 名義數額 Contract/ notional amounts 港幣千元 HK\$'000	資產 Assets 港幣千元 HK\$'000	負債 Liabilities 港幣千元 HK\$'000	
衍生金融工具	Derivative financial instruments				
利率掉期	Interest rate swaps	10,257,727	213,335	(36,812)	-
		2022 公允值 Fair values		用以確認對沖 無效部分之 公允值變動 Change in fair value used for recognising hedge ineffectiveness 港幣千元 HK\$'000	
		合約/ 名義數額 Contract/ notional amounts 港幣千元 HK\$'000	資產 Assets 港幣千元 HK\$'000	負債 Liabilities 港幣千元 HK\$'000	
衍生金融工具	Derivative financial instruments				
利率掉期	Interest rate swaps	9,373,229	391,718	(5,725)	-

21. DERIVATIVE FINANCIAL INSTRUMENTS AND HEDGE ACCOUNTING (Cont'd)

(b) Hedge accounting (Cont'd)

Fair value hedges (Cont'd)

The amounts relating to items designated as hedging instruments are as follows:

財務報表附註 Notes to the Financial Statements

21. 衍生金融工具及對沖會計 (續)

(b) 對沖會計 (續)

公允值對沖 (續)

被對沖項目之相關金額如下：

		賬面值 Carrying amounts 港幣千元 HK\$'000	2023 計入賬面值的 公允值對沖 調整累計金額 Accumulated amount of fair value hedge adjustment included in the carrying amounts 港幣千元 HK\$'000	用以確認對 沖無效部分 之價值變動 Change in value used for recognising hedge ineffectiveness 港幣千元 HK\$'000
金融投資	Financial investments			
債務證券及存款證	Debt securities and certificates of deposit	10,028,108	(122,631)	–

		賬面值 Carrying amounts 港幣千元 HK\$'000	2022 計入賬面值的 公允值對沖 調整累計金額 Accumulated amount of fair value hedge adjustment included in the carrying amounts 港幣千元 HK\$'000	用以確認對 沖無效部分 之價值變動 Change in value used for recognising hedge ineffectiveness 港幣千元 HK\$'000
金融投資	Financial investments			
債務證券及存款證	Debt securities and certificates of deposit	9,054,605	(315,747)	–

確認對沖無效部分如下：

Hedge ineffectiveness recognised is as follows:

		2023 港幣千元 HK\$'000	2022 港幣千元 HK\$'000
淨交易性收益	Net trading gain	–	–

財務報表附註

Notes to the Financial Statements

21. 衍生金融工具及對沖會計 (續)

(c) 基準利率改革

於2023年12月31日，沒有對沖會計關係中指定的利率衍生工具的合約／名義金額代表本集團管理並直接受基準利率改革影響且在第一階段基準利率改革修訂範圍內的風險承擔(2022年：港幣48.41億元)。

21. DERIVATIVE FINANCIAL INSTRUMENTS AND HEDGE ACCOUNTING (Cont'd)

(c) Interest rate benchmark reform

At 31 December 2023, there were no contract/notional amounts of interest rate derivatives designated in hedge accounting relationships represent the extent of the risk exposure managed by the Group that is directly affected by interest rate benchmark reform and in scope of Phase 1 amendments (2022: HK\$4,841,000,000).

22. 貸款及其他賬項

22. ADVANCES AND OTHER ACCOUNTS

		2023 港幣千元 HK\$'000	2022 港幣千元 HK\$'000
個人貸款	Personal loans and advances	50,866,820	56,085,284
公司貸款	Corporate loans and advances	247,439,498	237,680,000
客戶貸款	Advances to customers	298,306,318	293,765,284
減值準備	Impairment allowances	(4,899,755)	(4,064,989)
		293,406,563	289,700,295
貿易票據	Trade bills	341,313	610,399
減值準備	Impairment allowances	(22)	(39)
		341,291	610,360
銀行及其他金融機構貸款	Advances to banks and other financial institutions	156,914	156,566
減值準備	Impairment allowances	(32)	(32)
		156,882	156,534
		293,904,736	290,467,189

於2023年12月31日，客戶貸款包括應計利息港幣1,497,547,000元(2022年：港幣885,929,000元)。

As at 31 December 2023, advances to customers included accrued interest of HK\$1,497,547,000 (2022: HK\$885,929,000).

財務報表附註 Notes to the Financial Statements

22. 貸款及其他賬項 (續)

提取減值準備前之總貸款及其他賬項按階段分析如下：

22. ADVANCES AND OTHER ACCOUNTS (Cont'd)

Gross advances and other accounts before impairment allowances are analysed by stage classification as follows:

		2023			
		第一階段 Stage 1 港幣千元 HK\$'000	第二階段 Stage 2 港幣千元 HK\$'000	第三階段 Stage 3 港幣千元 HK\$'000	總計 Total 港幣千元 HK\$'000
客戶貸款	Advances to customers	280,340,453	11,046,315	6,919,550	298,306,318
貿易票據	Trade bills	341,313	–	–	341,313
銀行及其他金融機構貸款	Advances to banks and other financial institutions	156,914	–	–	156,914
總計	Total	280,838,680	11,046,315	6,919,550	298,804,545

		2022			
		第一階段 Stage 1 港幣千元 HK\$'000	第二階段 Stage 2 港幣千元 HK\$'000	第三階段 Stage 3 港幣千元 HK\$'000	總計 Total 港幣千元 HK\$'000
客戶貸款	Advances to customers	282,845,566	7,423,013	3,496,705	293,765,284
貿易票據	Trade bills	610,399	–	–	610,399
銀行及其他金融機構貸款	Advances to banks and other financial institutions	156,566	–	–	156,566
總計	Total	283,612,531	7,423,013	3,496,705	294,532,249

財務報表附註

Notes to the Financial Statements

22. 貸款及其他賬項(續)

相關減值準備之變化分析如下：

22. ADVANCES AND OTHER ACCOUNTS (Cont'd)

An analysis of changes in the corresponding impairment allowances is, as follows:

		第一階段 Stage 1 港幣千元 HK\$'000	第二階段 Stage 2 港幣千元 HK\$'000	第三階段 Stage 3 港幣千元 HK\$'000	總計 Total 港幣千元 HK\$'000
於2023年1月1日	At 1 January 2023	(1,371,833)	(522,873)	(2,170,354)	(4,065,060)
增加	Addition	(785,111)	–	–	(785,111)
終止確認或償還 (不包括撇銷)	Derecognised or repaid (excluding written off)	574,105	22,157	591,155	1,187,417
轉至第一階段	Transfers to Stage 1	(38,302)	37,019	1,283	–
轉至第二階段	Transfers to Stage 2	25,992	(77,087)	51,095	–
轉至第三階段	Transfers to Stage 3	20,307	188,945	(209,252)	–
期內各階段之間風險承擔 轉撥對期末預期損失的 影響	Impact on period end ECLs of exposures transferred between stages during the period	1,212	(53,346)	(1,921,616)	(1,973,750)
減值參數的轉變	Changes to inputs used for impairment calculations	184,084	(50,957)	(1,802,199)	(1,669,072)
收回已撇銷賬項	Recoveries	–	–	(89,891)	(89,891)
撇銷之貸款	Loans written off	–	–	2,457,574	2,457,574
匯兌差額	Exchange difference	22,527	5,097	10,460	38,084
於2023年12月31日	At 31 December 2023	(1,367,019)	(451,045)	(3,081,745)	(4,899,809)
		第一階段 Stage 1 港幣千元 HK\$'000	第二階段 Stage 2 港幣千元 HK\$'000	第三階段 Stage 3 港幣千元 HK\$'000	總計 Total 港幣千元 HK\$'000
於2022年1月1日	At 1 January 2022	(1,313,109)	(167,896)	(2,532,041)	(4,013,046)
增加	Addition	(759,779)	–	–	(759,779)
終止確認或償還 (不包括撇銷)	Derecognised or repaid (excluding written off)	518,343	71,395	84,671	674,409
轉至第一階段	Transfers to Stage 1	(14,400)	14,400	–	–
轉至第二階段	Transfers to Stage 2	20,988	(20,988)	–	–
轉至第三階段	Transfers to Stage 3	17,431	48,669	(66,100)	–
期內各階段之間風險承擔 轉撥對期末預期損失的 影響	Impact on period end ECLs of exposures transferred between stages during the period	7,411	(376,499)	(531,302)	(900,390)
減值參數的轉變	Changes to inputs used for impairment calculations	98,068	(96,888)	(550,448)	(549,268)
收回已撇銷賬項	Recoveries	–	–	(24,238)	(24,238)
撇銷之貸款	Loans written off	–	–	1,307,438	1,307,438
匯兌差額	Exchange difference	53,214	4,934	141,666	199,814
於2022年12月31日	At 31 December 2022	(1,371,833)	(522,873)	(2,170,354)	(4,065,060)

財務報表附註 Notes to the Financial Statements

23. 金融投資

23. FINANCIAL INVESTMENTS

		2023		
		以公允值變化計 入其他全面收益 At fair value through other comprehensive income 港幣千元 HK\$'000	以攤餘成本 作計量 At amortised cost 港幣千元 HK\$'000	總計 Total 港幣千元 HK\$'000
庫券	Treasury bills	66,842,198	2,725,487	69,567,685
其他債務證券	Other debt securities	80,189,302	4,572,377	84,761,679
		147,031,500	7,297,864	154,329,364
存款證	Certificates of deposit	19,832,553	–	19,832,553
債務證券及存款證總額	Total debt securities and certificates of deposit	166,864,053	7,297,864	174,161,917
減值準備	Impairment allowances	–	(723)	(723)
		166,864,053	7,297,141	174,161,194
股份證券	Equity securities	25,606	–	25,606
		166,889,659	7,297,141	174,186,800

財務報表附註 Notes to the Financial Statements

23. 金融投資(續)

23. FINANCIAL INVESTMENTS (Cont'd)

		2022		
		以公允值變化計 入其他全面收益 At fair value through other comprehensive income 港幣千元 HK\$'000	以攤餘成本 作計量 At amortised cost 港幣千元 HK\$'000	總計 Total 港幣千元 HK\$'000
庫券	Treasury bills	60,061,111	11,212,935	71,274,046
其他債務證券	Other debt securities	74,512,517	2,018,018	76,530,535
		134,573,628	13,230,953	147,804,581
存款證	Certificates of deposit	3,370,199	–	3,370,199
債務證券及存款證總額	Total debt securities and certificates of deposit	137,943,827	13,230,953	151,174,780
減值準備	Impairment allowances	–	(1,264)	(1,264)
		137,943,827	13,229,689	151,173,516
股份證券	Equity securities	21,844	–	21,844
		137,965,671	13,229,689	151,195,360

財務報表附註 Notes to the Financial Statements

23. 金融投資(續)

相關以公允價值變化計入其他全面收益之金融投資的減值準備之變化分析如下：

23. FINANCIAL INVESTMENTS (Cont'd)

An analysis of changes in the corresponding impairment allowances of financial investments at fair value through other comprehensive income is, as follows:

		第一階段 Stage 1 港幣千元 HK\$'000	第二階段 Stage 2 港幣千元 HK\$'000	第三階段 Stage 3 港幣千元 HK\$'000	總計 Total 港幣千元 HK\$'000
於2023年1月1日	At 1 January 2023	(99,542)	–	(182,129)	(281,671)
增加	Addition	(30,161)	–	–	(30,161)
終止確認或償還(不包括 撤銷)	Derecognised or repaid (excluding written off)	14,240	–	–	14,240
減值參數的轉變	Changes to inputs used for impairment calculations	37,697	–	262	37,959
撤銷	Written off	–	–	182,734	182,734
匯兌差額	Exchange difference	251	–	(867)	(616)
於2023年12月31日	At 31 December 2023	(77,515)	–	–	(77,515)
		第一階段 Stage 1 港幣千元 HK\$'000	第二階段 Stage 2 港幣千元 HK\$'000	第三階段 Stage 3 港幣千元 HK\$'000	總計 Total 港幣千元 HK\$'000
於2022年1月1日	At 1 January 2022	(97,269)	–	(182,098)	(279,367)
增加	Addition	(23,587)	–	–	(23,587)
終止確認或償還(不包括 撤銷)	Derecognised or repaid (excluding written off)	28,483	–	–	28,483
減值參數的轉變	Changes to inputs used for impairment calculations	(8,179)	–	(1,246)	(9,425)
匯兌差額	Exchange difference	1,010	–	1,215	2,225
於2022年12月31日	At 31 December 2022	(99,542)	–	(182,129)	(281,671)

財務報表附註 Notes to the Financial Statements

23. 金融投資(續)

相關以攤餘成本作計量之金融投資的減值準備之變化分析如下：

23. FINANCIAL INVESTMENTS (Cont'd)

An analysis of changes in the corresponding impairment allowances of financial investments at amortised cost is, as follows:

		第一階段 Stage 1 港幣千元 HK\$'000	第二階段 Stage 2 港幣千元 HK\$'000	第三階段 Stage 3 港幣千元 HK\$'000	總計 Total 港幣千元 HK\$'000
於2023年1月1日	At 1 January 2023	(1,264)	–	–	(1,264)
增加	Addition	(71)	–	–	(71)
終止確認或償還(不包括 撤銷)	Derecognised or repaid (excluding written off)	402	–	–	402
減值參數的轉變	Changes to inputs used for impairment calculations	210	–	–	210
於2023年12月31日	At 31 December 2023	(723)	–	–	(723)
		第一階段 Stage 1 港幣千元 HK\$'000	第二階段 Stage 2 港幣千元 HK\$'000	第三階段 Stage 3 港幣千元 HK\$'000	總計 Total 港幣千元 HK\$'000
於2022年1月1日	At 1 January 2022	–	–	–	–
增加	Addition	(1,264)	–	–	(1,264)
減值參數的轉變	Changes to inputs used for impairment calculations	–	–	(219,927)	(219,927)
撤銷	Written off	–	–	217,539	217,539
匯兌差額	Exchange difference	–	–	2,388	2,388
於2022年12月31日	At 31 December 2022	(1,264)	–	–	(1,264)

財務報表附註 Notes to the Financial Statements

23. 金融投資(續)

金融投資按上市地之分類如下：

23. FINANCIAL INVESTMENTS (Cont'd)

Financial investments are analysed by place of listing as follows:

		2023	
		以公允值變化計 入其他全面收益 At fair value through other comprehensive income 港幣千元 HK\$'000	以攤餘成本 作計量 At amortised cost 港幣千元 HK\$'000
債務證券及存款證	Debt securities and certificates of deposit		
– 於香港上市	– Listed in Hong Kong	9,924,372	–
– 於香港以外上市	– Listed outside Hong Kong	6,289,229	–
		16,213,601	–
– 非上市	– Unlisted	150,650,452	7,297,141
		166,864,053	7,297,141
股份證券	Equity securities		
– 非上市	– Unlisted	25,606	–
總計	Total	166,889,659	7,297,141
以攤餘成本計量之上市證券市值 Market value of listed securities at amortised cost			–

財務報表附註 Notes to the Financial Statements

23. 金融投資(續)

金融投資按上市地之分類如下：(續)

23. FINANCIAL INVESTMENTS (Cont'd)

Financial investments are analysed by place of listing as follows: (Cont'd)

		2022	
		以公允價值變化計 入其他全面收益	以攤餘成本 作計量
		At fair value through other comprehensive income	At amortised cost
		港幣千元 HK\$'000	港幣千元 HK\$'000
債務證券及存款證	Debt securities and certificates of deposit		
– 於香港上市	– Listed in Hong Kong	11,323,646	–
– 於香港以外上市	– Listed outside Hong Kong	6,509,470	–
		17,833,116	–
– 非上市	– Unlisted	120,110,711	13,229,689
		137,943,827	13,229,689
股份證券	Equity securities		
– 非上市	– Unlisted	21,844	–
總計	Total	137,965,671	13,229,689
以攤餘成本計量之上市證券市值 Market value of listed securities at amortised cost			–

財務報表附註 Notes to the Financial Statements

23. 金融投資(續)

金融投資按發行機構之分類如下：

23. FINANCIAL INVESTMENTS (Cont'd)

Financial investments are analysed by type of issuer as follows:

		2023	
		以公允價值計入其他全面收益	以攤餘成本作計量
		At fair value through other comprehensive income	At amortised cost
		港幣千元	港幣千元
		HK\$'000	HK\$'000
官方實體	Sovereigns	67,007,303	5,843,363
公營單位	Public sector entities	4,899,509	301,713
銀行及其他金融機構	Banks and other financial institutions	70,150,174	951,626
公司企業	Corporate entities	24,832,673	200,439
		166,889,659	7,297,141
		2022	
		以公允價值計入其他全面收益	以攤餘成本作計量
		At fair value through other comprehensive income	At amortised cost
		港幣千元	港幣千元
		HK\$'000	HK\$'000
官方實體	Sovereigns	60,061,111	11,212,627
公營單位	Public sector entities	3,029,029	301,379
銀行及其他金融機構	Banks and other financial institutions	52,741,552	1,515,299
公司企業	Corporate entities	22,133,979	200,384
		137,965,671	13,229,689

於2023年12月31日，包括在《銀行業(資本)規則》內分類為認可公營單位的以公允價值計入其他全面收益的金融投資為港幣4,899,509,000元(2022年：港幣3,029,029,000元)。

As at 31 December 2023, included financial investments at fair value through other comprehensive income of HK\$4,899,509,000 which are eligible to be classified as public sector entities under the Banking (Capital) Rules (2022: HK\$3,029,029,000).

於2023年12月31日，包括在《銀行業(資本)規則》內分類為認可公營單位的以攤餘成本作計量的金融投資為港幣301,713,000元(2022年：港幣301,379,000元)。

As at 31 December 2023, included financial investments at amortised cost of HK\$301,713,000 which are eligible to be classified as public sector entities under the Banking (Capital) Rules (2022: HK\$301,379,000).

財務報表附註 Notes to the Financial Statements

24. 投資物業

24. INVESTMENT PROPERTIES

		2023 港幣千元 HK\$'000	2022 港幣千元 HK\$'000
於1月1日	At 1 January	559,140	327,610
公允值虧損(附註13)	Fair value losses (Note 13)	(9,040)	(6,920)
重新分類轉撥(至)/自物業、 器材及設備(附註25)	Reclassification (to)/from properties, plant and equipment (Note 25)	(142,500)	238,450
於12月31日	At 31 December	407,600	559,140

投資物業之賬面值按租約剩餘期限分析如下：

The carrying value of investment properties is analysed based on the remaining terms of the leases as follows:

		2023 港幣千元 HK\$'000	2022 港幣千元 HK\$'000
在香港持有	Held in Hong Kong		
長期租約(超過50年)	On long-term lease (over 50 years)	252,300	258,020
中期租約(10年至50年)	On medium-term lease (10 to 50 years)	155,300	301,120
		407,600	559,140

於2023年12月31日，列於資產負債表內之投資物業，乃依據獨立特許測量師萊坊測計師行有限公司於2023年12月31日以公允值為基準所進行之專業估值。公允值指在計量當日若有秩序成交的情況下向市場參與者出售每一項投資物業應取得的價格。

As at 31 December 2023, investment properties were included in the balance sheet at valuation carried out at 31 December 2023 on the basis of their fair value by an independent firm of chartered surveyors, Knight Frank Petty Limited. The fair value represents the price that would be received to sell each investment property in an orderly transaction with market participants at the measurement date.

財務報表附註 Notes to the Financial Statements

25. 物業、器材及設備

25. PROPERTIES, PLANT AND EQUIPMENT

		房產 Premises 港幣千元 HK\$'000	設備、固定 設施及裝備 Equipment, fixtures and fittings 港幣千元 HK\$'000	使用權資產 Right-of-use assets 港幣千元 HK\$'000	總計 Total 港幣千元 HK\$'000
於2023年1月1日之 賬面淨值	Net book value at 1 January 2023	7,901,917	416,866	770,463	9,089,246
增置	Additions	54,875	188,333	183,902	427,110
出售/終止確認	Disposals/Derecognition	–	(12,561)	–	(12,561)
重估	Revaluation	(47,331)	–	–	(47,331)
年度折舊	Depreciation for the year	(177,760)	(77,431)	(240,742)	(495,933)
重新分類轉撥自投資物業 (附註24)	Reclassification from investment properties, net (Note 24)	142,500	–	–	142,500
匯兌差額	Exchange difference	(15,134)	(4,190)	(12,437)	(31,761)
於2023年12月31日之 賬面淨值	Net book value at 31 December 2023	7,859,067	511,017	701,186	9,071,270
於2023年12月31日 成本值或估值	At 31 December 2023 Cost or valuation	7,859,067	1,258,078	1,261,033	10,378,178
累計折舊	Accumulated depreciation	–	(747,061)	(559,847)	(1,306,908)
於2023年12月31日之 賬面淨值	Net book value at 31 December 2023	7,859,067	511,017	701,186	9,071,270
上述資產之成本值或估值 分析如下：	The analysis of cost or valuation of the above assets is as follows:				
於2023年12月31日 按成本值	At 31 December 2023 At cost	–	1,258,078	1,261,033	2,519,111
按估值	At valuation	7,859,067	–	–	7,859,067
		7,859,067	1,258,078	1,261,033	10,378,178

財務報表附註

Notes to the Financial Statements

25. 物業、器材及設備(續)

25. PROPERTIES, PLANT AND EQUIPMENT

(Cont'd)

		房產 Premises 港幣千元 HK\$'000	設備、固定 設施及裝備 Equipment, fixtures and fittings 港幣千元 HK\$'000	使用權資產 Right-of-use assets 港幣千元 HK\$'000	總計 Total 港幣千元 HK\$'000
於2022年1月1日之 賬面淨值	Net book value at 1 January 2022	7,276,454	653,591	829,721	8,759,766
增置	Additions	1,235,050	208,365	236,541	1,679,956
出售/終止確認	Disposals/Derecognition	(37,393)	(16,181)	(369)	(53,943)
重估	Revaluation	(95,196)	–	–	(95,196)
年度折舊	Depreciation for the year	(165,796)	(118,625)	(241,779)	(526,200)
重新分類轉撥至投資物業 (附註24)	Reclassification to investment properties, net (Note 24)	(238,450)	–	–	(238,450)
轉出至無形資產(附註26)	Transfer to intangible assets (Note 26)	–	(279,427)	–	(279,427)
匯兌差額	Exchange difference	(72,752)	(30,857)	(53,651)	(157,260)
於2022年12月31日之 賬面淨值	Net book value at 31 December 2022	7,901,917	416,866	770,463	9,089,246
於2022年12月31日 成本值或估值	At 31 December 2022 Cost or valuation	7,901,917	1,137,166	1,189,391	10,228,474
累計折舊	Accumulated depreciation	–	(720,300)	(418,928)	(1,139,228)
於2022年12月31日之 賬面淨值	Net book value at 31 December 2022	7,901,917	416,866	770,463	9,089,246
上述資產之成本值或估值 分析如下：	The analysis of cost or valuation of the above assets is as follows:				
於2022年12月31日 按成本值	At 31 December 2022 At cost	–	1,137,166	1,189,391	2,326,557
按估值	At valuation	7,901,917	–	–	7,901,917
		7,901,917	1,137,166	1,189,391	10,228,474

財務報表附註

Notes to the Financial Statements

25. 物業、器材及設備(續)

房產之賬面值按租約剩餘期限分析如下：

		2023 港幣千元 HK\$'000	2022 港幣千元 HK\$'000
在香港持有	Held in Hong Kong		
長期租約(超過50年)	On long-term lease (over 50 years)	3,335,303	3,408,356
中期租約(10年至50年)	On medium-term lease (10 to 50 years)	3,810,800	3,749,025
在香港以外持有	Held outside Hong Kong		
中期租約(10年至50年)	On medium-term lease (10 to 50 years)	628,432	656,472
短期租約(少於10年)	On short-term lease (less than 10 years)	84,532	88,064
		7,859,067	7,901,917

於2023年12月31日，列於資產負債表內之房產，乃依據獨立特許測量師萊坊測計師行有限公司於2023年12月31日以公允值為基準所進行之專業估值。公允值指在計量當日若在有序成交的情況下向市場參與者出售每一項房產應取得的價格。

根據上述之重估結果，房產估值變動已於房產重估儲備及收益表確認如下：

		2023 港幣千元 HK\$'000	2022 港幣千元 HK\$'000
借記房產重估儲備之重估減值	Decrease in valuation charged to premises revaluation reserve	(45,485)	(92,207)
借貸記收益表之重估減值	Decrease in valuation charged to income statement	(1,846)	(2,989)
		(47,331)	(95,196)

於2023年12月31日，假若房產按成本值扣減累計折舊列賬，本集團之資產負債表內之房產賬面淨值應為港幣2,283,972,000元（2022年：港幣2,181,719,000元）。

25. PROPERTIES, PLANT AND EQUIPMENT

(Cont'd)

The carrying value of premises is analysed based on the remaining terms of the leases as follows:

		2023 港幣千元 HK\$'000	2022 港幣千元 HK\$'000
Held in Hong Kong			
On long-term lease (over 50 years)		3,335,303	3,408,356
On medium-term lease (10 to 50 years)		3,810,800	3,749,025
Held outside Hong Kong			
On medium-term lease (10 to 50 years)		628,432	656,472
On short-term lease (less than 10 years)		84,532	88,064
		7,859,067	7,901,917

As at 31 December 2023, premises were included in the balance sheet at valuation carried out at 31 December 2023 on the basis of their fair value by an independent firm of chartered surveyors, Knight Frank Petty Limited. The fair value represents the price that would be received to sell each premises in an orderly transaction with market participants at the measurement date.

As a result of the above-mentioned revaluations, changes in value of the premises were recognised in the premises revaluation reserve and the income statement as follows:

		2023 港幣千元 HK\$'000	2022 港幣千元 HK\$'000
Decrease in valuation charged to premises revaluation reserve		(45,485)	(92,207)
Decrease in valuation charged to income statement		(1,846)	(2,989)
		(47,331)	(95,196)

As at 31 December 2023, the net book value of premises that would have been included in the Group's balance sheet had the premises been carried at cost less accumulated depreciation was HK\$2,283,972,000 (2022: HK\$2,181,719,000).

財務報表附註

Notes to the Financial Statements

26. 無形資產

無形資產之變動概述如下：

		2023 港幣千元 HK\$'000	2022 港幣千元 HK\$'000
於1月1日	At 1 January	619,709	–
轉入	Transfer in	–	279,427
增置	Additions	326,695	394,329
出售	Disposals	–	(1,789)
年度攤銷	Amortisation for the year	(98,014)	(42,513)
匯兌差額	Exchange difference	(4,926)	(9,745)
於12月31日	At 31 December	843,464	619,709
成本	Cost	1,159,431	842,815
累計攤銷	Accumulated amortisation	(315,967)	(223,106)
於12月31日	Net book value at 31 December	843,464	619,709

重新分類無形資產

本集團此前在綜合資產負債表中將無形資產作為其他資產呈列。然而，管理層為更好地反映基本性質及更容易理解地呈列，於2022年12月31日其他資產的比較數字港幣619,709,000元，已從重新分類至無形資產。

26. INTANGIBLE ASSETS

The movements in intangible assets are summarised as follows:

Reclassification of intangible assets

The Group previously presented its intangible assets as other assets in the consolidated balance sheet. However, management considers for the purpose of better reflecting the underlying nature and allowing a more understandable presentation, the comparative figures as at 31 December 2022 have been restated by reclassifying HK\$619,709,000 from other assets to intangible assets.

27. 其他資產

		2023 港幣千元 HK\$'000	2022 港幣千元 HK\$'000 (經重列， 附註26) (Restated, Note 26)
收回資產	Repossessed assets	53,092	4,353
貴金屬	Precious metals	284,266	308,057
應收賬項及預付費用	Accounts receivable and prepayments	2,869,794	1,533,284
		3,207,152	1,845,694
減值準備	Impairment allowances	(7,347)	(4,045)
		3,199,805	1,841,649

財務報表附註

Notes to the Financial Statements

27. 其他資產 (續)

相關減值準備之變化分析如下：

		第一階段 Stage 1 港幣千元 HK\$'000	第二階段 Stage 2 港幣千元 HK\$'000	第三階段 Stage 3 港幣千元 HK\$'000	總計 Total 港幣千元 HK\$'000
於2023年1月1日	At 1 January 2023	(890)	(17)	(3,138)	(4,045)
增加	Addition	(184)	-	-	(184)
終止確認或償還 (不包括撇銷)	Derecognised or repaid (excluding written off)	22	17	1,097	1,136
期內各階段之間風險承擔 轉撥對期末預期損失的 影響	Impact on period end ECLs of exposures transferred between stages during the period	-	(34)	(137)	(171)
減值參數的轉變	Changes to inputs used for impairment calculations	(4,343)	-	(1,335)	(5,678)
匯兌差額	Exchange difference	1,600	-	(5)	1,595
於2023年12月31日	At 31 December 2023	(3,795)	(34)	(3,518)	(7,347)

27. OTHER ASSETS (Cont'd)

An analysis of changes in the corresponding impairment allowances is, as follows:

		第一階段 Stage 1 港幣千元 HK\$'000	第二階段 Stage 2 港幣千元 HK\$'000	第三階段 Stage 3 港幣千元 HK\$'000	總計 Total 港幣千元 HK\$'000
於2022年1月1日	At 1 January 2022	(795)	-	(3,105)	(3,900)
增加	Addition	(20)	(17)	-	(37)
終止確認或償還 (不包括撇銷)	Derecognised or repaid (excluding written off)	196	-	1	197
期內各階段之間風險承擔 轉撥對期末預期損失的 影響	Impact on period end ECLs of exposures transferred between stages during the period	-	-	(43)	(43)
減值參數的轉變	Changes to inputs used for impairment calculations	(2,056)	-	2	(2,054)
匯兌差額	Exchange difference	1,785	-	7	1,792
於2022年12月31日	At 31 December 2022	(890)	(17)	(3,138)	(4,045)

財務報表附註 Notes to the Financial Statements

28. 公允值變化計入損益之金融負債

28. FINANCIAL LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS

		2023 港幣千元 HK\$'000	2022 港幣千元 HK\$'000
交易性負債	Trading liabilities		
—外匯基金票據及債券短盤	— Short positions in Exchange Fund Bills and Notes	5,784,773	7,119,358

於2023年12月31日沒有界定為以公允值變化計入損益之金融負債(2022年：無)。

At 31 December 2023, there were no financial liabilities designated at fair value through profit or loss (2022: Nil).

29. 客戶存款及對沖會計

29. DEPOSITS FROM CUSTOMERS AND HEDGE ACCOUNTING

(a) 客戶存款

(a) Deposits from customers

		2023 港幣千元 HK\$'000	2022 港幣千元 HK\$'000
即期存款及往來存款	Demand deposits and current accounts		
—公司	— Corporate	24,790,670	24,487,101
—個人	— Personal	2,646,497	2,833,665
		27,437,167	27,320,766
儲蓄存款	Savings deposits		
—公司	— Corporate	33,771,975	53,625,038
—個人	— Personal	35,571,905	43,532,670
		69,343,880	97,157,708
定期、短期及通知存款	Time, call and notice deposits		
—公司	— Corporate	139,414,415	126,318,809
—個人	— Personal	158,194,401	114,665,181
		297,608,816	240,983,990
		394,389,863	365,462,464

財務報表附註 Notes to the Financial Statements

29. 客戶存款及對沖會計 (續)

(b) 對沖會計

中國內地運作淨投資對沖

於2023年12月31日，本集團界定部分人民幣計值的客戶存款合共港幣1,992,543,000元(2022年：港幣2,034,312,000元)為對沖工具，用以對沖內地運作淨投資。

年內沒有無效部分之收益或虧損於收益表內確認(2022年：無)。

30. 已發行債務證券及存款證

29. DEPOSITS FROM CUSTOMERS AND HEDGE ACCOUNTING (Cont'd)

(b) Hedge accounting

Hedges of net investments in Mainland operations

As at 31 December 2023, a proportion of the Group's RMB-denominated deposits from customers of HK\$1,992,543,000 (2022: HK\$2,034,312,000) were designated as a hedging instrument to hedge against the net investments in Mainland China operations.

There were no gains or losses on ineffective portion recognised in the income statement during the year (2022: Nil).

30. DEBT SECURITIES AND CERTIFICATES OF DEPOSIT IN ISSUE

		2023 港幣千元 HK\$'000	2022 港幣千元 HK\$'000
債務證券及存款證， 按攤銷成本列賬	Debt securities and certificates of deposit, at amortised cost		
— 存款證	– Certificates of deposit	18,701,698	23,553,516
— 其他債務證券	– Other debt securities	10,018,137	11,868,896
		28,719,835	35,422,412

31. 其他賬項及準備

31. OTHER ACCOUNTS AND PROVISIONS

		2023 港幣千元 HK\$'000	2022 港幣千元 HK\$'000
租賃負債	Lease liabilities	737,412	809,968
其他應付賬項	Other accounts payable	13,730,359	18,235,020
準備	Provisions	50,156	52,637
貸款承諾及財務擔保合同減值 準備	Impairment allowances for loan commitments and financial guarantee contracts	104,978	188,318
		14,622,905	19,285,943

財務報表附註

Notes to the Financial Statements

31. 其他賬項及準備 (續)

相關減值準備之變化分析如下：

31. OTHER ACCOUNTS AND PROVISIONS (Cont'd)

An analysis of changes in the corresponding impairment allowances is, as follows:

		第一階段 Stage 1 港幣千元 HK\$'000	第二階段 Stage 2 港幣千元 HK\$'000	第三階段 Stage 3 港幣千元 HK\$'000	總計 Total 港幣千元 HK\$'000
於 2023 年 1 月 1 日	At 1 January 2023	171,931	16,387	–	188,318
增加	Addition	46,210	–	–	46,210
終止確認	Derecognised	(103,676)	(16,387)	–	(120,063)
轉至第二階段	Transfers to Stage 2	(329)	329	–	–
轉至第三階段	Transfers to Stage 3	(4)	–	4	–
期內各階段之間風險承擔 轉撥對期末預期損失的 影響	Impact on period end ECLs of exposures transferred between stages during the period	1	(327)	2,972	2,646
減值參數的轉變	Changes to inputs used for impairment calculations	(9,566)	4	–	(9,562)
匯兌差額	Exchange difference	(2,571)	–	–	(2,571)
於 2023 年 12 月 31 日	At 31 December 2023	101,996	6	2,976	104,978

		第一階段 Stage 1 港幣千元 HK\$'000	第二階段 Stage 2 港幣千元 HK\$'000	第三階段 Stage 3 港幣千元 HK\$'000	總計 Total 港幣千元 HK\$'000
於 2022 年 1 月 1 日	At 1 January 2022	292,349	18	–	292,367
增加	Addition	111,667	–	–	111,667
終止確認	Derecognised	(199,779)	(16)	–	(199,795)
轉至第一階段	Transfers to Stage 1	1	(1)	–	–
轉至第二階段	Transfers to Stage 2	(258)	258	–	–
期內各階段之間風險承擔 轉撥對期末預期損失的 影響	Impact on period end ECLs of exposures transferred between stages during the period	85	(21)	–	64
減值參數的轉變	Changes to inputs used for impairment calculations	(7,909)	17,671	–	9,762
匯兌差額	Exchange difference	(24,225)	(1,522)	–	(25,747)
於 2022 年 12 月 31 日	At 31 December 2022	171,931	16,387	–	188,318

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32. 遞延稅項

遞延稅項是根據香港會計準則第12號「所得稅」計算，就資產負債之稅務基礎與其在財務報表內賬面值兩者之暫時性差額及未使用稅項抵免作提撥。

資產負債表內之遞延稅項(資產)/負債主要組合，以及其在年度內之變動如下：

32. DEFERRED TAXATION

Deferred tax is recognised in respect of the temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements and unused tax credits in accordance with HKAS 12 "Income Taxes".

The major components of deferred tax (assets)/liabilities recorded in the balance sheet, and the movements during the year are as follows:

		2023				
		加速折 舊免稅額 Accelerated tax depreciation 港幣千元 HK\$'000	物業重估 Property revaluation 港幣千元 HK\$'000	減值準備 Impairment allowance 港幣千元 HK\$'000	其他 Other 港幣千元 HK\$'000	總計 Total 港幣千元 HK\$'000
於2023年1月1日	At 1 January 2023	61,809	1,049,403	(616,431)	(458,620)	36,161
借/(貸)記收益表	Charged/(credited) to income statement	12,571	12,366	(177,018)	(54,118)	(206,199)
(貸)/借記其他全面 收益	(Credited)/charged to other comprehensive income	-	(14,027)	-	160,530	146,503
匯兌差額	Exchange difference	-	(2,436)	9,889	1,290	8,743
於2023年12月31日	At 31 December 2023	74,380	1,045,306	(783,560)	(350,918)	(14,792)
		2022				
		加速折 舊免稅額 Accelerated tax depreciation 港幣千元 HK\$'000	物業重估 Property revaluation 港幣千元 HK\$'000	減值準備 Impairment allowance 港幣千元 HK\$'000	其他 Other 港幣千元 HK\$'000	總計 Total 港幣千元 HK\$'000
於2022年1月1日	At 1 January 2022	46,062	1,139,120	(610,790)	(114,301)	460,091
借/(貸)記收益表	Charged/(credited) to income statement	15,747	3,655	(51,602)	20,493	(11,707)
貸記其他全面收益	Credited to other comprehensive income	-	(81,829)	-	(369,531)	(451,360)
匯兌差額	Exchange difference	-	(11,543)	45,961	4,719	39,137
於2022年12月31日	At 31 December 2022	61,809	1,049,403	(616,431)	(458,620)	36,161

財務報表附註

Notes to the Financial Statements

32. 遞延稅項 (續)

當有法定權利可將現有稅項資產與現有稅項負債抵銷，而遞延稅項涉及同一財政機關，則可將個別法人的遞延稅項資產與遞延稅項負債互相抵銷。下列在資產負債表內列賬之金額，已計入適當抵銷：

		2023 港幣千元 HK\$'000	2022 港幣千元 HK\$'000
遞延稅項資產	Deferred tax assets	(551,106)	(327,947)
遞延稅項負債	Deferred tax liabilities	536,314	364,108
		(14,792)	36,161

		2023 港幣千元 HK\$'000	2022 港幣千元 HK\$'000
遞延稅項資產 (超過12個月後收回)	Deferred tax assets to be recovered after more than twelve months	(522,404)	(340,721)
遞延稅項負債 (超過12個月後支付)	Deferred tax liabilities to be settled after more than twelve months	776,118	765,618
		253,714	424,897

於2023年12月31日，本集團未確認遞延稅項資產之稅務虧損為港幣2,095,000元（2022年：港幣2,134,000元）。按照現行稅例，有關稅務虧損沒有作廢期限。

32. DEFERRED TAXATION (Cont'd)

Deferred tax assets and liabilities are offset on an individual entity basis when there is a legal right to set off current tax assets against current tax liabilities and when the deferred taxation relates to the same authority. The following amounts, determined after appropriate offsetting, are shown in the balance sheet:

As at 31 December 2023, the Group has not recognised deferred tax assets in respect of tax losses amounting to HK\$2,095,000 (2022: HK\$2,134,000). These tax losses do not expire under the current tax legislation.

33. 後償負債

		2023 港幣千元 HK\$'000	2022 港幣千元 HK\$'000
按攤銷成本列賬於2029年到期 之700,000,000美元定息 後償票據	US\$700,000,000 fixed rate subordinated notes issued due 2029 at amortised cost	5,468,028	5,455,215

33. SUBORDINATED LIABILITIES

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33. 後償負債(續)

此乃本銀行於2019年11月20日發行之700,000,000美元在香港交易所上市及符合《巴塞爾協定三》而被界定為二級資本的10年期後償票據(「票據」)(須根據《銀行業(資本)規則》之條款)。此等票據將於2029年11月20日到期，選擇性贖還日為2024年11月20日。由發行日至其選擇性贖還日，年息為3.80%，每半年付息一次。其後，倘票據未在選擇性贖還日贖回，往後的利息會重訂為當時5年期美國國庫債券息率加218點子。若獲得金管局預先批准，本銀行可於選擇性贖還日或因稅務或監管要求等理由於票據到期前的任何日子以票面價值贖回所有(非部分)票據。

34. 股本

已發行及繳足：
7,000,000股普通股

Issued and fully paid:
7,000,000 ordinary shares

2023
港幣千元
HK\$'000

2022
港幣千元
HK\$'000

3,144,517

3,144,517

35. 額外資本工具

300,000,000美元永久
非累計次級額外一級資本證券

US\$300,000,000 perpetual non-cumulative subordinated
additional tier 1 capital securities

2023
港幣千元
HK\$'000

2022
港幣千元
HK\$'000

2,344,170

–

650,000,000美元永久
非累計次級額外一級資本證券

US\$650,000,000 perpetual non-cumulative subordinated
additional tier 1 capital securities

5,077,856

5,077,856

本銀行於2022年4月28日發行了票面值650,000,000美元(扣除相關發行成本後等值港幣5,077,856,000元)的永久非累計次級額外一級資本證券(「額外資本工具」)。此永久額外資本工具於2027年4月28日首個提前贖回日期前，票面年利率定於6.50%。若屆時未有行使贖回權，票面年利率將每五年按當時五年期美國國庫債券息率的每年利率加上初始發行利差重設。

33. SUBORDINATED LIABILITIES (Cont'd)

This represents US\$700,000,000 Basel III compliant 10-year subordinated notes qualifying as Tier 2 capital of the Bank issued on 20 November 2019 in accordance with the Banking (Capital) Rules (the "Notes"), which are listed on the Hong Kong Stock Exchange. The Notes will mature on 20 November 2029 with an optional redemption date falling on 20 November 2024. Interest at 3.80% p.a. is payable semi-annually from the issue date to the optional redemption date. Thereafter, if the Notes are not redeemed, the interest rate will be reset and the Notes will bear interest at the prevailing 5-year U.S. Treasury Rate plus 218 basis points. The Bank may, subject to receiving the prior approval of the HKMA, redeem the Notes at the option of the Bank in whole but not in part, at par either on the optional redemption date or for tax or regulatory reasons at any time prior to maturity of the Notes.

34. SHARE CAPITAL

35. ADDITIONAL EQUITY INSTRUMENTS

On 28 April 2022, the Bank issued perpetual non-cumulative subordinated additional tier 1 capital securities ("additional equity instruments") with a face value of US\$650,000,000 (equivalent to HK\$5,077,856,000 net of related issuance costs). The additional equity instruments are perpetual and bear a 6.50% coupon until the first call date on 28 April 2027. The coupon will be reset every five years if the additional equity instruments are not redeemed to a fixed rate equivalent to the then-prevailing five-year US Treasury rate plus a fixed initial spread.

財務報表附註

Notes to the Financial Statements

35. 額外資本工具(續)

本銀行於2023年3月7日發行了票面值300,000,000美元(扣除相關發行成本後等值港幣2,344,170,000元)的永久非累計次級額外一級資本證券(「額外資本工具」)。此永久額外資本工具於2028年3月7日首個提前贖回日期前，票面年利率定於7.35%。若屆時未有行使贖回權，票面年利率將每五年按當時五年期美國國庫債券息率的每年利率加上初始發行李差重設。

票息需每半年派付一次。本銀行有權根據該額外資本工具的條款規定取消利息發放，而取消的利息不會累積。然而，本銀行亦禁止宣佈向普通股股東分派股息直至下一次發放利息為止。

假如金管局通知本銀行不對本金進行撇銷則無法繼續經營，該額外資本工具的本金將會按與金管局協商後或接受其指令下進行撇銷。

於發行日後第五個年度或任何其後的派息日，本銀行擁有贖回權贖回所有未償付的額外資本工具，但須受已列載之條款及細則所限制。

本銀行於2023年內支付額外資本工具(發行於2022年4月28日)票息42,250,000美元，當中分別於2023年4月28日及2023年10月28日每次支付21,125,000美元(2022年內共支付票息：51,125,000美元)。

於2023年9月7日，本銀行支付額外資本工具(發行於2023年3月7日)票息11,025,000美元。

35. ADDITIONAL EQUITY INSTRUMENTS (Cont'd)

On 7 March 2023, the Bank issued perpetual non-cumulative subordinated additional tier 1 capital securities ("additional equity instruments") with a face value of US\$300,000,000 (equivalent to HK\$2,344,170,000 net of related issuance costs). The additional equity instruments are perpetual and bear a 7.35% coupon until the first call date on 7 March 2028. The coupon will be reset every five years if the additional equity instruments are not redeemed to a fixed rate equivalent to the then-prevailing five-year US Treasury rate plus a fixed initial spread.

The coupon shall be payable semi-annually. The Bank has the right to cancel coupon payment (subjected to the requirement as set out in the terms and conditions of the additional equity instruments) and the coupon cancelled shall not be cumulative. However, the Bank is stopped from declaring dividend to its ordinary shareholders unless the next scheduled coupon payment is paid.

The principal of the additional equity instruments will be written down to the amount as directed or agreed with the HKMA if the HKMA notifies the Bank that the Bank would become non-viable if there is no written down of the principal.

The Bank has a call option to redeem all the outstanding additional equity instruments from the fifth year after issue date or any subsequent coupon payment date, but subject to restriction as set out in the terms and conditions.

The Bank has distributed coupon payment for additional equity instruments (issued on 28 April 2022) for a total amount US\$42,250,000 during the year 2023, for each US\$21,125,000 was distributed on 28 April 2023 and 28 October 2023 separately (Total coupon payment during the year 2022: US\$51,125,000).

Also, the Bank has distributed coupon payment for additional equity instruments (issued on 7 March 2023) of US\$11,025,000 on 7 September 2023.

財務報表附註

Notes to the Financial Statements

36. 綜合現金流量表附註

(a) 經營溢利與除稅前經營現金之流入／(流出)對賬

36. NOTES TO CONSOLIDATED CASH FLOW STATEMENT

(a) Reconciliation of operating profit to operating cash inflow/(outflow) before taxation

		2023 港幣千元 HK\$'000	2022 港幣千元 HK\$'000
經營溢利	Operating profit	3,710,960	4,475,814
折舊	Depreciation and amortisation	593,947	568,713
減值準備淨撥備	Net charge of impairment allowances	3,141,951	1,684,557
已撇銷之貸款(扣除收回款額)	Advances written off net of recoveries	(2,367,684)	(1,283,200)
租賃負債利息支出	Interest expense on lease liabilities	29,691	28,125
後償負債利息支出	Interest expense on subordinated liabilities	211,735	211,639
原到期日超過3個月之存放銀行及其他金融機構之結餘之變動	Change in balances with banks and other financial institutions with original maturity over three months	795,640	2,146,980
原到期日超過3個月之在銀行及其他金融機構之定期存放之變動	Change in placements with banks and other financial institutions with original maturity over three months	1,408,461	(1,679,397)
公允值變化計入損益之金融資產之變動	Change in financial assets at fair value through profit or loss	5,832,320	8,907,992
衍生金融工具之變動	Change in derivative financial instruments	1,082,881	(751,870)
貸款及其他賬項之變動	Change in advances and other accounts	(4,272,294)	1,518,162
金融投資之變動	Change in financial investments	(19,726,059)	(12,501,615)
其他資產之變動	Change in other assets	(1,363,053)	(243,034)
銀行及其他金融機構之存款及結餘之變動	Change in deposits and balances from banks and other financial institutions	(9,341,243)	23,269,163
公允值變化計入損益之金融負債之變動	Change in financial liabilities at fair value through profit or loss	(1,334,585)	704,046
客戶存款之變動	Change in deposits from customers	28,927,399	(18,318,922)
已發行債務證券及存款證之變動	Change in debt securities and certificates of deposit in issue	(6,702,577)	3,667,185
其他賬項及準備之變動	Change in other accounts and provisions	(4,509,561)	382,776
匯率變動之影響	Effect of changes in exchange rates	566,014	(608,128)
除稅前經營現金之(流出)／流入	Operating cash (outflow)/inflow before taxation	(3,316,057)	12,178,986
經營業務之現金流量中包括：	Cash flows from operating activities included:		
— 已收利息	— Interest received	20,878,226	13,990,244
— 已付利息	— Interest paid	(12,160,431)	(6,415,022)
— 已收股息	— Dividend received	1,467	1,705

財務報表附註

Notes to the Financial Statements

36. 綜合現金流量表附註(續)

(b) 現金及等同現金項目結存分析

		2023 港幣千元 HK\$'000	2022 港幣千元 HK\$'000
庫存現金及原到期日在3個月內之存放銀行及其他金融機構的結餘	Cash and balances with banks and other financial institutions with original maturity within three months	46,948,848	54,733,284
原到期日在3個月內之在銀行及其他金融機構之定期存放	Placements with banks and other financial institutions with original maturity within three months	552,007	1,471,695
原到期日在3個月內之庫券	Treasury bills with original maturity within three months	7,924,880	3,771,109
原到期日在3個月內之存款證	Certificates of deposit held with original maturity within three months	1,317,673	146,098
		56,743,408	60,122,186

(c) 融資業務負債之變動

36. NOTES TO CONSOLIDATED CASH FLOW STATEMENT (Cont'd)

(b) Analysis of the balances of cash and cash equivalents

(c) Changes in liabilities arising from financing activities

		2023 港幣千元 HK\$'000	2022 港幣千元 HK\$'000
後償負債	Subordinated liabilities		
於1月1日	At 1 January	5,455,215	5,451,286
現金流量：	Cash flows:		
支付後償負債票息	Distribution payment for subordinated liabilities	(207,394)	(208,102)
非現金流變動：	Non-cash changes:		
折價及發行費用之攤分	Amortisation of discount and issuance cost	211,735	211,639
外匯變動	Foreign exchange movement	8,472	392
於12月31日	At 31 December	5,468,028	5,455,215

財務報表附註 Notes to the Financial Statements

36. 綜合現金流量表附註(續)

(c) 融資業務負債之變動(續)

		2023 港幣千元 HK\$'000	2022 港幣千元 HK\$'000
租賃負債	Lease liabilities		
於1月1日	At 1 January	809,968	865,378
現金流量：	Cash flows:		
支付租賃負債	Payment of lease liabilities	(270,457)	(256,740)
非現金變動：	Non-cash changes:		
新增	Additions	182,306	235,829
其他	Others	15,595	(34,499)
於12月31日	At 31 December	737,412	809,968

37. 或然負債及承擔

或然負債及承擔乃參照有關資本充足比率之金管局報表的填報指示而編製，其每項重要類別之合約數額及總信貸風險加權數額概述如下：

36. NOTES TO CONSOLIDATED CASH FLOW STATEMENT (Cont'd)

(c) Changes in liabilities arising from financing activities (Cont'd)

37. CONTINGENT LIABILITIES AND COMMITMENTS

The following is a summary of the contractual amounts of each significant class of contingent liability and commitment and the aggregate credit risk-weighted amount and is prepared with reference to the completion instructions for the HKMA return of capital adequacy ratio.

		2023 港幣千元 HK\$'000	2022 港幣千元 HK\$'000
直接信貸替代項目	Direct credit substitutes	22,417,172	26,834,992
與交易有關之或然負債	Transaction-related contingencies	1,910,983	2,391,980
與貿易有關之或然負債	Trade-related contingencies	29,152,270	23,828,234
有追索權的資產出售	Asset sales with recourse	664,860	6,879,734
不需事先通知的無條件撤銷之承諾	Commitments that are unconditionally cancellable without prior notice	135,801,299	115,318,606
其他承擔，原到期日為	Other commitments with an original maturity of		
– 1年或以下	– up to one year	3,427,209	2,425,091
– 1年以上	– over one year	11,095,086	14,729,915
		204,468,879	192,408,552
信貸風險加權數額	Credit risk-weighted amount	17,743,711	24,698,341

信貸風險加權數額是根據《銀行業(資本)規則》計算。此數額取決於交易對手之情況及各類合約之期限特性。

The credit risk-weighted amount is calculated in accordance with the Banking (Capital) Rules. The amount is dependent upon the status of the counterparty and the maturity characteristics of each type of contract.

財務報表附註

Notes to the Financial Statements

38. 資本承擔

本集團未於財務報表中撥備之資本承擔金額如下：

		2023 港幣千元 HK\$'000	2022 港幣千元 HK\$'000
已批准及簽約但未撥備	Authorised and contracted for but not provided for	612,171	718,805
已批准但未簽約	Authorised but not contracted for	72,974	16,816
		685,145	735,621

以上資本承擔大部分為將購入之電腦硬件及軟件，以及本集團之樓宇裝修工程之承擔。

38. CAPITAL COMMITMENTS

The Group has the following outstanding capital commitments not provided for in the financial statements:

The above capital commitments mainly relate to commitments to purchase computer equipment and software, and to renovate the Group's premises.

39. 經營租賃承擔

作為出租人

根據不可撤銷之經營租賃合約，下列為本集團與租客簽訂合約之未來有關租賃之最低應收租金：

		2023 港幣千元 HK\$'000	2022 港幣千元 HK\$'000
土地及樓宇	Land and buildings		
– 不超過1年	– Not later than one year	3,852	5,941
– 1至2年	– One to two years	1,939	1,211
– 2至3年	– Two to three years	1,389	355
		7,180	7,507

本集團以經營租賃形式租出投資物業；租賃年期通常由1年至2年。租約條款一般要求租客提交保證金。

39. OPERATING LEASE COMMITMENTS

As lessor

The Group has contracted with tenants for the following future minimum lease receivables under non-cancellable operating leases:

The Group leases its investment properties under operating lease arrangements, with leases typically for a period from one to two years. The terms of the leases generally require the tenants to pay security deposits.

40. 訴訟

本集團正面對多項由獨立人士提出的索償及反索償。此等索償及反索償與本集團的正常商業活動有關。

由於董事認為本集團可對申索人作出有力抗辯或預計此等申索所涉及的數額不大，故並未對此等索償及反索償作出重大撥備。

40. LITIGATION

The Group has been served a number of claims and counterclaims by various independent parties. These claims and counterclaims are in relation to the normal commercial activities of the Group.

No material provision was made against these claims and counterclaims because the directors believe that the Group has meritorious defences against the claimants or the amounts involved in these claims are not expected to be material.

財務報表附註

Notes to the Financial Statements

41. 分類報告

(a) 按營運分類

本集團業務拆分為四個主要分類，分別為個人銀行、企業銀行、財資業務及投資。

個人銀行和企業銀行業務線均會提供全面的銀行服務，個人銀行業務線是服務個人客戶，而企業銀行業務線是服務非個人客戶。至於財資業務線，除了自營買賣外，還負責管理本集團的資本、流動資金、利率和外匯敞口。財資業務部門管理本集團的融資活動和資本，為其他業務線提供資金，並接收從個人銀行和企業銀行業務線的吸收存款活動中所取得的資金。這些業務線之間的資金交易主要按集團內部資金轉移價格機制釐定。在本附註呈列的財資業務損益資料，已包括上述業務線之間的收支交易，但其資產負債資料並未反映業務線之間的借貸（換言之，不可以把財資業務的損益資料與其資產負債資料比較）。

投資包括本集團的房地產和支援單位所使用的設備。對於佔用本集團的物業，其他業務線需要按照每平方米呎的市場價格向投資業務線支付費用。

「其他」為集團其他營運及主要包括有關本集團整體但與其餘四個業務線無關的項目。

一個業務線的收入及支出，主要包括直接歸屬於該業務線的項目。至於管理費用，會根據合理基準攤分。

41. SEGMENTAL REPORTING

(a) By operating segment

The Group divides its business into four major segments, Personal Banking, Corporate Banking, Treasury and Investment.

Both Personal Banking and Corporate Banking provide general banking services. Personal Banking serves individual customers while Corporate Banking deals with non-individual customers. The Treasury segment is responsible for managing the capital, liquidity, and the interest rate and foreign exchange positions of the Group in addition to proprietary trades. It provides funds to other business segments and receives funds from deposit taking activities of Personal Banking and Corporate Banking. These inter-segment funding is charged according to the internal funds transfer pricing mechanism of the Group. The assets and liabilities of Treasury have not been adjusted to reflect the effect of inter-segment borrowing and lending (i.e. the profit and loss information in relation to Treasury is not comparable to the assets and liabilities information about Treasury).

Investment includes bank premises and equipment used by supporting units. Charges are paid to this segment from other business segments based on market rates per square foot for their occupation of the Group's premises.

"Others" refers to other group operations and mainly comprises of items related to the Group as a whole and totally independent of the other four business segments.

Revenues and expenses of any business segment mainly include items directly attributable to the segment. For management overheads, allocations are made on reasonable bases.

財務報表附註

Notes to the Financial Statements

41. 分類報告 (續)

(a) 按營運分類 (續)

41. SEGMENTAL REPORTING (Cont'd)

(a) By operating segment (Cont'd)

		個人銀行 Personal Banking 港幣千元 HK\$'000	企業銀行 Corporate Banking 港幣千元 HK\$'000	財資業務 Treasury 港幣千元 HK\$'000	投資 Investment 港幣千元 HK\$'000	其他 Others 港幣千元 HK\$'000	小計 Subtotal 港幣千元 HK\$'000	合併抵銷 Eliminations 港幣千元 HK\$'000	綜合 Consolidated 港幣千元 HK\$'000
截至2023年12月31日	Year ended 31 December 2023								
淨利息收入/(支出)	Net interest income/(expense)								
— 外來	— External	(3,486,677)	7,302,590	4,185,614	-	-	8,001,527	-	8,001,527
— 跨業務	— Inter-segment	4,816,156	(3,975,912)	(840,244)	-	-	-	-	-
		1,329,479	3,326,678	3,345,370	-	-	8,001,527	-	8,001,527
淨服務費及佣金收入/(支出)	Net fee and commission income/(expense)	643,639	771,452	(56,165)	58	(5,382)	1,353,602	-	1,353,602
淨交易性收益/(虧損)	Net trading gain/(loss)	42,006	413,681	(7,012)	(12,066)	(356)	436,253	-	436,253
以公允價值變化計入損益之 金融工具淨收益	Net gain on financial instruments at fair value through profit or loss	-	-	380,837	6	-	380,843	-	380,843
其他金融資產之 淨(虧損)/收益	Net (loss)/gain on other financial assets	-	(1,668)	326,528	-	-	324,860	-	324,860
其他經營收入/(支出)	Other operating income/(expense)	439,928	115,723	(553,263)	139,766	64	142,218	(125,701)	16,517
提取減值準備前之淨經營收入	Net operating income before impairment allowances	2,455,052	4,625,866	3,436,295	127,764	(5,674)	10,639,303	(125,701)	10,513,602
減值準備淨(撥備)/回撥	Net (charge)/reversal of impairment allowances	(366,037)	(2,793,334)	21,747	-	(4,327)	(3,141,951)	-	(3,141,951)
淨經營收入/(支出)	Net operating income/(expense)	2,089,015	1,832,532	3,458,042	127,764	(10,001)	7,497,352	(125,701)	7,371,651
經營支出	Operating expenses	(1,120,307)	(1,531,522)	(486,509)	(319,746)	(328,308)	(3,786,392)	125,701	(3,660,691)
經營溢利/(虧損)	Operating profit/(loss)	968,708	301,010	2,971,533	(191,982)	(338,309)	3,710,960	-	3,710,960
投資物業公允價值調整之淨虧損	Net loss from fair value adjustments on investment properties	-	-	-	(9,040)	-	(9,040)	-	(9,040)
出售/重估物業、器材及設備 之淨虧損	Net loss from disposal/revaluation of properties, plant and equipment	-	-	-	(8,727)	-	(8,727)	-	(8,727)
除稅前溢利/(虧損)	Profit/(loss) before taxation	968,708	301,010	2,971,533	(209,749)	(338,309)	3,693,193	-	3,693,193
於2023年12月31日	At 31 December 2023								
資產	ASSETS								
分部資產	Segment assets	53,879,011	243,687,803	245,180,144	11,727,765	673,874	555,148,597	-	555,148,597
負債	LIABILITIES								
分部負債	Segment liabilities	197,721,593	208,404,770	77,642,989	1,540	3,386,548	487,157,440	-	487,157,440
截至2023年12月31日	Year ended 31 December 2023								
其他資料	Other information								
資本性支出	Capital expenditure	-	-	-	569,903	-	569,903	-	569,903
折舊及攤銷	Depreciation and amortisation	73,382	125,576	49,375	320,051	25,563	593,947	-	593,947
證券攤銷	Amortisation of securities	-	-	1,777,966	-	-	1,777,966	-	1,777,966

財務報表附註

Notes to the Financial Statements

41. 分類報告 (續)

(a) 按營運分類 (續)

		個人銀行	企業銀行						
		Personal	Corporate	財資業務	投資	其他	小計	合併抵銷	綜合
		Banking	Banking	Treasury	Investment	Others	Subtotal	Eliminations	Consolidated
		港幣千元	港幣千元	港幣千元	港幣千元	港幣千元	港幣千元	港幣千元	港幣千元
		HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
截至2022年12月31日	Year ended 31 December 2022								
淨利息收入/(支出)	Net interest income/(expense)								
—外來	— External	274,357	4,449,322	2,448,345	—	—	7,172,024	—	7,172,024
—跨業務	— Inter-segment	1,070,091	(837,899)	(232,192)	—	—	—	—	—
		1,344,448	3,611,423	2,216,153	—	—	7,172,024	—	7,172,024
淨服務費及佣金收入/(支出)	Net fee and commission income/(expense)	383,126	880,965	(62,801)	102,941	(3,910)	1,300,321	—	1,300,321
淨交易性收益/(虧損)	Net trading gain/(loss)	38,082	606,195	(385,055)	11,074	(157)	270,139	—	270,139
以公允價值變化計入損益之	Net gain on financial instruments at fair								
金融工具淨收益	value through profit or loss	—	—	607,645	—	—	607,645	—	607,645
其他金融資產之	Net (loss)/gain on other financial assets								
淨(虧損)/收益		—	(1,670)	262,424	—	—	260,754	—	260,754
其他經營(支出)/收入	Other operating (expense)/income	(7,838)	(81,505)	94,262	151,267	(12)	156,174	(117,069)	39,105
提取減值準備前之淨經營收入	Net operating income before								
	impairment allowances	1,757,818	5,015,408	2,732,628	265,282	(4,079)	9,767,057	(117,069)	9,649,988
減值準備淨撥備	Net charge of impairment allowances	(37,885)	(1,418,755)	(225,897)	—	(2,020)	(1,684,557)	—	(1,684,557)
淨經營收入	Net operating income	1,719,933	3,596,653	2,506,731	265,282	(6,099)	8,082,500	(117,069)	7,965,431
經營支出	Operating expenses	(1,055,071)	(1,466,308)	(524,094)	(301,946)	(259,267)	(3,606,686)	117,069	(3,489,617)
經營溢利/(虧損)	Operating profit/(loss)	664,862	2,130,345	1,982,637	(36,664)	(265,366)	4,475,814	—	4,475,814
投資物業公允價值調整之淨虧損	Net loss from fair value adjustments on								
	investment properties	—	—	—	(6,920)	—	(6,920)	—	(6,920)
出售/重估物業、器材及設備	Net loss from disposal/revaluation of								
之淨虧損	properties, plant and equipment	—	—	—	(24,411)	—	(24,411)	—	(24,411)
除稅前溢利/(虧損)	Profit/(loss) before taxation	664,862	2,130,345	1,982,637	(67,995)	(265,366)	4,444,483	—	4,444,483
於2022年12月31日	At 31 December 2022								
資產	ASSETS								
分部資產	Segment assets	58,298,162	234,721,197	236,438,902	11,708,335	510,442	541,677,038	—	541,677,038
負債	LIABILITIES								
分部負債	Segment liabilities	162,380,932	220,006,335	94,056,838	2,508	3,058,786	479,505,399	—	479,505,399
截至2022年12月31日	Year ended 31 December 2022								
其他資料	Other information								
資本性支出	Capital expenditure	—	—	—	1,837,744	—	1,837,744	—	1,837,744
折舊及攤銷	Depreciation and amortisation	77,848	122,266	52,082	301,864	14,653	568,713	—	568,713
證券攤銷	Amortisation of securities	—	—	270,520	—	—	270,520	—	270,520

財務報表附註

Notes to the Financial Statements

41. 分類報告 (續)

(b) 按地理區域劃分

以下資料是根據附屬公司的主要營業地點分類，如屬本銀行之資料，則依據負責申報業績或將資產記賬之分行所在地分類：

		2023		2022	
		提取減值準備前 之淨經營收入 Net operating income before impairment allowances 港幣千元 HK\$'000	除稅前 溢利 Profit before taxation 港幣千元 HK\$'000	提取減值準備前 之淨經營收入 Net operating income before impairment allowances 港幣千元 HK\$'000	除稅前 溢利 Profit before taxation 港幣千元 HK\$'000
香港	Hong Kong	7,887,619	3,379,209	6,470,552	3,422,341
中國內地	Mainland of China	2,625,983	313,984	3,179,436	1,022,142
合計	Total	10,513,602	3,693,193	9,649,988	4,444,483

		2023			或然負債和承擔 Contingent liabilities and commitments 港幣千元 HK\$'000
		總資產 Total assets 港幣千元 HK\$'000	總負債 Total liabilities 港幣千元 HK\$'000	非流動資產 Non-current assets 港幣千元 HK\$'000	
香港	Hong Kong	392,864,482	343,319,372	8,611,082	79,978,825
中國內地	Mainland of China	162,284,115	143,838,068	1,764,969	124,490,054
合計	Total	555,148,597	487,157,440	10,376,051	204,468,879

		2022			或然負債和承擔 Contingent liabilities and commitments 港幣千元 HK\$'000
		總資產 Total assets 港幣千元 HK\$'000	總負債 Total liabilities 港幣千元 HK\$'000	非流動資產 Non-current assets 港幣千元 HK\$'000	
香港	Hong Kong	383,107,589	338,839,045	8,388,318	76,839,982
中國內地	Mainland of China	158,569,449	140,666,354	1,884,618	115,568,570
合計	Total	541,677,038	479,505,399	10,272,936	192,408,552

財務報表附註

Notes to the Financial Statements

42. 已抵押資產

於2023年12月31日，本集團之負債港幣3,658,262,000元（2022年：港幣7,096,398,000元）是以存放於中央保管系統以便利結算之資產作抵押。此外，本集團通過售後回購協議的債務證券及票據抵押之負債為港幣22,216,954,000元（2022年：港幣34,244,105,000元）。本集團為擔保此等負債而質押之資產金額為港幣27,657,705,000元（2022年：港幣43,200,890,000元），並主要於「交易性資產」及「金融投資」內列賬。

43. 金融工具之抵銷

下表列示本集團已抵銷、受執行性淨額結算總協議和類似協議約束的金融工具詳情。

42. ASSETS PLEDGED AS SECURITY

As at 31 December 2023, the liabilities of the Group amounting to HK\$3,658,262,000 (2022: HK\$7,096,398,000) were secured by assets deposited with central depositories to facilitate settlement operations. In addition, the liabilities of the Group amounting to HK\$22,216,954,000 (2022: HK\$34,244,105,000) were secured by debt securities and bills related to sale and repurchase arrangements. The amount of assets pledged by the Group to secure these liabilities was HK\$27,657,705,000 (2022: HK\$43,200,890,000) mainly included in "Trading assets" and "Financial investments".

43. OFFSETTING FINANCIAL INSTRUMENTS

The following tables present details of the Group's financial instruments subject to offsetting, enforceable master netting arrangements and similar agreements.

		2023					
		於資產 負債表中抵銷 之已確認金融 負債總額	於資產負債表 中列示的 金融資產淨額	未有於資產負債表中抵銷之 相關金額			
		已確認金融 資產總額	Net amounts of financial assets	Related amounts not set off in the balance sheet	已收取之 現金押品	淨額	
		Gross amounts of recognised financial assets	presented in the balance sheet	Financial instruments	Cash collateral received	Net amount	
		港幣千元	港幣千元	港幣千元	港幣千元	港幣千元	
		HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	
資產	Assets						
衍生金融工具	Derivative financial instruments	510,709	-	510,709	(296,242)	(205,188)	9,279
其他資產	Other assets	2,176,237	(915,793)	1,260,444	-	-	1,260,444
		2,686,946	(915,793)	1,771,153	(296,242)	(205,188)	1,269,723

財務報表附註

Notes to the Financial Statements

43. 金融工具之抵銷 (續)

43. OFFSETTING FINANCIAL INSTRUMENTS

(Cont'd)

2023

		於資產		於資產負債表		未有於資產負債表中抵銷之		淨額
		負債表中抵銷之已確認金融資產總額	負債表中抵銷之已確認金融負債總額	中列示的金融負債淨額	中列示的金融資產淨額	相關金額	相關金額	
		Gross amounts of recognised financial assets set off in the balance sheet	Gross amounts of recognised financial liabilities set off in the balance sheet	Net amounts of financial liabilities presented in the balance sheet	Net amounts of financial assets presented in the balance sheet	Financial instruments	已抵押之現金押品	Net amount
		港幣千元	港幣千元	港幣千元	港幣千元	港幣千元	港幣千元	港幣千元
		HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
負債	Liabilities							
衍生金融工具	Derivative financial instruments	932,594	-	932,594		(296,242)	(499,650)	136,702
其他負債	Other liabilities	934,545	(915,793)	18,752		-	-	18,752
		1,867,139	(915,793)	951,346		(296,242)	(499,650)	155,454

2022

		於資產		於資產負債表		未有於資產負債表中抵銷之		淨額
		負債表中抵銷之已確認金融負債總額	負債表中抵銷之已確認金融資產總額	中列示的金融資產淨額	中列示的金融負債淨額	相關金額	相關金額	
		Gross amounts of recognised financial liabilities set off in the balance sheet	Gross amounts of recognised financial assets set off in the balance sheet	Net amounts of financial assets presented in the balance sheet	Net amounts of financial liabilities presented in the balance sheet	Financial instruments	已收取之現金押品	Net amount
		港幣千元	港幣千元	港幣千元	港幣千元	港幣千元	港幣千元	港幣千元
		HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
資產	Assets							
衍生金融工具	Derivative financial instruments	1,310,759	-	1,310,759		(375,203)	(734,002)	201,554
其他資產	Other assets	1,398,816	(865,203)	533,613		-	-	533,613
		2,709,575	(865,203)	1,844,372		(375,203)	(734,002)	735,167

財務報表附註 Notes to the Financial Statements

43. 金融工具之抵銷 (續)

43. OFFSETTING FINANCIAL INSTRUMENTS (Cont'd)

		2022					
		於資產 負債表中抵銷 之已確認金融 資產總額		於資產負債表 中列示的 金融負債淨額	未有於資產負債表中抵銷之 相關金額		
		Gross amounts of recognised financial liabilities	Gross amounts of recognised assets set off in the balance sheet	Net amounts of financial liabilities presented in the balance sheet	Related amounts not set off in the balance sheet		
		港幣千元 HK\$'000	港幣千元 HK\$'000	港幣千元 HK\$'000	金融工具 Financial instruments	已抵押之 現金押品 Cash collateral pledged	淨額 Net amount
		港幣千元 HK\$'000	港幣千元 HK\$'000	港幣千元 HK\$'000	港幣千元 HK\$'000	港幣千元 HK\$'000	港幣千元 HK\$'000
負債	Liabilities						
衍生金融工具	Derivative financial instruments	452,854	-	452,854	(375,203)	(37,663)	39,988
其他負債	Other liabilities	929,054	(865,203)	63,851	-	-	63,851
		1,381,908	(865,203)	516,705	(375,203)	(37,663)	103,839

按本集團簽訂有關場外衍生工具和售後回購交易的淨額結算總協議，倘若發生違約或其他事先議定的事件，則同一交易對手之相關金額可採用淨額結算。

For master netting agreements of OTC derivative and sale and repurchase transactions entered into by the Group, related amounts with the same counterparty can be offset if an event of default or other predetermined events occur.

44. 金融資產轉移

本集團將金融資產轉移予第三方，既沒有轉移也沒有保留與所轉讓金融資產所有權有關的幾乎所有風險和報酬，且未放棄對該金融資產控制，本集團按照繼續涉入程度確認該項資產。截至2023年12月31日止年度，本集團對部分已轉讓金融資產保留了一定程度的繼續涉入，已轉讓的金融資產於轉讓日的賬面價值為港幣262,209,000元（2022年：無）。於2023年12月31日，本集團繼續確認的資產價值為港幣69,954,000元，並已劃分為貸款及其他賬項。同時本集團由於該事項確認了相同金額的繼續涉入其他資產和繼續涉入其他賬項及準備。

44. TRANSFERS OF FINANCIAL ASSETS

The Group has neither transferred nor retained substantially all the risks and rewards of the financial assets transferred to third parties, and retained control of the financial assets, the transferred financial assets are recognized to the extent of the Group's continuing involvement. For the year ended 31 December 2023, the carrying amount at the time of transfer of the original financial assets, in which the Group determined that it has continuing involvement, was HK\$262,209,000 (2022: Nil). As at 31 December 2023, the Group continued to recognize assets of HK\$69,954,000 under advances and other accounts. The Group also recognized other assets and other accounts and provisions of the same amount arising from such continuing involvement.

財務報表附註

Notes to the Financial Statements

45. 董事貸款

根據香港《公司條例》第383條及《公司(披露董事利益資料)規例》第三部的規定，向本銀行董事提供之貸款詳情如下：

		2023 港幣千元 HK\$'000	2022 港幣千元 HK\$'000
於年末尚未償還之有關交易總額	Aggregate amount of relevant transactions outstanding at year end	41,041	40,721
於年內未償還有關交易之最高總額	Maximum aggregate amount of relevant transactions outstanding during the year	42,721	42,101

46. 主要之有關連人士交易

母公司的基本資料：

本集團直接控股公司為信達金融控股有限公司(「信達金控」)，最終控股公司為中國信達資產管理股份有限公司(「中國信達」)，而中國信達是由中華人民共和國財政部(「財政部」)在中華人民共和國(「中國」)成立的國有金融企業，其股份亦在香港聯合交易所有限公司(「香港聯交所」)上市交易。

(a) 與母公司及母公司控制之其他公司進行的交易

本集團之直接控股公司是信達金控，而信達金控是受中國信達(香港)控股有限公司(「信達香港」)控制。中國信達是信達香港之控股公司，其主要股東及實際控制人為財政部，財政部是中華人民共和國國務院的組成部門，主要負責國家財政收支和稅收政策等。

中國信達於某些內地實體均擁有控制權益。

45. LOANS TO DIRECTORS

Particulars of loans made to directors of the Bank pursuant to section 383 of the Hong Kong Companies Ordinance and Part 3 of the Companies (Disclosure of Information about Benefits of Directors) Regulation are as follows:

		2023 港幣千元 HK\$'000	2022 港幣千元 HK\$'000
於年末尚未償還之有關交易總額	Aggregate amount of relevant transactions outstanding at year end	41,041	40,721
於年內未償還有關交易之最高總額	Maximum aggregate amount of relevant transactions outstanding during the year	42,721	42,101

46. SIGNIFICANT RELATED PARTY TRANSACTIONS

General information of the parent companies:

The Group's immediate holding company is Cinda Financial Holdings Co., Limited ("Cinda Financial Holdings"), the Group's ultimate holding company is China Cinda Asset Management Co., Ltd. ("China Cinda") which is a state-owned financial enterprise established in the People's Republic of China (the "PRC") by the Ministry of Finance (the "MOF") and its shares are listed on the Main Board of The Stock Exchange of Hong Kong Limited ("Hong Kong Stock Exchange").

(a) Transactions with the parent companies and the other companies controlled by the parent companies

The Group's immediate holding company is Cinda Financial Holdings which is in turn controlled by China Cinda (HK) Holdings Company Limited ("Cinda Hong Kong"). China Cinda is the controlling entity of Cinda Hong Kong and its major shareholder and de facto controller is MOF, which is one of the ministries under the State Council of the PRC Government, primarily responsible for state fiscal revenue and expenditures, and taxation policies.

China Cinda has controlling equity interests in certain other entities in the PRC.

財務報表附註

Notes to the Financial Statements

46. 主要之有關連人士交易 (續)

(a) 與母公司及母公司控制之其他公司進行的交易 (續)

大部分與中國信達進行的交易源自客戶存款及出售客戶貸款及墊款。於2023年12月31日，本集團客戶存款總額為港幣22,455,924,000元（2022年：港幣16,000,255,000元）。本集團於2023年12月31日沒有與中國信達出售客戶貸款及墊款（2022年：港幣1,400,481,000元）。截至2023年12月31日止年度，與中國信達做客戶存款業務過程中產生的支出為港幣301,848,000元（2022年：港幣38,860,000元）。2023年與中國信達沒有出售客戶貸款及墊款引致的減值準備回撥（2022年：港幣580,460,000元）。

大部分與信達香港進行的交易源自客戶存款。於2023年12月31日，本集團相關款項總額為港幣1,364,303,000元（2022年：港幣1,545,133,000元）。截至2023年12月31日止年度，與信達香港做此類業務過程中產生的支出總額為港幣15,337,000元（2022年：港幣3,198,000元）。

大部分與母公司控制之其他公司的交易源自衍生金融工具。於2023年12月31日，本集團相關款項總額為衍生金融資產：港幣68,000元（2022年：港幣16,625,000元）及衍生金融負債：港幣43,398,000元（2022年：港幣44,292,000元）。截至2023年12月31日止年度，與母公司控制之其他公司做此類業務過程中產生的淨交易性收益或虧損總額分別為衍生金融資產：支出港幣19,000元（2022年：收入港幣941,000元）及衍生金融負債：收入港幣1,607,000元（2022年：收入港幣2,256,000元）。

大部分與母公司控制之其他公司的交易源客戶貸款及客戶存款。於2023年12月31日，本集團相關款項總額分別為港幣856,172,000元（2022年：港幣224,536,000元）及港幣5,097,690,000元（2022年：港幣2,373,219,000元）。截至2023年12月31日止年度，與母公司控制之其他公司做此類業務過程中產生的收入及支出總額分別為港幣12,753,000元（2022年：港幣9,614,000元）及港幣73,533,000元（2022年：港幣63,835,000元）。

46. SIGNIFICANT RELATED PARTY TRANSACTIONS (Cont'd)

(a) Transactions with the parent companies and the other companies controlled by the parent companies (Cont'd)

The majority of transactions with China Cinda arises from deposits from customers and disposal of loans and advances. As at 31 December 2023, the related aggregate amount of the Group from deposits from customers was HK\$22,455,924,000 (2022: HK\$16,000,255,000) and there was no disposal of loans and advances (2022: HK\$1,400,481,000). The aggregate amount of expenses of the Group arising from deposits from customers with China Cinda for the year ended 31 December 2023 was HK\$301,848,000 (2022: HK\$38,860,000) and no net reversal of impairment allowance arising from disposal with China Cinda (2022: HK\$580,460,000).

The majority of transactions with Cinda Hong Kong arises from deposits from customers. As at 31 December 2023, the related aggregate amount of the Group was HK\$1,364,303,000 (2022: HK\$1,545,133,000). The aggregate amount of expenses of the Group arising from these transactions with Cinda Hong Kong for the year ended 31 December 2023 was HK\$15,337,000 (2022: HK\$3,198,000).

The majority of transactions with other companies controlled by the parent companies arises from derivative financial instruments. As at 31 December 2023, the related aggregate amount of the Group was HK\$68,000 (2022: HK\$16,625,000) for the asset side and HK\$43,398,000 (2022: HK\$44,292,000) for the liability side respectively. The aggregate amount of net trading gain/loss of the Group arising from these transactions with other companies controlled by the parent companies for the year ended 31 December 2023 was expenses HK\$19,000 (2022: income HK\$941,000) for derivative financial assets and income HK\$1,607,000 (2022: income HK\$2,256,000) for derivative financial liabilities.

The majority of transactions with other companies controlled by the parent companies arises from advances to customers and deposits from customers. As at 31 December 2023, the related aggregate amount of the Group was HK\$856,172,000 (2022: HK\$224,536,000) and HK\$5,097,690,000 (2022: HK\$2,373,219,000) respectively. The aggregate amount of income and expenses of the Group arising from these transactions with other companies controlled by the parent companies for the period ended 31 December 2023 were HK\$12,753,000 (2022: HK\$9,614,000) and HK\$73,533,000 (2022: HK\$63,835,000) respectively.

財務報表附註

Notes to the Financial Statements

46. 主要之有關連人士交易 (續)

(a) 與母公司及母公司控制之其他公司進行的交易 (續)

大部分與母公司控制之其他公司的交易源自物業、器材及設備、其他資產及其他賬項及準備。於2023年12月31日，本集團相關款項總額為港幣365,447,000元(2022年：港幣312,016,000元)及港幣364,055,000元(2022年：港幣597,672,000元)，其中港幣308,763,000元(2022年12月31日：港幣303,618,000元)為使用權資產及港幣335,711,000元(2022年：港幣326,829,000元)為與母公司控制之其他公司簽訂租賃協議而產生的租賃負債。截至2023年12月31日止年度，與母公司控制之其他公司做此類業務過程中產生的淨支出總額為港幣59,181,000元(2022年：港幣61,693,000元)。

除上述披露外，與其他公司及母公司控制之其他公司進行的交易並不重大。

本集團在正常業務中與此等實體進行銀行業務交易，包括貸款、證券投資及貨幣市場交易。

46. SIGNIFICANT RELATED PARTY TRANSACTIONS (Cont'd)

(a) Transactions with the parent companies and the other companies controlled by the parent companies (Cont'd)

The majority of transactions with other companies controlled by the parent companies arises from property, plant and equipment, other assets and other accounts and provisions. As at 31 December 2023, the related aggregate amount of the Group was HK\$365,447,000 (2022: HK\$312,016,000) and HK\$364,055,000 (2022: HK\$597,672,000), of which HK\$308,763,000 (2022: HK\$303,618,000) represent right-of-use assets and HK\$335,711,000 (2022: HK\$326,829,000) represent lease liabilities arising from lease agreements entered into with other companies controlled by the parent companies. The aggregate amount of net expenses of the Group arising from these transactions with other companies controlled by the parent companies for the year ended 31 December 2023 was HK\$59,181,000 (2022: HK\$61,693,000).

Save as disclosed above, transactions with other parent companies and the other companies controlled by the parent companies are not considered material.

The Group enters into banking transactions with these entities in the normal course of business which include loans, investment securities and money market transactions.

財務報表附註

Notes to the Financial Statements

46. 主要之有關連人士交易 (續)

(b) 與政府機構、代理機構、附屬機構及其他國有控制實體的交易

中華人民共和國財政部對本集團實施控制，亦通過政府機構、代理機構、附屬機構及其他國有控制實體直接或間接控制大量其他實體。本集團按一般商業條款與政府機構、代理機構、附屬機構及其他國有控制實體進行常規銀行業務交易。

這些交易包括但不局限於下列各項：

- 借貸、提供授信及擔保和接受存款；
- 銀行同業之存放及結餘；
- 出售、購買、包銷及贖回由其他國有控制實體所發行之債券；
- 提供外匯、匯款及相關投資服務；
- 提供信託業務；及
- 購買公共事業、交通工具、電信及郵政服務。

46. SIGNIFICANT RELATED PARTY TRANSACTIONS (Cont'd)

(b) Transactions with government authorities, agencies, affiliates and other state controlled entities

The Group is subject to the control of the MOF of the PRC Government, which also directly or indirectly controls a significant number of entities through its government authorities, agencies, affiliates and other state controlled entities. The Group enters into banking transactions with government authorities, agencies, affiliates and other state controlled entities in the normal course of business at commercial terms.

These transactions include, but are not limited to, the following:

- lending, provision of credits and guarantees, and deposit taking;
- inter-bank balance taking and placing;
- sales, purchases, underwriting and redemption of bonds issued by other state controlled entities;
- rendering of foreign exchange, remittance and investment related services;
- provision of fiduciary activities; and
- purchase of utilities, transport, telecommunications and postage services.

財務報表附註

Notes to the Financial Statements

46. 主要之有關連人士交易 (續)

(c) 主要高層人員

主要高層人員是指某些能直接或間接擁有權力及責任來計劃、指導及掌管集團業務之人士，包括董事及其他高層管理人員。本集團在正常業務中會接受主要高層人員存款及向其提供貸款及信貸融資。於本年及去年，本集團並沒有與本銀行及其控股公司之主要高層人員或其有關連人士進行重大交易。

主要高層人員截至12月31日止年度之薪酬如下：

46. SIGNIFICANT RELATED PARTY TRANSACTIONS (Cont'd)

(c) Key management personnel

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the Group, directly or indirectly, including Directors and other Senior Management. The Group accepts deposits from and grants loans and credit facilities to key management personnel in the ordinary course of business. During both the current and prior years, no material transaction was conducted with key management personnel of the Bank and its holding companies, as well as parties related to them.

The compensation of key management personnel for the year ended 31 December is detailed as follows:

		2023 港幣千元 HK\$'000	2022 港幣千元 HK\$'000
薪酬及其他短期員工福利	Salaries and other short-term employee benefits	37,706	47,416
退休福利	Post-employment benefits	2,439	3,198
		40,145	50,614

(d) 與附屬公司的結餘

於2023年12月31日，本銀行在日常業務過程中按一般商業條款進行交易產生的應收及應付附屬公司款項總額分別為港幣1,748,907,000元（2022年：港幣1,237,214,000元）及港幣1,818,894,000元（2022年：港幣1,493,483,000元）。

(d) Balances with subsidiaries

As at 31 December 2023, the aggregate sums of amounts due from subsidiaries and amounts due to subsidiaries of the Bank arising from transactions entered into during the normal course of business at commercial terms are HK\$1,748,907,000 (2022: HK\$1,237,214,000) and HK\$1,818,894,000 (2022: HK\$1,493,483,000) respectively.

財務報表附註 Notes to the Financial Statements

47. 國際債權

以下分析乃參照有關國際銀行業統計之金管局報表的填報指示而編製。國際債權按照交易對手所在地計入風險轉移後以交易對手之最終風險承擔的地區分佈，其總和包括所有貨幣之跨國債權及本地之外幣債權。若債權之擔保人所在地與交易對手所在地不同，則風險將轉移至擔保人之所在地。若債權屬銀行之海外分行，其風險將會轉移至該銀行之總行所在地。

本集團的個別國家或區域其已計及風險轉移後佔國際債權總額10%或以上之債權如下：

47. INTERNATIONAL CLAIMS

The below analysis is prepared with reference to the completion instructions for the HKMA return of international banking statistics. International claims are exposures to counterparties on which the ultimate risk lies based on the locations of the counterparties after taking into account the transfer of risk, and represent the sum of cross-border claims in all currencies and local claims in foreign currencies. For a claim guaranteed by a party situated in a country different from the counterparty, the risk will be transferred to the country of the guarantor. For a claim on an overseas branch of a bank whose head office is located in another country, the risk will be transferred to the country where its head office is located.

Claims on individual countries or areas, after risk transfer, amounting to 10% or more of the aggregate international claims of the Group are shown as follows:

		2023				
		非銀行私人機構				
		Non-bank private sector				
		非銀行		非金融		總計
		金融機構	非金融	私人機構	私人機構	
		銀行	官方機構	Non-bank	Non-financial	Total
		Banks	Official	financial	private sector	
		港幣千元	sector	institutions	private sector	港幣千元
		HK\$'000	sector	institutions	private sector	港幣千元
		HK\$'000	sector	institutions	private sector	港幣千元
		HK\$'000	sector	institutions	private sector	港幣千元
		HK\$'000	sector	institutions	private sector	港幣千元
中國內地	Mainland of China	29,761,212	726,951	7,902,518	14,449,259	52,839,940
香港	Hong Kong	6,497,137	15,887	23,667,474	32,190,815	62,371,313
<hr/>						
		2022				
		非銀行私人機構				
		Non-bank private sector				
		非銀行		非金融		總計
		金融機構	非金融	私人機構	私人機構	
		銀行	官方機構	Non-bank	Non-financial	Total
		Banks	Official	financial	private sector	
		港幣千元	sector	institutions	private sector	港幣千元
		HK\$'000	sector	institutions	private sector	港幣千元
		HK\$'000	sector	institutions	private sector	港幣千元
		HK\$'000	sector	institutions	private sector	港幣千元

財務報表附註

Notes to the Financial Statements

48. 資產負債表及權益變動表

(a) 資產負債表

48. BALANCE SHEET AND STATEMENT OF CHANGES IN EQUITY

(a) Balance sheet

於12月31日
As at 31 December
2023 2022
港幣千元 港幣千元
HK\$'000 HK\$'000

資產	ASSETS		
庫存現金及存放銀行及其他金融機構的結餘	Cash and balances with banks and other financial institutions	28,501,740	41,714,170
在銀行及其他金融機構一至十二個月內到期之定期存放	Placements with banks and other financial institutions maturing between one and twelve months	1,799,670	–
公允值變化計入損益之金融資產	Financial assets at fair value through profit or loss	8,945,239	7,966,809
衍生金融工具	Derivative financial instruments	736,491	1,260,176
貸款及其他賬項	Advances and other accounts	209,698,708	210,736,352
金融投資	Financial investments	132,515,309	111,744,550
附屬公司權益	Interests in subsidiaries	11,713,686	11,713,686
投資物業	Investment properties	407,600	559,140
物業、器材及設備	Properties, plant and equipment	7,567,495	7,472,730
無形資產	Intangible assets	584,161	351,927
其他資產	Other assets	3,272,846	1,957,806
資產總額	Total assets	405,742,945	395,477,346
負債	LIABILITIES		
銀行及其他金融機構之存款及結餘	Deposits and balances from banks and other financial institutions	23,114,584	33,792,149
公允值變化計入損益之金融負債	Financial liabilities at fair value through profit or loss	5,784,773	7,119,358
衍生金融工具	Derivative financial instruments	998,577	548,351
客戶存款	Deposits from customers	305,861,174	289,512,087
其他賬項及準備	Other accounts and provisions	2,768,530	3,168,578
應付稅項負債	Current tax liabilities	537,190	346,177
遞延稅項負債	Deferred tax liabilities	526,978	356,077
後償負債	Subordinated liabilities	5,468,028	5,455,215
負債總額	Total liabilities	345,059,834	340,297,992

財務報表附註 Notes to the Financial Statements

48. 資產負債表及權益變動表 (續)

(a) 資產負債表 (續)

48. BALANCE SHEET AND STATEMENT OF CHANGES IN EQUITY (Cont'd)

(a) Balance sheet (Cont'd)

		於 12 月 31 日	
		As at 31 December	
		2023	2022
		港幣千元	港幣千元
		HK\$'000	HK\$'000
資本	EQUITY		
股本	Share capital	3,144,517	3,144,517
儲備	Reserves	50,116,568	46,956,981
本銀行股東應佔資本總額	Total equity attributable to equity holder of the Bank	53,261,085	50,101,498
額外資本工具	Additional equity instruments	7,422,026	5,077,856
資本總額	Total equity	60,683,111	55,179,354
負債及資本總額	Total liabilities and equity	405,742,945	395,477,346

經董事會於2024年3月21日通過核准並由以下人士代表簽署：

Approved by the Board of Directors on 21 March 2024 and signed on behalf of the Board by:

孫建東
董事

Sun Jiandong
Director

鄭建崗
董事

Cheng Kin Kong
Director

財務報表附註

Notes to the Financial Statements

48. 資產負債表及權益變動表 (續)

(b) 權益變動表

48. BALANCE SHEET AND STATEMENT OF CHANGES IN EQUITY (Cont'd)

(b) Statement of changes in equity

		儲備							
		Reserves							
		公允值							
		變化計入其他							
		全面收益儲備							
		額外資本	房產	公允值	監管儲備*	換算儲備	留存盈利	總計	
		工具	重估儲備	變化計入其他	全面收益儲備	監管儲備*	換算儲備	留存盈利	總計
		Share	Premises	through other	Regulatory	Translation	Retained	Total	
		capital	revaluation	comprehensive	reserve*	reserve	earnings	Total	
		instruments	reserve	income	reserve*	reserve	earnings	Total	
		港幣千元	港幣千元	港幣千元	港幣千元	港幣千元	港幣千元	港幣千元	
		HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	
於2022年1月1日	At 1 January 2022	3,144,517	9,314,890	6,016,717	336,870	1,093,751	(12,144)	38,875,990	58,770,591
年度溢利	Profit for the year	-	-	-	-	-	-	2,894,969	2,894,969
其他全面收益：	Other comprehensive income:								
房產	Premises	-	-	(44,720)	-	-	-	-	(44,720)
界定利益福利計劃之精算盈餘	Actuarial gains on defined benefit plan	-	-	-	-	-	-	40,623	40,623
公允值變化計入其他全面收益之金融工具	Financial instruments at fair value through other comprehensive income	-	-	-	(1,741,928)	-	-	-	(1,741,928)
全面收益總額	Total comprehensive income	-	-	(44,720)	(1,741,928)	-	-	2,935,592	1,148,944
發行額外資本工具 ¹	Issue of additional equity instruments ¹	-	5,077,856	-	-	-	-	-	5,077,856
贖回額外資本工具	Redemption of the additional equity instruments	-	(9,314,890)	-	-	-	-	(101,932)	(9,416,822)
支付額外資本工具票息	Distribution payment for additional equity instruments	-	(401,215)	-	-	-	-	-	(401,215)
轉撥自/(至)留存盈利	Transfer from/(to) retained earnings	-	401,215	-	-	(353,952)	-	(47,263)	-
於2022年12月31日	At 31 December 2022	3,144,517	5,077,856	5,971,997	(1,405,058)	739,799	(12,144)	41,662,387	55,179,354

1. 於2022年內，本行發行港幣5,099,868,000元(美元650,000,000)永久非累計次級額外一級資本證券「額外資本工具」。直接發行成本港幣22,012,000元經已入賬，並從額外資本工具中扣除。

1. During the year of 2022, the Bank issued HK\$5,099,868,000 (US\$650,000,000) perpetual non-cumulative subordinated additional tier 1 capital securities ("additional equity instruments"). Direct issuance costs of HK\$22,012,000 are accounted for as a deduction from the additional equity instruments.

財務報表附註 Notes to the Financial Statements

48. 資產負債表及權益變動表 (續)

(b) 權益變動表 (續)

48. BALANCE SHEET AND STATEMENT OF CHANGES IN EQUITY (Cont'd)

(b) Statement of changes in equity (Cont'd)

		儲備 Reserves								
		公允值 變化計入其他 全面收益儲備 Reserve for fair value through other comprehensive income					監管儲備*	換算儲備	留存盈利	總計
		股本 Share capital	額外資本 工具 Additional equity instruments	房產 重估儲備 Premises reevaluation reserve	公允值 變化計入其他 全面收益儲備 Reserve for fair value through other comprehensive income	監管儲備*	換算儲備	留存盈利	總計	
		港幣千元 HK\$'000	港幣千元 HK\$'000	港幣千元 HK\$'000	港幣千元 HK\$'000	港幣千元 HK\$'000	港幣千元 HK\$'000	港幣千元 HK\$'000	港幣千元 HK\$'000	
於2023年1月1日	At 1 January 2023	3,144,517	5,077,856	5,971,997	(1,405,058)	739,799	(12,144)	41,662,387	55,179,354	
年度溢利	Profit for the year	-	-	-	-	-	-	2,791,875	2,791,875	
其他全面收益：	Other comprehensive income:									
房產	Premises	-	-	(48,201)	-	-	-	-	(48,201)	
界定利益福利計劃之精算盈餘	Actuarial gains on defined benefit plan	-	-	-	-	-	-	13,197	13,197	
公允值變化計入其他全面收益 之金融工具	Financial instruments at fair value through other comprehensive income	-	-	-	820,223	-	-	-	820,223	
全面收益總額	Total comprehensive income	-	-	(48,201)	820,223	-	-	2,805,072	3,577,094	
發行額外資本工具 ²	Issue of additional equity instruments ²	-	2,344,170	-	-	-	-	-	2,344,170	
支付額外資本工具票息	Distribution payment for additional equity instruments	-	(417,507)	-	-	-	-	-	(417,507)	
轉撥自/(至)留存盈利	Transfer from/(to) retained earnings	-	417,507	-	-	143,235	-	(560,742)	-	
於2023年12月31日	At 31 December 2023	3,144,517	7,422,026	5,923,796	(584,835)	883,034	(12,144)	43,906,717	60,683,111	

2. 年內，本行發行港幣2,354,955,000元(美元300,000,000)永久非累計次級額外一級資本證券「額外資本工具」。直接發行成本港幣10,785,000元經已入賬，並從額外資本工具中扣除。

* 除對貸款提取減值準備外，按金管局要求撥轉部分留存盈利至監管儲備作銀行一般風險之用(包括未來損失或其他不可預期風險)

2. During the year, the Bank issued HK\$2,354,955,000 (US\$300,000,000) perpetual non-cumulative subordinated additional tier 1 capital securities ("additional equity instruments"). Direct issuance costs of HK\$10,785,000 are accounted for as a deduction from the additional equity instruments.

* In accordance with the requirements of the HKMA, the amounts are set aside for general banking risks, including future losses or other unforeseeable risks, in addition to the loan impairment allowances recognised.

財務報表附註

Notes to the Financial Statements

49. 最終控股公司

本集團由中國信達間接控制，而中國信達是由中華人民共和國財政部（「財政部」）在中華人民共和國（「中國」）成立的國有金融企業，其股份亦在香港聯合交易所有限公司（「香港聯交所」）上市交易。

50. 比較數據

為配合本年呈列，部分比較金額已重列。

51. 財務報表核准

本財務報表於2024年3月21日經董事會通過及核准發佈。

49. ULTIMATE HOLDING COMPANY

The Group is indirectly controlled by China Cinda, which is a state-owned financial enterprise established in the People's Republic of China (the "PRC") by the Ministry of Finance (the "MOF") and its shares are listed on the Main Board of The Stock Exchange of Hong Kong Limited ("Hong Kong Stock Exchange").

50. COMPARATIVE FIGURES

Certain comparative amounts have been restated according to the current year presentation.

51. APPROVAL OF FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the Board of Directors on 21 March 2024.

獨立核數師報告

Independent Auditor's Report

致南洋商業銀行有限公司全體成員
(於香港註冊成立的有限公司)

意見

我們已審計列載於第58頁至第239頁的南洋商業銀行有限公司(「貴銀行」)及其附屬公司(「貴集團」)的綜合財務報表，此綜合財務報表包括於2022年12月31日的綜合資產負債表與截至該日止年度的綜合收益表、綜合全面收益表、綜合權益變動表和綜合現金流量表，以及綜合財務報表附註，包括主要會計政策概要。

我們認為，該等綜合財務報表已經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集團於2022年12月31日的綜合財務狀況以及截至該日止年度的綜合財務表現和綜合現金流量，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《香港審計準則》進行審計。我們在該等準則下承擔的責任已在本報告「核數師就審計綜合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》(「守則」)，我們獨立於集團，並已履行守則中的其他專業道德責任。我們相信，我們所獲得的審計憑證能充足及適當地為我們的審計意見提供基礎。

To the members of Nanyang Commercial Bank, Limited
(Incorporated in Hong Kong with limited liability)

OPINION

We have audited the consolidated financial statements of Nanyang Commercial Bank, Limited (the "Bank") and its subsidiaries (the "Group") set out on pages 58 to 239, which comprise the consolidated balance sheet as at 31 December 2022, and the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated cash flow statement for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2022, and of its consolidated financial performance and its consolidated 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 ("HKSAs") issued by the HKICPA. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the consolidated financial statements* section of our report. We are independent of the Group 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.

獨立核數師報告

Independent Auditor's Report

關鍵審計事項

關鍵審計事項是根據我們的專業判斷，認為對本期綜合財務報表的審計最為重要的事項。這些事項是在對綜合財務報表整體進行審計並形成意見的背景下來進行處理的，我們不對這些事項提供單獨的意見。我們對下述每一事項在審計中是如何應對的描述也以此為背景。

我們已經履行了本報告「核數師就審計綜合財務報表承擔的責任」部分闡述的責任，包括與這些事項相關的責任。相應地，我們的審計工作包括執行為應對評估的綜合財務報表重大錯誤陳述風險而設計的程序。我們執行審計程序的結果，包括應對下述事項所執行的程序，為隨附的綜合財務報表的審計意見提供了基礎。

關鍵審計事項：	該事項在審計中是如何應對的：
客戶貸款的減值評估	

請參閱財務報表附註2.14主要會計政策、附註3.1應用會計政策時之重大會計估計及判斷、附註4.1信貸風險及附註22貸款減值準備的披露。

我們瞭解了貴集團的信貸管理政策及實踐。我們評估了貴集團的減值方法，包括管理層對組合劃分、重大信貸風險惡化的標準及預期信用損失估算方法的判斷。

KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the *Auditor's responsibilities for the audit of the consolidated financial statements* section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the consolidated financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying consolidated financial statements.

Key audit matter	How our audit addressed the key audit matter
Impairment assessment of loans and advances to customers	

Refer to significant accounting policies in Note 2.14, critical accounting estimates and judgements in applying accounting policies in Note 3.1, and disclosures on credit risk and loan impairment allowances in Note 4.1 and Note 22 to the financial statements.

We obtained an understanding of the Group's credit management policies and practices. We evaluated the Group's impairment methodology, including the management judgment over portfolio segmentation, the criteria of significant increase in credit risk, and the measurement approach for expected credit losses.

獨立核數師報告

Independent Auditor's Report

關鍵審計事項 (續)

關鍵審計事項：

該事項在審計中是如何應對的：

客戶貸款的減值評估 (續)

貴集團採用具有前瞻性的預期損失減值模型確認客戶貸款的預期信用損失。信貸風險的評估及預期信用損失的計量須基於無偏頗及概率加權的可能結果，以及於報告日期有關過往事件、現行情況及未來經濟狀況預測的合理及有支持力的資訊。計算預期信用損失之模型建立及應用和數據輸入之選擇涉及重大的管理層判斷及估計，當中包括：

- 1) 根據信貸風險特徵對金融資產進行之組合劃分；
- 2) 對違約概率、違約損失率、違約風險承擔之估算；
- 3) 重大信貸風險惡化之標準；及
- 4) 對宏觀經濟因素預測及前瞻性宏觀經濟情景之概率加權的選擇及估算。

我們測試了與信貸審批、貸款分類、階段分類和貸款減值準備的計算流程相關的關鍵控制的設計和執行的有效性。我們對貸款減值準備評估流程的控制測試包括對輸入和假設的治理評估。我們也測試了數據輸入或其他數據來源(如內部信貸評級和違約概率)的系統對接。

我們採用了以風險為導向的抽樣方法執行貸款審閱工作。我們基於個別貸款的特徵選取樣本，這些特徵考慮了借款人行業(包括向內地房地產開發商發放之貸款)、經營地區、內部貸款評級以及年內逾期紀錄。我們通過審閱借款人的詳細資訊，包括其財務狀況、預期現金流、押品估值及其他資料，以形成我們對貸款階段分類的獨立意見。

對於截至2022年12月31日的預期損失減值準備，我們通過抽樣方式檢查資料來源以測試數據質量，並重新計算了管理層所計算的減值準備。此外，我們也引入了內部專家，通過比較外部數據提供者的市場預測來評估管理層對前瞻性因素的考慮，包括宏觀經濟因素預測和概率加權經濟情景。

KEY AUDIT MATTERS (Cont'd)

Key audit matter

How our audit addressed the key audit matter

Impairment assessment of loans and advances to customers (Cont'd)

The Group has adopted a forward-looking expected loss impairment model to estimate the expected credit losses ("ECLs") on its advances to customers. The assessment of credit risk and the measurement of ECLs are required to be based on unbiased and probability-weighted possible outcomes and reasonable and supportable information at the reporting date about past events, current conditions and forecasts of future economic conditions. Significant management judgement and estimation are involved in developing and using models and the selection of inputs into the calculation of ECLs, including:

- 1) segmentation of financial assets according to credit risk characteristics;
- 2) estimation of the probability of default, loss given default, exposure at default;
- 3) identification of criteria for determining significant increases in credit risk; and
- 4) selection and estimation of macroeconomic factor forecasts; and the probability weightings of forward-looking macroeconomic scenarios.

We tested the design and operating effectiveness of the key controls over credit assessment; loan classification; stage classification; and calculation of impairment allowance processes. Our control testing on the loan impairment processes included an evaluation of the governance over the inputs and assumptions. We also tested the system interfacing of inputs or other data sources such as internal loan grading and probability of default.

We adopted a risk-based sampling approach for our loan review procedures. We selected samples based on the characteristics of individual items, considering the industry (including loans granted to Mainland property developers), the geographic location of the operations of the borrower, internal loan grading and past due history throughout the year. We formed an independent view of the loan staging by reviewing the borrowers' information focusing on their financial performance, expected cash flows, valuation of collaterals and other available information.

For the expected credit loss allowance as at 31 December 2022, we performed testing of the data quality by sample checking to the data sources and recomputation of management's calculation of the impairment allowance. Also, we involved our internal specialists in assessing management's consideration of forward-looking information, including macroeconomic factor forecasts and probability-weighted economic scenarios by comparing to market forecasts from external data providers.

獨立核數師報告

Independent Auditor's Report

關鍵審計事項 (續)

關鍵審計事項： 該事項在審計中是如何應對的：

客戶貸款的減值評估 (續)

截至2022年12月31日，客戶貸款總額為港幣2,937.65億元，佔總資產的54.23%；客戶貸款減值準備總額為港幣40.65億元，佔金融工具減值準備總額的93.39%。

對於分類為第三階段的貸款，我們以抽樣方式重新計算其減值準備，在評估中，我們審閱了該貸款的預期現金流和抵押品估值。對於每個抽取的樣本，在適用時，我們亦評估了預期現金流的合理性和覆核了抵押品的估值。

考慮貴集團減值準備金額的重要性，以及涉及的管理層判斷及估計的重要性，客戶貸款的減值評估因而被列作關鍵審計事項。

我們也評估了財務報表中信貸風險披露的充分性。

第二層級和第三層級金融工具的估值

請參閱財務報表附註2.12主要會計政策、附註3.2應用會計政策時之重大會計估計及判斷、附註5.1及5.2金融工具的公允值披露。

我們評估並測試了與金融工具估值相關的關鍵控制設計和執行的有效性，包括獨立價格的驗證，覆核和審批等。

我們了解並評估了貴集團在公允價值層級表中以公允價值計量的金融工具的分級政策。我們以抽樣方式審閱金融工具所採用的估值方法、假設和輸入值，以評估層級的分類。

對於沒有活躍市場報價的金融工具，貴集團採用估值技術確定其公允值，而估值技術中涉及管理層的主觀判斷和假設，尤其是那些包括了非市場報價的重大可觀察參數及重大不可觀察參數的估值技術。採用不同的估值技術或假設，估值結果將可能存在重大差異。

KEY AUDIT MATTERS (Cont'd)

Key audit matter How our audit addressed the key audit matter

Impairment assessment of loans and advances to customers (Cont'd)

As at 31 December 2022, gross advances to customers amounted to HK\$293,765 million, representing 54.23% of total assets; and the impairment allowance for advances to customers amounted to HK\$4,065 million, representing 93.39% of the total impairment allowance for financial instruments.

For loans and advances classified as Stage 3, we recalculated the impairment allowance by reviewing inputs such as expected cash flows and valuation of collateral on a sample basis. For each sample selected, we also assessed the reasonableness of expected cash flows and reviewed the collateral value used where applicable.

Because of the significance of the impairment allowance recorded by the Group and the management judgements and estimation involved, the impairment assessment of loans and advances to customers is considered a key audit matter.

We also assessed the adequacy of the credit risk disclosures in the financial statements.

Valuation of Level 2 and Level 3 financial instruments

Refer to summary of significant accounting policies in Note 2.12, critical accounting estimates and judgements in applying accounting policies in Note 3.2, and disclosures on fair values of financial instruments in Notes 5.1 and 5.2 to the financial statements.

We evaluated and tested the design and operating effectiveness of the key controls related to the valuation of financial instruments, including independent price verification, review and approval.

The Group has applied valuation techniques to determine the fair value of financial instruments that are not quoted in active markets. These valuation techniques require significant observable inputs other than quoted prices and significant unobservable inputs, involving management using subjective judgments and assumptions. With different valuation techniques and assumptions applied, the valuation results can vary significantly.

We obtained an understanding and evaluated the Group's policies on levelling of financial instruments measured at fair value in the fair value hierarchy. We assessed the leveling classification by referring to the valuation methodology adopted, assumptions and inputs used for the financial instruments on a sample basis.

獨立核數師報告

Independent Auditor's Report

關鍵審計事項 (續)

關鍵審計事項： 該事項在審計中是如何應對的：

第二層級和第三層級金融工具的估值 (續)

截至2022年12月31日，貴集團以公允值計量的金融資產及負債分別為港幣1,584.65億元和港幣82.32億元，分別佔總資產的29.25%和總負債的1.72%。採用了非市場報價的重大可觀察參數進行估值的金融工具，即被分類為第二層級金融工具。採用了重大不可觀察參數進行估值的金融工具，即被分類為第三層級金融工具。第三層級金融工具的估值不確定性較高。截至2022年12月31日，貴集團以公允值計量的第二層級及第三層級金融資產分別為港幣1,461.24億元和港幣119.33億元。貴集團以公允值計量的第二層級金融負債為港幣80.94億元。

考慮貴集團金融工具金額的重要性，以及金融工具的估算過程中涉及的管理層判斷及估計的重要性，金融工具的估算因而被列作關鍵審計事項。

我們以抽樣方式挑選了於公允值層級表內第二層級金融工具的公允值計量，以評估這些金融工具的估值。我們將估值中使用的參數輸入與可觀察的市場數據作對照。對於以根據經紀人報價確定公允價值的金融工具，我們將市場觀察到的可執行報價與管理層所使用的輸入進行比較。

在我們內部估值專家的幫助下，我們專注於公允值層級表內第三層級金融工具的估值方法和假設。對於可觀察參數，我們與獨立估值來源及外部市場數據進行比較。對於不可觀察參數，我們對估值中個別重大輸入值進行了比較分析，如利用相似交易中使用的貼現率以評估假設的合理性。我們以抽樣方式通過重新計算估值，對貴集團於市場通用的折現現金流模型中所採用的估值技術、假設和估計進行評估。

我們也評估了與財務報表中的第二層級和第三層級金融工具相關披露的充分性。

KEY AUDIT MATTERS (Cont'd)

Key audit matter How our audit addressed the key audit matter

Valuation of Level 2 and Level 3 financial instruments (Cont'd)

As at 31 December 2022, the Group's financial assets and liabilities measured at fair value amounted to HK\$158,465 million and HK\$8,232 million, representing 29.25% and 1.72% of total assets and total liabilities respectively. Financial instruments which had significant observable inputs other than quoted prices in the valuation were categorised within level 2 of the fair value hierarchy. Financial instruments which had significant unobservable inputs in the valuation were categorised within level 3 of the fair value hierarchy. A higher degree of estimation uncertainty was involved in valuation of financial instruments categorised within level 3 of the fair value hierarchy. As at 31 December 2022, the Group's financial assets measured at fair value which were categorised within level 2 and level 3 amounted to HK\$146,124 million and HK\$11,933 million, respectively. The Group's financial liabilities measured at fair value which were categorised within level 2 amounted to HK8,094 million.

Because of the significance of the financial instruments recorded by the Group and the management judgements and estimates involved in the valuation, valuation of financial instruments is considered a key audit matter.

On a sample basis, we selected financial instruments that were classified as level 2 in the fair value hierarchy to evaluate their valuation. We checked the parameters used in each valuation against observable market data. For financial instruments where the fair value was determined based upon broker quotes, we compared the executable quotes observed from the market against the inputs used by management.

With the assistance of our internal specialists, we focused on the valuation methodologies and assumptions used in the valuation of financial instruments that were classified as level 3 in the fair value hierarchy. For observable inputs, we compared against independent sources and externally available market data. For unobservable inputs, we performed comparative analysis for individually significant items, such as using the discount rate referenced from similar transactions to evaluate the reasonableness of the assumptions. On a sample basis, we also re-performed valuations and evaluated valuation techniques, assumptions and estimates adopted by the Group in the discounted cash flow models, which are commonly used in the market.

We also assessed the adequacy of the disclosures relating to the Level 2 and Level 3 financial instruments in the financial statements

獨立核數師報告

Independent Auditor's Report

年度報告內所刊載的其他訊息

貴銀行董事需對其他訊息負責。其他訊息包括刊載於年度報告內的訊息，但不包括綜合財務報表及我們的核數師報告。

我們對綜合財務報表的意見並不涵蓋其他訊息，我們也不對其他訊息發表任何形式的鑒證結論。

結合我們對綜合財務報表的審計，我們的責任是閱讀其他訊息，在此過程中，考慮其他訊息是否與綜合財務報表或我們在審計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，如果我們認為其他訊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。

董事就綜合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布的《香港財務報告準則》及香港《公司條例》擬備真實而中肯的綜合財務報表，並對其認為為使綜合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。

在擬備綜合財務報表時，貴銀行董事負責評估貴集團持續經營的能力，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，除非貴銀行董事有意將貴集團清盤或停止經營，或別無其他實際的替代方案。

稽核委員會協助貴銀行董事履行職責，監督貴集團的財務報告過程。

OTHER INFORMATION INCLUDED IN THE ANNUAL REPORT

The directors of the Bank are responsible for the other information. The other information comprises the information included in the Annual Report, other than the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated 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 consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated 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.

RESPONSIBILITIES OF THE DIRECTORS FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors of the Bank are responsible for the preparation of the consolidated 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 consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the directors of the Bank are responsible for assessing the Group'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 of the Bank either intend to liquidate the Group or to cease operations or have no realistic alternative but to do so.

The directors of the Bank are assisted by the Audit Committee in discharging their responsibilities for overseeing the Group's financial reporting process.

獨立核數師報告

Independent Auditor's Report

核數師就審計綜合財務報表承擔的責任

我們的目標，是對綜合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，並出具包括我們意見的核數師報告。我們遵照香港《公司條例》第405條僅對全體成員作出報告，除此以外，本報告並無其他用途。我們不會就核數師報告的內容向任何其他人士負上或承擔任何責任。

合理保證是高水平的保證，但不能保證按照《香港審計準則》進行的審計，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滙總起來可能影響綜合財務報表使用者依賴綜合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《香港審計準則》進行審計的過程中，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綜合財務報表存在重大錯誤陳述的風險，設計及執行審計程序以應對這些風險，以及獲取充足和適當的審計憑證，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。
- 瞭解與審計相關的內部控制，以設計適當的審計程序，但目的並非對貴集團內部控制的有效性發表意見。
- 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。

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the consolidated 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. Our report is made 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 HKSA's 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 consolidated financial statements.

As part of an audit in accordance with HKSA's, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated 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 Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

獨立核數師報告

Independent Auditor's Report

核數師就審計綜合財務報表承擔的責任 (續)

- 對董事採用持續經營會計基礎的恰當性作出結論。根據所獲取的審計憑證，確定是否存在與事項或情況有關的重大不確定性，從而可能導致對貴集團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，則有必要在我們的核數師報告中提請使用者注意綜合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計憑證。然而，未來事項或情況可能導致貴集團不能持續經營。
- 評價綜合財務報表的整體列報方式、結構和內容，包括披露，以及綜合財務報表是否中肯反映交易和事項。
- 就貴集團內實體或業務活動的財務訊息獲取充足、適當的審計憑證，以便對綜合財務報表發表意見。我們負責貴集團審計的方向、監督和執行。我們為審計意見承擔全部責任。

除其他事項外，我們與稽核委員會溝通了計劃的審計範圍、時間安排、重大審計發現等，包括我們在審計中識別出內部控制的任何重大缺陷。

我們還向稽核委員會提交聲明，說明我們已符合有關獨立性的相關專業道德要求，並與他們溝通有可能合理地被認為會影響我們獨立性的所有關係和其他事項，以及在適用的情況下，為消除威脅所採取的行動或應用的防範措施。

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

(Cont'd)

- 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 Group'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 consolidated 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 Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the Audit Committee 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.

We also provide the Audit Committee with a statement that we have complied with relevant ethical requirements regarding independence and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

獨立核數師報告

Independent Auditor's Report

核數師就審計綜合財務報表承擔的責任 (續)

從與稽核委員會溝通的事項中，我們確定哪些事項對本期綜合財務報表的審計最為重要，因而構成關鍵審計事項。我們在核數師報告中描述這些事項，除非法律法規不允許公開披露這些事項，或在極端罕見的情況下，如果合理預期在我們報告中溝通某事項造成的負面後果超過產生的公眾利益，我們決定不應在報告中溝通該事項。

出具本獨立核數師報告的審計項目合夥人是禰俊文。

安永會計師事務所
執業會計師

香港
2023年3月23日

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

(Cont'd)

From the matters communicated with the Audit Committee, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is Huen Chun Man.

Ernst & Young
Certified Public Accountants

Hong Kong
23 March 2023

綜合收益表

Consolidated Income Statement

截至12月31日止年度 For the year ended 31 December

			2022 港幣千元 HK\$'000	2021 港幣千元 HK\$'000
	附註 Notes			
利息收入	Interest income		14,531,133	11,720,933
利息支出	Interest expense		(7,359,109)	(5,395,517)
淨利息收入	Net interest income	6	7,172,024	6,325,416
服務費及佣金收入	Fee and commission income		1,379,583	1,808,783
服務費及佣金支出	Fee and commission expense		(79,262)	(93,239)
淨服務費及佣金收入	Net fee and commission income	7	1,300,321	1,715,544
淨交易性收益	Net trading gain	8	270,139	310,889
以公允值變化計入損益之 金融工具淨收益	Net gain on financial instruments at fair value through profit or loss		607,645	61,759
其他金融資產之淨收益	Net gain on other financial assets	9	260,754	153,292
其他經營收入	Other operating income	10	39,105	22,515
提取減值準備前之淨經營收入	Net operating income before impairment allowances		9,649,988	8,589,415
減值準備淨撥備	Net charge of impairment allowances	11	(1,684,557)	(1,499,269)
淨經營收入	Net operating income		7,965,431	7,090,146
經營支出	Operating expenses	12	(3,489,617)	(3,340,265)
經營溢利	Operating profit		4,475,814	3,749,881
投資物業公允值調整之淨虧損	Net loss from fair value adjustments on investment properties	13	(6,920)	—
出售／重估物業、器材及設備之 淨虧損	Net loss from disposal/revaluation of properties, plant and equipment	14	(24,411)	(7,831)
除稅前溢利	Profit before taxation		4,444,483	3,742,050
稅項	Taxation	15	(536,169)	(510,963)
年度溢利	Profit for the year		3,908,314	3,231,087
股息	Dividends	16	—	—

第66至239頁之附註屬本綜合財務報表之組成部分。

The notes on pages 66 to 239 are an integral part of these consolidated financial statements.

綜合全面收益表

Consolidated Statement of Comprehensive Income

截至12月31日止年度 For the year ended 31 December

		2022 港幣千元 HK\$'000	2021 港幣千元 HK\$'000
年度溢利	Profit for the year	3,908,314	3,231,087
其後不可重新分類至收益表內的項目：	Items that will not be reclassified subsequently to income statement:		
公允價值變化計入其他全面收益之股份工具：	Equity instruments at fair value through other comprehensive income:		
公允價值變化計入其他全面收益之股份工具的公允價值變化	Change in fair value of equity instruments at fair value through other comprehensive income	(28,089)	(4,176)
房產：	Premises:		
房產重估	Revaluation of premises	(92,207)	67,323
遞延稅項	Deferred tax	81,829	3,306
		(10,378)	70,629
界定利益福利計劃：	Defined benefit plan:		
重新計量精算盈餘	Actuarial gain on remeasurement	48,650	3,930
遞延稅項	Deferred tax	(8,027)	(648)
		40,623	3,282
		2,156	69,735
其後可重新分類至收益表內的項目：	Items that may be reclassified subsequently to income statement:		
公允價值變化計入其他全面收益的債務工具：	Debt instruments at fair value through other comprehensive income:		
公允價值變化計入其他全面收益的債務工具之公允價值變化	Change in fair value of debt instruments at fair value through other comprehensive income	(1,947,058)	166,943
預計信用損失之減值變化	Changes in allowance for expected credit losses	3,360	39,049
因處置公允價值變化計入其他全面收益的債務工具之轉撥重新分類至收益表	Release upon disposal of debt instruments at fair value through other comprehensive income reclassified to income statement	(259,527)	(165,857)
由公允價值變化計入其他全面收益的債務工具轉至以攤餘成本作計量產生之攤銷重新分類至收益表	Amortisation with respect to debt instruments at fair value through other comprehensive income transferred to at amortised cost reclassified to income statement	—	3,353
遞延稅項	Deferred tax	377,558	(27,399)
		(1,825,667)	16,089

綜合全面收益表

Consolidated Statement of Comprehensive Income

截至 12 月 31 日止年度 For the year ended 31 December

		2022 港幣千元 HK\$'000	2021 港幣千元 HK\$'000
淨投資對沖下對沖工具之 公允值變化	Change in fair value of hedging instruments under net investment hedges	189,033	(60,921)
貨幣換算差額	Currency translation difference	(1,695,940)	516,950
		(3,332,574)	472,118
年度除稅後其他全面收益	Other comprehensive income for the year, net of tax	(3,330,418)	541,853
年度全面收益總額	Total comprehensive income for the year	577,896	3,772,940

第 66 至 239 頁之附註屬本綜合財務報表之組成部分。

The notes on pages 66 to 239 are an integral part of these consolidated financial statements.

綜合資產負債表

Consolidated Balance Sheet

於 12 月 31 日 As at 31 December

		附註 Notes	2022 港幣千元 HK\$'000	2021 港幣千元 HK\$'000
資產	ASSETS			
庫存現金及存放銀行及 其他金融機構的結餘	Cash and balances with banks and other financial institutions	19	62,413,355	64,703,312
在銀行及其他金融機構一至 十二個月內到期之定期存放	Placements with banks and other financial institutions maturing between one and twelve months	19	4,601,418	2,684,141
公允值變化計入損益之金融資產	Financial assets at fair value through profit or loss	20	18,613,952	27,022,570
衍生金融工具	Derivative financial instruments	21	1,884,945	834,964
貸款及其他賬項	Advances and other accounts	22	290,467,189	292,037,365
金融投資	Financial investments	23	151,195,360	138,007,929
投資物業	Investment properties	24	559,140	327,610
物業、器材及設備	Properties, plant and equipment	25	9,089,246	8,759,766
應收稅項資產	Current tax assets		63,128	—
遞延稅項資產	Deferred tax assets	31	327,947	352,791
其他資產	Other assets	26	2,461,358	1,600,552
資產總額	Total assets		541,677,038	536,331,000
負債	LIABILITIES			
銀行及其他金融機構之 存款及結餘	Deposits and balances from banks and other financial institutions		44,923,135	21,653,972
公允值變化計入損益之 金融負債	Financial liabilities at fair value through profit or loss	27	7,119,358	6,415,312
衍生金融工具	Derivative financial instruments	21	1,112,781	814,670
客戶存款	Deposits from customers	28	365,462,464	383,781,386
已發行債務證券及存款證	Debt securities and certificates of deposit in issue	29	35,422,412	31,755,227
其他賬項及準備	Other accounts and provisions	30	19,285,943	19,022,499
應付稅項負債	Current tax liabilities		359,983	289,842
遞延稅項負債	Deferred tax liabilities	31	364,108	812,882
後償負債	Subordinated liabilities	32	5,455,215	5,451,286
負債總額	Total liabilities		479,505,399	469,997,076

綜合資產負債表

Consolidated Balance Sheet

於 12 月 31 日 As at 31 December

		附註 Notes	2022 港幣千元 HK\$'000	2021 港幣千元 HK\$'000
資本	EQUITY			
股本	Share capital	33	3,144,517	3,144,517
儲備	Reserves		53,949,266	53,874,517
歸屬於本集團股東資本總額	Total equity attributable to owners of the parent		57,093,783	57,019,034
額外資本工具	Additional equity instruments	34	5,077,856	9,314,890
資本總額	Total equity		62,171,639	66,333,924
負債及資本總額	Total liabilities and equity		541,677,038	536,331,000

第 66 至 239 頁之附註屬本綜合財務報表之組成部分。

The notes on pages 66 to 239 an integral part of these consolidated financial statements.

經董事會於 2023 年 3 月 23 日通過核准並由以下人士代表簽署：

Approved by the Board of Directors on 23 March 2023 and signed on behalf of the Board by:

劉鈞
董事

鄭建崗
董事

Liu Jun
Director

Cheng Kin Kong
Director

綜合權益變動表

Consolidated Statement of Changes in Equity

		儲備								
		Reserves								
		額外資本工具		資本儲備	房產重估儲備	公允值變化計入其他全面收益儲備	監管儲備*	換算儲備	留存盈利	總計
		股本	Additional equity instruments	Capital reserve	Premises revaluation reserve	Reserve for fair value through other comprehensive income	Regulatory reserve*	Translation reserve	Retained earnings	Total
		港幣千元	港幣千元	港幣千元	港幣千元	港幣千元	港幣千元	港幣千元	港幣千元	港幣千元
		HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
於 2021 年 1 月 1 日	At 1 January 2021	3,144,517	9,314,890	605	6,380,959	494,873	2,453,479	546,652	40,691,746	63,027,721
年度溢利	Profit for the year	—	—	—	—	—	—	—	3,231,087	3,231,087
其他全面收益：	Other comprehensive income:									
房產	Premises	—	—	—	70,629	—	—	—	—	70,629
界定利益福利計劃之精算虧損	Actuarial losses on defined benefit plan	—	—	—	—	—	—	—	3,282	3,282
公允值變化計入其他全面收益之金融工具	Financial instruments at fair value through other comprehensive income	—	—	—	—	11,913	—	—	—	11,913
淨投資對沖下對沖工具之公允值變化	Change in fair value of hedging instruments under net investment hedges	—	—	—	—	—	—	(60,921)	—	(60,921)
貨幣換算差額	Currency translation difference	—	—	—	10,103	(83)	—	506,930	—	516,950
全面收益總額	Total comprehensive income	—	—	—	80,732	11,830	—	446,009	3,234,369	3,772,940
支付額外資本工具票息	Distribution payment for additional equity instruments	—	(466,737)	—	—	—	—	—	—	(466,737)
轉撥自/(至)留存盈利	Transfer from/(to) retained earnings	—	466,737	—	—	—	182,565	—	(649,302)	—
於 2021 年 12 月 31 日	At 31 December 2021	3,144,517	9,314,890	605	6,461,691	506,703	2,636,044	992,661	43,276,813	66,333,924

綜合權益變動表

Consolidated Statement of Changes in Equity

		儲備									
		Reserves									
		額外資本工具		房產		公允價值		監管儲備*		留存盈利	總計
		股本	Additional	資本儲備	Premises	through other	監管儲備*	換算儲備	留存盈利	總計	
		Share	equity	Capital	revaluation	comprehensive	Regulatory	Translation	Retained	Total	
		capital	instruments	reserve	reserve	income	reserve*	reserve	earnings	Total	
		港幣千元	港幣千元	港幣千元	港幣千元	港幣千元	港幣千元	港幣千元	港幣千元	港幣千元	
		HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	
於2022年1月1日	At 1 January 2022	3,144,517	9,314,890	605	6,461,691	506,703	2,636,044	992,661	43,276,813	66,333,924	
年度溢利	Profit for the year	—	—	—	—	—	—	—	3,908,314	3,908,314	
其他全面收益：	Other comprehensive income:										
房產	Premises	—	—	—	(10,378)	—	—	—	—	(10,378)	
界定利益福利計劃	Actuarial gains on defined										
之精算盈餘	benefit plan	—	—	—	—	—	—	—	40,623	40,623	
公允價值變化計入其他	Financial instruments at fair value										
全面收益之金融工具	through other comprehensive										
	income	—	—	—	—	(1,853,756)	—	—	—	(1,853,756)	
淨投資對沖下對沖工具	Change in fair value of hedging										
之公允價值變化	instruments under net										
	investment hedges	—	—	—	—	—	—	189,033	—	189,033	
貨幣換算差額	Currency translation difference	—	—	—	(33,185)	(14,440)	—	(1,648,315)	—	(1,695,940)	
全面收益總額	Total comprehensive income	—	—	—	(43,563)	(1,868,196)	—	(1,459,282)	3,948,937	577,896	
因房產出售之轉撥	Release upon disposal of premises	—	—	—	(50,698)	—	—	—	50,698	—	
發行額外資本工具 ¹	Issue of additional equity instruments ¹	—	5,077,856	—	—	—	—	—	—	5,077,856	
贖回額外資本工具	Redemption of the additional										
	equity instruments	—	(9,314,890)	—	—	—	—	—	(101,932)	(9,416,822)	
支付額外資本工具票息	Distribution payment for additional										
	equity instruments	—	(401,215)	—	—	—	—	—	—	(401,215)	
轉撥自/(至)留存盈利	Transfer from/(to) retained earnings	—	401,215	—	—	—	(519,542)	—	118,327	—	
於2022年12月31日	At 31 December 2022	3,144,517	5,077,856	605	6,367,430	(1,361,493)	2,116,502	(466,621)	47,292,843	62,171,639	

1. 年內，本行發行港幣5,099,868,000元(美元650,000,000)永久非累計次級額外一級資本證券「額外資本工具」。直接發行成本港幣22,012,000元經已入賬，並從額外資本工具中扣除。

* 除對貸款提取減值準備外，按金管局要求撥轉部分留存盈利至監管儲備作銀行一般風險之用(包括未來損失或其他不可預期風險)。

1. During the year, the Bank issued HK\$5,099,868,000 (US\$650,000,000) perpetual non-cumulative subordinated additional tier 1 capital securities ("additional equity instruments"). Direct issuance costs of HK\$22,012,000 are accounted for as a deduction from the additional equity instruments.

* In accordance with the requirements of the HKMA, the amounts are set aside for general banking risks, including future losses or other unforeseeable risks, in addition to the loan impairment allowances recognised.

第66至239頁之附註屬本綜合財務報表之組成部分。

The notes on pages 66 to 239 are an integral part of these consolidated financial statements.

綜合現金流量表

Consolidated Cash Flow Statement

截至12月31日止年度 For the year ended 31 December

		附註 Notes	2022 港幣千元 HK\$'000	2021 港幣千元 HK\$'000
經營業務之現金流量	Cash flows from operating activities			
除稅前經營現金之流入	Operating cash inflow before taxation	35(a)	8,511,801	188,278
支付香港利得稅	Hong Kong profits tax paid		(330,510)	(441,134)
支付海外利得稅	Overseas profits tax paid		(210,353)	(190,053)
經營業務之現金流入／(流出) 淨額	Net cash inflow/(outflow) from operating activities		7,970,938	(442,909)
投資業務之現金流量	Cash flows from investing activities			
購入物業、器材及設備	Purchase of properties, plant and equipment	25	(1,443,415)	(351,182)
增置無形資產	Additions of intangible assets	26	(394,329)	—
出售物業、器材及設備 所得款項	Proceeds from disposal of properties, plant and equipment		32,152	1,034
出售無形資產所得款項	Proceeds from disposal of intangible assets		1,789	—
投資業務之現金流出淨額	Net cash outflow from investing activities		(1,803,803)	(350,148)
融資業務之現金流量	Cash flows from financing activities			
發行額外資本工具	Issuance of additional equity instruments		5,077,856	—
發行債務證券及存款證	Issue of debt securities and certificates of deposit		3,667,185	7,740,792
贖回額外資本工具	Redemption of additional equity instruments		(9,416,822)	—
支付額外資本工具票息	Distribution payment for additional equity instruments		(401,215)	(466,737)
支付後償負債票息	Distribution payment for subordinated liabilities		(208,102)	(206,870)
繳付租賃負債	Payment of lease liabilities		(256,740)	(232,940)
融資業務之現金(流出)/ 流入淨額	Net cash (outflow)/inflow from financing activities		(1,537,838)	6,834,245
現金及等同現金項目增加	Increase in cash and cash equivalents		4,629,297	6,041,188
於1月1日之現金及等同現金項目	Cash and cash equivalents at 1 January		56,384,885	49,739,227
匯率變動對現金及等同現金項目 的影響	Effect of exchange rate changes on cash and cash equivalents		(891,996)	604,470
於12月31日之現金及等同現金 項目	Cash and cash equivalents at 31 December	35(b)	60,122,186	56,384,885

第66至239頁之附註屬本綜合財務報表之組成部分。

The notes on pages 66 to 239 are an integral part of these consolidated financial statements.

財務報表附註

Notes to the Financial Statements

1. 主要業務

南洋商業銀行有限公司於香港註冊成立(下稱「本銀行」)及其附屬公司於香港或上海成立(以下連同本銀行統稱「本集團」)。本銀行為根據香港銀行業條例所規定獲認可之持牌銀行。

本銀行主要從事銀行及相關之金融服務。本銀行之附屬公司的主要業務載於「附錄 – 本銀行之附屬公司」內。本銀行之公司註冊地址為香港中環德輔道中151號。

2. 主要會計政策

用於編製本綜合財務報表之主要會計政策詳列如下。

除特別註明外，該等會計政策均被一致地應用於所有列示之財務年度中。

2.1 編製基準

本集團之綜合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(香港財務報告準則為一統稱，當中包括所有適用之香港財務報告準則、香港會計準則及詮釋)編製，並符合香港《公司條例》之規定。

本綜合財務報表乃按歷史成本法編製，惟就重估以公允價值變化計入其他全面收益之金融資產、以公允價值變化計入損益之金融資產及金融負債(包括衍生金融工具)、以公允價值列賬之貴金屬、以公允價值列賬之投資物業及以公允價值或重估值扣除累計折舊及累計減值損失後列賬之房產作出調整。收回資產會以其賬面值或公允價值扣除出售成本之較低者列賬，並已列載於附註2.24。

按照香港財務報告準則編製財務報表時，需採用若干重大之會計估算。管理層亦需於採用本集團之會計政策時作出有關判斷。當中涉及高度判斷、複雜之範疇、或對綜合財務報表而言屬重大影響之假設及估算，已載於附註3。

1. PRINCIPAL ACTIVITIES

Nanyang Commercial Bank, Limited was incorporated in Hong Kong (hereinafter as the “Bank”) and its subsidiaries were incorporated in Hong Kong or Shanghai (together with the Bank hereinafter as the “Group”). The Bank is a licensed bank authorised under the Hong Kong Banking Ordinance.

The principal activities of the Bank are the provision of banking and related financial services. The principal activities of the Bank’s subsidiaries are shown in “Appendix – Subsidiaries of the Bank”. The address of the Bank’s registered office is 151 Des Voeux Road Central, Hong Kong.

2. SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies applied in the preparation of these consolidated financial statements are set out below.

These policies have been consistently applied to all the years presented, unless otherwise stated.

2.1 Basis of preparation

The consolidated financial statements of the Group have been prepared in accordance with Hong Kong Financial Reporting Standards (HKFRSs) is a collective term which includes all applicable individual Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards (“HKASs”) and Interpretations) issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”) and the Hong Kong Companies Ordinance.

The consolidated financial statements have been prepared under the historical cost convention, as modified by the revaluation of financial assets at fair value through other comprehensive income, financial assets and financial liabilities (including derivative financial instruments) at fair value through profit or loss, precious metals at fair value, investment properties which are carried at fair value and premises which are carried at fair value or revalued amount less accumulated depreciation and accumulated impairment losses. Repossessed assets are stated at the lower of their carrying amounts or fair values less costs to sell as further explained in Notes 2.24.

The preparation of financial statements in conformity with HKFRSs requires the use of certain critical accounting estimates. It also requires the Management to exercise judgement in the process of applying the Group’s accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in Note 3.

財務報表附註

Notes to the Financial Statements

2. 主要會計政策 (續)

2.1 編製基準 (續)

- (a) 於2022年1月1日起開始的會計年度首次生效之與本集團相關的修訂

2. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

2.1 Basis of preparation (Cont'd)

- (a) *Amendments that are relevant to the Group and initially adopted for the first time for the financial year beginning on 1 January 2022*

修訂 Amendments	內容 Content	起始適用之年度 Applicable for financial years beginning on/after
香港財務報告準則第3號(經修訂) Amendments to HKFRS 3	概念框架參考 Reference to the Conceptual Framework	2022年1月1日 1 January 2022

- 香港財務報告準則第3號(經修訂)「概念框架的參考」。該修訂更新了香港財務報告準則第3號中對2018年發布的財務報告概念框架的引用。這些修訂也為香港財務報告準則第3號增添了一個豁免，即要求企業參考該概念框架來確定資產或負債的構成，對於某些類型的負債和或然負債，應用香港財務報告準則第3號的企業應改為參考香港會計準則第37號。已添加的豁免是用以避免更新概念框架的參考帶來不預期的影響。修訂需前瞻性採用。採納該等修訂不會對本集團的財務報表產生重大影響。
- Amendments to HKFRS 3, “Reference to the Conceptual Framework”. The amendments update a reference in HKFRS 3 to the Conceptual Framework for Financial Reporting issued in 2018. The amendments also add to HKFRS 3 an exception to its requirement for an entity to refer to the Conceptual Framework to determine what constitutes an asset or a liability, that for some types of liabilities and contingent liabilities, an entity applying HKFRS 3 should instead refer to HKAS 37. The exception has been added to avoid an unintended consequence of updating the reference to the Conceptual Framework. The amendments are to be applied prospectively. The application of the amendments does not have a material impact on the Group’s financial statements.

財務報表附註

Notes to the Financial Statements

2. 主要會計政策 (續)

2.1 編製基準 (續)

(b) 已頒佈與本集團相關但尚未強制性生效及未於2022年提前採納之修訂及詮釋

以下已頒佈之修訂及詮釋於2023年1月1日起或以後開始的會計年度始強制性生效。

2. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

2.1 Basis of preparation (Cont'd)

(b) *Amendments and interpretation issued that are relevant to the Group but not yet mandatorily effective and have not been early adopted by the Group in 2022*

The following amendments and interpretation have been issued and are mandatorily effective for financial years beginning on or after 1 January 2023:

修訂／詮釋 Amendments/interpretation	內容 Content	起始適用之年度 Applicable for financial years beginning on/after
香港會計準則第1號(經修訂) Amendments to HKAS 1	流動或非流動負債的分類(「2020年修訂」) Classification of Liabilities as Current or Non-current (the "2020 Amendments")	2024年1月1日 1 January 2024
香港會計準則第1號(經修訂) Amendments to HKAS 1	附有契約條款的非流動負債(「2022年修訂」) Non-current Liabilities with Covenants (the "2022 Amendments")	2024年1月1日 1 January 2024
香港詮釋第5號(修改) HK Int 5 (Revised)	財務報表呈列 – 包含需按還款條款的定期貸款借款人分類 Presentation of Financial Statements – Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause	2024年1月1日 1 January 2024
香港會計準則第1號及香港財務 報告準則作業準則第2號(經修訂) Amendments to HKAS 1 and HKFRS Practice Statement 2	會計政策的披露 Disclosure of Accounting Policies	2023年1月1日 1 January 2023
香港會計準則第8號(經修訂) Amendments to HKAS 8	會計估計的定義 Definition of Accounting Estimates	2023年1月1日 1 January 2023
香港會計準則第12號(經修訂) Amendments to HKAS 12	與單項交易產生的資產和負債相關的遞延稅項 Deferred Tax related to Assets and Liabilities arising from a Single Transaction	2023年1月1日 1 January 2023

財務報表附註

Notes to the Financial Statements

2. 主要會計政策 (續)

2.1 編製基準 (續)

(b) 已頒佈與本集團相關但尚未強制性生效及未於2022年提前採納之修訂及詮釋 (續)

- 香港會計準則第1號的修訂「流動或非流動負債的分類」闡明將負債分類為流動或非流動的要求。特別是確定實體是否有權在報告期後至少12個月延遲清償負債。負債的分類不受實體行使其延遲清償負債的權利的可能性所影響。修訂還澄清了被視為負債清償的情況。於2022年，香港會計師公會發布2022年修訂以進一步闡明，在貸款安排產生的負債的契約中，只有實體必須在報告日或之前遵守的契約才會影響該負債分類為流動或非流動的。此外，2022年修訂要求，當實體在報告後12個月內遵守未來契約而有權推遲清償該負債，並將貸款安排產生的負債分類為非流動負債的實體須作額外披露。本修訂於2024年1月1日及之後的會計年度生效，採用追溯法及允許提前採納。提早應用2020年修訂的實體必須同時應用2022年修訂，反之亦然。本集團目前正在評估修訂的影響以及現有貸款協議是否需要修訂。本集團正在考慮該修訂對集團財務報表的影響。
- 香港詮釋第5號(修改)「財務報表呈列 – 包含需按還款條款的定期貸款借款人分類」。本詮釋於2020年10月的修改是由於2020年修訂引致。在2022年12月，因2022年的修訂使詮釋得到進一步修改，以使相應的措詞保持一致，且結論沒有變化。修訂採用追溯法及允許提前採納。本集團正在考慮該詮釋對集團財務報表的影響及其採用時間。

2. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

2.1 Basis of preparation (Cont'd)

(b) Amendments and interpretation issued that are relevant to the Group but not yet mandatorily effective and have not been early adopted by the Group in 2022 (Cont'd)

- Amendments to HKAS 1 “Classification of Liabilities as Current or Non-current” clarify the requirements for classifying liabilities as current or non-current. In particular the determination over whether an entity has a right to defer settlement of the liabilities for at least 12 months after the reporting period. Classification of a liability is unaffected by the likelihood that the entity will exercise its right to defer settlement of the liability. The amendments also clarify the situations that are considered a settlement of a liability. In 2022, the HKICPA issued the 2022 Amendments to further clarify that, among covenants of a liability arising from a loan arrangement, only those with which an entity must comply on or before the reporting date affect the classification of that liability as current or non-current. In addition, the 2022 Amendments require additional disclosures by an entity that classifies liabilities arising from loan arrangements as non-current when it has a right to defer settlement of those liabilities that are subject to the entity complying with future covenants within 12 months after the reporting period. The amendments are effective for annual periods beginning on or after 1 January 2024 and shall be applied retrospectively. Earlier application is permitted. An entity that applies the 2020 Amendments early is required to apply simultaneously the 2022 Amendments, and vice versa. The Group is currently assessing the impact of the amendments and whether existing loan agreements may require revision. The Group is considering the financial impact of the amendments on the Group's financial statements.
- HK Int 5 (Revised), “Presentation of Financial Statements – Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause”. This interpretation was revised in October 2020 as a consequence of 2020 Amendments. In December 2022, the interpretation was further revised as a consequence of 2022 amendments, to align the corresponding wordings with no change in conclusion. The amendments are to be applied retrospectively. Early adoption is permitted. The Group is considering the financial impact of the interpretation and the timing of its application.

財務報表附註

Notes to the Financial Statements

2. 主要會計政策(續)

2.1 編製基準(續)

(b) 已頒佈與本集團相關但尚未強制性生效及未於2022年提前採納之修訂及詮釋(續)

- 香港會計準則第1號及香港財務報告準則作業準則第2號(經修訂)「會計政策的披露」。該修訂將企業披露其主要會計政策的要求替換為披露其重大會計政策的要求，並增加了有關企業如何在會計政策披露決策中應用重要性概念的指引。修訂需前瞻性採用及允許提前採納。本集團正在考慮該修訂的影響及採納的時間。
- 香港會計準則第8號(經修訂)「會計估計的定義」。該修訂澄清了會計估計變更與會計政策變更的區別。此外，該修訂闡明了企業如何使用計量技術和輸入參數來製定會計估計。修訂需前瞻性採用及允許提前採納。本集團正在考慮該修訂對集團財務報表的影響及採納的時間。
- 香港會計準則第12號(經修訂)「與單項交易產生的資產和負債相關的遞延稅項」。該修訂縮小了初始確認豁免的適用範圍，明確了不能應用於例如租賃和解除義務交易產生金額相等的應課稅及可抵扣的暫時性差異，該修訂適用於最早呈列的比較期間期初與租賃和解除義務相關的交易，任何累積影響確認為對期初餘額的調整在該日期適當的保留利潤或其他權益。該修訂除了就租賃及解除義務相關交易之外，對其他交易則可前瞻性採用及允許提前採納。本集團正在考慮該修訂對集團財務報表的影響及採納的時間。

2. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

2.1 Basis of preparation (Cont'd)

(b) Amendments and interpretation issued that are relevant to the Group but not yet mandatorily effective and have not been early adopted by the Group in 2022 (Cont'd)

- Amendments to HKAS 1 and HKFRS Practice Statement 2, "Disclosure of Accounting Policies". The amendments replace the requirement for entities to disclose their significant accounting policies with a requirement to disclose their material accounting policies and adding guidance on how entities apply the concept of materiality in making decisions about accounting policy disclosures. The amendments are to be applied prospectively. Early adoption is permitted. The Group is considering the impact of the amendments and the timing of its application.
- Amendments to HKAS 8, "Definition of Accounting Estimates". The amendments clarify the distinction between changes in accounting estimates and changes in accounting policies. Also, they clarify how entities use measurement techniques and inputs to develop accounting estimates. The amendments are to be applied prospectively. Early adoption is permitted. The Group is considering the financial impact of the amendments and the timing of its application.
- Amendments to HKAS 12, "Deferred Tax related to Assets and Liabilities arising from a Single Transaction". The amendments narrow the scope of the initial recognition exception so that it no longer applies to transactions that give rise to equal taxable and deductible temporary differences, such as leases and decommissioning obligations. Therefore, entities are required to recognise a deferred tax asset and a deferred tax liability for temporary differences arising from these transactions. The amendments shall be applied to transactions related to leases and decommissioning obligations at the beginning of the earliest comparative period presented, with any cumulative effect recognised as an adjustment to the opening balance of retained profits or other component of equity as appropriate at that date. In addition, the amendments shall be applied prospectively to transactions other than leases and decommissioning obligations. Early adoption is permitted. The Group is considering the financial impact of the amendments and the timing of its application.

財務報表附註

Notes to the Financial Statements

2. 主要會計政策(續)

2.2 綜合財務報表

綜合財務報表包含本公司及所有其附屬公司截至12月31日的財務報表。

附屬公司

附屬公司是指由本集團控制的企業。控制體現為本集團涉及，或有權從參與被投資企業業務中取得可變動回報，並有權力通過被投資企業影響自身回報(即賦予本集團現行權力以指引被投資企業的相關活動)。附屬公司於控制權轉入本集團之日起完全納入合併，並於本集團的控制權終止當日不再納入合併。

集團內部交易、交易餘額、以及未實現收益已被對銷；除非能提供集團內交易所轉讓資產已發生減值的證據，否則未實現損失也將被對銷。如有需要，附屬公司的會計政策會作出適當調整，以確保本集團所採用會計政策的一致性。

於本銀行的資產負債表內，對附屬公司的投資是以成本扣除減值損失準備列賬。本銀行按照已收及應收股息基準確認附屬公司之業績。當本銀行具有權利收取附屬公司的派息時，將於收益表內確認。

2.3 分類報告

分類的經營業績與呈報予管理層的內部報告方式一致，管理層乃本集團的總體營運決策核心，負責資源分配及對營運分類的表現評估。在釐定經營分類表現時，將會包括與各分類直接相關的收入及支出。

2.4 外幣換算

本集團各企業的財務報表所載項目均按各企業於主要經濟環境營運的貨幣計量(「功能貨幣」)。本綜合財務報表以港幣列示，即本銀行之功能及呈列貨幣。

2. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

2.2 Consolidation

The consolidated financial statements include the financial statements of the Bank and all of its subsidiaries for the year ended 31 December.

Subsidiaries

Subsidiaries are entities controlled by the Group. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee (i.e., existing rights that give the Group the current ability to direct the relevant activities of the investee). Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date that control ceases.

Inter-company transactions, balances and unrealised gains on transactions between Group companies are eliminated; unrealised losses are also eliminated unless the transaction provides evidence of impairment of the assets transferred. Where necessary, accounting policies of subsidiaries have been changed to ensure consistency with the policies adopted by the Group.

In the Bank's balance sheet, the investments in subsidiaries are stated at cost less allowance for impairment losses. The results of subsidiaries are accounted for by the Bank on the basis of dividends received and receivable. Dividend income from subsidiaries is recognised in the income statement when the right to receive payment is established.

2.3 Segmental reporting

The operating result of segments are reported in a manner consistent with the internal reporting provided to the Management, which is the chief operating decision maker of the Group, that allocates resources and assesses the performance of operating segments. Income and expenses directly associated with each segment are included in determining operating segment performance.

2.4 Foreign currency translation

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The consolidated financial statements are presented in Hong Kong dollars, which is the Bank's functional and presentation currency.

財務報表附註

Notes to the Financial Statements

2. 主要會計政策(續)

2.4 外幣換算(續)

外幣交易均按交易或重新計量項目之估值當日的即期匯率換算為功能貨幣。外幣交易以交易日之匯率結算所引致的匯兌損益，以及以外幣為本位的貨幣性資產及負債按會計結算日的匯率換算的匯兌損益，均直接於收益表確認，惟於其他全面收益內遞延作為合資格現金流對沖或合資格淨投資對沖除外。

以公允值變化計入損益的貨幣性證券的兌換差額會列作公允值收益或虧損的一部分。對於被分類為以公允值變化計入其他全面收益，以外幣為本位的貨幣性證券，其公允值變動可分為源自證券攤餘成本變動的兌換差額和證券賬面值的其他兌換變動兩部分。源自證券攤餘成本變動的兌換差額會於收益表內確認，而證券賬面值的其他兌換變動則被確認於其他全面收益。

對於非貨幣性項目，其兌換差額會列作公允值收益或虧損的一部分。而非貨幣性金融資產(例如以公允值變化計入其他全面收益之股權投資)的兌換差額會包含在其他全面收益內。

所有本集團內非以港幣為功能貨幣的企業，其業績及財務狀況按以下方式換算為港幣：

- 資產及負債按會計結算日之收市匯率換算；
- 收入及支出按平均匯率換算；及
- 所有產生之換算差額通過其他全面收益於權益項目下之換算儲備內確認。

於合併財務報表時，換算對外國企業之淨投資、借款及其他被界定為對沖此投資的貨幣工具所產生之換算差額需列入其他全面收益及分別累計於換算儲備中。當出售該外國企業投資時，此外幣兌換差額需列作為出售收益或虧損的一部分，並由權益中重新分類至收益表內。

2. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

2.4 Foreign currency translation (Cont'd)

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or exchange rates at the end of the reporting period for items that are re-measured. Foreign exchange gains and losses resulting from the settlement of foreign currency transactions using the exchange rates prevailing at the dates of the transactions and monetary assets and liabilities denominated in foreign currencies translated at the exchange rate at the end of the reporting period are recognised directly in the income statement, except when deferred in other comprehensive income as qualifying cash flow hedge or qualifying net investment hedges.

Translation differences on monetary securities held at fair value through profit or loss are reported as part of the fair value gain or loss. Changes in the fair value of monetary securities denominated in foreign currency classified as fair value through other comprehensive income are analysed between translation differences resulting from changes in the amortised cost of the securities and other changes in the carrying amount of the securities. Translation differences related to changes in the amortised cost are recognised in the income statement, and other changes in the carrying amount are recognised in other comprehensive income.

Translation differences on non-monetary items are reported as part of the fair value gain or loss. Translation differences on non-monetary financial assets such as equities classified as fair value through other comprehensive income are included in other comprehensive income.

The results and financial position of all the Group entities that have a functional currency different from Hong Kong dollars are translated into Hong Kong dollars as follows:

- assets and liabilities are translated at the closing rates at the end of the reporting period;
- income and expenses are translated at average exchange rates; and
- all resulting exchange differences are recognised in the translation reserve in equity through other comprehensive income.

On consolidation, exchange differences arising from the translation of the net investment in foreign entities, borrowings and other currency instruments designated as hedges of such investments are taken to other comprehensive income and are accumulated separately in the translation reserve. When a foreign entity is sold, such exchange differences are reclassified from equity to in the income statement, as part of the gain or loss on sale.

財務報表附註

Notes to the Financial Statements

2. 主要會計政策(續)

2.5 衍生金融工具及對沖會計

衍生金融工具以衍生交易合同簽訂當日的公允值進行初始確認，並以公允值進行後續計量。公允值從活躍市場上的公開市場報價中取得，包括最近的市場交易，或通過使用估值方法，包括貼現現金流量模型、期權定價模型(如適用)。當公允值為正值時，衍生金融工具將被列為資產；當公允值為負值時，則被列為負債。

若干衍生金融工具會嵌藏在金融負債中，當其經濟特徵和風險與主合同沒有緊密關聯，而主合同並非以公允值變化計入損益時，這些嵌藏式衍生金融工具需要單獨以公允值計量，並且其公允值變動計入收益表。

除非衍生金融工具已被界定為用作對沖，並且是屬於有效之對沖工具，則需按對沖會計之要求計量，否則，將被分類為持作交易用途，其公允值變動即時於收益表內確認。

對於被界定為對沖工具，並有效地對沖的衍生金融工具，確認其收益或虧損的方法是按被對沖項目的性質而定。

本集團於交易發生時會記錄對沖工具與相關被對沖項目之關係、風險管理目的和進行各類對沖交易時所採取之策略。本集團並於對沖活動發生時及期間，評估其經濟關係、信貸風險、對沖比例及對沖工具能否高度有效地抵銷相關被對沖項目之公允值或現金流變動，並作出記錄。此等乃符合採用對沖會計方法處理之先決條件。對沖會計可能會因對沖工具和被對沖項目失去經濟關係，或交易對手的信用風險重大變化主導對沖工具和被對沖項目的公允值變化而無效。

2. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

2.5 Derivative financial instruments and hedge accounting

Derivatives are initially recognised at fair value on the date the derivative contract is entered into and are subsequently re-measured at fair value. Fair values are obtained from quoted market prices in active markets, including recent market transactions, and through the use of valuation techniques, including discounted cash flow models and option pricing models, as appropriate. All derivatives are carried as assets when fair value is positive and as liabilities when fair value is negative.

Certain derivatives embedded in financial liabilities are treated as separate derivatives when their economic characteristics and risks are not closely related to those of the host contract and the host contract is not carried at fair value through profit or loss. These embedded derivatives are measured at fair value with changes in fair value recognised in the income statement.

Derivatives are categorised as held for trading and changes in their fair value are recognised immediately in the income statement unless they are designated as hedges and are effective hedging instruments, then they are subject to measurement under the hedge accounting requirements.

For derivative instruments being designated as hedging instrument in an effective hedge, the method of recognising the resulting fair value gain or loss depends on the nature of the item being hedged.

The Group documents at inception the relationship between hedging instruments and hedged items, as well as its risk management objective and strategy for undertaking various hedge transactions. The Group also documents its assessment, both at the hedge inception and on an ongoing basis, of the economic relationship, credit risk, the hedge ratio and an evaluation of the effectiveness of the hedging instruments in offsetting changes in fair values or cash flow of hedged items. These criteria should be met before a hedge can be qualified to be accounted for under hedge accounting. Hedge accounting may become ineffective if the hedging instrument and the hedged item lose economic relationship, or a significant change of the counterparties' credit risks that dominates the fair value change of the hedging instruments or the hedged items.

財務報表附註

Notes to the Financial Statements

2. 主要會計政策(續)

2.5 衍生金融工具及對沖會計(續)

(a) 公允值對沖

被界定為有效之公允值對沖，其衍生金融工具之公允值變動，連同被對沖風險之資產或負債相關之公允值變動，一併於收益表內確認。

當公允值對沖會計中被對沖項目為公允值計入其他收益的債務金融工具時，在對沖會計期間其公允值變動金額應計入收益表。若對沖關係不再符合對沖會計之要求或並非基於終止確認被對沖項目而終止的其他原因，其以於收益表內已確認的累計有效對沖之部分相關的公允值變化應以實質利息法被攤銷回估值儲備內。而當被對沖項目被終止確認時，於收益表內已確認的未攤銷的累計有效對沖公允值變化的部分，將即時重分類至估值儲備。

(b) 淨投資對沖

對沖工具有效對沖部分的收益或虧損，會於其他全面收益內確認及於權益內累計；無效部分的收益或虧損即時於收益表內確認。之前於其他全面收益中累計的收益或虧損金額會列作出售收益或虧損的一部分，並於出售海外運作時被重新分類至收益表內。

2.6 金融工具之抵銷

若存在法律上可行使的權利，可對已確認入賬之項目進行抵銷，且有意以淨額方式結算，或將資產變現並同時清償債務，則金融資產及負債可予抵銷，並把淨額於資產負債表內列賬。

2.7 利息收入及支出、服務費及佣金收入及支出

所有金融資產和金融負債，其利息收入和支出按實際利息法在收益表中確認。

2. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

2.5 Derivative financial instruments and hedge accounting (Cont'd)

(a) Fair value hedge

Changes in the fair value of derivatives that are designated and qualified as effective fair value hedges are recognised in the income statement, together with any changes in the fair value of the hedged asset or liability that are attributable to the hedged risk.

For fair value hedge relationships where the hedged items are debt instruments carried at fair value through other comprehensive income, changes in fair value are recorded in the income statement whilst hedge accounting is in place. When the hedge relationship no longer meets the criteria for hedge accounting or is terminated for reasons other than derecognition, the cumulative effective hedged portion of fair value change recognised in the income statements are amortised by the effective interest method back to the revaluation reserve. If the hedged item is derecognised, the unamortised cumulative effective hedged portion of fair value change recognised in the income statement are reclassified to revaluation reserve immediately.

(b) Net investment hedge

A gain or loss on the effective portion of the hedging instrument is recognised in other comprehensive income and accumulated in equity; a gain or loss on the ineffective portion is recognised immediately in the income statement. Accumulated gains and losses previously recognised in other comprehensive income are reclassified to the income statement upon disposal of the foreign operation as part of the gain or loss on disposal.

2.6 Offsetting financial instruments

Financial assets and liabilities are offset and the net amount reported in the balance sheet when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis, or realise the asset and settle the liability simultaneously.

2.7 Interest income and expense and fee and commission income and expense

Interest income and expense are recognised in the income statement for all financial assets and financial liabilities using the effective interest method.

財務報表附註

Notes to the Financial Statements

2. 主要會計政策(續)

2.7 利息收入及支出、服務費及佣金收入及支出(續)

實際利息法是一種計算金融資產或金融負債的攤餘成本以及在相關期間分攤利息收入或利息支出的方法。實際利率是在金融工具預計到期日或較短期間(如適用)內，將其未來收到或付出的現金流貼現為金融資產或金融負債賬面淨額所使用的利率。在計算實際利率時，本集團在估計未來現金流時，會考慮金融工具的所有合同條款(如提前還款權或為住宅按揭貸款客戶提供的優惠)，但不會考慮未來的信用損失。計算範圍包括訂約各方所支付或所收取的費用、溢價或折讓和點子，以及貸款貸出時產生而屬於整體有效利息一部分之相關費用及成本。

對於所有以利率作為被對沖風險的對沖交易，被套期工具的利息收入或利息支出(例如固定利率債務證券)均與從該套期工具例如利率掉期產生的利息收入和利息支出以淨額披露。

當一項金融資產或一組類似的金融資產確認減值損失後，會按照計量減值損失時對未來現金流進行貼現時使用的利率，按折減後之價值確認利息收入。而日後釋出之貼現準備亦將確認為利息收入。

當在合同規定下，例如戶口服務及信用卡費用，相關服務需要在一定時間內提供。該服務之費用收入應按有系統性之基準以固定或可變價格在協議有效期內隨時間所確認，或在交易為基礎之安排下例如經紀服務及銀團貸款安排費，服務費收入應在服務完整地提供予客戶後之單一時間點確認。

2.8 金融資產

本集團於初始確認時將金融資產分類為：(i)以公允價值變化計入損益、(ii)以攤餘成本作計量或(iii)以公允價值變化計入其他全面收益並作後續計量。分類取決於企業管理其金融工具的業務模式以及工具的合約現金流量特徵或對公允價值選擇權的選擇。除以公允價值變化計入損益之金融資產外，其他金融資產之交易成本均已包含於初始賬面值內。

2. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

2.7 Interest income and expense and fee and commission income and expense (Cont'd)

The effective interest method is a method of calculating the amortised cost of a financial asset or a financial liability and of allocating the interest income or interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or, when appropriate, a shorter period to the net carrying amount of the financial asset or financial liability. When calculating the effective interest rate, the Group estimates future cash flows considering all contractual terms of the financial instrument (e.g. prepayment options or incentives relating to residential mortgage loans) but does not consider future credit losses. The calculation includes fees, premiums or discounts and basis points paid or received between parties to the contract, and directly attributable origination fees and costs which represent an integral part of the effective yield.

For all hedge transactions where interest rate is the hedged risk, interest income or interest expense from hedged instruments such as fixed rate debt securities are disclosed on a net basis together with net interest income/expense arising from the hedging instrument such as interest rate swap.

Once a financial asset or a group of similar financial assets has been written down as a result of an impairment loss, interest income is recognised on the written down value using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. Subsequent unwinding of the discount allowance is recognised as interest income.

Fee income from services are recognized over time at a fixed or variable price on a systematic basis over the life of the agreement when the contract requires services to be provided over time such as account service and credit card fees, or recognized at a point in time under transaction-based arrangements when service has been fully provided to the customer such as broking services and loan syndication arrangement.

2.8 Financial assets

The Group classifies its financial assets at initial recognition and subsequently measured financial assets as: (i) at fair value through profit or loss ("FVPL"), (ii) at amortised cost ("AC") or (iii) at fair value through other comprehensive income ("FVOCI"). The classification depends on the entity's business model for managing its financial instruments and the contractual cash flow characteristics of the instruments, or the election of fair value option. All financial assets are recognised initially at fair value. Except for financial assets carried at fair value through profit or loss, all transaction costs of financial assets are included in their initial carrying amounts.

財務報表附註

Notes to the Financial Statements

2. 主要會計政策(續)

2.8 金融資產(續)

(1) 以公允價值變化計入損益之金融資產

這類金融資產包括三個細項：持作交易用途的金融資產，購入時即界定為以公允價值變化計入損益之金融資產以及強制性以公允價值變化計入損益之金融資產。

如果取得該金融資產主要是以短期沽售為目的，或屬於組合一部分並共同管理的可識別金融工具，若有證據表明其短期獲利行為，則被分類為持作交易用途。除被界定為有效對沖工具外，所有衍生金融工具均被分類為持作交易用途類別。

金融資產如能滿足以下其中之一項條件，可被管理層界定為以公允價值變化計入損益之金融資產：

- 可以消除或明顯減少因按不同基準計量金融資產之價值，或確認其收益或虧損，而出現不一致之計量或確認情況(一般被稱為「會計錯配」)；
- 應用於一組金融資產、金融負債、或兩者兼有的組合，其管理是依據事先書面確立的風險管理或投資策略來運作，其表現是按公允價值為基礎來衡量，並按此基礎將該組金融工具的資訊向管理層作出內部報告；或
- 與包含一個或多個嵌藏式衍生金融工具的金融資產相關，且這些嵌藏式衍生金融工具對該等金融資產的現金流產生重大影響。

這些資產以公允價值進行初始確認，交易費用直接計入收益表，並以公允價值進行後續計量。

該等資產的公允價值變化所產生的損益計入淨交易性收益／虧損或界定為以公允價值變化計入損益之金融工具淨收益／虧損。

2. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

2.8 Financial assets (Cont'd)

(1) Financial assets at fair value through profit or loss

This category has three sub-categories: financial assets held for trading, those designated at fair value through profit or loss at inception, and financial assets mandatorily required to be measured at fair value through profit or loss.

A financial asset which has been acquired or incurred principally for the purpose of selling in the short term or is part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short-term profit-taking is classified as held for trading. Derivatives are also classified as held for trading unless they are designated as effective hedging instruments.

A financial asset can be designated at fair value through profit or loss, if it meets one of the criteria set out below, and is so designated by the Management:

- eliminates or significantly reduces a measurement or recognition inconsistency (sometimes referred to as "an accounting mismatch") that would otherwise arise from measuring the financial assets or recognising the gains and losses on them on different bases;
- applies to a group of financial assets, financial liabilities or both that is managed and its performance is evaluated on a fair value basis, in accordance with a documented risk management or investment strategy, and information about the group is provided internally on that basis to the Management; or
- relates to financial assets containing one or more embedded derivative that significantly modifies the cash flow resulting from those financial assets.

These assets are recognised initially at fair value, with transaction costs taken directly to the income statement, and are subsequently re-measured at fair value.

Gains and losses from changes in the fair value of such assets are reported in net trading gain/loss or net gain/loss on financial instruments at fair value through profit or loss.

財務報表附註

Notes to the Financial Statements

2. 主要會計政策(續)

2.8 金融資產(續)

(2) 以攤餘成本作計量之金融資產

如果滿足以下兩個條件，則金融資產分類為以攤餘成本作後續計量：(i) 金融資產以業務模式持有，其目的是持有金融資產以收取合同現金流，以及(ii) 金融資產的合約條款在指定日期產生現金流，該現金流僅為本金和未償還本金的利息。它們最初以公允價值加上任何直接歸屬交易成本入賬，其後使用實際利率法計算攤餘成本並減去減值準備作計量。包括折溢價攤銷的利息收入將按照實際利率法計算確認為在收益表中。當資產終止確認，修改或減值時，收益或損失在損益中確認。

(3) 以公允價值變化計入其他全面收益之金融資產

如果滿足以下兩個條件，則債務工具分類為以公允價值變化計入其他全面收益：(i) 金融資產以業務模式持有，持有目的是收取合同現金流和銷售，以及(ii) 金融資產的合約條款在指定日期產生現金流，該現金流僅為本金及未償還本金的利息。

以公允價值變化計入其他全面收益之金融資產以公允價值加上直接相關的交易費用進行初始入賬，並以公允價值進行後續計量。因該等投資之公允價值變化而產生之未實現收益或虧損直接確認為在其他全面收益中；當該類金融資產終止確認或減值時，之前確認為權益儲備中的累計收益或虧損將轉入收益表內。惟包括折溢價攤銷的利息收入將按照實際利率法計算確認為在收益表中。

對於股權投資，可以在初始確認時進行不可撤銷的選擇，以確認未實現和實現的其他綜合收益的公允價值收益或損失，而無需將公允價值收益或損失重新分類至損益表(不可轉回)，即使在處置時也是如此。以公允價值變化計入其他全面收益分類的權益工具之股息，在本集團收取付款的權利確立時在其他營業收入中確認。指定為以公允價值變化計入其他全面收益的權益工具無須作減值評估。

2. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

2.8 Financial assets (Cont'd)

(2) Financial assets at amortised cost

Financial assets are classified as subsequently measured at amortised cost if both of the following conditions are met: (i) the financial assets are held within a business model with the objective to hold financial assets in order to collect contractual cash flows, and (ii) the contractual terms of the financial assets give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding. They are initially recorded at fair value plus any directly attributable transaction costs and are subsequently measured at amortised cost using the effective interest method less allowances for impairment losses. Interest income which includes the amortisation of premium or discount is calculated using the effective interest method and is recognised in the income statement. Gains or losses are recognised in profit or loss when the asset is derecognised, modified or impaired.

(3) Financial assets at fair value through other comprehensive income

Debt instruments are classified as subsequently measured at fair value through other comprehensive income if both of the following conditions are met: (i) the financial assets are held within a business model with the objective of both holding to collect contractual cash flows and selling, and (ii) the contractual terms of the financial assets give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial assets at fair value through other comprehensive income are initially recorded at fair value plus any directly attributable transaction costs, and are subsequently measured at fair value. Unrealised gains and losses arising from changes in the fair value of investments are recognised directly in other comprehensive income, until the financial asset is derecognised or impaired at which time the accumulated gain or loss previously recognised in equity should be transferred to the income statement. However, interest income which includes the amortisation of premium and discount is calculated using the effective interest method and is recognised in the income statement.

For equity investments, an irrevocable election can be made at initial recognition to recognise unrealised and realised fair value gains or losses in other comprehensive income without subsequent reclassification of fair value gains or losses to the income statement even upon disposal (non-recycling). Dividends on equity instruments classified as fair value through other comprehensive income are recognised in other operating income when the Group's right to receive payment is established. Equity instruments designated at fair value through other comprehensive income are not subject to impairment assessment.

財務報表附註

Notes to the Financial Statements

2. 主要會計政策(續)

2.8 金融資產(續)

(3) 以公允價值變化計入其他全面收益之金融資產(續)

以公允價值變化計入其他全面收益之證券的兌換差額的處理方法已詳列於附註2.4。

2.9 金融負債

本集團按以下類別分類金融負債：(i) 交易性負債、(ii) 界定為公允價值變化計入損益之金融負債、(iii) 存款、已發行債務證券及存款證、後償負債及其他負債。所有金融負債於交易發生時界定其分類並以公允價值進行初始確認，非以公允價值變化計入損益之金融負債則需加減交易成本。

(1) 交易性負債

旨在短期內購回之金融負債被分類為持作交易用途之負債。交易性負債以公允價值列賬，公允價值之變動所產生的收益或虧損確認於收益表內。

(2) 界定為公允價值變化計入損益之金融負債

金融負債可於初始時指定為可界定為公允價值變化計入損益。如果金融負債符合以下標準之一，則可指定為界定為公允價值變化計入損益：

- 可以消除或明顯減少因按不同基準計量金融負債之價值，或確認其收益或虧損，而出現不一致之計量或確認情況(一般被稱為「會計錯配」)；
- 應用於一組金融資產、金融負債、或兩者兼有的組合，其管理是依據事先書面確立的風險管理或投資策略來運作，其表現是按公允價值為基礎來衡量，並按此基礎將該組金融工具的資訊向管理層作出內部報告；或
- 與包含一個或多個嵌藏式衍生金融工具的金融負債相關，且這些嵌藏式衍生金融工具對該等金融負債的現金流產生重大影響。

界定為公允價值變化計入損益之金融負債以公允價值列賬，公允價值之變動所產生的收益或虧損確認於收益表內。

2. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

2.8 Financial assets (Cont'd)

(3) Financial assets at fair value through other comprehensive income (Cont'd)

The treatment of translation differences on fair value through other comprehensive income securities is dealt with in Note 2.4.

2.9 Financial liabilities

The Group classifies its financial liabilities under the following categories: (i) trading liabilities, (ii) financial liabilities designated at fair value through profit or loss, (iii) deposits, debt securities and certificates of deposit in issue, subordinated liabilities, and other liabilities. All financial liabilities are classified at inception and recognised initially at fair value, and in the case of financial liability not at fair value through profit or loss, plus or minus transaction costs.

(1) Trading liabilities

A financial liability is classified as held for trading if it is incurred principally for the purpose of repurchasing in the short term. It is measured at fair value and any gains and losses from changes in fair value are recognised in the income statement.

(2) Financial liabilities designated at fair value through profit or loss

A financial liability can be designated at fair value through profit or loss if it is so designated at inception. A financial liability is so designated if it meets one of the following criteria:

- eliminates or significantly reduces a measurement or recognition inconsistency (sometimes referred to as "an accounting mismatch") that would otherwise arise from measuring the financial liabilities or recognising the gains and losses on them on different bases;
- applies to a group of financial assets, financial liabilities or both that is managed and its performance is evaluated on a fair value basis, in accordance with a documented risk management or investment strategy, and information about the Group is provided internally on that basis to the Management; or
- relates to financial liabilities containing one or more embedded derivative that significantly modifies the cash flow resulting from those financial liabilities.

Financial liabilities designated at fair value through profit or loss are measured at fair value and any gains and losses from changes in fair value are recognised in the income statement.

財務報表附註

Notes to the Financial Statements

2. 主要會計政策(續)

2.9 金融負債(續)

(3) 存款、已發行債務證券及存款證、後償負債及其他負債

除被分類為交易性負債或界定為公允值變化計入損益之金融負債外，存款、已發行債務證券及存款證、後償負債及其他負債均以攤餘成本列賬。扣除交易費用後之淨收款和贖回價值的差額(如有)，按照實際利息法於期內在收益表中確認。

2.10 財務擔保合約及未提取貸款承諾

財務擔保合約是指簽發人在指定的債務人未能根據持有人與債務人之間的債務合約條款而履行還款責任時，需向持有人償付由此而產生之損失的指定付款。

財務擔保合約以合約簽發當日的公允值初始確認為金融負債，並列示於財務報表內的「其他賬項及準備」項下。及後，本集團之責任按以下兩者之較高者計量：(i) 預期信用損失減值準備；及(ii) 初始確認之金額減按直線法於擔保有效期內確認之累計攤銷(如適用)。財務擔保合約負債的變動則於收益表中確認。

未提取貸款承諾是指集團在承諾期間需要以既定的合同條款向客戶發放貸款的承諾。這些承諾屬於附註2.14中規定的預期信用損失要求的範圍

財務擔保和貸款承諾的預期信用損失準備在財務報表的「其他賬項及準備」項下列報。

2. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

2.9 Financial liabilities (Cont'd)

(3) *Deposit, debt securities and certificates of deposit in issue, subordinated liabilities, and other liabilities*

Deposits, debt securities and certificates of deposit in issue, subordinated liabilities, and other liabilities, other than those classified as trading liabilities or designated at fair value through profit or loss are carried at amortised cost. Any difference (if available) between proceeds net of transaction costs and the redemption value is recognised in the income statement over the period using the effective interest method.

2.10 Financial guarantee contracts and undrawn loan commitments

Financial guarantee contracts are contracts that require the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payments when due, in accordance with the terms of a contract between the holder and the debtor.

Financial guarantee contracts are initially recognised as financial liabilities and reported under "Other accounts and provisions" in the financial statements at fair value on the date the guarantee was given. Subsequent to initial recognition, the Group's liabilities under such guarantees are measured at the higher of (i) an ECL provision and (ii) the amount initially recognised less, where appropriate, accumulated amortisation recognised over the life of the guarantee on a straight-line basis. Any changes in the liability relating to financial guarantee contracts are taken to the income statement.

Undrawn loan commitments are commitments under which, over the duration of the commitment, the Group is required to provide a loan with pre-specified terms to the customer. These commitments are in the scope of the expected credit losses requirements as set out in Note 2.14.

The expected credit losses provision for financial guarantees and loan commitments are reported under "other accounts and provisions" in the financial statements.

財務報表附註

Notes to the Financial Statements

2. 主要會計政策(續)

2.11 金融工具的確認，終止確認和修改

以公允值變化計入損益、以公允值變化計入其他全面收益及以攤餘成本作後續計量之金融資產，其買賣會於交易當日(即本集團購入或售出資產當日)確認。貸款及其他金融資產於付出現金予交易對手時確認。在從該等金融資產取得現金流之權利完結或本集團已轉讓實質上所有風險及回報時，將終止對該等金融資產之確認。當本集團未有轉讓或未有保留已轉讓金融資產之實質上所有風險及回報，但仍保留對其控制時，本集團會按持續參與的部分繼續確認該等已轉讓的金融資產；若本集團已失去對其控制時，則終止確認。如重新商定或修訂以公允值變化計入其他全面收益或以攤餘成本作計量之金融工具的合約現金流量，則應使用原實際利率對修訂後的合約現金流量進行折現，並與減值前的原攤餘成本進行比較。如果差異重大，則應終止確認原有的金融工具，然後以上述現值重新確認。否則，該差額將調整為原有賬面價值，並計入當期損益。

交易性負債、界定為以公允值變化計入損益之金融負債，已發行債務證券及存款證及後償負債於交易當日確認。未被界定為以公允值變化計入損益之存款在收到客戶款項時確認，而其他負債於有關責任產生時確認。只有當合約中的指定責任被履行、取消或到期，該金融負債才可從資產負債表上終止確認。

售出予交易對手之證券及票據，如根據回購協議，附有按預定價格並於將來指定時間回購之責任稱為「回購」。而向交易對手購入之證券及票據，如根據回售協議，附有按預定價格於將來指定時間再出售予交易對手之責任則稱為「反向回購」。

2. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

2.11 Recognition, derecognition and modification of financial instruments

Purchases and sales of financial assets subsequently measured at FVPL, at FVOCI and AC are recognised on the trade date, the date on which the Group purchases or sells the assets. Loans and advances and other financial assets are recognised when cash is advanced to the counterparty. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or where the Group has transferred substantially all risks and rewards of ownership. When the Group neither transfers nor retains substantially all the risks and rewards of ownership of the financial asset, the Group either continues to recognise the transferred financial asset to the extent of its continuing involvement if control remains or derecognise it if there is no retained control. If the contractual cashflow of FVOCI or AC financial instruments are renegotiated or modified, the modified contractual cashflow should be discounted using the original effective interest rate, and compared with the original amortised cost before impairment. If the difference is material, the original financial instrument should be derecognised and then re-recognised with the present value aforementioned. Otherwise, the difference is adjusted to the original carrying value and accounted for in the profit or loss.

Trading liabilities, financial liabilities designated at FVPL, debt securities and certificates of deposit in issue and subordinated liabilities are recognised on the trade date. Deposits that are not designated at FVPL are recognised when money is received from customers, other liabilities are recognised when such obligations arise. Financial liabilities are derecognised from the balance sheet when and only when the obligation specified in the contract is discharged, cancelled or expires.

Securities and bills sold to a counterparty with an obligation to repurchase at a pre-determined price on a specified future date under a repurchase agreement are referred to as repos. Securities and bills purchased from a counterparty with an obligation to re-sell to the counterparty at a pre-determined price on a specified future date under a resale agreement are referred to as reverse repos.

財務報表附註

Notes to the Financial Statements

2. 主要會計政策(續)

2.11 金融工具的確認，終止確認和修改(續)

「回購」或借出證券於初始時按已向交易對手所取得之實際現金額，列賬於銀行及其他金融機構之存款及結餘(如適用)。用作抵押回購協議之金融資產不會被終止確認，並仍列為證券投資或以公允值變化計入其他全面收益之金融資產。「反向回購」或借入證券則於初始時按已付予交易對手之實際現金額，於資產負債表內列為庫存現金及存放銀行及其他金融機構的結餘(如適用)。於反向回購協議下所收到用作抵押之金融資產將不會被確認為資產負債表上。出售價與回購價之差額則以實際利息法於協議年內分期確認為利息收入或利息支出。

2.12 公允值計量

本集團於每個會計結算日以公允值計量房產及投資物業、貴金屬及部分金融工具。公允值是指在估值日當期集團可接觸的主要交易市場或最有利之市場狀況下，市場參與者進行有序交易出售資產或轉移負債之價格。

計量資產或負債公允值運用的假設為市場參與者在其最佳經濟利益的情況下，所採用的資產或負債計價。

本集團使用最能代表金融工具公允價值的買賣差價內的價格，在適當情況下，包括在本集團根據其淨市場風險敞口管理此類金融資產和負債的情況下，使用金融資產和金融負債組合的淨抵消風險頭寸的剩餘部分。儘管本集團以淨額計量這些金融工具組合的公允價值，除非符合抵銷標準，相關金融資產和金融負債才在財務報表中單獨列示。

非金融資產之公允值計量為考慮市場參與者使用該資產所產生的最高及最佳經濟利益，或出售予另一市場參與者而該參與者可產生的最高及最佳經濟利益。

2. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

2.11 Recognition, derecognition and modification of financial instruments (Cont'd)

Repos or securities lending are initially recorded as Deposits and balances from banks and other financial institutions, as appropriate, at the actual amount of cash received from the counterparty. Financial assets given as collateral for repurchase agreements are not derecognised and are recorded as investment in securities or financial assets at fair value through other comprehensive income. Reverse repos or securities borrowing are initially recorded in the balance sheet as Cash and balances with banks and other financial institutions, as appropriate, at the actual amount of cash paid to the counterparty. Financial assets received as collateral under reverse repurchase agreements are not recognised on the balance sheet. The difference between sale and repurchase price is recognised as interest income or interest expense over the life of the agreements using the effective interest method.

2.12 Fair value measurement

The Group measures its premises and investment properties, precious metals and certain financial instruments at fair value at the end of each reporting period. 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 in its principal market or the most advantageous market accessible by the Group at the measurement date.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

The Group uses the price within the bid-offer spread that is most representative of the fair value of financial instruments, where appropriate, includes using on the residual of the net offsetting risk position of portfolios of financial assets and financial liabilities in cases the Group manages such groups of financial assets and liabilities according to their net market risk exposures. Despite the Group measures the fair value of these groups of financial instruments on a net basis, the underlying financial assets and financial liabilities are separately presented in the financial statements unless the offsetting criterias are fulfilled.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

財務報表附註

Notes to the Financial Statements

2. 主要會計政策(續)

2.12 公允值計量(續)

若資產或負債所處之市場並不活躍，本集團會在合適並有足夠數據的情況下，採用估值方法釐定其公允值，包括運用當時之公允市場交易、貼現現金流量分析、期權定價模型及其他市場參與者通用之估值方法，並會盡可能使用市場上可觀察的相關參數，避免使用不可觀察的參數。

2.13 貴金屬

貴金屬包括黃金、銀及其他貴金屬。貴金屬以其公允值作初始確認和其後重估。貴金屬於進行市場劃價後所產生之收益或虧損，將包括於淨交易性收益／虧損內。

2.14 金融資產減值

本集團就下列項目確認預期信用損失的損失準備：

- 以攤餘成本計量之金融資產；
- 以公允值變化計入其他全面收益之債務證券；
和
- 不以公允值變化計入損益作計量之已發出的貸款承諾及財務擔保。

以公允價值計量的金融資產，包括以公允值變化計入損益作計量之股份證券，指定為以公允值變化計入其他全面收益之股權證券(不可轉回)及衍生金融資產，均不需要作預期信用損失評估。

預期信用損失是信用損失的概率加權估計。信貸虧損按所有預期現金缺口的現值計量，即根據合約應付本集團的現金流量與本集團預期收到的現金流量之間的差額。

就未提取貸款承諾及財務擔保而言，預期現金缺口按(i)如果貸款承諾持有人／財務擔保受益人提取貸款／索賠而將應付本集團之合約現金流及(ii)如果貸款被提取／財務擔保被索賠，本集團預計可收到的現金流的差額計量。

2. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

2.12 Fair value measurement (Cont'd)

If the market for assets or liabilities is not active, the Group uses valuation techniques, including the use of recent arm's length transactions, discounted cash flow analysis, option pricing models and other valuation techniques commonly used by market participants, that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

2.13 Precious metals

Precious metals comprise gold, silver and other precious metals. Precious metals are initially recognised and subsequently re-measured at fair value. Mark-to-market gains or losses on precious metals are included in net trading gain/loss.

2.14 Impairment of financial assets

The Group recognises a loss allowance for expected credit losses ("ECLs") on the following items:

- financial assets measured at amortised cost;
- debt securities measured at FVOCI; and
- loan commitments and financial guarantees issued, which are not measured at FVPL.

Financial assets measured at fair value, including equity securities measured at FVPL, equity securities designated at FVOCI (non-recycling) and derivative financial assets, are not subject to the ECL assessment.

ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the present value of all expected cash shortfalls (i.e. the difference between the cash flows due to the Group in accordance with the contract and the cash flows that the Group expects to receive).

For undrawn loan commitments and financial guarantees outstanding, expected cash shortfalls are measured as the difference between (i) the contractual cash flows that would be due to the Group if the holder of the loan commitment draws down on the loan/the beneficiary of the financial guarantee claims on the financial guarantee and (ii) the cash flows that the Group expects to receive if the loan is drawn down/the financial guarantee is claimed.

財務報表附註

Notes to the Financial Statements

2. 主要會計政策(續)

2.14 金融資產減值(續)

如果貼現的影響重大，那麼預期的現金缺口會以貼現處理。估計預期信用損失時考慮的最長期限是集團暴露於信用風險的最長合同期。

在計量預期信用損失時，集團會考慮合理而無需花費過多的成本或精力且可支持的訊息。這包括有關過去事件，當前狀況和未來經濟狀況預測的訊息。

預期信用損失在以下其中一個基礎上計量：

- 12個月的預期信用損失：此為預計在報告日期後12個月內由可能發生的違約事件造成的損失；或
- 終身預期信用損失：此為預期由預期信用損失模型採用的項目之預期壽命內由所有可能的違約事件導致的損失。

當初始確認該等金融工具時，本集團將在未來12個月內預期信用損失計入第一階段。並且在初始確認後信用風險顯著增加時，將終身預期信用損失確認為第二階段。如果對該金融資產的估計未來現金流量產生不利影響的一項或多項事件已經發生，則會對信用減值金融工具的終身預期信用損失確認為第三階段且按相關第三階段之金融資產扣除減值金額計算利息。

本集團考慮違約事件發生，當(i)如果本集團不採取變現押品或擔保(如持有)，借款人不太可能全額償還其對本集團的信貸責任；或(ii)該金融資產是逾期90天。本集團考慮了合理且可支持的定量和定性訊息，包括無需花費過多的成本或努力即可獲得的歷史經驗和前瞻性訊息。

2. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

2.14 Impairment of financial assets (Cont'd)

The expected cash shortfalls are discounted where the effect of discounting is material. The maximum period considered when estimating ECLs is the maximum contractual period over which the Group is exposed to credit risk.

In measuring ECLs, the Group takes into account reasonable and supportable information that is available without undue cost or effort. This includes information about past events, current conditions and forecasts of future economic conditions.

ECLs are measured on either of the following bases:

- 12-month ECLs: these are losses that are expected to result from possible default events within the 12 months after the reporting date; or
- lifetime ECLs: these are losses that are expected to result from all possible default events over the expected lives of the items to which the ECL model applies.

The Group will account for expected credit losses within the next 12 months as Stage 1 when those financial instruments are initially recognised; and to recognise lifetime expected credit losses as Stage 2 when there has been significant increases in credit risk since initial recognition. Lifetime expected credit losses will be recognised for credit-impaired financial instruments as Stage 3 if one or more events that have a detrimental impact on the estimated future cash flows of that financial asset have occurred and interest will then be accrued net of the impairment amount of the respective Stage 3 financial assets.

The Group considers that a default event occurs when (i) the borrower is unlikely to pay its credit obligations to the Group in full, without recourse by the Group to act on such as realising security (if any is held); or (ii) the financial asset is 90 days past due. The Group 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.

財務報表附註

Notes to the Financial Statements

2. 主要會計政策(續)

2.14 金融資產減值(續)

在評估自初始確認後金融工具的信用風險(包括貸款承諾及財務擔保)是否顯著增加時,本集團將報告日期評估的金融工具違約風險與初始確認日評估的風險進行比較。本集團會考慮以下資料,包括但不限於:

- 未能在合同到期日支付本金或利息;
- 金融工具的外部或內部信用評級(如果有)的實際或預期的顯著惡化;
- 欠款人經營業績的實際或預期顯著惡化;和
- 科技、市場、經濟或法律環境的現有或預期變化,對欠款人履行其對集團還款義務的能力產生重大不利影響。

就貸款承諾及財務擔保而言,本集團成為不可撤銷承諾的一方的日期為考慮初始確認評估預期信用損失的日期。在評估自初始確認貸款承諾及財務擔保以來信貸風險是否顯著增加時,本集團會考慮貸款承諾及財務擔保所涉及的貸款及擔保發生違約風險的變動。

根據金融工具的性质,對信用風險顯著增加的評估是在個別基礎上或共同基礎上進行的。當評估在共同基礎上進行時,金融工具根據共享信用風險特徵進行分類,例如逾期狀態和信用風險評級。

預期信用損失會在每個報告日期重新計量,以反映自初始確認以來金融工具信用風險的變化。預期信用損失金額的任何變動均在損益表中確認為減值損益。本集團確認所有金融工具的減值損益,並通過損失準備金賬戶對其賬面金額進行相應調整,但以公允價值計入其他綜合收益之債務證券投資除外,其損失準備在其他綜合收益中確認並於公允價值儲備中累計。

2. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

2.14 Impairment of financial assets (Cont'd)

In assessing whether the credit risk of a financial instrument (including a loan commitment and financial guarantee) has increased significantly since initial recognition, the Group compares the risk of default occurring on the financial instrument assessed at the reporting date with that assessed at the date of initial recognition. The Group takes into account following information, including but not limited to:

- failure to make payments of principal or interest on their contractually due dates;
- an actual or expected significant deterioration in a financial instrument's external or internal credit rating (if available);
- an actual or expected significant deterioration in the operating results of the debtor; and
- existing or forecast changes in the technological, market, economic or legal environment that have a significant adverse effect on the debtor's ability to meet its obligation to the group.

For loan commitments and financial guarantees, the date of initial recognition for the purpose of assessing ECLs is considered to be the date that the Group becomes a party to the irrevocable commitment. In assessing whether there has been a significant increase in credit risk since initial recognition of a loan commitment and financial guarantee, the Group considers changes in the risk of default occurring on the loan and guarantee to which the loan commitment and financial guarantee relates.

Depending on the nature of the financial instruments, the assessment of a significant increase in credit risk is performed on either an individual basis or a collective basis. When the assessment is performed on a collective basis, the financial instruments are grouped based on shared credit risk characteristics, such as past due status and credit risk ratings.

ECLs are remeasured at each reporting date to reflect changes in the financial instrument's credit risk since initial recognition. Any change in the ECL amount is recognised as an impairment gain or loss in income statement. The Group recognises an impairment gain or loss for all financial instruments with a corresponding adjustment to their carrying amount through a loss allowance account, except for investments in debt securities that are measured at FVOCI, for which the loss allowance is recognised in other comprehensive income and accumulated in the fair value reserve.

財務報表附註

Notes to the Financial Statements

2. 主要會計政策(續)

2.14 金融資產減值(續)

根據附註2.7確認的利息收入乃根據金融資產的賬面總值計算，惟在金融資產為信貸減值(第三階段)的情況下，利息收入乃根據金融資產的攤銷成本(即賬面總值減去虧損撥備)計算。

當金融資產無法收回時，在完成所有必要程序及確定損失金額後，本集團對該等資產進行撇銷，沖減相應的貸款損失減值準備。該等已撇銷資產仍受制於執行活動。撇銷後收回的貸款金額沖減在收益表中的貸款減值損失。

如果在以後的會計報表期間，減值損失的金額減少，且該等減少與確認減值後發生的事件有客觀關聯(例如債務人信用評級的改善)，則之前已確認的減值損失可按不多於該之前已減值之金額，通過調整準備金予以回撥，回撥的金額於收益表內確認。

當貸款條款經重新商訂後與原來出現重大差異時，該貸款不再被視為逾期貸款，而作為新貸款處理。

2.15 對附屬公司及非金融資產之減值

如因發生事件或情況已改變，並顯示資產之賬面值或將無法被收回，則會進行減值重檢。潛在減值跡象包括運用資產之科技、市場、經濟或法律環境已出現明顯變壞或資產價值大幅或長期下跌至低於其成本值。「大幅」是以投資的原成本值作評價，而「長期」是以公允值低於其原成本值之時期作評價。

資產的賬面值超逾其可收回金額的部分會被確認為減值損失。可收回金額是指資產的公允值扣除出售成本後與其使用價值的較高者。為作出減值評估，資產乃按其最小的可分開識別現金流(現金產出單元)層次分類。於每一財務報告日，會對已發生減值的資產進行重檢以確定需否回撥。

2. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

2.14 Impairment of financial assets (Cont'd)

Interest income recognised in accordance with Note 2.7 is calculated based on the gross carrying amount of the financial asset unless the financial asset is credit-impaired (Stage 3), in which case interest income is calculated based on the amortised cost (i.e. the gross carrying amount less loss allowance) of the financial asset.

When a financial asset is uncollectible, it is written off against the related allowance for impairment losses. Such assets are written off after all the necessary procedures have been completed and the amount of the loss has been determined. The assets written off are still subject to enforcement activity. Subsequent recoveries of amounts previously written off decrease the amount of impairment losses in the income statement.

If, in a subsequent period, the amount of allowance for impairment losses decreases and the decrease can be related objectively to an event occurring after the impairment loss was recognised (such as an improvement in the debtor's credit rating), the previously recognised impairment loss to the extent of its decrease is reversed by adjusting the allowance account. The amount of the reversal is recognised in the income statement.

Loans whose terms have been renegotiated with substantial difference in the terms are no longer considered to be past due but are treated as new loans.

2.15 Impairment of investment in subsidiaries and non-financial assets

Assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. Potential indications of impairment may include significant adverse changes in the technological, market, economic or legal environment in which the assets operate or whether there has been a significant or prolonged decline in value below their cost. "Significant" is evaluated against the original cost of the investment and "prolonged" against the period in which the fair value has been below its original cost.

An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash generating units). Assets that suffered impairment are reviewed for possible reversal of the impairment at each reporting date.

財務報表附註

Notes to the Financial Statements

2. 主要會計政策(續)

2.15 對附屬公司及非金融資產之減值(續)

在本銀行的資產負債表，如果附屬公司宣派的股息超過其在該宣派年度的全面收益總額，或其在在本銀行的賬面值超過在其綜合資產負債表內已包括商譽的淨資產值時，則需要做投資減值測試。

2.16 投資物業

持作賺取長期租金收益或資本增值或兩者兼備者，且並非集團旗下各公司所佔用之物業(包括由物業所在的租賃土地產生的使用權資產)，均列作投資物業。出租予本集團內公司之物業，於個別公司之財務報表中分類為投資物業，及於綜合財務報表中分類為房產。

投資物業初始以成本值(包括相關交易成本)計量。經初始確認後，投資物業按公允值計量。

只有在與項目相關的未來經濟利益很有可能流入本集團，並能夠可靠地計量其成本的情況下，本集團才會將其後續支出計入為資產賬面值之一部分。在建工程以公允值計量。至於所有其他修理及維護費用，均需於產生時確認於當期收益表內。

任何公允值之變動會直接於收益表內確認。

若投資物業改為自用，會被重新分類為房產，其於重新分類日之公允值會成為其會計賬上的成本值。若房產項目因其用途改變而成為投資物業，則根據香港會計準則第16號「物業、器材及設備」將此項目於轉分類日之賬面值與其公允值之間的差額作為房產重估，確認於其他全面收益內。惟若公允值增值抵銷以往之重估損失或減值損失，該增值則於收益表內確認，並以過往已確認的損失金額為限。

2. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

2.15 Impairment of investment in subsidiaries and non-financial assets (Cont'd)

In the Bank's balance sheet, impairment testing of the investment in a subsidiary is also required upon receiving dividend from that entity if the dividend exceeds the total comprehensive income of that entity concerned in the period the dividend is declared or if the carrying amount of that entity in the Bank's balance sheet exceeds the carrying amount of that entity's net assets including goodwill in its consolidated balance sheet.

2.16 Investment properties

Properties (including right-of use assets arising from leases over leasehold land on which properties are situated) that are held for long-term rental yields or for capital appreciation or both, and that are not occupied by the companies in the Group, are classified as investment properties. Properties leased out within Group companies are classified as investment properties in individual companies' financial statements and as premises in consolidated financial statements.

Investment properties are recognised initially at cost, including related transaction costs. After initial recognition, investment properties are measured at fair value.

Subsequent expenditure is charged to the asset's carrying amount only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The work in progress item is stated at fair value. All other repairs and maintenance costs are expensed in the income statement during the financial period in which they are incurred.

Any changes in fair value are recognised directly in the income statement.

If an investment property becomes owner-occupied, it is reclassified as premises, and its fair value at the date of reclassification becomes its cost for accounting purposes. If an item of premises becomes an investment property because its use has changed, any difference resulting between the carrying amount and the fair value of this item at the date of transfer is recognised in other comprehensive income as a revaluation of premises under HKAS 16 "Property, Plant and Equipment". However, if a fair value gain reverses a previous revaluation loss or impairment loss, the gain is recognised in the income statement up to the amount previously debited.

財務報表附註

Notes to the Financial Statements

2. 主要會計政策(續)

2.17 物業、器材及設備

物業(包括由物業所在的租賃土地產生的使用權資產)主要為分行及辦公樓房產。房產需定期但最少每年以取自外間獨立估價師之公允值扣除隨後發生之累計折舊及減值損失列示。重估當日之累計折舊額需先沖銷資產之賬面毛值，沖減後之淨額則重新調整至該資產之重估值。相隔期間由董事參考相近物業之公開市值以檢討房產之賬面值，如董事認為該房產價值有重大變動則會作出相應調整。

所有器材及設備及除租賃土地外的使用權資產均以歷史成本扣除累計折舊及減值損失列賬。歷史成本包括因取得及安裝該項目而直接產生之費用。

與資產有關的後續支出，只有當其產生的未來經濟利益很可能流入本集團，並且該支出能夠可靠地計量時，才能將其計入資產的賬面價值或作為單獨的一項資產進行確認(如適當)。該等後續支出以成本扣除減值列賬直至其開始產生經濟利益，之後則根據相關資產之後續計量基準進行計量。所有其他修理及維護費用均在發生時計入當期收益表。

房產重估後之賬面增值通過其他全面收益撥入房產重估儲備中。與同一個別資產早前之增值作對銷之減值部分，通過其他全面收益於房產重估儲備中扣減；餘下之減值額則確認於收益表內。其後任何增值將撥入收益表(以早前扣減之金額為限)，然後撥至房產重估儲備內。出售房產時，房產重估儲備中與先前估值有關之已實現部分，將從房產重估儲備撥轉至留存盈利。

2. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

2.17 Properties, plant and equipment

Properties (including right-of use assets arising from leases over leasehold land on which properties are situated) are mainly branches and office premises. Premises are shown at fair value based on periodic, at least annually, valuations by external independent valuers less subsequent accumulated depreciation and impairment loss. Any accumulated depreciation at the date of revaluation is eliminated against the gross carrying amount of the asset and the net amount is restated to the revalued amount of the asset. In the intervening periods, the directors review the carrying amount of premises, by reference to the open market value of similar properties, and adjustments are made when there has been a material change.

All plant and equipment and right-of-use assets other than leasehold land are stated at historical cost less accumulated depreciation and impairment loss. Historical cost includes expenditures that are directly attributable to the acquisition and installation of the items.

Subsequent costs are included in an asset's carrying amount or are recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The item is stated at cost less impairment until it begins to generate economic benefits, then the item is subsequently measured according to the measurement basis of its respective assets class. All other repairs and maintenance costs are charged to the income statement during the financial period in which they are incurred.

Increases in the carrying amount arising on revaluation of premises are credited to the premises revaluation reserve through other comprehensive income. Decreases that offset previous increases of the same individual asset are charged against premises revaluation reserve through other comprehensive income; all other decreases are expensed in the income statement. Any subsequent increases are credited to the income statement up to the amount previously debited, and then to the premises revaluation reserve. Upon disposal of premises, the relevant portion of the premises revaluation reserve realised in respect of previous valuations is released and transferred from the premises revaluation reserve to retained earnings.

財務報表附註

Notes to the Financial Statements

2. 主要會計政策(續)

2.17 物業、器材及設備(續)

折舊以直線法，將資產之成本值或重估值於其如下估計可用年限內攤銷：

- 物業
按政府土地租約年期
- 器材及設備
2至15年
- 使用權資產
按資產可用年期及租約年期之較短者

本集團在每個會計結算日重檢資產的可用年限，並已按適當情況作出調整。

在每個會計結算日，源自內部及外界之資料均會被用作評定物業、器材及設備是否出現減值之跡象。如該跡象存在，則估算資產之可收回價值，及在合適情況下將減值損失確認以將資產減至其可收回價值。該等減值損失在收益表內確認，但假若某資產乃按估值列賬，而減值損失又不超過同一資產之重估盈餘，此等損失則當作重估減值。可收回價值指該資產之公允值扣除出售成本後之金額，與其使用價值之較高者。減值損失會按情況於房產重估儲備或收益表內回撥。

出售之收益及虧損是按扣除稅項及費用之出售淨額與有關資產賬面值之差額而釐定，並於出售日在收益表內確認。任何有關重估盈餘會由房產重估儲備轉撥至留存盈利，不會重新分類至收益表內。

2.18 無形資產

無形資產是本集團持有及控制之沒有實物形態的可識別非貨幣性資產，主要為電腦應用軟件。無形資產以購入成本扣除累計攤銷及減值損失計量。

2. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

2.17 Properties, plant and equipment (Cont'd)

Depreciation is calculated on the straight-line method to write down the cost or revalued amount of such assets over their estimated useful lives as follows:

- Properties
Over the life of government land leases
- Plant and equipment
2 to 15 years
- Right-of-use assets
Shorter of useful lives and lease terms

The useful lives of assets are reviewed, and adjusted if appropriate, as at the end of each reporting period.

At the end of each reporting period, both internal and external sources of information are considered to determine whether there is any indication that properties, plant and equipment, are impaired. If any such indication exists, the recoverable amount of the asset is estimated and where relevant, an impairment loss is recognised to reduce the asset to its recoverable amount. Such an impairment loss is recognised in the income statement except where the asset is carried at valuation and the impairment loss does not exceed the revaluation surplus for that same asset, in which case it is treated as a revaluation decrease. The recoverable amount is the higher of the asset's fair value less costs to sell and value in use. Impairment loss is reversed through the premises revaluation reserve or the income statement as appropriate.

Gains and losses on disposals are determined by comparing proceeds with carrying amount, relevant taxes and expenses. These are recognised in the income statement on date of disposal. Any related revaluation surplus is transferred from the revaluation reserve to retained earnings and is not reclassified to the income statement.

2.18 Intangible assets

Intangible assets are identifiable non-monetary assets without physical substance owned and controlled by the Group, mainly computer application software. Intangible assets are stated at acquisition cost less accumulated amortisation and impairment.

財務報表附註

Notes to the Financial Statements

2. 主要會計政策(續)

2.18 無形資產(續)

年期有限的無形資產之攤銷按直線法於預期資產可用年限內計入損益。下列年期有限的無形資產均可供使用日期開始攤銷，其預期可用年限如下：

- 資產化之電腦應用軟件
3至10年

每年重檢可用年限及攤銷方法。

出售之收益或虧損是按扣除稅項及費用之出售淨額與有關資產賬面值之差額而釐定，並於出售日在收益表內確認。

2.19 租賃

在簽訂合同時，集團會評估該合同是否或否包含租賃。如果一份合同在一段期間內，為換取對價而渡讓一項可識別資產使用的控制權，則該合同是一項租賃或包含一項租賃。在承租人同時擁有主導資產的使用的權利及從使用中獲得幾乎全部的經濟利益的情況下，控制權即已於合同期內渡讓。

(1) 作為承租人

在租賃開始日期時，除為期12個月或以內的短期租賃和低價值資產的租賃外，集團會確認相應的使用權資產及租賃負債。如集團簽訂了與低價值資產相關的租賃，集團則會按每張合同決定是否將租賃合同資產化。不被資產化之租賃合同的相關租賃付款額會在租賃期內系統地確認為支出。

當租賃合同被資產化後，租賃負債會以租約內租賃付款的未來現金流，(包含合理確認會被行使的續租權所延展的續租期間的付款)，以租賃合同中的內含利率，或如該等利率不能被有效確定時，則使用承租人於租賃開始日期的增量借貸利率折現成現值，作為初始確認金額。

在初始確認後，租賃負債會以攤餘成本計量，利息支出則會以實際利息法計算。

2. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

2.18 Intangible assets (Cont'd)

Amortisation of intangible assets with finite useful lives is charged to profit or loss on a straight-line basis over the assets' estimated useful lives. The following intangible assets with finite useful lives are amortised from the date they are available for use and their estimated useful lives are as follows:

- Capitalised computer application software
3 to 10 years

Both the period and method of amortisation are reviewed annually.

Gains or losses on disposals are determined as the difference between the net disposal proceeds and the carrying amount, relevant taxes and expenses. These are recognised in the income statement on the date of disposal.

2.19 Leases

At inception of a contract, the Group assesses whether the contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. Control is conveyed where the customer has both the right to direct the use of the identified asset and to obtain substantially all of the economic benefits from that use over the contract period.

(1) As a lessee

On the lease commencement date, the Group recognises a right-of-use asset and a lease liability, except for short-term leases that have a lease term of 12 months or less and leases of low-value assets. When the Group enters into a lease in respect of a low-value asset, the Group decides whether to capitalise the lease on a lease-by-lease basis. The lease payments associated with those leases which are not capitalised are recognised as an expense on a systematic basis over the lease term.

Where the lease is capitalised, the lease liability is initially recognised at the present value of the lease payments payable over the lease term, after taking into account payments to be made in the optional period if the extension option is reasonably certain to be exercised, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, using a relevant incremental borrowing rate.

After initial recognition, the lease liability is measured at amortised cost and interest expense is calculated using the effective interest method.

財務報表附註

Notes to the Financial Statements

2. 主要會計政策(續)

2.19 租賃(續)

(1) 作為承租人(續)

租賃合同被資產化後而確認的使用權資產，於初始時以成本計量，而成本則由租賃負債的初始金額，加上租賃開始日期當天或之前已付的租賃付款額及初始直接費用組成。在適用範圍下，使用權資產的金額亦包含估算的拆卸及移除相關資產、復原使用資產或其所在的地點之費用的現值，並扣除已收取的租賃激勵項目。除下列種類的使用權資產外，使用權資產後續以成本扣除累計折舊及減值損失計量，並於租賃負債被重新計量時作出調整：

- 符合投資物業定義的使用權資產會以公允值計量；及
- 與集團已註冊為擁有人的租賃土地及建築物相關但不符合投資物業定義的使用權資產會以重估值計量。

(2) 作為出租人

當未來租賃付款額受指數或利率的變化而發生改變，或集團估算在餘值擔保安排下的應付款項將會發生改變，或租期發生改變，或集團對於是否合理確定行使某一購買、續租或終止租約選項作出重新評估時，租賃負債會被重新計量。當在這些情況下重新計量租賃負債後，相應的調整會計入使用權資產的賬面金額，或如使用權資產的賬面價值已減記至零，則將調整計入收益。

集團將不符合投資物業定義的使用權資產披露於「物業、器材及設備」項下，及將租賃負債分開披露於「其他賬項及準備」項下。

集團作為出租人時，會在簽訂租賃合同時判斷每份租賃合同應為融資租賃或是經營租賃。如租約已實質上轉讓了幾乎所有因擁有相關資產產生的風險及回報，該租賃應歸類為融資租賃。如非此等情況，則租賃應被分類為經營租賃。

來自經營租賃的租金收入會在租期內以直線法確認。

2. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

2.19 Leases (Cont'd)

(1) As a lessee (Cont'd)

The right-of-use asset recognised when a lease is capitalised is initially measured at cost, which comprises the initial amount of the lease liability plus any lease payments made at or before the commencement date, and any initial direct costs incurred. Where applicable, the cost of the right-of-use assets also includes an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, discounted to their present value, less any lease incentives received. The right-of-use asset is subsequently stated at cost less accumulated depreciation and impairment losses except for the following types of right-of-use asset:

- right-of-use assets that meet the definition of investment property are carried at fair value; and
- right-of-use assets related to leasehold land and buildings that do not meet the definition of investment property where the Group is the registered owner of the leasehold interest are carried at revalued amount.

(2) As a lessor

The lease liability is remeasured when there is a change in future lease payments arising from a change in an index or rate, or there is a change in the group's estimate of the amount expected to be payable under a residual value guarantee, or there is a change arising from the reassessment of whether the Group will be reasonably certain to exercise a purchase, extension or termination option. When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in income statement if the carrying amount of the right-of-use asset has been reduced to zero.

The Group presents right-of-use assets that do not meet the definition of investment property in 'Properties, plant and equipment' and presents lease liabilities separately in "Other accounts and provisions".

When the Group acts as a lessor, it determines at lease inception whether each lease is a finance lease or an operating lease. A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to the ownership of an underlying assets to the lessee. If this is not the case, the lease is classified as an operating lease.

The rental income from operating leases is recognised on a straight-line basis over the lease term.

財務報表附註

Notes to the Financial Statements

2. 主要會計政策(續)

2.20 現金及等同現金項目

就綜合現金流量表而言，現金及等同現金項目指按原來到期日，於購入日期起計三個月內到期之結餘，包括現金、銀行及其他金融機構之結餘、短期票據及被分類為投資證券及存款證。

2.21 準備

當本集團因為已發生之事件而須承擔法律性或推定性之現有責任，而解除該責任時有可能消耗有經濟利益之資源，需在責任金額能夠可靠地作出估算之情況下，為確認有關責任而撥備。

2.22 僱員福利

(1) 退休福利成本

本集團根據認可職業退休計劃或強積金計劃之定額供款退休計劃作出供款，集團僱員均可參與。在職業退休計劃下，集團與僱員之供款按僱員基本薪金之百分比計算，在強積金計劃下該等供款則按強積金規例計算。退休福利計劃成本代表本集團應向此等計劃支付之供款，會於產生時在收益表支取。僱員於全數享有其應得之集團供款部分前退出此職業退休計劃，因而被沒收之本集團供款，會被本集團用作扣減其目前供款負擔或根據職業退休計劃信託契據條款沖減其開支。

退休計劃之資產與本集團之資產分開持有，並由獨立管理基金保管。

(2) 有償缺勤

僱員獲享之年度休假及病假在累積時確認，本集團會對僱員服務至會計結算日所累積，但尚未使用之年度休假及預計所需支付之病假作出估算及撥備。

除病假及經特別批准之年度休假外，其他有償缺勤均不允許累積。若僱員於獲享有償缺勤之年度內未能悉數享用該等可用缺勤，剩餘之可用缺勤將被取消。除未到期之休假外，僱員於離職時亦無權收取現金以彌補任何未被使用之可用缺勤。

2. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

2.20 Cash and cash equivalents

For the purposes of the consolidated cash flow statement, cash and cash equivalents comprise balances with original maturity less than three months from the date of acquisition, including cash, balances with banks and other financial institutions, short-term bills and notes classified as investment securities and certificates of deposit.

2.21 Provisions

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate of the amount of the obligation can be made.

2.22 Employee benefits

(1) Retirement benefit costs

The Group contributes to defined contribution retirement schemes under either recognised ORSO schemes or MPF schemes that are available to the Group's employees. Contributions to the schemes by the Group and employees are calculated as a percentage of employees' basic salaries for the ORSO schemes and in accordance with the MPF rules for MPF schemes. The retirement benefit scheme costs are charged to the income statement as incurred and represent contributions payable by the Group to the schemes. Contributions made by the Group that are forfeited by those employees who leave the ORSO scheme prior to the full vesting of their entitlement to the contributions are used by the Group to reduce the existing level of contributions or to meet its expenses under the trust deed of the ORSO schemes.

The assets of the schemes are held in independently-administered funds separate from those of the Group.

(2) Leave entitlements

Employee entitlements to annual leave and sick leave are recognised when they accrue to employees. A provision is made for the estimated liability for unused annual leave and the amount of sick leave expected to be paid as a result of services rendered by employees up to the end of the reporting period.

Compensated absences other than sick leave and special approved annual leaves are non-accumulating; they lapse if the current period's entitlement is not used in full. Except for unexpired annual leaves, they do not entitle employees to a cash payment for unused entitlement on leaving the Group.

財務報表附註

Notes to the Financial Statements

2. 主要會計政策(續)

2.22 僱員福利(續)

(3) 獎金計劃

若因僱員提供之服務而令集團產生法律性或推定性之現有責任，而該責任之金額亦能可靠地作出估算，集團需確認該預期之獎金支出並以負債列賬。如獎金計劃之負債金額重大，且預期會於12個月後才被償付，會以貼現處理。

(4) 界定利益福利計劃

本集團設置了一項非存置基金的界定利益福利計劃，此界定利益福利計劃所提供福利之成本是以預期累計福利單位精算估值方法計算。

重新計量界定利益福利計劃之精算盈虧會在發生期內即時確認於綜合資產負債表內，並同時透過借記或貸記其他全面收益列入留存溢利。重新計量之盈虧不會在往後年度重分類至收益。

往年服務成本在以下情況之較早者確認於收益：

- 界定利益福利計劃作出修訂或削減之日；及
- 本集團確認重組相關費用之日。

淨利息是以折現率與界定利益福利計劃淨負債計算所得，本集團就以下界定利益福利計劃承擔之變動按其性質確認於綜合收益表內之利息支出或經營支出：

- 服務成本包括當期及以往的服務成本、削減福利之盈虧及非經常性之結算。
- 淨利息支出。

2. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

2.22 Employee benefits (Cont'd)

(3) Bonus plans

The expected cost of bonus payments are recognised as a liability when the Group has a present legal or constructive obligation as a result of services rendered by employees and a reliable estimate of the obligation can be made. Liabilities for bonus plans that are expected to be settled longer than twelve months will be discounted if the amounts are significant.

(4) Defined benefit plan

The Group operates a defined benefit plan which is unfunded. The cost of providing benefits under the defined benefit plan is determined using the projected unit credit actuarial valuation method.

Remeasurements arising from actuarial gains and losses of the defined benefit plan, is recognised immediately in the consolidated balance sheet with a corresponding debit or credit to retained earnings through other comprehensive income in the period in which they occur. Remeasurements are not reclassified to income statement in subsequent periods.

Past service costs are recognised in income statement at the earlier of:

- the date of the plan amendment or curtailment; and
- the date that the Group recognises restructuring-related costs.

Net interest is calculated by applying the discount rate to the net defined benefit liability. The Group recognises the following changes in the net defined benefit obligation under "interest expenses" and "operating expenses" in the consolidated income statement by function:

- service costs comprising current service costs, past service costs, gains and losses on curtailments and non-routine settlements
- net interest expense

財務報表附註

Notes to the Financial Statements

2. 主要會計政策(續)

2.23 本期及遞延所得稅項

在有關期間的稅務支出包括本期及遞延稅項。除因有關項目乃直接記於其他全面收益而需於其他全面收益內確認其稅項外，稅項於收益表內確認。

基於溢利而需支付之所得稅，是根據本銀行及附屬公司在營運及產生應課稅收入之司法管轄地區於會計結算日已執行或實際會執行之適用稅法計算，並於溢利產生當期確認為本期所得稅項支出。

所有因綜合財務報表內資產及負債之稅務基礎與其賬面值之暫時性差異而產生之遞延所得稅項均以資產負債表負債法提撥。遞延所得稅項是按會計結算日已執行或實際會執行之稅率及稅法，及預期於相關之遞延所得稅資產實現時或遞延所得稅負債需清付時所適用之稅率計算。

主要之暫時性差異源於資產減值準備、房產及設備之折舊、以及若干資產之重估，包括以公允值變化計入其他全面收益之證券及房產。除業務合併外，若資產或負債在交易初始確認時，並未有對會計損益或應課稅損益構成影響，則無需確認遞延所得稅項。

所有因應課稅暫時性差異而產生之遞延所得稅負債均會被確認。當未來之應課稅利潤預計可被用作抵扣可抵扣之暫時性差異、結轉之未使用稅務抵免及未使用稅務虧損時，因該等可抵扣之暫時性差異、結轉之未使用稅務抵免及未使用稅務虧損而產生之遞延所得稅資產將全部被確認。

遞延所得稅項乃記於收益表內。但因以公允值變化計入其他全面收益之證券的公允值重新計量及對房產之重估記入其他全面收益內，故由此產生的遞延所得稅項也記入其他全面收益內，並於以後隨著相關遞延收益和虧損的確認而一同確認為收益表中。

2. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

2.23 Current and deferred income taxes

Tax expenses for the period comprises current and deferred tax. Tax is recognised in the income statement, except to the extent that it relates to items recognised directly in other comprehensive income. In this case, the tax is also recognised in other comprehensive income.

Income tax payable on profits, based on the applicable tax law enacted or substantially enacted at the end of the reporting period in each jurisdiction where the Bank and the subsidiaries operate and generate taxable income, is recognised as a current income tax expense in the period in which profits arise.

Deferred income tax is provided in full, using the balance sheet liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. Deferred income tax is determined using tax rates and laws that have been enacted or substantially enacted by the end of the reporting period and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

The principal temporary differences arise from asset impairment provisions, depreciation of premises and equipment, and revaluation of certain assets including at fair value through other comprehensive income securities and premises. However, the deferred income tax is not recognised if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss.

Deferred income tax liabilities are provided in full on all taxable temporary differences. Deferred income tax assets are recognised on deductible temporary differences, the carry forward of any unused tax credits and unused tax losses to the extent that it is probable that future taxable profit will be available against which the deductible temporary differences, the carry forward of unused tax credits and unused tax losses can be utilised.

Deferred income tax is charged or credited in the income statement except for deferred income tax relating to fair value re-measurement of securities at fair value through other comprehensive income and revaluation of premises which are charged or credited to other comprehensive income, in which case the deferred income tax is also credited or charged to other comprehensive income and is subsequently recognised in the income statement together with the realisation of the deferred gain and loss.

財務報表附註

Notes to the Financial Statements

2. 主要會計政策(續)

2.23 本期及遞延所得稅項(續)

投資物業的遞延稅項負債或遞延稅項資產的計算方法是假設該等投資物業是通過出售來回收其重估賬面值及採用相關的稅率計算。

2.24 收回資產

收回資產按其收回日之公允值扣除出售成本後之淨值及有關貸款之攤餘成本之較低者列賬。有關貸款及有關已提準備於資產負債表中予以註銷。其後，收回資產取其成本及公允值扣除出售成本後之淨值中之較低者計量，並被確認為「待出售非流動資產」，包括於「其他資產」項下。

2.25 信託業務

本集團一般以信託人或其他授託人身份，代表個人、信託及其他機構持有或管理資產。由於該等資產並不屬於本集團，該等資產及據此而產生之任何收益或虧損，將不計入本財務報表內。

2.26 或然負債及或然資產

或然負債是指由過去已發生的事件引起的可能需要履行的責任，其存在將由一宗或多宗本集團所不能完全控制的未來不確定事件出現與否來確認。或然負債也可能是由於過去已發生事件而引致的現有責任，但由於估計不會導致經濟利益的流出或因不能可靠地計量責任金額，故未有被確認。

或然負債不會被確認為準備，但會在財務報表附註中加以披露。如情況發生變化，使經濟利益的流出變得很有可能時，則會將其確認為準備。

或然資產是指由過去已發生的事件引起的可能產生之資產，其存在將由一宗或多宗本集團所不能完全控制的未來不確定事件出現與否來確認。

或然資產不會被確認，但如有可能收到經濟利益時，會在財務報表附註中披露。若將會收到之經濟利益可被實質確定時，將確認為資產。

2. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

2.23 Current and deferred income taxes (Cont'd)

Deferred tax liability or deferred tax asset arising from investment property is determined based on the presumption that the revaluation amount of such investment property will be recovered through sale with the relevant tax rate applied.

2.24 Repossessed assets

Repossessed assets are initially recognised at the lower of their fair value less costs to sell and the amortised cost of the related outstanding loans on the date of repossession, and the related loans and advances together with the related impairment allowances are derecognised from the balance sheet. Subsequently, repossessed assets are measured at the lower of their cost and fair values less costs to sell and are reported as "non-current assets held for sale" included in "Other assets".

2.25 Fiduciary activities

The Group commonly acts as a trustee, or in other fiduciary capacities, that result in its holding or managing assets on behalf of individuals, trusts and other institutions. These assets and any gains or losses arising thereon are excluded from these financial statements, as they are not assets of the Group.

2.26 Contingent liabilities and contingent assets

A contingent liability is a possible obligation that arises from past events and whose existence will only be confirmed by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group. It can also be a present obligation arising from past events that is not recognised because it is not probable that an outflow of economic resources will be required or the amount of obligation cannot be measured reliably.

A contingent liability is not recognised as a provision but is disclosed in the notes to the financial statements. When a change in the probability of an outflow occurs so that outflow is probable, it will then be recognised as a provision.

A contingent asset is a possible asset that arises from past events and whose existence will only be confirmed by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group.

Contingent assets are not recognised but are disclosed in the notes to the financial statements when an inflow of economic benefits is probable. When the inflow is virtually certain, it will be recognised as an asset.

財務報表附註

Notes to the Financial Statements

2. 主要會計政策(續)

2.27 有關連人士

就此等財務報表而言，若一方人士(i)能控制、共同控制本集團、或對本集團有重大影響力；(ii)與本集團同屬一財務報告集團的成員，例如：母公司、附屬公司、同系附屬公司；(iii)為本集團或母公司集團中的聯營公司或合資企業；(iv)為本集團或母公司的主要高層人員；(v)與本集團受到共同控制；(vi)被識別為受第(iv)類人士所控制的企業；及(vii)向本集團或本集團之母公司提供主要管理人員服務，則該等人士被視為有關連人士。有關連人士可為個人或企業。

3. 應用會計政策時之重大會計估計及判斷

本集團作出的會計估計和假設通常會影響下一會計年度的資產和負債的賬面價值。該等估計及判斷是根據過往歷史經驗及於有關情況下被認為合理之其他因素，包括對未來事件的預期而作出，並會持續接受評估。對因必要的估計及判斷轉變，而會影響其賬面值的資產及負債項目範圍，將列示如下。如可釐定，重要假設或其他估量所存在之不明朗因素及其轉變所帶來之影響將於以下列出。而未來有可能根據實際情況的變化對這些會計估計做出重大調整。

3.1 金融資產減值要求

根據香港財務報告準則第9號對所有類別的金融資產(除公允值變化入損益之金融資產)進行減值損失計量均涉及判斷，特別是在釐定減值損失及評估信貸風險的大幅增加時，對未來現金流量及抵押價值的金額及發生的時間的估計。此等估計受多項因素推動，當中有關的變動可能導致須作出不同程度的撥備。

本集團的預期信用損失是採用複雜模型計算，並通過使用一系列假設來選取變量輸入及其相互依存。預期信用損失模型考慮之會計判斷及預測結果包括以下元素：

- 本集團內部信用評級模型，以定出個別評級對應之違約概率。
- 本集團評估是否已出現信貸風險顯著上升的標準及定性評估，已出現之金融資產需按整個存續期計提預期信用損失準備金。

2. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

2.27 Related parties

For the purposes of these financial statements, a party is considered to be related to the Group if that party (i) controls, jointly controls or has significant influence over the Group; (ii) is a member of the same financial reporting group, such as parents, subsidiaries and fellow subsidiaries; (iii) is an associate or a joint venture of the Group or parent reporting group; (iv) is a key management personnel of the Group or parents; (v) is subject to common control with the Group; (vi) is an entity in which a person identified in (iv) controls; and (vii) provides key management personnel services to the Group or its parent. Related parties may be individuals or entities.

3. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS IN APPLYING ACCOUNTING POLICIES

The Group makes estimates and assumptions that affect the carrying amounts of assets and liabilities within the next financial year. Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Areas susceptible to changes in essential estimates and judgements, which affect the carrying amount of assets and liabilities, are set out below. The effect of changes to either the key assumptions or other estimation uncertainties will be presented below if it is practicable to determine. It is possible that actual results may require material adjustments to the estimates referred to below.

3.1 Impairment requirements on financial assets

The measurement of impairment losses under HKFRS 9 across all categories of financial assets (except for financial assets at fair value through profit and loss) requires judgement, in particular, the estimation of the amount and timing of future cash flows and collateral values when determining impairment losses and the assessment of a significant increase in credit risk. These estimates are driven by a number of factors, changes in which can result in different levels of allowances.

The Group's ECL calculations are outputs of complex models with a number of underlying assumptions regarding the choice of variable inputs and their interdependencies. Elements of the ECL models that are considered accounting judgements and estimates include:

- The Group's internal credit grading model, which assigns PDs to the individual grades.
- The Group's criteria for assessing if there has been a significant increase in credit risk and so allowances for financial assets should be measured on a lifetime ECL basis and the qualitative assessment.

財務報表附註

Notes to the Financial Statements

3. 應用會計政策時之重大會計估計及判斷(續)

3.1 金融資產減值要求(續)

- 採用組合模式評估其預期信用損失的金融資產之組合劃分。
- 預期信用損失模型的構建，包括宏觀經濟情境的決定，以及其對違約概率、違約風險承擔及違約損失率的影響。
- 前瞻性宏觀經濟因素之預測，維持本集團對未來宏觀經濟環境觀點的一致性。
- 選擇前瞻性宏觀經濟情境及其概率加權，從而成為預期信用損失模型的經濟因素。

本集團政策規定需定期按實際損失經驗重檢有關模型，在需要時進行模型調整。

3.2 衍生金融工具和其他金融工具的公允值

沒有活躍市場報價之衍生金融工具和其他金融工具，其公允值會根據估值方法釐定。所採用之估值方法包括貼現現金流量分析，以及從外間購入，並被業內廣泛採用之財務分析或風險管理系統之內置模型，如期權定價模型。在實際操作可行的情況下，定價模型會採用可觀察數據。若估值模型未有考慮某些因素，如信貸風險，估值調整將有可能被採用。選用適合的估值參數、假設和模型技術需要管理層的判斷和估計。具體詳情可參閱附註5。

3.3 遞延稅項資產

按未使用的稅務虧損而確認之遞延稅項資產，乃以預計可被運用作抵扣該等虧損之應課稅溢利金額為限。釐定遞延稅項資產的確認金額，需要管理層作出重大判斷，包括基於未來最有可能產生應課稅溢利的時間及其金額。

按未使用的稅務抵免確認遞延稅項資產。在釐定需確認之遞延稅項資產的金額時，需根據對可運用的稅務抵免之估算及收回此等已確認之遞延稅項資產的可能性而作出重大的會計判斷。

3. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS IN APPLYING ACCOUNTING POLICIES (Cont'd)

3.1 Impairment requirements on financial assets (Cont'd)

- The segmentation of financial assets when their ECL is assessed on a collective basis.
- Development of ECL models, including the determination of macroeconomic scenarios and the effect on PDs, EADs and LGDs.
- Forward-looking macroeconomic factor forecasts maintain a consistent Group's view on future macroeconomic environment.
- Selection of forward-looking macroeconomic scenarios and their probability weightings, to derive the economic inputs into the ECL models.

It has been the Group's policy to regularly review its models in the context of actual loss experience and adjust when necessary.

3.2 Fair values of derivative financial instruments and other financial instruments

The fair values of derivative financial instruments and other financial instruments that are not quoted in active markets are determined by using valuation techniques. Valuation techniques used include discounted cash flows analysis and models with built-in functions available in externally acquired financial analysis or risk management systems widely used by the industry such as option pricing models. To the extent practical, the models use observable data. In addition, valuation adjustments may be adopted if factors such as credit risk are not considered in the valuation models. Management judgement and estimates are required for the selection of appropriate valuation parameters, assumptions and modeling techniques. Further details will be discussed in Note 5.

3.3 Deferred tax assets

Deferred tax assets on unused tax losses are recognised to the extent that it is probable that taxable profit will be available against which the losses can be utilised. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of future taxable profits.

Deferred tax assets on unused tax credits are recognised. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the estimation of available tax credits and the possibility to recover such deferred tax assets recognised.

財務報表附註

Notes to the Financial Statements

4. 金融風險管理

本集團因從事各類業務而涉及金融風險。主要金融風險包括信貸風險、市場風險（包括外匯風險及利率風險）及流動資金風險。本附註概述本集團的這些風險承擔，以及其目標、風險管理的管治架構、政策與程序及量度這些風險的方法。

金融風險管理架構

本集團風險管理管治架構覆蓋業務發展的全部過程，以保證在業務經營中的各類風險都能得到有效管理及控制。本集團擁有完善的風險管理架構，並有一套全面的風險管理政策及程序，用以識別、量度、評估、監察、匯報及控制可能出現的各類風險。本集團亦定期重檢及更新風險管理政策及程序，以配合市場及業務策略的轉變。不同層面的風險承擔者分別負責與其相關的風險管理責任。

董事會代表著股東的利益，是本集團風險管理的最高決策機構，並對風險管理負最終責任。董事會在其屬下委員會的協助下，建立良好的風險管理文化，負責確定本集團的風險管理策略和風險偏好，具備有效的風險管理系統以落實執行有關策略。

風險管理委員會是董事會成立的常設委員會，負責監察本集團的各類風險；審查、批准高層次的風險管理政策，並監督其執行；向董事會建議風險管理高層架構，包括總裁最高信貸審批權限及信貸審批委員會的信貸審批範圍。如風險管理委員會認為交易過於重大而應由董事會批准，可把該筆交易申請提交董事會。風險管理委員會從風險管理角度評估本銀行薪酬激勵機制是否符合風險文化及風險偏好，及具體薪酬是否適當反映所承受的風險及由此產生的結果。並協助培養集團穩固的風險文化。稽核委員會協助董事會履行內部監控系統的監控職責。

4. FINANCIAL RISK MANAGEMENT

The Group is exposed to financial risks as a result of engaging in a variety of business activities. The principal financial risks are credit risk, market risk (including currency risk and interest rate risk) and liquidity risk. This note summarises the Group's exposures to these risks, as well as its objectives, risk management governance structure, policies and processes for managing and the methods used to measure these risks.

Financial risk management framework

The Group's risk management governance structure is designed to cover all business processes and ensure various risks are properly managed and controlled in the course of conducting business. The Group has a robust risk management organisational structure with a comprehensive set of policies and procedures to identify, measure, evaluate, monitor, report, and control various risks that may arise. These risk management policies and procedures are regularly reviewed and updated to reflect changes in markets and business strategies. Various groups of risk takers assume their respective responsibilities for risk management.

The Board of Directors, representing the interests of shareholders, is the highest decision-making authority of the Group and has the ultimate responsibility for risk management. The Board, with the assistance of its committees, has the primary responsibility for the formulation of risk management strategies and risk appetite, establishing a sound risk culture and risk management system to implement these strategies.

The Risk Management Committee, a standing committee established by the Board of Directors, is responsible for overseeing the Group's various types of risks, reviewing and approving high-level risk management policies and monitoring their implementation, recommending senior risk management organisational framework to the Board, including credit approval authority for the Chief Executive and scope of credit approval for the Credit Approval Committee. The Risk Management Committee would refer any specific transaction to the Board if it is deemed so significant that Board approval is desirable. The Risk Management Committee, from the risk management viewpoint assesses whether incentives created by the remuneration system are aligned with the risk culture and risk appetite, and whether remuneration awards appropriately reflect the level of risk-taking and consequences. It also assists to fostering a strong risk culture within the Group. The Audit Committee assists the Board in fulfilling its role in overseeing the internal control system.

財務報表附註

Notes to the Financial Statements

4. 金融風險管理(續)

金融風險管理架構(續)

信貸審批委員會負責在董事會授權範圍內審批或審議貸款業務及信貸管理相關事項，及對信貸業務進行監控工作，並定期就相關工作事項向風險管理委員會進行彙報。總裁負責組織落實董事會所確立的風險管理策略及目標，管理各類風險，確保重大風險承擔獲得有效管控。

本集團的不同單位具有其相應的風險管理責任。業務單位是風險管理的第一道防線，而風險管理單位則獨立於業務單位，負責各類風險的日常管理，以及草擬、檢查和更新各類風險管理政策和程序。

本集團建立了合適的內部控制程序，包括設立權責分立清晰的組織架構，以監察業務運作是否符合既定政策、程序及限額。適當的匯報機制也充分地使監控職能獨立於業務範疇，同時促成機構內適當的職責分工，有助營造適當的內部控制環境。

產品開發及風險監控

為了提高風險評估及監控工作的有效性，本集團建立了一套完善的產品開發及風險監控管理制度。在產品開發過程中，本集團各單位具有清晰的職責及分工，並制定了適當的風險盡職審查程序。

根據董事會及管理層提出的發展目標，產品管理單位負責提出相應的業務發展和產品開發計劃，進行具體的產品開發工作。策略發展單位負責確保業務發展和產品開發計劃符合集團整體策略；風險管理、法律、合規及財務等方面的專責單位負責對風險評估結果進行審核。

4. FINANCIAL RISK MANAGEMENT (Cont'd)

Financial risk management framework (Cont'd)

The Credit Approval Committee is responsible for reviewing or approving credit business or credit management related matters within the authorisation granted by the Board of Directors, monitoring the credit activities of the Group and reporting to the Risk Management Committee regularly. The Chief Executive is responsible for organising and implementing the risk management strategies and objectives established by the Board of Directors, managing various risks and ensuring significant risk exposures are properly managed.

Various units of the Group have their respective risk management responsibilities. Business units act as the first line of defence while risk management units, which are independent from the business units, are responsible for the day-to-day management of different kinds of risks. Risk management units have the primary responsibilities for drafting, reviewing and updating various risk management policies and procedures.

The Group has put in place appropriate internal control systems, including establishment of an organisational structure that sets clear lines of authority and responsibility for monitoring compliance with policies, procedures and limits. Proper reporting lines also provide sufficient independence of the control functions from the business areas, as well as adequate segregation of duties throughout the organisation which helps to promote an appropriate internal control environment.

Product development and risk monitoring

To ensure the effectiveness of risk assessment and monitoring, the Group has a comprehensive product development and risk monitoring system where roles and responsibilities of all related units are clearly defined and proper due diligence processes on product development are in place.

In accordance with the strategic objectives set by the Board and the Management, respective product management units are responsible for formulating business and product development plans, and proceeding to specific product development activities. The strategic development unit shall ensure the plans are aligned with the Group's overall strategies. Units that are responsible for risk management, legal, compliance and finance, etc. are accountable for risk assessment and review.

財務報表附註

Notes to the Financial Statements

4. 金融風險管理(續)

產品開發及風險監控(續)

除負責新產品開發項目的管理工作外，產品管理單位與風險評估單位共同負責識別和評估項目所涉及的各项風險。風險評估單位需要對項目的風險評估結果和風險管理措施進行獨立審查，只有在風險評估單位滿意盡職審查結果，有關產品才可推出市場。

對於提供予客戶的財資產品則採納更審慎的方法，所有新的財資產品在推出前，都必須經由專責委員會審批同意通過。

4.1 信貸風險

信貸風險指因客戶或交易對手未能或不願意履行償債責任而造成損失的風險。本集團的交易賬和銀行賬、以及資產負債表內和表外均存在這種風險。信貸風險主要來自借貸、貿易融資及資金業務。

信貸風險管理架構

本集團制定了一套全面的信貸風險管理政策與程序和恰當的信貸風險限額，用以管理及控制信貸風險。本集團定期重檢及更新該等政策與程序及信貸風險限額，以配合市場及業務策略的轉變。

本集團的組織架構制定了明確的授權及職責，以監控遵守政策、程序及限額的情況。

信貸管理委員會是由總裁授權設立的管理委員會，負責落實信貸風險管理策略及審議信貸政策，同時監察本集團信貸組合、信貸資產質素、風險集中程度。本集團的不同單位具有其相應的信貸風險管理責任。業務單位是風險管理的第一道防線。風險管理單位獨立於業務單位，負責信貸風險的日常管理，對信貸風險的識別、量度、評估、監察、匯報和控制進行獨立的盡職調查，確保有效的制約與平衡，以及草擬、檢查和更新信貸風險管理政策與程序，並向風險總監、信貸管理委員會、總裁、信貸審批委員會及風險管理委員會報告。

4. FINANCIAL RISK MANAGEMENT (Cont'd)

Product development and risk monitoring (Cont'd)

Apart from product development, respective product management units work closely with relevant risk evaluating units to identify and assess the risks of new products. Risk evaluating units conduct independent review on the risk assessment results and the corresponding risk management measures. Products can only be launched upon completion of the product due diligence process to the satisfaction of all risk evaluating units.

A prudent approach is adopted in offering treasury products to our customers. All new treasury products require approval from a specialised committee before launching.

4.1 Credit risk

Credit risk is the risk of loss that a customer or counterparty is unable to or unwilling to meet its contractual obligations. Credit risk exists in the trading book and banking book, as well as from on- and off-balance sheet transactions of the Group. It arises principally from lending, trade finance and treasury businesses.

Credit risk management framework

The Group has formulated a comprehensive set of credit risk management policies and procedures, and appropriate credit risk limits to manage and control credit risk that may arise. These policies, procedures and credit risk limits are regularly reviewed and updated to cope with changes in market conditions and business strategies.

The Group's organisational structure establishes a clear set of authority and responsibility for monitoring compliance with policies, procedures and limits.

The Credit and Loans Management Committee, a management committee authorised by the Chief Executive, is responsible for the implementation of the credit risk management strategies as well as the approval of credit policies. It also monitors the Group's loan portfolio, quality of credit asset and risk concentration level. Different units of the Group have their respective credit risk management responsibilities. Business units act as the first line of defence. The risk management units, which are independent from the business units, are responsible for the day-to-day management of credit risks and have the primary responsibilities for providing an independent due diligence through identifying, measuring, evaluating, monitoring, reporting and controlling credit risk to ensure an effective checks and balances, as well as drafting, reviewing and updating credit risk management policies and procedures. They report directly to the Chief Risk Officer, Credit and Loans Management Committee, Chief Executive, Credit Approval Committee and Risk Management Committee.

財務報表附註

Notes to the Financial Statements

4. 金融風險管理(續)

4.1 信貸風險(續)

信貸風險管理架構(續)

南洋商業銀行(中國)有限公司(「南商(中國)」)設有獨立的風險監控團隊，監控信貸風險相關情況，並定期向本銀行提交管理訊息和報告。

董事會是最終的信貸權力來源，董事會授權信貸審批委員會及總裁審批信貸業務。總裁在董事會授予之權限內按管理需要轉授權予信貸業務相關人員或委員會。本集團按照信貸業務性質、內部評級、交易風險的程度、信貸風險承擔大小，設置信貸業務的審批權限。

信貸風險評估及監控

因應迅速變化的市場情況，本集團已持續重檢信貸策略，並對關注的組合開展嚴格的信貸重檢。

貸款

不同客戶、交易對手或交易會根據其風險程度採用不同的信貸審批及監控程序。所有授信申請須經風險評估及適當審批。除一些符合指定條件的授信外，一般情況下大部分授信須經獨立的風險管理單位人員進行貸前審核。該些指定授信會由獨立於前線業務單位的指定單位作貸後檢(抽)查。非零售風險承擔授信申請需確定債務人評級(按照違約概率程度)和授信等級(按照違約損失率程度)以支持信貸審批；零售授信交易包括零售小企業貸款、住宅按揭貸款、私人貸款等採取零售內部評級系統進行信貸風險評估。本集團會應用貸款分類級別、債務人評級、授信等級和損失預測結果(如適用)於支持信貸審批。

本集團亦會應用貸款分類級別、債務人評級和損失預測結果(如適用)於支持信貸監控、信貸風險報告及分析。對於非零售風險承擔，本集團會對較高風險的客戶採取更頻密的評級重檢及更密切的監控；對於零售風險承擔則會在組合層面應用每月更新的內部評級及損失預測結果進行監察，對識別為高風險組別客戶，會進行更全面檢討。

4. FINANCIAL RISK MANAGEMENT (Cont'd)

4.1 Credit risk (Cont'd)

Credit risk management framework (Cont'd)

Nanyang Commercial Bank (China), Limited ("NCB (China)") sets up independent risk monitoring teams to monitor credit risk, and submits management information and reports to the Bank on a regular basis.

The Board of Directors is the ultimate source of credit authority. The Board of Directors delegates credit approval authority to the Credit Approval Committee and the Chief Executive. Based on management needs, the Chief Executive can further delegate to the credit-related subordinates or committee within the limit authorised by the Board of Directors. The Group sets the limits of credit approval authority according to the credit business nature, internal rating, the level of transaction risk, and the size of the credit exposure.

Credit risk measurement and control

In view of the rapidly changing market conditions, the Group has been continuously revising its credit strategies and conducting rigorous reviews on the concerned portfolios.

Advances

Different credit approval and control procedures are adopted according to the level of risk associated with the customer, counterparty or transaction. All credit applications are subject to thorough risk assessment and proper approval. In general, most of the credit applications will be reviewed and assessed by independent officer(s) of risk management unit(s) before approval, with exceptions given to designated advances which satisfy certain conditions. After funding being drawn, these designated advances will be (randomly) reviewed by designated unit(s) which is(are) independent from the front line business units. Obligor ratings (in terms of probability of default) and facility ratings (in terms of loss given default) are assigned to credit applications for non-retail exposures to support credit approval. Retail internal rating systems are deployed in the risk assessment of retail credit transactions, including small business retail exposures, residential mortgage loans, personal loans, etc. Loan grades, obligor and facility ratings as well as loss estimates (if applicable) are used to support credit approval.

The Group also uses loan grades, obligor ratings and loss estimates (if applicable) to support monitoring, reporting and analysis of credit risk. For non-retail exposures, more frequent rating review and closer monitoring are required for higher-risk customers. For retail exposures, monthly updated internal ratings and loss estimates are used for credit monitoring on a portfolio basis. More comprehensive review is required for obligors being identified under high-risk pools.

財務報表附註

Notes to the Financial Statements

4. 金融風險管理(續)

4.1 信貸風險(續)

信貸風險評估及監控(續)

貸款(續)

信貸風險管理報告會定期或不定期提供予管理層、信貸審批委員會、風險管理委員會及董事會，以供其持續監控信貸風險。

本集團也會按照行業、地區、客戶或交易對手等維度識別信貸風險集中度，並監察每一交易對手信貸風險、信貸資產組合質素、信貸風險集中度的變化，定期向本集團管理層匯報。

本集團參照金管局貸款分類制度的指引，實施信貸資產的五級分類如下：

「合格」是指借款人目前有履行還款責任的貸款，同時全數償還利息及本金的機會也不成疑問。

「需要關注」是指借款人正面對困難，可能會影響本集團收回貸款的本金及利息。現時並未預期出現最終損失，但如不利情況持續，有可能出現最終損失。

「次級」是指借款人正出現明顯問題，以致可能影響還款的貸款。

「呆滯」是指不大可能全數收回，而本集團在扣除抵押品的可變現淨值後預計會承受本金和／或利息虧損的貸款。

「虧損」是指用盡所有追討欠款方法後(如變賣抵押品、提出法律訴訟等)仍被視為無法收回的貸款。

4. FINANCIAL RISK MANAGEMENT (Cont'd)

4.1 Credit risk (Cont'd)

Credit risk measurement and control (Cont'd)

Advances (Cont'd)

Regular or ad hoc credit risk management information reports are provided to the Management, Credit Approval Committee, Risk Management Committee and the Board of Directors to facilitate their continuous monitoring of credit risk.

In addition, the Group identifies credit concentration risk by industry, geography, customer and counterparty. The Group monitors changes in counterparty credit risk, quality of the credit portfolio and credit risk concentrations, and reports regularly to the Group's Management.

The Group adopts loan grading criteria which divides credit assets into five categories with reference to the HKMA's guidelines, as below:

"Pass" represents loans where the borrower is in current meeting its repayment obligations and full repayment of interest and principal is not in doubt.

"Special Mention" represents loans where the borrower is experiencing difficulties which may threaten the Group's position. Ultimate loss is not expected at this stage but could occur if adverse conditions persist.

"Substandard" represents loans where the borrower displays a definable weakness that is likely to jeopardise repayment.

"Doubtful" represents loans where collection in full is improbable and the Group expects to sustain a loss of principal and/or interest, taking into account the net realisable value of the collateral.

"Loss" represents loans which are considered uncollectible after all collection options (such as the realisation of collateral or the institution of legal proceedings) have been exhausted.

財務報表附註

Notes to the Financial Statements

4. 金融風險管理(續)

4.1 信貸風險(續)

信貸風險評估及監控(續)

債務證券及衍生產品

對於債務證券的投資，本集團會應用債務人評級或外部信用評級、通過評估證券相關資產的質素及設定客戶及證券發行人信貸限額，以管理債務證券的信貸風險；對於衍生產品，本集團會採用客戶限額及與貸款一致的審批及監控程序管理信貸風險，並制定持續監控及止損程序。

結算風險主要來自交易對手相關外匯交易，以及來自任何以現金、證券或股票支付但未能如期相應收回該交易對手的現金、證券或股票的衍生產品交易。本集團對各交易對手或客戶制定每日結算限額，以涵蓋任何單一日子本集團的交易而產生的所有結算風險。

抵押品及其他改善信貸條件

本集團制定抵押品估值及管理的信貸風險管理政策與程序，明確抵押品的接受準則、法律有效期、貸款與估值比率、估損折扣比率、估值及保險等規定。本集團須定期重估抵押品價值，並按抵押品種類、授信性質及風險狀況而採用不同的估值頻率及方式。物業是本集團主要押品，本集團已建立機制利用指數以組合形式對物業進行估值。如需要，抵押品須購買保險並以本集團作為第一受益人。

對於由第三者提供擔保的貸款，本集團會評估擔保人的財政狀況、信貸紀錄及履約能力。

於2022年12月31日，本集團並無持有任何允許於借款人未違約情況下出售或再抵押之抵押品(2021年：無)。

4. FINANCIAL RISK MANAGEMENT (Cont'd)

4.1 Credit risk (Cont'd)

Credit risk measurement and control (Cont'd)

Debt securities and derivatives

For investments in debt securities, the obligor ratings or external credit ratings, assessment of the underlying assets and credit limits setting on customer/security issuer basis are used for managing credit risk associated with the investment. For derivatives, the Group sets customer limits to manage the credit risk involved and follows the same approval and control processes as applied for advances. On-going monitoring and stop-loss procedures are established.

Settlement risk arises mainly from foreign exchange transactions with counterparties and also from derivatives transactions in any situation where a payment in cash, securities or equities is made in the failure of a corresponding receipt in cash, securities or equities. Daily settlement limits are established for each counterparty or customer to cover all settlement risk arising from the Group's market transactions on any single day.

Collateral held as security and other credit enhancements

The valuation and management of collateral have been documented in the credit risk management policies and procedures which cover acceptance criteria, validity of collateral, loan-to-value ratio, haircut ratio, valuation and insurance, etc. The collateral is revalued on a regular basis, though the frequency and the method used varies with the type of collateral involved and the nature and the risk of the underlying credit. The Group has established a mechanism to update the value of its main type of collateral, real estate properties, with the use of public indices on a portfolio basis. If necessary, collateral is insured with the Group as the primary beneficiary.

For loans guaranteed by a third party, the Group will assess the guarantor's financial condition, credit history and ability to meet obligations.

As at 31 December 2022, the Group did not hold any collateral that it was permitted to sell or re-pledge in the absence of default by the borrower (2021: Nil).

財務報表附註

Notes to the Financial Statements

4. 金融風險管理(續)

4.1 信貸風險(續)

預期信用損失的計算方法

香港財務報告準則第9號引入減值模型，該模式要求以攤銷成本及公允價值計入其他綜合收益之金融工具確認預期信用損失。根據香港財務報告準則第9號，預期信用損失分三個階段進行評估，而金融資產及承擔則分為三個階段之一。

第一階段：如果金融工具在初始時沒有信用減值且金融工具的信用風險自初始確認後未顯著增加，則損失準備金的金額計量至12個月的預期信用損失；

第二階段：如果金融工具在初始時沒有信用減值，但自初始確認以來金融工具的信用風險顯著增加，則損失準備金的金額的計量等於整個存續期的預期信用損失金額；

第三階段：如果金融工具已為信用減值，一項或多項事件對該金融資產的估計未來現金流量產生不利影響，則損失準備金的計算金額的計量亦等於整個存續期的預期信用損失金額。

本集團利用在內部模型下實施的參數，在可行和可用的情況下評估預期信用損失。對於沒有模型的投資組合，使用所有其他合理且可支持的訊息，例如歷史訊息，相關損失經驗或假設。預期信用損失的計量是應用金融工具違約概率、違約損失和違約風險承擔以實際利率貼現至報告日期的結果。

預期信用損失以無偏見和概率加權金額計量，該金額通過評估一系列可能的結果、貨幣的時間價值以及關於過去事件，當前狀況和未來經濟狀況預測的合理和可支持的訊息來確定。本集團在預期信用損失計量中採用三個經濟情景以滿足香港財務報告準則第9號的要求。「基本情況」情景代表最可能的結果，而其他兩種情景，稱為「上行」情景和「下行」情景，代表與基本情況情景相比更樂觀或更悲觀的較少可能出現的情況。

4. FINANCIAL RISK MANAGEMENT (Cont'd)

4.1 Credit risk (Cont'd)

Expected Credit Loss ("ECL") Methodology

For impairment assessment, an impairment model is introduced in compliance with HKFRS 9, it requires the recognition of ECL for financial instrument held at amortized cost and fair value through other comprehensive income. Under HKFRS 9, ECL is assessed in three stages and the financial assets and commitments are classified in one of the three stages.

Stage 1: if the financial instrument is not credit-impaired upon origination and the credit risk on the financial instrument has not increased significantly since initial recognition, the loss allowance is measured at an amount up to 12-month ECL;

Stage 2: if the financial instrument is not credit-impaired upon origination but the credit risk on the financial instrument has increased significantly since initial recognition, the loss allowance is measured at an amount equal to the lifetime ECL;

Stage 3: if the financial instrument is credit-impaired, with one or more events that have a detrimental impact on the estimated future cash flows of that financial asset have occurred, the loss allowance is also measured at an amount equal to the lifetime ECL.

The Group leverages the parameters implemented under internal models where feasible and available to assess ECL. For the portfolios without models, all other reasonable and supportable information such as historical information, relevant loss experience or proxies are utilized. The measurement of ECL is the product of the financial instrument's probability of default ("PD"), loss given default ("LGD") and exposures at default ("EAD") discounted at the effective interest rate to the reporting date.

ECL is measured at an unbiased and probability-weighted amount that is determined by evaluating a range of possible outcomes, the time value of money and reasonable and supportable information about past events, current conditions and forecasts of future economic conditions. The Group adopts three economic scenarios in the ECL measurement to meet the requirements of HKFRS 9. The "Base case" scenario represents a most likely outcome and the other two scenarios, referred to as "Upside" scenario and "Downside" scenario, represent less likely outcomes which are more optimistic or more pessimistic compared to Base case scenario.

財務報表附註

Notes to the Financial Statements

4. 金融風險管理(續)

4.1 信貸風險(續)

預期信用損失的計算方法(續)

基本情況情景參考了內部經濟研究單位的宏觀經濟預測。對於上行情景和下行情景，本集團參考歷史宏觀經濟數據。

主要經營國家／地區的宏觀經濟因素，如香港本地生產總值增長率，香港通脹率，香港失業率，香港房地產價格增長率，中國本地生產總值增長率和中國失業率，均於各經濟情景採用。對於本集團的預期信用損失，這些宏觀經濟因素在統計分析和商業意見中具有重要意義。

為每個業務情景分配的概率反映了集團對經濟環境的看法，該觀點實施了集團審慎且一致的信貸策略，以確保減值準備的充足性。為基本情況情景分配更高的概率以反映最可能的結果，並將較低的概率分配給上行和下行情景以反映較少可能的結果。分配的概率每季度重檢一次。

預期信用損失的計算方法已由獨立的模型驗證單位驗證並經風險管理委員會批准。管理層負責審查模型表現和預期信用損失的變化。

4. FINANCIAL RISK MANAGEMENT (Cont'd)

4.1 Credit risk (Cont'd)

Expected Credit Loss ("ECL") Methodology (Cont'd)

The Base case scenario is made reference to macroeconomics forecast provided by internal economic research unit. For the Upside scenario and Downside scenarios, the Group makes reference to the historical macroeconomics data.

The macroeconomic factors make for the major operating countries/regions include: HK GDP growth rate, HK Inflation, HK unemployment rate, HK Property price growth, China GDP growth rate and China unemployment rate are applied in the economic scenarios. These macroeconomic factors are considered to be important to the Group's ECL in statistical analysis and business opinion.

The probability assigned for each scenario reflects the Group's view of the economic environment, which implements the Group's prudent and consistent credit strategy of ensuring the adequacy of impairment allowance. A higher probability is assigned to the Base case scenario to reflect the most likely outcome and a lower probability is assigned to the Upside and Downside scenarios to reflect the less likely outcomes. The probabilities assigned are reviewed each quarter.

The ECL methodology has been validated by independent Model Validation Unit and approved by the Risk Management Committee. The Management is responsible to review model performance and changes in ECL.

財務報表附註

Notes to the Financial Statements

4. 金融風險管理 (續)

4.1 信貸風險 (續)

預期信用損失的計算方法 (續)

於2022年12月31日按階段分布列示的信貸風險如下：

4. FINANCIAL RISK MANAGEMENT (Cont'd)

4.1 Credit risk (Cont'd)

Expected Credit Loss ("ECL") Methodology (Cont'd)

Summary of credit risk by stage distribution at 31 December 2022 is, as follows:

		2022 賬面總值 Gross carrying amount						
		存放及定放 銀行及其他 金融機構的結餘 Balances and placements with banks and other financial institutions 港幣千元 HK\$'000	貸款及 其他賬項 Advances and other accounts 港幣千元 HK\$'000	金融投資 Financial investments 港幣千元 HK\$'000	其他資產 Other assets 港幣千元 HK\$'000	財務擔保 Financial guarantees 港幣千元 HK\$'000	貸款承擔 Loan commitments 港幣千元 HK\$'000	總額 Total 港幣千元 HK\$'000
第一階段	Stage 1	66,425,340	283,612,531	151,196,624	1,501,452	53,685,306	130,789,589	687,210,842
第二階段	Stage 2	-	7,423,013	-	166	94,559	1,684,023	9,201,761
第三階段	Stage 3	-	3,496,705	-	8,705	1,540	-	3,506,950
總額	Total	66,425,340	294,532,249	151,196,624	1,510,323	53,781,405	132,473,612	699,919,553

		2021 賬面總值 Gross carrying amount						
		存放及定放 銀行及其他 金融機構的結餘 Balances and placements with banks and other financial institutions 港幣千元 HK\$'000	貸款及 其他賬項 Advances and other accounts 港幣千元 HK\$'000	金融投資 Financial investments 港幣千元 HK\$'000	其他資產 Other assets 港幣千元 HK\$'000	財務擔保 Financial guarantees 港幣千元 HK\$'000	貸款承擔 Loan commitments 港幣千元 HK\$'000	總額 Total 港幣千元 HK\$'000
第一階段	Stage 1	66,843,102	286,848,521	137,365,510	1,196,997	53,639,221	134,471,585	680,364,936
第二階段	Stage 2	-	4,772,799	-	-	41,162	283,292	5,097,253
第三階段	Stage 3	-	4,429,091	592,486	7,228	-	-	5,028,805
總額	Total	66,843,102	296,050,411	137,957,996	1,204,225	53,680,383	134,754,877	690,490,994

財務報表附註

Notes to the Financial Statements

4. 金融風險管理(續)

4.1 信貸風險(續)

內部評級和違約概率的估算過程

本集團盡可能利用內部評級模型，按前瞻性資料及香港財務報告準則第9號階段的風險分類調整，以釐定香港財務報告準則第9號預期信用損失計算的違約概率數據。對於每種經濟情況，適當地重複這一過程。本集團對其主要投資組合使用各種內部評級模型，其中批發客戶或零售賬戶被評級或分配至特定內部評級或風險池。內部評級模型包含定性和定量訊息，除了借款人特有的訊息外，還使用借款人／賬戶的行為等補充訊息。

批發貸款

對於批發貸款，借款人的還款能力由本集團指定部門評估。信用風險評估基於信用評級模型，該模型考慮了各種財務訊息和定性訊息(例如管理質量，行業風險，集團連繫，負面警告信號)。

零售貸款

零售貸款包括個人貸款，透支和零售按揭。這些產品以及一些不太複雜的小企業貸款通過自動評分卡或統計違約概率的模型進行評級。

(A) 信貸風險承擔

本集團之最高信貸風險承擔是未考慮任何抵押品或其他改善信貸條件的最大風險承擔。對於資產負債表內資產，最高信貸風險承擔相等於其賬面值。對於開出擔保函，最高信貸風險承擔是被擔保人要求本集團代為償付債務的最高金額。對於貸款承擔及其他信貸有關負債，最高信貸風險承擔為授信承諾的全額。

以下為所持抵押品及其他改善信貸條件的性質及其對本集團各類金融資產的覆蓋程度。

4. FINANCIAL RISK MANAGEMENT (Cont'd)

4.1 Credit risk (Cont'd)

The internal rating and PD estimation process

The Group leverages the internal rating models where possible, with adjustments to incorporate forward looking information and the HKFRS 9 stage classification of the exposure to determine the PDs for HKFRS 9 ECL calculations. This is repeated for each economic scenario as appropriate. The Group uses various internal rating models for its key portfolios in which its wholesale customers or retail accounts are rated or assigned to specific internal grades or risk pools. The internal rating models incorporate both qualitative and quantitative information and, in addition to information specific to the borrower, utilise supplemental information such as borrower's/account's behaviour.

Wholesale lending

For wholesale lending, the repayment ability of borrowers are assessed by designated divisions of the Group. The credit risk assessment is based on a credit rating model that takes into account various financial information and qualitative information (such as management quality, industry risks, group connection, negative warning signals).

Retail lending

Retail lending comprises personal loans, overdrafts and retail mortgages. These products along with and some of the less complex small business lending are rated by automated scorecards or statistical PD models.

(A) Credit exposures

The maximum credit exposure is the worst case scenario of exposure to the Group without taking into account any collateral held or other credit enhancements. For on-balance sheet assets, the maximum exposure to credit risk equals their carrying amount. For letters of guarantee issued, the maximum exposure to credit risk is the maximum amount that the Group could be required to pay if the guarantees are called upon. For loan commitment and other credit related liabilities, the maximum exposure to credit risk is the full amount of the committed facilities.

The nature of the collateral held and other credit enhancements and their financial effect to the different classes of the Group's financial assets are as follows.

財務報表附註

Notes to the Financial Statements

4. 金融風險管理(續)

4.1 信貸風險(續)

(A) 信貸風險承擔(續)

在銀行及其他金融機構的結餘及定期存放

考慮到交易對手的性質，一般不會就此等資產尋求抵押品，但會採取其他風險緩解措施。

公允值變化計入損益之金融資產及金融投資

一般不會就債務證券尋求抵押品。

衍生金融工具

本集團傾向以國際掉期及衍生工具協會出版的主協議(「ISDA主協議」)作為衍生工具業務的協議文件。該ISDA主協議為做場外衍生交易提供合約框架，並載有於發生違約事件或終止事件後終止交易所採用之淨額結算條款。此外，亦會視乎需要考慮於ISDA主協議之附約中附加信用支持附件。根據信用支持附件，保證金會按情況由交易一方轉交另一方，以減少風險承擔。

貸款及其他賬項、或然負債及承擔

一般抵押品種類已載於第102頁。本集團根據對貸款及其他賬項、或然負債及承擔的個別風險承擔的評估，考慮適當之抵押品。有關客戶貸款之抵押品覆蓋率已分析於第240至241頁。或然負債及承擔之主要組合及性質已載於附註36，就不需事先通知的無條件撤銷之承諾，如客戶的信貸質素下降，本集團會評估撤回其授信額度的需要性。於2022年12月31日，有抵押品覆蓋之或然負債及承擔為7.57% (2021年：9.41%)。

4. FINANCIAL RISK MANAGEMENT (Cont'd)

4.1 Credit risk (Cont'd)

(A) Credit exposures (Cont'd)

Balances and placements with banks and other financial institutions

Collateral is generally not sought on these exposures in consideration of the counterparty nature. However, other mitigation will be taken.

Financial assets at fair value through profit or loss and financial investments

Collateral is generally not sought on debt securities.

Derivative financial instruments

The Master Agreement published by the International Swaps and Derivatives Association, Inc. ("ISDA Master Agreement") is the preferred agreement for documenting derivatives activities of the Group. It provides the contractual framework under which dealing activities of over-the-counter ("OTC") derivative transactions are conducted, and sets out close-out netting provisions upon termination following the occurrence of an event of default or a termination event. In addition, if deemed necessary, Credit Support Annex ("CSA") will be included to form part of the Schedule to the ISDA Master Agreement. Under a CSA, margin is passed from one counterparty to another, as appropriate, to mitigate the exposures.

Advances and other accounts, contingent liabilities and commitments

The general types of collateral are disclosed on page 102. Advances and other accounts, contingent liabilities and commitments are collateralised to the extent considered appropriate by the Group taking account of the risk assessment of individual exposures. The collateral coverage of advances to customers is analysed on pages 240 to 241. The components and nature of contingent liabilities and commitments are disclosed in Note 36. Regarding the commitments that are unconditionally cancellable without prior notice, the Group would assess the necessity to withdraw the credit line in case where the credit quality of a borrower deteriorates. For contingent liabilities and commitments, 7.57% (2021: 9.41%) was covered by collateral as at 31 December 2022.

財務報表附註

Notes to the Financial Statements

4. 金融風險管理(續)

4.1 信貸風險(續)

(B) 總貸款及其他賬項

提取減值準備前之總貸款及其他賬項按產品類別概述如下：

4. FINANCIAL RISK MANAGEMENT (Cont'd)

4.1 Credit risk (Cont'd)

(B) Gross advances and other accounts

Gross advances and other accounts before impairment allowances are summarised by product type as follows:

		2022	2021
		港幣千元	港幣千元
		HK\$'000	HK\$'000
客戶貸款	Advances to customers		
個人	Personal		
– 按揭	– Mortgages	28,402,461	33,254,925
– 信用卡	– Credit cards	127,793	120,205
– 其他	– Others	27,555,030	29,872,625
公司	Corporate		
– 商業貸款	– Commercial loans	229,375,173	223,264,723
– 貿易融資	– Trade finance	8,304,827	9,050,383
		293,765,284	295,562,861
貿易票據	Trade bills	610,399	487,550
銀行及其他金融機構貸款	Advances to banks and other financial institutions	156,566	–
		294,532,249	296,050,411

有明確到期日之貸款，若其本金或利息已逾期及仍未償還，則列作逾期貸款。須定期分期償還之貸款，若其中一次分期還款已逾期及仍未償還，則列作逾期處理。須即期償還之貸款若已向借款人送達還款通知，但借款人未按指示還款，或貸款一直超出借款人獲通知之批准貸款限額，亦列作逾期處理。

當發生一項或多項事件對授信的未來現金流產生不利的影響，有關授信將視為信用減值授信。信用減值授信被確定為第三階段。如果該風險承擔超過90天以上逾期，或借款人可能無法全額支付本集團的債務，本集團將授信確認為減值貸款。

Advances with a specific repayment date are classified as overdue when the principal or interest is past due and remains unpaid. Advances repayable by regular instalments are classified as overdue when an instalment payment is past due and remains unpaid. Advances repayable on demand are classified as overdue either when a demand for repayment has been served on the borrower but repayment has not been made in accordance with the instruction or when the advances have continuously exceeded the approved limit that was advised to the borrower.

Advances are credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows have occurred. Credit-impaired advances are classified as Stage 3. The Group identifies the advances as impaired if the exposure is past due for more than 90 days or the borrower is unlikely to pay in full for the credit obligations to the Group.

財務報表附註

Notes to the Financial Statements

4. 金融風險管理 (續)

4.1 信貸風險 (續)

(B) 總貸款及其他賬項 (續)

(a) 非信用減值未逾期貸款

非信用減值未逾期貸款按內部信貸級別分析如下：

4. FINANCIAL RISK MANAGEMENT (Cont'd)

4.1 Credit risk (Cont'd)

(B) Gross advances and other accounts (Cont'd)

(a) Advances neither overdue nor credit-impaired

Advances that were neither overdue nor credit-impaired are analysed by internal credit grade as follows:

		合格	需要關注	2022 次級或以下	總計
		Pass	Special mention	Substandard or below	Total
		港幣千元	港幣千元	港幣千元	港幣千元
		HK\$'000	HK\$'000	HK\$'000	HK\$'000
客戶貸款	Advances to customers				
個人	Personal				
– 按揭	– Mortgages	27,801,628	70,256	–	27,871,884
– 信用卡	– Credit cards	125,529	6	–	125,535
– 其他	– Others	26,699,090	108,771	–	26,807,861
公司	Corporate				
– 商業貸款	– Commercial loans	215,737,190	6,260,278	–	221,997,468
– 貿易融資	– Trade finance	8,151,923	99,464	–	8,251,387
		278,515,360	6,538,775	–	285,054,135
貿易票據	Trade bills	610,399	–	–	610,399
銀行及其他金融機構貸款	Advances to banks and other financial institutions	156,566	–	–	156,566
		279,282,325	6,538,775	–	285,821,100

財務報表附註

Notes to the Financial Statements

4. 金融風險管理(續)

4.1 信貸風險(續)

(B) 總貸款及其他賬項(續)

(a) 非信用減值未逾期貸款(續)

4. FINANCIAL RISK MANAGEMENT (Cont'd)

4.1 Credit risk (Cont'd)

(B) Gross advances and other accounts (Cont'd)

(a) Advances neither overdue nor credit-impaired (Cont'd)

		2021			
		合格	需要關注	次級或以下	總計
		Pass	Special	Substandard	Total
		港幣千元	港幣千元	港幣千元	港幣千元
		HK\$'000	HK\$'000	HK\$'000	HK\$'000
客戶貸款	Advances to customers				
個人	Personal				
– 按揭	– Mortgages	32,918,723	31,905	–	32,950,628
– 信用卡	– Credit cards	118,817	–	–	118,817
– 其他	– Others	29,568,668	35,306	–	29,603,974
公司	Corporate				
– 商業貸款	– Commercial loans	215,381,175	3,501,757	–	218,882,932
– 貿易融資	– Trade finance	8,871,389	153,927	–	9,025,316
		286,858,772	3,722,895	–	290,581,667
貿易票據	Trade bills	487,550	–	–	487,550
		287,346,322	3,722,895	–	291,069,217

財務報表附註

Notes to the Financial Statements

4. 金融風險管理(續)

4.1 信貸風險(續)

(B) 總貸款及其他賬項(續)

(b) 逾期末信用減值貸款

總逾期末信用減值貸款分析如下：

4. FINANCIAL RISK MANAGEMENT (Cont'd)

4.1 Credit risk (Cont'd)

(B) Gross advances and other accounts (Cont'd)

(b) Advances overdue but not credit-impaired

The gross amount of advances overdue but not credit-impaired is analysed as follows:

		逾期3個月 或以下 Overdue for three months or less 港幣千元 HK\$'000	逾期超過 3個月 但不超過 6個月 Overdue for six months or less but over three months 港幣千元 HK\$'000	2022 逾期超過 6個月 但不超過 1年 Overdue for one year or less but over six months 港幣千元 HK\$'000	逾期 超過1年 Overdue for over one year 港幣千元 HK\$'000	總計 Total 港幣千元 HK\$'000
客戶貸款	Advances to customers					
個人	Personal					
- 按揭	- Mortgages	432,218	-	-	-	432,218
- 信用卡	- Credit cards	1,216	-	-	-	1,216
- 其他	- Others	673,959	-	-	-	673,959
公司	Corporate					
- 商業貸款	- Commercial loans	4,053,611	-	-	-	4,053,611
- 貿易融資	- Trade Finance	53,440	-	-	-	53,440
		5,214,444	-	-	-	5,214,444

		逾期3個月 或以下 Overdue for three months or less 港幣千元 HK\$'000	逾期超過 3個月 但不超過 6個月 Overdue for six months or less but over three months 港幣千元 HK\$'000	2021 逾期超過 6個月 但不超過 1年 Overdue for one year or less but over six months 港幣千元 HK\$'000	逾期 超過1年 Overdue for over one year 港幣千元 HK\$'000	總計 Total 港幣千元 HK\$'000
客戶貸款	Advances to customers					
個人	Personal					
- 按揭	- Mortgages	224,379	-	-	-	224,379
- 信用卡	- Credit cards	725	-	-	-	725
- 其他	- Others	254,205	-	-	-	254,205
公司	Corporate					
- 商業貸款	- Commercial loans	65,611	-	-	-	65,611
- 貿易融資	- Trade Finance	7,183	-	-	-	7,183
		552,103	-	-	-	552,103

財務報表附註

Notes to the Financial Statements

4. 金融風險管理(續)

4.1 信貸風險(續)

(B) 總貸款及其他賬項(續)

(c) 減值貸款

已個別識別減值貸款按產品類別分析如下：

4. FINANCIAL RISK MANAGEMENT (Cont'd)

4.1 Credit risk (Cont'd)

(B) Gross advances and other accounts (Cont'd)

(c) Impaired advances

Advances individually identified to be impaired are analysed by product type as follows:

		2022		2021	
		總貸款	抵押品市值	總貸款	抵押品市值
		Gross	Market	Gross	Market
		advances	value of	advances	collateral
		港幣千元	港幣千元	港幣千元	港幣千元
		HK\$'000	HK\$'000	HK\$'000	HK\$'000
客戶貸款	Advances to customers				
個人	Personal				
– 按揭	– Mortgages	98,359	234,746	79,918	210,821
– 信用卡	– Credit cards	1,042	–	663	–
– 其他	– Others	73,210	118,726	14,446	35,079
公司	Corporate				
– 商業貸款	– Commercial loans	3,324,094	163,011	4,316,180	3,979,170
– 貿易融資	– Trade finance	–	–	17,884	–
		3,496,705	516,483	4,429,091	4,225,070
第三階段之減值準備	Impairment allowances – Stage 3			2,532,041	
				2022	2021
				港幣千元	港幣千元
				HK\$'000	HK\$'000
就上述有抵押品覆蓋的客戶貸款之抵押品市值	Current market value of collateral held against the covered portion of such advances to customers			516,483	4,225,070
上述有抵押品覆蓋之客戶貸款	Covered portion of such advances to customers			178,681	1,314,864
上述沒有抵押品覆蓋之客戶貸款	Uncovered portion of such advances to customers			3,318,024	3,114,227

財務報表附註 Notes to the Financial Statements

4. 金融風險管理(續)

4.1 信貸風險(續)

(B) 總貸款及其他賬項(續)

(c) 減值貸款(續)

減值準備已考慮上述貸款之抵押品價值。

於2022年12月31日，沒有減值之貿易票據及銀行及其他金融機構貸款(2021年：無)。

特定分類或減值之客戶貸款分析如下：

4. FINANCIAL RISK MANAGEMENT (Cont'd)

4.1 Credit risk (Cont'd)

(B) Gross advances and other accounts (Cont'd)

(c) Impaired advances (Cont'd)

The impairment allowances were made after taking into account the value of collateral in respect of such advances.

As at 31 December 2022, there were no impaired trade bills and advances to banks and other financial institutions (2021: Nil).

Classified or impaired advances to customers are analysed as follows:

		2022 港幣千元 HK\$'000	2021 港幣千元 HK\$'000
特定分類或減值之客戶貸款總額	Gross classified or impaired advances to customers	3,496,705	4,429,091
特定分類或減值之客戶貸款總額對客戶貸款總額比率	Gross classified or impaired advances to customers as a percentage of gross advances to customers	1.19%	1.50%
第三階段之減值準備	Impairment allowances – Stage 3	2,170,354	2,532,041

特定分類或減值之客戶貸款是指按本集團貸款質量分類的「次級」、「呆滯」或「虧損」、或第三階段的貸款。

Classified or impaired advances to customers represent advances which are either classified as “substandard”, “doubtful” or “loss” under the Group’s classification of loan quality, or classified as Stage 3.

財務報表附註

Notes to the Financial Statements

4. 金融風險管理(續)

4.1 信貸風險(續)

(B) 總貸款及其他賬項(續)

(d) 逾期超過3個月之貸款

逾期超過3個月之貸款總額分析如下：

4. FINANCIAL RISK MANAGEMENT (Cont'd)

4.1 Credit risk (Cont'd)

(B) Gross advances and other accounts (Cont'd)

(d) Advances overdue for more than three months

The gross amount of advances overdue for more than three months is analysed as follows:

		2022		2021	
		金額	佔客戶貸款 總額百分比 % of gross advances to customers	金額	佔客戶貸款 總額百分比 % of gross advances to customers
		Amount 港幣千元 HK\$'000		Amount 港幣千元 HK\$'000	
客戶貸款總額， 已逾期：	Gross advances to customers which have been overdue for:				
– 超過3個月但不超個月	– six months or less but over three months	65,438	0.02%	22,362	0.01%
– 超過6個月但不超年	– one year or less but over six months	1,391,450	0.47%	1,361,263	0.46%
– 超過1年	– over one year	636,482	0.22%	690,243	0.23%
逾期超過3個月之貸款	Advances overdue for over three months	2,093,370	0.71%	2,073,868	0.70%
第三階段之減值準備	Impairment allowances – Stage 3	1,597,659		1,288,558	
				2022 港幣千元 HK\$'000	2021 港幣千元 HK\$'000
就上述有抵押品覆蓋的 客戶貸款之抵押品市值	Current market value of collateral held against the covered portion of such advances to customers			461,855	1,054,616
上述有抵押品覆蓋之客戶貸款	Covered portion of such advances to customers			151,600	234,607
上述沒有抵押品覆蓋之客戶貸款	Uncovered portion of such advances to customers			1,941,770	1,839,261

逾期貸款或減值貸款的抵押品主要包括公司授信戶項下的商用資產如商業及住宅樓宇、個人授信戶項下的住宅按揭物業。

於2022年12月31日，沒有逾期超過3個月之貿易票據及銀行及其他金融機構貸款(2021年：無)。

Collateral held against overdue or impaired loans is principally represented by charges over business assets such as commercial and residential premises for corporate loans and mortgages over residential properties for personal loans.

As at 31 December 2022, there were no trade bills and advances to banks and other financial institutions overdue for more than three months (2021: Nil).

財務報表附註

Notes to the Financial Statements

4. 金融風險管理 (續)

4.1 信貸風險 (續)

(B) 總貸款及其他賬項 (續)

(e) 經重組貸款

4. FINANCIAL RISK MANAGEMENT (Cont'd)

4.1 Credit risk (Cont'd)

(B) Gross advances and other accounts (Cont'd)

(e) Rescheduled advances

		2022		2021	
		金額 Amount 港幣千元 HK\$'000	佔客戶貸款 總額百分比 % of gross advances to customers	金額 Amount 港幣千元 HK\$'000	佔客戶貸款 總額百分比 % of gross advances to customers
經重組客戶貸款淨額 (已扣減包含於 「逾期超過3個月之 貸款」部分)	Rescheduled advances to customers net of amounts included in "Advances overdue for more than three months"	29,299	0.01%	861,137	0.29%

經重組貸款乃指客戶因為財政困難或無能力如期還款，而經銀行與客戶雙方同意達成重整還款計劃之貸款，而該貸款已修訂的還款條款(包括利息或還款期限)屬非商業性。修訂還款計劃後之經重組貸款如仍逾期超過3個月，則包括在「逾期超過3個月之貸款」內。

Rescheduled advances are those advances that have been restructured or renegotiated between the bank and borrowers because of deterioration in the financial position of the borrower or of the inability of the borrower to meet the original repayment schedule, and the revised repayment terms, either of interest or the repayment period, are "non-commercial" to the Group. Rescheduled advances, which have been overdue for more than three months under the revised repayment terms, are included in "Advances overdue for more than three months".

財務報表附註

Notes to the Financial Statements

4. 金融風險管理(續)

4.1 信貸風險(續)

(B) 總貸款及其他賬項(續)

(f) 客戶貸款集中度

按地理區域分類之客戶貸款總額

下列關於客戶貸款之地理區域分析是根據交易對手之所在地，並已顧及風險轉移因素。若客戶貸款之擔保人所在地與客戶所在地不同，則風險將轉移至擔保人之所在地。

客戶貸款總額

		2022	2021
		港幣千元	港幣千元
		HK\$'000	HK\$'000
香港	Hong Kong	177,080,708	186,752,209
中國內地	Mainland of China	105,484,437	96,907,944
其他	Others	11,200,139	11,902,708
		293,765,284	295,562,861

就客戶貸款總額作第一和第二階段之減值準備

		2022	2021
		港幣千元	港幣千元
		HK\$'000	HK\$'000
香港	Hong Kong	589,903	687,609
中國內地	Mainland of China	1,219,157	736,748
其他	Others	85,575	56,618
		1,894,635	1,480,975

4. FINANCIAL RISK MANAGEMENT (Cont'd)

4.1 Credit risk (Cont'd)

(B) Gross advances and other accounts (Cont'd)

(f) Concentration of advances to customers

Geographical analysis of gross advances to customers

The following geographical analysis of advances to customers is based on the locations of the counterparties, after taking into account the transfer of risk. For an advance to customer guaranteed by a party situated in a country different from the customer, the risk will be transferred to the country of the guarantor.

Gross advances to customers

		2022	2021
		港幣千元	港幣千元
		HK\$'000	HK\$'000
香港	Hong Kong	177,080,708	186,752,209
中國內地	Mainland of China	105,484,437	96,907,944
其他	Others	11,200,139	11,902,708
		293,765,284	295,562,861

Impairment allowances – stage 1 and 2 in respect of the gross advances to customers

		2022	2021
		港幣千元	港幣千元
		HK\$'000	HK\$'000
香港	Hong Kong	589,903	687,609
中國內地	Mainland of China	1,219,157	736,748
其他	Others	85,575	56,618
		1,894,635	1,480,975

財務報表附註

Notes to the Financial Statements

4. 金融風險管理(續)

4.1 信貸風險(續)

(B) 總貸款及其他賬項(續)

(f) 客戶貸款集中度(續)

按地理區域分類之客戶貸款總額(續)

逾期貸款

4. FINANCIAL RISK MANAGEMENT (Cont'd)

4.1 Credit risk (Cont'd)

(B) Gross advances and other accounts (Cont'd)

(f) Concentration of advances to customers (Cont'd)

Geographical analysis of gross advances to customers (Cont'd)

Overdue advances

		2022	2021
		港幣千元	港幣千元
		HK\$'000	HK\$'000
香港	Hong Kong	4,112,183	635,665
中國內地	Mainland of China	3,913,022	1,074,114
其他	Others	46,853	1,064,339
		8,072,058	2,774,118

就逾期貸款作第三階段之減值準備

Impairment allowances – Stage 3 in respect of the overdue advances

		2022	2021
		港幣千元	港幣千元
		HK\$'000	HK\$'000
香港	Hong Kong	1,108,867	216,517
中國內地	Mainland of China	860,350	681,012
其他	Others	–	516,360
		1,969,217	1,413,889

就逾期貸款作第一和第二階段之減值準備

Impairment allowances – Stage 1 and 2 in respect of the overdue advances

		2022	2021
		港幣千元	港幣千元
		HK\$'000	HK\$'000
香港	Hong Kong	6,139	1,875
中國內地	Mainland of China	21,944	7,478
其他	Others	27	42
		28,110	9,395

財務報表附註

Notes to the Financial Statements

4. 金融風險管理(續)

4.1 信貸風險(續)

(B) 總貸款及其他賬項(續)

(f) 客戶貸款集中度(續)

按地理區域分類之客戶貸款總額(續)

特定分類或減值貸款

		2022	2021
		港幣千元	港幣千元
		HK\$'000	HK\$'000
香港	Hong Kong	2,340,819	1,443,185
中國內地	Mainland of China	1,152,747	1,951,421
其他	Others	3,139	1,034,485
		3,496,705	4,429,091

就特定分類或減值貸款作第三階段之減值準備

		2022	2021
		港幣千元	港幣千元
		HK\$'000	HK\$'000
香港	Hong Kong	1,219,611	799,072
中國內地	Mainland of China	950,743	1,216,609
其他	Others	-	516,360
		2,170,354	2,532,041

(C) 收回資產

於年內，本集團通過對抵押品行使收回資產權而取得的資產，其種類及賬面值概述如下：

於年內取得的資產概述如下：

		2022	2021
		港幣千元	港幣千元
		HK\$'000	HK\$'000
車位	Parking space	-	1,317
		-	1,317

本集團於2022年12月31日持有的收回資產之估值為港幣9,100,000元(2021年：港幣13,720,000元)。這包括本集團通過對抵押取得處置或控制權的物業(如通過法律程序或業主自願交出抵押資產方式取得)而對借款人的債務進行全數或部分減除。

4. FINANCIAL RISK MANAGEMENT (Cont'd)

4.1 Credit risk (Cont'd)

(B) Gross advances and other accounts (Cont'd)

(f) Concentration of advances to customers (Cont'd)

Geographical analysis of gross advances to customers (Cont'd)

Classified or impaired advances

Impairment allowances – Stage 3 in respect of the classified or impaired advances

(C) Repossessed assets

During the year, the Group obtained assets by taking possession of collateral held as security. The nature and carrying value of these assets are summarised as follows:

Assets obtained during the year are as follows:

The estimated market value of repossessed assets held by the Group as at 31 December 2022 amounted to HK\$9,100,000 (2021: HK\$13,720,000). The repossessed assets comprise properties in respect of which the Group has acquired access or control (e.g. through court proceedings or voluntary actions by the proprietors concerned) for release in full or in part of the obligations of the borrowers.

財務報表附註

Notes to the Financial Statements

4. 金融風險管理(續)

4.1 信貸風險(續)

(C) 收回資產(續)

當收回資產的變現能力受到影響時，本集團將按情況以下列方式處理：

- 調整出售價格
- 連同抵押資產一併出售貸款
- 安排債務重組

(D) 在銀行及其他金融機構的結餘及存款

下表為在銀行及其他金融機構的非逾期或信用減值之結餘及存款於12月31日按評級機構之評級分析。

4. FINANCIAL RISK MANAGEMENT (Cont'd)

4.1 Credit risk (Cont'd)

(C) Repossessed assets (Cont'd)

When the repossessed assets are not readily convertible into cash, the Group may consider the following alternatives:

- adjusting the selling prices
- selling the loans together with the assets
- arranging loan restructuring

(D) Balances and placements with banks and other financial institutions

The following tables present an analysis of balances and placements with banks and other financial institutions that are neither overdue nor credit-impaired as at 31 December by rating agency designation.

		2022			
		Aaa至A3 Aaa to A3 港幣千元 HK\$'000	A3以下 Lower than A3 港幣千元 HK\$'000	無評級 Unrated 港幣千元 HK\$'000	總計 Total 港幣千元 HK\$'000
中央銀行	Central banks	18,033,681	-	-	18,033,681
銀行及其他金融機構	Banks and other financial institutions	31,632,071	12,653,936	4,105,652	48,391,659
		49,665,752	12,653,936	4,105,652	66,425,340

		2021			
		Aaa至A3 Aaa to A3 港幣千元 HK\$'000	A3以下 Lower than A3 港幣千元 HK\$'000	無評級 Unrated 港幣千元 HK\$'000	總計 Total 港幣千元 HK\$'000
中央銀行	Central banks	21,546,067	-	-	21,546,067
銀行及其他金融機構	Banks and other financial institutions	29,637,118	8,586,788	7,073,129	45,297,035
		51,183,185	8,586,788	7,073,129	66,843,102

財務報表附註

Notes to the Financial Statements

4. 金融風險管理 (續)

4.1 信貸風險 (續)

(D) 在銀行及其他金融機構的結餘及存款 (續)

於2022年12月31日，沒有逾期或信用減值之結餘及存款(2021年：無)。

4. FINANCIAL RISK MANAGEMENT (Cont'd)

4.1 Credit risk (Cont'd)

(D) Balances and placements with banks and other financial institutions (Cont'd)

As at 31 December 2022, there were no overdue or credit-impaired balances and placements with banks and other financial institutions (2021: Nil).

		2022 港幣千元 HK\$'000	2021 港幣千元 HK\$'000
就在銀行及其他金融機構的結餘及存款作第一和第二階段之減值準備	Impairment allowances – Stage 1 and 2 in respect of the balances and placements with banks and other financial institutions	627	561
就在銀行及其他金融機構的結餘及存款作第三階段之減值準備	Impairment allowances – Stage 3 in respect of the balances and placements with banks and other financial institutions	–	–

財務報表附註

Notes to the Financial Statements

4. 金融風險管理(續)

4.1 信貸風險(續)

(E) 債務證券及存款證

下表為以發行評級分析之債務證券及存款證賬面值。在無發行評級的情況下，則會按發行人的評級報告。

4. FINANCIAL RISK MANAGEMENT (Cont'd)

4.1 Credit risk (Cont'd)

(E) Debt securities and certificates of deposit

The following tables present an analysis of the carrying values of debt securities and certificates of deposit by issue rating. In the absence of such issue ratings, the ratings designated for the issuers are reported.

		2022					總計
		Aaa	Aa1至Aa3	A1至A3	A3以下	無評級	總計
		港幣千元	港幣千元	港幣千元	港幣千元	港幣千元	港幣千元
		HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
以公允價值變化計入 其他全面收益	At fair value through other comprehensive income	2,363,472	53,247,121	68,469,130	10,283,544	3,580,560	137,943,827
以攤餘成本作計量	At amortised cost	10,314,643	2,813,476	101,570	-	-	13,229,689
以公允價值變化計入損益	At fair value through profit or loss	40,090	6,314,195	197,818	61,935	46,074	6,660,112
總計	Total	12,718,205	62,374,792	68,768,518	10,345,479	3,626,634	157,833,628

		2021					總計
		Aaa	Aa1至Aa3	A1至A3	A3以下	無評級	總計
		港幣千元	港幣千元	港幣千元	港幣千元	港幣千元	港幣千元
		HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
以公允價值變化計入 其他全面收益	At fair value through other comprehensive income	2,709,026	35,140,804	79,140,470	14,515,620	5,859,590	137,365,510
以攤餘成本作計量	At amortised cost	-	-	-	-	-	-
以公允價值變化計入損益	At fair value through profit or loss	-	7,252,326	-	-	759,598	8,011,924
總計	Total	2,709,026	42,393,130	79,140,470	14,515,620	6,619,188	145,377,434

財務報表附註

Notes to the Financial Statements

4. 金融風險管理 (續)

4.1 信貸風險 (續)

(E) 債務證券及存款證 (續)

下表為非逾期或信用減值之債務證券及存款證於12月31日按發行評級之分析。在無發行評級的情況下，則會按發行人的評級報告。

4. FINANCIAL RISK MANAGEMENT (Cont'd)

4.1 Credit risk (Cont'd)

(E) Debt securities and certificates of deposit (Cont'd)

The following tables present an analysis of debt securities and certificates of deposit neither overdue nor credit-impaired as at 31 December by issue rating. In the absence of such issue ratings, the ratings designated for the issuers are reported.

		2022					總計
		Aaa	Aa1至Aa3	A1至A3	A3以下	無評級	總計
		港幣千元	港幣千元	港幣千元	港幣千元	港幣千元	港幣千元
		HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
以公允價值變化計入	At fair value through other						
其他全面收益	comprehensive income	2,363,472	53,247,121	68,469,130	10,283,544	3,580,560	137,943,827
以攤餘成本作計量	At amortised cost	10,314,643	2,813,476	101,570	–	–	13,229,689
以公允價值變化計入損益	At fair value through profit or loss	40,090	6,314,195	197,818	61,935	17,555	6,631,593
		12,718,205	62,374,792	68,768,518	10,345,479	3,598,115	157,805,109

		2021					總計
		Aaa	Aa1至Aa3	A1至A3	A3以下	無評級	總計
		港幣千元	港幣千元	港幣千元	港幣千元	港幣千元	港幣千元
		HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
以公允價值變化計入	At fair value through other						
其他全面收益	comprehensive income	2,709,026	35,140,804	79,140,470	14,515,620	5,859,590	137,365,510
以攤餘成本作計量	At amortised cost	–	–	–	–	–	–
以公允價值變化計入損益	At fair value through profit or loss	–	7,252,326	–	–	728,326	7,980,652
		2,709,026	42,393,130	79,140,470	14,515,620	6,587,916	145,346,162

財務報表附註 Notes to the Financial Statements

4. 金融風險管理 (續)

4.1 信貸風險 (續)

(E) 債務證券及存款證 (續)

下表為信用減值或逾期債務證券之發行評級分析。在無發行評級的情況下，則會按發行人的評級報告。

4. FINANCIAL RISK MANAGEMENT (Cont'd)

4.1 Credit risk (Cont'd)

(E) Debt securities and certificates of deposit (Cont'd)

The following tables present an analysis of credit-impaired or overdue debt securities by issue rating. In the absence of such issue ratings, the ratings designated for the issuers are reported.

		2022					其中： 累計減值準備 Of which accumulated impairment allowances	
		賬面值 Carrying values					港幣千元 HK\$'000	
		Aaa	Aa1 至 Aa3 Aa1 to Aa3	A1 至 A3 A1 to A3	A3 以下 Lower than A3	無評級 Unrated	總計 Total	港幣千元 HK\$'000
		港幣千元 HK\$'000	港幣千元 HK\$'000	港幣千元 HK\$'000	港幣千元 HK\$'000	港幣千元 HK\$'000	港幣千元 HK\$'000	港幣千元 HK\$'000
以公允值變化計入損益	At fair value through profit or loss	-	-	-	-	28,519	28,519	-
以公允值變化計入其他 全面收益之債務證券	Debt securities at fair value through other comprehensive income	-	-	-	-	-	-	182,129
其中：累計減值準備	Of which accumulated impairment allowances	-	-	-	-	182,129	182,129	-

		2021					其中： 累計減值準備 Of which accumulated impairment allowances	
		賬面值 Carrying values					港幣千元 HK\$'000	
		Aaa	Aa1 至 Aa3 Aa1 to Aa3	A1 至 A3 A1 to A3	A3 以下 Lower than A3	無評級 Unrated	總計 Total	港幣千元 HK\$'000
		港幣千元 HK\$'000	港幣千元 HK\$'000	港幣千元 HK\$'000	港幣千元 HK\$'000	港幣千元 HK\$'000	港幣千元 HK\$'000	港幣千元 HK\$'000
以公允值變化計入損益	At fair value through profit or loss	-	-	-	-	31,272	31,272	-
以公允值變化計入其他 全面收益之債務證券	Debt securities at fair value through other comprehensive income	-	-	-	-	-	-	182,098
其中：累計減值準備	Of which accumulated impairment allowances	-	-	-	-	182,098	182,098	-

於2022年12月31日，沒有減值或逾期之存款證(2021年：無)。

As at 31 December 2022, there were no impaired or overdue certificates of deposit (2021: Nil).

財務報表附註

Notes to the Financial Statements

4. 金融風險管理(續)

4.1 信貸風險(續)

(F) 2019冠狀病毒病對信貸風險的影響

因應2019冠狀病毒病疫情在全球蔓延，本集團在疫情下積極配合中央人民政府和香港特別行政區政府推出的紓困措施，協助受疫情影響的客戶。關於本集團所推出的紓困措施請參閱其他資料－業務回顧部分。

本集團在疫情下持續做好業務運作的管理，密切監察和減低疫情對客戶的影響。在貸款項目方面，本集團全面強化提升貸前及貸後的風險管理工作，因應最新經濟情況採取適切措施，加強組合及客戶層面的監控，並加強與授信戶聯繫，及時了解及掌握授信戶資信變化。對於較受疫情影響的行業，本集團會加強風險排查，關注疫情對該等授信戶經營及財務狀況的影響，及時跟進及評估風險，並適時採取風險緩減措施，以保障銀行資金安全。另外，由於Omicron變種新冠病毒疫情在全球迅速蔓延，預期或會對經濟復甦將造成打擊，本集團進行了新冠病毒疫情特定情景壓力測試，以評估Omicron變種新冠病毒疫情對於信貸風險、風險加權資產、減值準備和資本充足比率的潛在影響。

(G) 中國大陸房地產敞口對信貸風險的影響

鑑於內地房地產行業的市道低迷以及流動性緊張問題，本行對相關行業之授信亦受到影響，並有個別授信戶出現違約。本行已因應有關風險狀況的變化，調整授信的評級並計提相應的減值準備。

4. FINANCIAL RISK MANAGEMENT (Cont'd)

4.1 Credit risk (Cont'd)

(F) The impact of COVID-19 on credit risk

In response to the COVID-19 pandemic which spread across the world, the Group actively facilitated the relief measures rolled out by the Central People's Government and the Government of the HKSAR during the pandemic and assisted customers affected by the pandemic. Please refer to Business Review of Additional Information for brief explanations of the Group's relief measures.

The Group continues to manage its business operations during the pandemic, and closely monitor and reduce the impact of the pandemic on customers. For loans and advances, the Group comprehensively strengthens and enhances pre-approval and post-lending risk management practice, adopts appropriate measures in response to the latest economic conditions, strengthens portfolio and customer level monitoring and communications with borrowers in order to have better understanding on changes in creditworthiness of borrowers in a more timely manner. For industries that are more vulnerable to the pandemic, the Group will strengthen portfolio review, pay special attention to the impact of the pandemic on the operation and financial status of these borrowers, perform risk assessment in a timely manner, and take instant risk mitigation measures to safeguard the Bank's interest. In view of the quick spread of the Omicron variant around the world, which is expected to deal a severe blow to the economic recovery, the Group has conducted an ad-hoc COVID-19 pandemic stress test to assess the potential impact of the Omicron variant on credit risk, risk-weighted assets, impairment allowances and capital adequacy ratio.

(G) The impact of Mainland China real estate exposure on credit risk

In light of the market downturn and tight liquidity issue for property development sector in Mainland China, the Bank's credit exposures to related sectors are also affected and there are several default cases occurred. The Bank has adjusted the customer credit rating and level of provisioning in response to changes in credit risk.

財務報表附註

Notes to the Financial Statements

4. 金融風險管理(續)

4.1 信貸風險(續)

(G) 中國大陸房地產敞口對信貸風險的影響(續)

為應對內地房地產行業風險之上升，本行已採取以下措施作出應對：

- (1) 加強房地產的集中度風險管理，設立內部管理目標，以降低相關行業的集中度風險，並採取更嚴格機制控制新增房地產貸款。
- (2) 加強對內房企業授信審查力度，審慎評估行業和企業信貸風險，調整行業准入要求。
- (3) 密切關注內地房地產行業的發展情況，加強風險預警及風險提示，及時評估風險及跟進借戶資信變化，以識別潛在風險客戶，並及時制定風險預案，及持續跟進，防止資產質量下遷。

4.2 市場風險

市場風險是指因金融市場價格(匯率、利率、股票價格、商品價格)波動導致整體的外匯、利率、股票和商品持倉值出現變化而可能給本集團帶來的損失。本集團採取適中的市場風險偏好，實現風險與收益的平衡。

市場風險管理目標，是根據本集團的風險偏好和資金業務發展策略，依靠完善的風險管理制度和相關管理手段，有效管理資金業務中可能產生的市場風險，促進資金業務健康發展。

4. FINANCIAL RISK MANAGEMENT (Cont'd)

4.1 Credit risk (Cont'd)

(G) *The impact of Mainland China real estate exposure on credit risk (Cont'd)*

In response to rising risks in property development sector in Mainland China, the Bank has taken the following measures:

- (1) Strengthen the concentration risk management for real estate related sector, set internal goal to reduce the concentration risk for relevant sectors, and adopt stricter mechanisms to control new loans granted to relevant sectors.
- (2) Strengthen the credit review for property development related sectors in Mainland China, prudently assess credit risks for both industry and borrower level, and adjust the credit underwriting requirement for the relevant sectors.
- (3) Closely monitor the development of the mainland real estate sector, strengthen early warning and risk alert process, promptly assess and follow up in response to credit changes for identifying customers with potential risks, formulate and execute mitigation measures in a timely manner, in order to prevent asset quality deterioration.

4.2 Market risk

Market risk refers to the risk of loss arising from movements in the value of foreign exchange, interest rate, equity and commodity positions held by the Group due to the volatility of financial market price (foreign exchange rate, interest rate, equity price, commodity price). The Group adopts a moderate market risk appetite to achieve a balance between risk and return.

The Group's objective in managing market risk is to secure healthy growth of the treasury business, by effective management of potential market risk in the Group's business, according to the Group's overall risk appetite and strategy of treasury business on the basis of a well-established risk management regime and related management measures.

財務報表附註

Notes to the Financial Statements

4. 金融風險管理(續)

4.2 市場風險(續)

本集團按照風險管理企業管治原則管理市場風險，董事會以及其屬下的風險管理委員會、高層管理人員和市場風險職能單位，各司其職，各負其責。風險管理單位是負責協助高層管理人員履行日常管理職責，獨立監察本集團市場風險狀況以及管理政策和限額執行情況，並確保整體和個別的市場風險均控制在可接受水平內。風險暴露情況，每日由獨立單位負責根據已設定的風險限額進行監控，並定期連同損益報告向高層管理人員提交，若持倉超越風險限額，需即時向高層管理人員報告。南商(中國)設有獨立的風險監控團隊，監控每日的市場風險及限額執行情況，並定期向本銀行提交管理訊息和報告。

本集團設定市場風險指標及限額，用於識別、計量、監測和控制市場風險。主要風險指標和限額包括但不限於風險值、止損額、敞口額、壓力測試以及敏感性分析(基點價值)等。主要風險指標和限額視管理需要劃分為四個層級，分別由風險管理委員會、資產負債管理委員會或高層管理人員批准，各單位必須在批核的市場風險指標和限額範圍內開展業務。本集團亦定期進行市場風險模型驗證，以確保模型的合適性和相關模型能充分地量度市場風險。

(A) 風險值

本集團採用風險值量度一般市場風險，並定期向風險管理委員會和高層管理人員報告。本集團採用統一的風險值計量模型，運用歷史模擬法，以過去2年歷史市場數據為參照，計算99%置信水平下及1天持有期內本集團層面及本銀行的風險值，並設定本集團和本銀行的風險值限額。

4. FINANCIAL RISK MANAGEMENT (Cont'd)

4.2 Market risk (Cont'd)

In accordance with the Group's corporate governance principles in respect of risk management, the Board and Risk Management Committee, Senior Management and functional units perform their duties and responsibilities to manage the Group's market risk. The risk management units are responsible for assisting Senior Management to perform their day-to-day duties, independently monitoring the market risk profile and compliance of management policies and limits of the Group, to ensure that the aggregate and individual market risk profiles are within acceptable levels. Independent units are assigned to monitor the risk exposure against risk limits on a daily basis, together with profit and loss reports submitted to Senior Management on a regular basis, while limit excess will be reported to Senior Management at once when it occurs. NCB (China) sets up independent risk monitoring teams to monitor daily market risk and limit compliance, and submit management information and reports to the Bank on a regular basis.

The Group sets up market risk indicators and limits to identify, measure, monitor and control market risk. Major risk indicators and limits include but not limited to VAR (Value-at-Risk), Stop Loss, Open Position, Stress Testing and Sensitivity Analysis (Basis Point Value). To meet management requirements, major risk indicators and limits are classified into four levels, and are approved by the Risk Management Committee, Asset and Liability Management Committee or Senior Management respectively. Treasury business units are required to conduct their business within approved market risk indicators and limits. The Group also implements regular model validation to ascertain market risk models appropriateness and market risk to be adequately measured and captured.

(A) VAR

The Group uses the VAR to measure and report general market risks to the Risk Management Committee and Senior Management on a periodic basis. The Group adopts a uniformed VAR calculation model, using a historical simulation approach and two years of historical market data, to calculate the VAR of the Group and the Bank over one-day holding period with a 99% confidence level, and sets up the VAR limit of the Group and the Bank.

財務報表附註

Notes to the Financial Statements

4. 金融風險管理(續)

4.2 市場風險(續)

(A) 風險值(續)

下表詳述本集團一般市場風險持倉的風險值¹。

4. FINANCIAL RISK MANAGEMENT (Cont'd)

4.2 Market risk (Cont'd)

(A) VAR (Cont'd)

The following table sets out the VAR for all general market risk exposure¹ of the Group.

		年份	於12月31日	全年 最低數值	全年 最高數值	全年 平均數值
		Year	At 31 December	Minimum for the year	Maximum for the year	Average for the year
			港幣千元 HK\$'000	港幣千元 HK\$'000	港幣千元 HK\$'000	港幣千元 HK\$'000
全部市場風險之風險值	VAR for all market risk	2022	1,958	413	3,176	1,336
		2021	2,233	1,661	4,863	3,837
匯率風險之風險值	VAR for foreign exchange risk	2022	590	66	1,988	683
		2021	1,463	760	4,466	3,464
利率風險之風險值	VAR for interest rate risk	2022	1,847	414	2,621	1,087
		2021	1,277	775	2,677	1,614
商品風險之風險值	VAR for commodity risk	2022	–	–	2,385	268
		2021	–	–	1,521	509

註：

¹ 不包括結構性敞口的風險值。

Note:

¹ Structural positions have been excluded.

財務報表附註

Notes to the Financial Statements

4. 金融風險管理(續)

4.2 市場風險(續)

(A) 風險值(續)

雖然風險值是量度市場風險的一項重要指標，但也有其局限性，例如：

- 採用歷史市場數據估計未來動態未能顧及所有可能出現的情況，尤其是一些極端情況；
- 一天持有期的計算方法假設所有頭盤均可以在一日內套現或對沖。這項假設未必能完全反映市場風險，尤其在市場流通度極低時，可能未及在一天持有期內套現或對沖所有頭盤；
- 根據定義，當採用99%置信水平時，即未有考慮在此置信水平以外或會出現的虧損；以及
- 風險值是以營業時間結束時的頭盤作計算基準，因此並不一定反映交易時段內的風險。

本集團充分了解風險值指標的局限性，因此，制定了壓力測試指標及限額以評估和管理風險值不能涵蓋的市場風險。市場風險壓力測試包括按不同風險因素及嚴峻程度所作的敏感性測試，以及對歷史事件的情景分析。

(B) 外匯風險

本集團的資產及負債集中在港元、美元及人民幣等主要貨幣。為確保外匯風險承擔保持在可接受水平，本集團利用風險限額(例如頭盤及風險值限額)作為監控工具。此外，本集團致力於減少同一貨幣的資產與負債錯配，並通常利用外匯合約(例如外匯掉期)管理由外幣資產負債所產生的外匯風險。

4. FINANCIAL RISK MANAGEMENT (Cont'd)

4.2 Market risk (Cont'd)

(A) VAR (Cont'd)

Although VAR is a valuable guide to risk, it should always be viewed in the context of its limitations. For example:

- the use of historical market data as a proxy for estimating future events may not encompass all potential events, particularly those which are extreme in nature;
- the use of a one-day holding period assumes that all positions can be liquidated or hedged in one day. This may not fully reflect the market risk arising at times of severe illiquidity, when a one-day holding period may be insufficient to liquidate or hedge all positions fully;
- the use of a 99% confidence level, by definition, does not take into account losses that might occur beyond this level of confidence; and
- VAR is calculated on the basis of exposures outstanding at the close of business and therefore does not necessarily reflect intra-day exposures.

The Group recognises these limitations by formulating stress test indicators and limits to assess and manage the market risk not covered by VAR. The market risk stress testing includes sensitivity testing on changes in risk factors with various degrees of severity, as well as scenario analysis on historical events.

(B) Currency risk

The Group's assets and liabilities are denominated in major currencies, particularly the HK dollar, the US dollar and Renminbi. To ensure the currency risk exposure of the Group is managed at an acceptable level, risk limits (e.g. Position and VAR limit) are used to serve as a monitoring tool. Moreover, the Group seeks to minimise the gap between assets and liabilities in the same currency. Foreign exchange contracts (e.g. FX swaps) are usually used to manage FX risk associated with foreign currency-denominated assets and liabilities.

財務報表附註

Notes to the Financial Statements

4. 金融風險管理(續)

4.2 市場風險(續)

(B) 外匯風險(續)

下表列出本集團因自營交易、非自營交易及結構性倉盤而產生之主要外幣風險額，並參照有關持有外匯情況之金管局報表的填報指示而編製。

4. FINANCIAL RISK MANAGEMENT (Cont'd)

4.2 Market risk (Cont'd)

(B) Currency risk (Cont'd)

The following is a summary of the Group's major foreign currency exposures arising from trading, non-trading and structural positions and is prepared with reference to the completion instructions for the HKMA return of foreign currency position.

		2022 港幣千元等值 Equivalent in thousand of HK\$			
		美元 US Dollars	人民幣 Renminbi	其他外幣 Other foreign currencies	外幣總額 Total foreign currencies
現貨資產	Spot assets	135,675,774	147,954,518	27,839,326	311,469,618
現貨負債	Spot liabilities	(128,783,933)	(149,721,975)	(10,893,115)	(289,399,023)
遠期買入	Forward purchases	35,952,940	14,074,063	7,533,588	57,560,591
遠期賣出	Forward sales	(45,696,623)	(9,345,649)	(24,476,656)	(79,518,928)
(短)／長盤淨額	Net (short)/long position	(2,851,842)	2,960,957	3,143	112,258
結構性倉盤淨額	Net structural position	5,222,354	15,224,089	–	20,446,443

		2021 港幣千元等值 Equivalent in thousand of HK\$			
		美元 US Dollars	人民幣 Renminbi	其他外幣 Other foreign currencies	外幣總額 Total foreign currencies
現貨資產	Spot assets	110,931,361	166,479,906	22,093,131	299,504,398
現貨負債	Spot liabilities	(100,229,498)	(170,145,753)	(12,901,769)	(283,277,020)
遠期買入	Forward purchases	21,456,500	13,790,839	5,111,037	40,358,376
遠期賣出	Forward sales	(32,805,271)	(7,278,628)	(14,170,532)	(54,254,431)
(短)／長盤淨額	Net (short)/long position	(646,908)	2,846,364	131,867	2,331,323
結構性倉盤淨額	Net structural position	9,439,231	15,615,698	–	25,054,929

財務報表附註

Notes to the Financial Statements

4. 金融風險管理(續)

4.2 市場風險(續)

(C) 利率風險

銀行賬利率風險是指因利率水平、資產負債期限結構等要素發生變動而可能導致銀行整體收益和經濟價值承受損失的風險。本集團的銀行賬利率風險承擔主要來自結構性持倉。結構性持倉的主要利率風險類別為：

- 利率敏感缺口風險：因資產負債及表外項目的不同到期期限或重訂息期之利率變動所產生的風險。利率敏感缺口風險的程度視乎有關利率的期限結構的變動，是否一致地出現在整個收益率曲線(平行風險)或不同期限各有不同(非平行風險)；
- 息率基準風險：不同交易的定價基準不同，令資產的收益率和負債的成本可能會在同一重訂價格期間以不同的幅度變化；及
- 期權風險：由於利率期權衍生工具或資產、負債或表外項目所包含具有選擇權的元素引起可更改相關現金流的水平及時間。期權風險可按其特點進一步區分為自動化期權風險及習性期權風險。

本集團風險管理架構同樣適用於銀行賬利率風險管理。根據風險管理委員會批准的《銀行賬利率風險管理政策》，資產負債管理委員會具體履行管理集團利率風險的職責。資產負債管理處主責銀行賬利率風險管理，在金融市場部的配合下，資產負債管理處協助資產負債管理委員會開展日常的銀行賬利率風險管理工作，包括但不限於起草管理政策，選擇管理方法，設立風險指標和限額，評估目標資產負債平衡表，監督政策與限額執行情況，向管理層以及風險管理委員會提交銀行賬利率風險管理報告等。

4. FINANCIAL RISK MANAGEMENT (Cont'd)

4.2 Market risk (Cont'd)

(C) Interest rate risk

Interest rate risk in Banking Book (“IRRBB”) means the risks to a bank’s earnings and economic value arising from movements in interest rate and term structures of the bank’s asset and liability positions. The Group’s interest rate risk exposures in Banking Book are mainly structural. The major types of interest rate risk in Banking Book from structural positions are:

- IRR Gapping risk: arising from the changes in the interest rates on assets, liabilities and off-balance sheet items of different maturities and different repricing tenors. The extent of gapping risk depends on whether changes to the term structure of interest rates occur consistently across the yield curve (parallel risk) or differentially by period (non-parallel risk);
- Basis risk: different pricing basis for different transactions resulting that the yield on assets and cost of liabilities may change by different amounts within the same repricing period;
- Option risk: arising from interest rate option derivatives or from optional elements embedded in an AI’s assets, liabilities and off-balance sheet items, where the AI or its customer can alter the level and timing of their cash flows. Option risk can be further characterised into automatic option risk and behavioural option risk.

The Group’s risk management framework applies also to interest rate risk management in banking book. The Asset and Liability Management Committee exercises its oversight of interest rate risk in accordance with the “Banking Book Interest Rate Risk Management Policy” approved by Risk Management Committee. Asset and Liability Management Division is responsible for banking book interest rate risk management. With the cooperation of the Financial Market Department, Asset and Liability Management Division assists the Asset and Liability Management Committee to perform day-to-day banking book interest rate risk management. Its roles include, but are not limited to, the formulation of management policies, selection of methodologies, setting of risk indicators and limits, assessment of target balance sheet, monitoring of the compliance with policies and limits, and submission of banking book interest rate risk management reports to the Management and Risk Management Committee.

財務報表附註

Notes to the Financial Statements

4. 金融風險管理(續)

4.2 市場風險(續)

(C) 利率風險(續)

本集團稽核部對銀行賬利率風險管理進行內部審計，督促有關單位執行政策要求，確認本行的銀行賬利率風險得到有效控制。模型驗證處負責定期對於銀行賬利率風險計量方法下所採用的模型進行獨立驗證工作。

本集團根據金管局於2018年頒佈之監管政策手冊IR-1《銀行帳內的利率風險》中的要求，設定銀行賬利率風險指標及限額，用於識別、計量、監測和控制銀行賬利率風險。淨利息波動比率和經濟價值波動比率反映利率變動對集團淨利息收入和資本基礎的影響，是本集團管理利率風險的重要風險指標。前者衡量利率變動導致的淨利息收入變動佔當年預期淨利息收入的比率；後者衡量利率變化對銀行經濟價值的影響佔最新資本基礎的比率。董事會為這兩項指標設定風險偏好，風險管理委員會按照風險偏好為這兩項指標設定限額，用來監測和控制本集團銀行賬利率風險。另外，本集團通過不限於利率敏感缺口、利率基準風險、久期及基點現值等指標及限額定期監控銀行賬利率風險情況。

本集團的主要風險指標和限額劃分三個層級，分別由風險管理委員會、資產負債管理委員會及財務總監批准。承擔銀行賬利率風險的各業務單位必須在利率風險指標限額範圍內開展相關業務；同時有效運用經資產與負債委員會核准的風險緩釋工具，對銀行賬利率風險進行風險緩釋，包括但不限於運用利率衍生工具、調整投資組合的久期等。在推出銀行賬新產品或新業務前，相關單位須先執行風險評估程序，包括評估其潛在的銀行賬利率風險，並考慮現行的銀行賬利率風險監控機制是否足夠。經風險評估程序，如擬推出的新產品或新業務對銀行利率風險造成重大影響，須報風險管理委員會批准。

4. FINANCIAL RISK MANAGEMENT (Cont'd)

4.2 Market risk (Cont'd)

(C) Interest rate risk (Cont'd)

The Group's Internal Audit Department acts as the independent audit on interest rate risk in banking book, supervises the related departments to execute the interest rate risk function according to the policy in order to effectively control the risk. The Group's Model Validation Division preforms independent model validation regularly for interest rate risk in banking book.

In accordance with the requirements of Supervisory Policy Manual IR-1 "Interest Rate Risk in the Banking Book" issued by the HKMA in 2018, the Group sets interest rate risk indicators and limits to identify, measure, monitor and control interest rate risk. The Group's key risk indicators, the Net Interest Income impact and the Economic Value of Equity impact, reflect the impact of interest rate movement on the Group's net interest income and capital base respectively. The former assesses the impact of interest rate movement on net interest income as a percentage to the projected net interest income for the year. The latter assesses the impact of interest rate movement on economic values as a percentage to the latest capital base. The risk appetites and limits of these two indicators are set by the Board and Risk Management Committee respectively to monitor and control the Group's banking book interest rate risk. In addition, the Group monitors the interest rate risk in banking book through indicators and limits including, but are not limited to, interest rate sensitivity gap limits, basis risk, duration and price value of a basis point ("PVBP").

The Group's indicators and limits are classified into three levels, which are approved by the Risk Management Committee, Asset and Liability Management Committee and Chief Financial Officer respectively. Risk-taking business units are required to conduct their business within the banking book interest rate risk limits. In addition, risk mitigation measures including, but not limited to, the use of interest rate derivatives, adjustment of portfolio duration, etc. as approved by ALCO, are effectively used to mitigate the IRRBB. Before launching a new product or business in the banking book, the relevant departments are required to go through a risk assessment process, which includes the assessment of underlying interest rate risk and consideration of the adequacy of current risk monitoring mechanism. Any material impact on banking book interest rate risk noted during the risk assessment process will be submitted to Risk Management Committee for approval.

財務報表附註

Notes to the Financial Statements

4. 金融風險管理(續)

4.2 市場風險(續)

(C) 利率風險(續)

本集團採用情景分析和壓力測試方法，評估不利市況下銀行賬可能承受的利率風險。情景分析和壓力測試同時用於測試儲蓄存款客戶擇權對銀行淨利息收入的影響。

本集團主要面對港元、美元及人民幣利率風險。截至2022年12月31日，按照香港金融管理局新銀行賬利率風險標準化框架要求，評估在6個利率衝擊情景下的淨利息收入變動和經濟價值的影響，當中部份產品套用期權風險及行為模型假設作出評估。該6個利率衝擊情境，包括：(1)平行向上；(2)平行向下；(3)較傾斜；(4)較橫向；(5)短率上升；(6)短率下跌。

在計算經濟價值的影響時，利息現金流的計算包含商業利潤及其他利差項目，並以無風險利率曲線進行折現。當中主要行為假設包括：

- (1) 部份港元及美元支票及儲蓄存款會以歷史數據設定核心穩定存款並套用較長利率敏感年期，其餘無到期日存款的利率敏感年期按隔夜計算。於2022年12月31日，港元及美元支票及儲蓄存款的平均年期分別為1.75個月及1.22個月，最長利率敏感年期為3個月。
- (2) 對於提前提贖回權且無重大罰息的零售定期存款或定息放款會計算各組合的提前贖回率。

各種貨幣間的合計方法參照監管規定的標準化框架，取6個利率震盪情景下合計經濟價值變動損失中最大的損失值。

4. FINANCIAL RISK MANAGEMENT (Cont'd)

4.2 Market risk (Cont'd)

(C) Interest rate risk (Cont'd)

The Group uses scenario analyses and stress tests to assess the banking book interest rate risk that the Group would face under adverse circumstances. Scenario analyses and stress tests are also used to assess the impact on net interest income arising from the optionality of savings deposits.

The Group is principally exposed to HK Dollar, US Dollar and Renminbi in terms of interest rate risk. As at 31 December 2022, according to the new standard IRRBB framework of HKMA, the Group assesses the impact of changes in the Group's net interest income ("ΔNII") and economic value ("ΔEVE") respectively under 6 interest rate shock scenarios, in which optionality and behavioural assumptions of certain products will also be estimated in the exposure measurement. The 6 interest rate shock scenarios include: (1) Parallel up; (2) Parallel down; (3) Steepener; (4) Flattener; (5) Short rates up; and (6) Short rates down.

When calculating ΔEVE, commercial margins and other spread components are included in the cash flows and discounted by the risk-free rates. The key behavioural assumptions include:

- (1) Part of the current account and savings account deposits ("CASA") in HKD and USD are classified into core stable deposit based on historical data which would be assigned a longer interest rate sensitive tenor while the interest rate sensitive tenor of other non-maturity deposits is considered as "Next day". As at 31 December 2022, the average interest rate sensitive tenors of HKD and USD CASA is 1.75 months and 1.22 months, and the longest interest rate sensitive tenor is 3 months.
- (2) For retail term deposits and retail fixed rate loans subject to early redemption without significant penalty, early redemption rates are calculated under different portfolios.

Methods of aggregation across currencies strictly follow the IRRBB Standardised Framework. The aggregate EVE losses across all applicable currencies are calculated as the maximum loss across the six interest rate shock scenarios.

財務報表附註

Notes to the Financial Statements

4. 金融風險管理(續)

4.2 市場風險(續)

(C) 利率風險(續)

4. FINANCIAL RISK MANAGEMENT (Cont'd)

4.2 Market risk (Cont'd)

(C) Interest rate risk (Cont'd)

		2022	
		經濟價值影響	淨利息收入變動
		ΔEVE	ΔNII
		港幣千元	港幣千元
		HK\$'000	HK\$'000
平行向上	Parallel up	2,762,673	(560,623)
平行向下	Parallel down	62,104	560,893
較傾斜	Steeper	371,570	不適用(N/A)
較橫向	Flattener	549,282	不適用(N/A)
短率上升	Short rate up	1,509,829	不適用(N/A)
短率下降	Short rate down	319,955	不適用(N/A)
最高	Maximum	2,762,673	560,893

		2021	
		經濟價值影響	淨利息收入變動
		ΔEVE	ΔNII
		港幣千元	港幣千元
		HK\$'000	HK\$'000
平行向上	Parallel up	5,328,957	(198,138)
平行向下	Parallel down	27,075	198,898
較傾斜	Steeper	1,006,962	不適用(N/A)
較橫向	Flattener	392,399	不適用(N/A)
短率上升	Short rate up	2,071,304	不適用(N/A)
短率下降	Short rate down	52,236	不適用(N/A)
最高	Maximum	5,328,957	198,898

註： 正值為負面影響

Remarks: Positive values indicate losses under the alternative scenarios.

於2022年12月31日，在利率曲線平行向下情況下，所有貨幣的淨利息收入影響為港幣560,893,000元(2021年：港幣198,898,000元)。經濟價值的最大負面影響發生於利率曲線平行向上情況，經濟價值的影響為港幣2,762,673,000元(2021年：港幣5,328,957,000元)。與2021年12月31日相比，本集團淨利息收入影響增加港幣361,995,000元及經濟價值的最大負面影響減少港幣2,566,284,000元，主要為負債端重訂息期延長。

As at 31 December 2022, the net interest income impact for all currencies is HK\$560,893,000 (2021: HK\$198,898,000) under the interest rate parallel down scenario. The maximum negative impact on ΔEVE is HK\$2,762,673,000 (2021: HK\$5,328,957,000) under the interest rate parallel up scenario. Compared with 31 December 2021, the Group's net interest income impact for all currencies is increased by HK\$361,995,000 and maximum negative impact on ΔEVE is decreased by HK\$2,566,284,000 with lengthen repricing tenor on liability side.

財務報表附註

Notes to the Financial Statements

4. 金融風險管理(續)

4.2 市場風險(續)

(C) 利率風險(續)

下表概述了本集團於12月31日之資產負債表內的利率風險承擔。表內以賬面值列示資產及負債，並按合約重訂息率日期或到期日(以較早者為準)分類。

4. FINANCIAL RISK MANAGEMENT (Cont'd)

4.2 Market risk (Cont'd)

(C) Interest rate risk (Cont'd)

The tables below summarise the Group's on-balance sheet exposure to interest rate risk as at 31 December. Included in the tables are the assets and liabilities at carrying amounts, categorised by the earlier of contractual repricing date and maturity date.

		2022						
		一個月內	一至三個月	三至十二個月	一至五年	五年以上	不計息	總計
		Up to 1 month	1 to 3 months	3 to 12 months	1 to 5 years	Over 5 years	Non-interest bearing	Total
		港幣千元	港幣千元	港幣千元	港幣千元	港幣千元	港幣千元	港幣千元
		HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
資產	Assets							
庫存現金及存放銀行及其他金融機構的結餘	Cash and balances with banks and other financial institutions	53,918,408	-	-	-	-	8,494,947	62,413,355
在銀行及其他金融機構一至十二個月內到期之定期存放	Placements with banks and other financial institutions maturing between one and twelve months	-	3,947,341	654,077	-	-	-	4,601,418
公允價值變化計入損益之金融資產	Financial assets at fair value through profit or loss	305,267	4,269,806	12,546,014	46,763	-	1,446,102	18,613,952
衍生金融工具	Derivative financial instruments	-	-	-	-	-	1,884,945	1,884,945
貸款及其他賬項	Advances and other accounts	209,029,968	37,017,281	30,161,980	12,710,617	1,547,343	-	290,467,189
金融投資	Financial investments							
- 以公允價值變化計入其他全面收益	- At fair value through other comprehensive income	12,638,975	26,444,530	24,863,132	72,495,576	1,501,614	21,844	137,965,671
- 以攤銷成本作計量	- At amortised cost	2,333,947	-	9,445,618	1,450,124	-	-	13,229,689
投資物業	Investment properties	-	-	-	-	-	559,140	559,140
物業、器材及設備	Properties, plant and equipment	-	-	-	-	-	9,089,246	9,089,246
其他資產(包括應收稅項及遞延稅項資產)	Other assets (including current and deferred tax assets)	-	-	-	-	-	2,852,433	2,852,433
資產總額	Total assets	278,226,565	71,678,958	77,670,821	86,703,080	3,048,957	24,348,657	541,677,038
負債	Liabilities							
銀行及其他金融機構之存款及結餘	Deposits and balances from banks and other financial institutions	18,042,050	8,889,198	15,627,994	-	-	2,363,893	44,923,135
公允價值變化計入損益之金融負債	Financial liabilities at fair value through profit or loss	5,065,482	656,066	1,397,810	-	-	-	7,119,358
衍生金融工具	Derivative financial instruments	-	-	-	-	-	1,112,781	1,112,781
客戶存款	Deposits from customers	163,419,766	101,078,563	80,165,831	6,545,816	-	14,252,488	365,462,464
已發行債務證券及存款證	Debt securities and certificates of deposit in issue	380,244	6,702,697	15,588,895	12,750,576	-	-	35,422,412
其他賬項及準備(包括應付稅項及遞延稅項負債)	Other accounts and provisions (including current and deferred tax liabilities)	4,039,878	2,081,033	8,297,128	971,801	131,212	4,488,982	20,010,034
後償負債	Subordinated liabilities	-	-	-	-	5,455,215	-	5,455,215
負債總額	Total liabilities	190,947,420	119,407,557	121,077,658	20,268,193	5,586,427	22,218,144	479,505,399
利率敏感度缺口	Interest sensitivity gap	87,279,145	(47,728,599)	(43,406,837)	66,434,887	(2,537,470)	2,130,513	62,171,639

財務報表附註

Notes to the Financial Statements

4. 金融風險管理 (續)

4.2 市場風險 (續)

(C) 利率風險 (續)

4. FINANCIAL RISK MANAGEMENT (Cont'd)

4.2 Market risk (Cont'd)

(C) Interest rate risk (Cont'd)

		2021						
		一個月內	一至三個月	三至十二個月	一至五年	五年以上	不計息	總計
		Up to 1 month	1 to 3 months	3 to 12 months	1 to 5 years	Over 5 years	Non-interest bearing	Total
		港幣千元	港幣千元	港幣千元	港幣千元	港幣千元	港幣千元	港幣千元
		HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
資產	Assets							
庫存現金及存放銀行及其他金融機構的結餘	Cash and balances with banks and other financial institutions	56,694,146	-	-	-	-	8,009,166	64,703,312
在銀行及其他金融機構一至十二個月內到期之定期存放	Placements with banks and other financial institutions maturing between one and twelve months	-	2,348,982	335,159	-	-	-	2,684,141
公允價值變化計入損益之金融資產	Financial assets at fair value through profit or loss	1,171,711	3,204,022	20,356,538	717,908	-	1,572,391	27,022,570
衍生金融工具	Derivative financial instruments	-	-	-	-	-	834,964	834,964
貸款及其他賬項	Advances and other accounts	207,311,188	34,988,959	27,285,396	17,456,525	4,995,297	-	292,037,365
金融投資	Financial investments							
- 以公允價值變化計入其他全面收益	- At fair value through other comprehensive income	13,573,438	27,721,587	22,652,260	69,484,299	3,933,926	49,933	137,415,443
- 以攤銷成本作計量	- At amortised cost	592,486	-	-	-	-	-	592,486
投資物業	Investment properties	-	-	-	-	-	327,610	327,610
物業、器材及設備	Properties, plant and equipment	-	-	-	-	-	8,759,766	8,759,766
其他資產 (包括遞延稅項資產)	Other assets (including deferred tax assets)	-	-	-	-	-	1,953,343	1,953,343
資產總額	Total assets	279,342,969	68,263,550	70,629,353	87,658,732	8,929,223	21,507,173	536,331,000
負債	Liabilities							
銀行及其他金融機構之存款及結餘	Deposits and balances from banks and other financial institutions	10,306,919	3,567,781	5,175,149	-	-	2,604,123	21,653,972
公允價值變化計入損益之金融負債	Financial liabilities at fair value through profit or loss	2,275,979	1,880,607	2,258,726	-	-	-	6,415,312
衍生金融工具	Derivative financial instruments	-	-	-	-	-	814,670	814,670
客戶存款	Deposits from customers	187,501,013	87,730,545	85,248,950	7,431,476	61,257	15,808,145	383,781,386
已發行債務證券及存款證	Debt securities and certificates of deposit in issue	2,308,085	5,906,494	5,372,701	18,167,947	-	-	31,755,227
其他賬項及準備 (包括應付稅項及遞延稅項負債)	Other accounts and provisions (including current and deferred tax liabilities)	3,053,325	2,368,146	8,700,490	1,205,923	189,723	4,607,616	20,125,223
後償負債	Subordinated liabilities	-	-	-	-	5,451,286	-	5,451,286
負債總額	Total liabilities	205,445,321	101,453,573	106,756,016	26,805,346	5,702,266	23,834,554	469,997,076
利率敏感度缺口	Interest sensitivity gap	73,897,648	(33,190,023)	(36,126,663)	60,853,386	3,226,957	(2,327,381)	66,333,924

財務報表附註

Notes to the Financial Statements

4. 金融風險管理(續)

4.2 市場風險(續)

(D) 基準利率改革

於2017年7月，英國金融行為監管局宣佈將於2021年底終止目前廣泛使用的倫敦銀行同業拆息利率作為基準利率，引致倫敦銀行同業拆息利率過渡至無風險利率或替代基準利率。2021年3月，英國金融行為監管局更宣佈2021年12月31日之後停止發佈26種倫敦銀行同業拆息利率基準，包括英鎊、瑞士法郎、歐元、日元，以及1星期和2個月美元利率基準。而餘下的美元倫敦銀行同業拆息利率基準將在2023年6月30日之後停止發佈。

集團於2020年制定了銀行同業拆息過渡計劃，並成立由風險總監作為主席的指導委員會來領導過渡計劃。指導委員會包括前台、中台和後台的高級代表。銀行同業拆息過渡計劃的管理監督由資產負債管理委員會和董事會執行。

銀行同業拆息過渡使本集團面臨各種風險，該項目正在密切管理和監視。這些風險包括但不限於以下風險：

- 因需對現行合同進行修改以符合銀行同業拆息過渡而與客戶和市場交易對手進行談判而產生的操守風險
- 因資產及負債不對稱採用基準利率而產生的基準風險
- 因過渡銀行同業拆息導致擾亂市場，給本集團及其客戶帶來的財務風險
- 如銀行同業拆息過渡導致流動性減少和零風險利率缺乏流動性且不可觀察而產生市場信息的缺乏帶來的定價風險
- 因更改集團的資訊科技系統和流程而產生的操作風險，以及如果無法獲得銀行同業拆息基準而引致付款被中斷的風險
- 若本集團的對沖關係失效和由於金融工具過渡到零風險利率產生損益而導致的損益表波動帶來的會計風險

4. FINANCIAL RISK MANAGEMENT (Cont'd)

4.2 Market risk (Cont'd)

(D) Interest rate benchmark reform

In July 2017, the UK regulator, the Financial Conduct Authority (“FCA”) announced the discontinuation of a widely-used benchmark rate, the London Interbank Offered Rate (“LIBOR”), by end of 2021, leading to a transition of LIBOR to Risk-Free Rates (“RFRs”) or Alternative Reference Rates (“ARRs”). In March 2021, the FCA further announced that publication of 26 LIBOR settings would permanently be ceased, including British Pound (GBP), Swiss Franc (CHF), Euro (EUR), Japanese Yen (JPY) LIBOR settings and the 1-week and 2-month US Dollar (USD) LIBOR settings after 31 December 2021, while the remaining USD LIBOR settings would be ceased immediately after 30 June 2023.

The Group established its IBOR Transition Programme in 2020 and formed an IBOR Steering Committee, which is chaired by the Chief Risk Officer, to lead the Transition Programme. The Steering Committee comprises senior representatives across Front Office, Middle Office and Back Office. The management oversight of the Transition Programme is performed by the Asset and Liability Management Committee (“ALCO”) and the Board.

IBOR transition exposes the Group to various risks, which the Transition Programme is managing and monitoring closely. These risks include but are not limited to the following:

- Conduct risk arising from discussions with clients and market counterparties due to the amendments to existing contracts required under IBOR transition
- Basis risk arising from asymmetric adoption of benchmark rates across assets and liabilities
- Financial risk to the Group and its clients as markets are disrupted due to IBOR transition
- Pricing risk from potential lack of market information if liquidity in IBORs reduces and RFRs are illiquid and unobservable
- Operational risk arising from changes to the Group's IT systems and processes; and the risk of payments being disrupted if an IBOR ceases to be available
- Accounting risk if the Group's hedging relationships terminated and the Group experienced volatility in income statement caused by profit and loss arising from existing reference rate of financial instruments transiting to RFRs

財務報表附註 Notes to the Financial Statements

4. 金融風險管理(續)

4.2 市場風險(續)

(D) 基準利率改革(續)

下表概述了本集團截至2022年12月31日尚未過渡到無風險利率或替代基準利率的受利率基準改革影響的重大基準利率風險敞口。本集團已排除了與2023年6月30日之前到期以美元倫敦銀行同業拆息基準利率定價的金融工具，除以1星期和2個月的美元倫敦銀行同業拆息基準利率定價的金融工具，因為這些金融工具將與相關基準利率要求過渡前到期。

4. FINANCIAL RISK MANAGEMENT (Cont'd)

4.2 Market risk (Cont'd)

(D) Interest rate benchmark reform (Cont'd)

The table below provides an overview of the Group's exposures to significant IBORs subject to reform that have yet transitioned to RFRs or ARRAs as at 31 December 2022. The Group has excluded financial instruments referenced to USD LIBOR maturing before 30 June 2023, except those referenced to 1-week and 2-month USD LIBOR, as those exposures will expire before a transition is required.

		於2022年12月31日 At 31 December 2022			
		歐元倫敦 銀行同業 拆借利率 EUR LIBOR 港幣千元 HK\$'000	美元倫敦 銀行同業 拆借利率 USD LIBOR 港幣千元 HK\$'000	英磅倫敦銀行 同業拆借利率 GBP LIBOR 港幣千元 HK\$'000	總計 Total 港幣千元 HK\$'000
非衍生金融資產	Non-derivative financial assets				
以公允值變化計入其他全面 收益之金融資產	Financial assets at fair value through other comprehensive income	-	2,796,178	-	2,796,178
以攤餘成本計量的貸款	Loans and advances at amortised cost	-	21,648,566	-	21,648,566
		-	24,444,744	-	24,444,744
				美元倫敦銀行 同業拆借利率 USD LIBOR 港幣千元 HK\$'000	總計 Total 港幣千元 HK\$'000
衍生品名義合約金額	Derivative notional contract amount				
場外外匯衍生品	OTC foreign exchange derivatives			779,775	779,775
場外利率衍生品	OTC interest rate derivatives			4,841,280	4,841,280
				5,621,055	5,621,055

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Notes to the Financial Statements

4. 金融風險管理 (續)

4.2 市場風險 (續)

(D) 基準利率改革 (續)

4. FINANCIAL RISK MANAGEMENT (Cont'd)

4.2 Market risk (Cont'd)

(D) Interest rate benchmark reform (Cont'd)

於2021年12月31日

At 31 December 2021

	歐元倫敦 銀行同業 拆借利率 EUR LIBOR 港幣千元 HK\$'000	美元倫敦 銀行同業 拆借利率 USD LIBOR 港幣千元 HK\$'000	英磅倫敦銀行 同業拆借利率 GBP LIBOR 港幣千元 HK\$'000	總計 Total 港幣千元 HK\$'000
非衍生金融資產	Non-derivative financial assets			
以公允值變化計入其他 全面收益之金融資產	Financial assets at fair value through other comprehensive income			
以攤餘成本計量的貸款	Loans and advances at amortised cost			
	–	4,243,434	–	4,243,434
	190,405	20,554,817	720,344	21,465,566
	190,405	24,798,251	720,344	25,709,000
			美元倫敦銀行 同業拆借利率 USD LIBOR 港幣千元 HK\$'000	總計 Total 港幣千元 HK\$'000
衍生品名義合約金額	Derivative notional contract amount			
場外外匯衍生品	OTC foreign exchange derivatives			
場外利率衍生品	OTC interest rate derivatives			
			779,690	779,690
			4,840,752	4,840,752
			5,620,442	5,620,442

財務報表附註

Notes to the Financial Statements

4. 金融風險管理(續)

4.2 市場風險(續)

(D) 基準利率改革(續)

截至2022年12月31日，所有參考歐元、英鎊、日元、瑞士法郎以及1星期和2個月美元倫敦銀行同業拆息利率基準的既有合同都包含合適的後備方案，沒有剩餘「難以過渡的既有合同」。

對於以餘下的美元倫敦銀行同業拆息利率基準定價的既有合同，大部分敞口已包含合適的後備方案，而剩餘的既有合同的整改，主要是客戶貸款及貿易融資和債券，預計將於2023年6月底前完成。在銀行同業拆息利率過渡期間，本集團將繼續與客戶保持聯繫，以支持我們的客戶。

2022年期間，就貸款產品，現有的循環貸款合同已隨著年審過進行過渡。剩餘的定期貸款和銀團貸款的過渡將於2023年6月底前完成。財資產品方面，債券和衍生工具如利率掉期的過渡也根據國際交換交易暨衍生性商品協會協議或清算所安排，於2023年6月底前完成。

本集團識別了過渡期間產生的主要風險，並通過銀行系統升級、客戶外展和合同整改、流程和模型變更、替代基準利率基準的產品開發、員工培訓和對銀行同業拆息過渡的管理監督等措施減低大部分風險。本集團亦積極與監管機構合作，以確保從倫敦銀行同業拆息利率順利過渡。

然而，由於本集團的主要利率基準風險承擔為美元倫敦銀行同業拆息利率。本集團仍將面臨預計於2023年6月終止的美元倫敦銀行同業拆息利率的既有合同的風險。本集團將繼續監控銀行同業拆息利率的過渡情況，以確保剩餘的倫敦銀行同業拆息利率基準成功過渡到至替代基準利率。

4. FINANCIAL RISK MANAGEMENT (Cont'd)

4.2 Market risk (Cont'd)

(D) Interest rate benchmark reform (Cont'd)

As at 31 December 2022, all legacy contracts referencing EUR, GBP, JPY, CHF, and 1-week and 2-month USD LIBOR settings have been remediated by including appropriate fallback in the contract, with no 'tough legacy' contracts remaining.

For legacy contracts referencing the remaining USD LIBOR settings, a majority of the exposures have already incorporated appropriate fallback, while the contract remediation of the remaining legacy contracts, mainly loans and advances to customers and bond, is expected to be completed by June 2023. The Group will continue the client outreach to support our clients during the IBOR transition.

During 2022, for loans product, migration has been started for revolving loans during annual reviews. Remaining migration on term loans and syndicated loans will be handled by June 2023. For treasury products, the migration on bonds and derivatives such as interest rate swaps will also be completed by June 2023 following the International Swaps and Derivatives Association (ISDA) protocol or clearing house arrangement.

The Group has identified major risks arising from the IBOR Transition and mitigated most of the risks by performing banking system upgrade, client outreach and contract remediation, process and model changes, development of new ARR products, staff training and frequent management oversight of the Transition Programme. The Group also engages actively with regulators to ensure a smooth transition from LIBOR.

However, since the Group's main interest rate benchmark exposure is USD LIBOR, the Group will still expose to risk due to USD LIBOR legacy contracts which are expected to demise from June 2023. The Group will continue monitoring IBOR transition to ensure the remaining LIBOR settings be successfully transitioned to ARRs.

財務報表附註

Notes to the Financial Statements

4. 金融風險管理(續)

4.3 流動資金風險

流動資金風險是指銀行因無法提供充裕資金以應對資產增加或履行到期義務，而可能要承受的不欲接受的損失。本集團遵循穩健的流動資金風險偏好，確保在正常情況或壓力情景下均有能力提供穩定、可靠和足夠的現金來源，滿足流動資金需求；在極端情景下無需借助金管局的流動性支持，累積的淨現金流為正值，可以保證基本生存期內的流動資金需要。

本集團管理流動資金風險的目標，是按照流動資金風險偏好，以合理的成本有效管理資產負債表內及表外業務的流動性，實現穩健經營和持續盈利。本集團以客戶存款為主要的資金來源。為確保穩定和充足的資金來源，本集團積極吸納和穩定核心存款，並輔以同業市場拆入款項。本集團根據不同期限及壓力情景下的流動資金需求，安排資產組合的結構(包括貸款、債券投資及拆放同業等)，保持充足的流動資產，以便提供足夠的流動資金支持正常業務需要，及在緊急情況下有能力以合理的成本及時籌集到資金，保證對外支付。本集團致力實現融資渠道和資金運用的多樣化，以避免資產負債過於集中，防止因資金來源或運用過於集中在某個方面，當其出現問題時，導致整個資金供應鏈斷裂，觸發流動資金風險。本集團制訂了集團內部流動資金風險管理指引，管理集團內各成員之間的流動資金，避免相互間在資金上過度依賴。本集團亦注重管理表外業務，如貸款承諾和衍生工具可能產生的流動資金風險。本集團的流動資金風險管理策略涵蓋了外幣資產負債流動管理、抵押品、即日流動性、集團內流動性以及其它風險引致的流動資金風險等，並針對流動資金風險制訂了應急計劃。

4. FINANCIAL RISK MANAGEMENT (Cont'd)

4.3 Liquidity risk

Liquidity risk is the risk that banks fail to provide sufficient funds to grow assets or pay due obligations, and need to bear an unacceptable loss. The Group maintains sound liquidity risk appetite to provide stable, reliable and adequate sources of cash to meet liquidity needs under normal circumstances or stressed scenarios; and to survive with net positive cumulative cash flow in extreme scenarios, without requesting the HKMA to act as the lender of last resort.

The Group's liquidity risk management objective is to effectively manage the liquidity of on- and off-balance sheet items with reasonable cost based on the liquidity risk appetite to achieve sound operation and sustainable profitability. Deposits from customers are the Group's primary source of funds. To ensure stable and sufficient source of funds are in place, the Group actively attracts new deposits, keeps the core deposit and obtains supplementary funding from the interbank market. According to different term maturities and the results of funding needs estimated from stressed scenarios, the Group adjusts its asset structure (including loans, bonds investment, interbank placement, etc.) to maintain sufficient liquid assets which provides adequate funds in support of normal business needs and ensure its ability to raise funds at a reasonable cost to serve external claims in case of emergency. The Group is committed to diversify the source of funds and the use of funds to avoid excessive concentration of assets and liabilities and prevent triggering liquidity risk due to the break of funding strand when problem occurred in one concentrated funding source. The Group has established intra-group liquidity risk management guideline to manage the liquidity funding among different entities within the Group, and to restrict their reliance of funding on each other. The Group also pays attention to manage liquidity risk created by off-balance sheet activities, such as loan commitments and derivatives. The Group has an overall liquidity risk management strategy to cover the liquidity management of foreign currency assets and liabilities, collateral, intra-day liquidity, intra-group liquidity, the liquidity risk arising from other risks, etc., and has formulated corresponding contingency plan.

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Notes to the Financial Statements

4. 金融風險管理(續)

4.3 流動資金風險(續)

風險管理委員會是流動資金風險管理決策機構，並對流動資金風險承擔最終管理責任。風險管理委員會授權資產負債管理委員會管理日常的流動資金風險，確保本集團的業務經營符合風險委員會設定的流動資金風險偏好和政策規定。資產負債管理處主責本集團流動資金風險管理，它與金融市場部合作根據各自的職責分工協助資產負債管理委員會履行具體的流動資金管理職能。

本集團設定流動資金風險指標和限額，每日用來識別、計量、監測和控制流動資金風險，包括但不限於流動性覆蓋比率、穩定資金淨額比率、貸存比率、最大累計現金流出、流動性緩衝資產組合、以及存戶集中度限額等。本集團採用現金流量分析以評估本集團於正常情況下的流動資金狀況，並最少每月進行流動資金風險壓力測試(包括自身危機、市場危機情況及合併危機)，評估本集團抵禦各種嚴峻流動資金危機的能力。本集團亦建立了資產負債管理系統，提供數據及協助編製常規管理報表，以管理好流動資金風險。

本集團根據金管局於2016年頒佈之監管政策手冊LM-2《穩健的流動資金風險管理系統及管控措施》中的要求，落實對現金流分析及壓力測試當中採用的習性模型及假設，以強化本集團於日常及壓力情景下的現金流分析。在日常情況下的現金流分析，本集團對各項應用於表內(如客戶存款)及表外(如貸款承諾)項目作出假設。因應不同資產、負債及表外項目的特性，根據合約到期日、客戶習性假設及資產負債規模變化假設，以預測本集團的未來現金流量狀況。本集團設定「最大累計現金流出」指標，根據以上假設預測在日常情況下的未來30日之最大累計現金淨流出，以評估本集團的融資能力是否足以應付該現金流缺口，以達到持續經營的目的。於2022年12月31日，在沒有考慮出售未到期有價證券的現金流入之情況下，本銀行之30日累計現金流是淨流入，為港幣17,326,179,000元(2021年：港幣17,026,621,000元)，符合內部限額要求。

4. FINANCIAL RISK MANAGEMENT (Cont'd)

4.3 Liquidity risk (Cont'd)

Risk Management Committee ("RMC") is the decision-making authority of liquidity risk management, and assumes the ultimate responsibility of liquidity risk management. As authorised by RMC, the Asset and Liability Management Committee ("ALCO") exercises its oversight of liquidity risk and ensures the daily operations of the Group are in accordance with risk appetite and policies as set by RMC. Asset and Liability Management Division is responsible for overseeing the Group's liquidity risk. It cooperates with Financial Market Department to assist the ALCO to perform liquidity management functions according to their specific responsibilities.

The Group established liquidity risk management indicators and limits to identify, measure, monitor and control liquidity risk on daily basis. These indicators and limits include, but are not limited to liquidity coverage ratio ("LCR"), net stable funding ratio ("NSFR"), loan-to-deposit ratio, Maximum Cumulative Cash Outflow ("MCO"), liquidity buffer asset portfolio and depositor concentration limit. The Group applies cash flow analysis to assess the Group's liquidity condition under normal conditions and also performs a liquidity stress test (including institution specific, general market crisis and combined crisis) at least on monthly basis to assess the Group's capability to withstand various severe liquidity crises. Also, the Assets and Liabilities Management System is developed to provide data and the preparation for regular management reports to facilitate liquidity risk management duties.

In accordance with the requirements of Supervisory Policy Manual LM-2 "Sound Systems and controls for Liquidity Risk Management" issued by the HKMA in 2016, the Group has implemented behaviour model and assumptions of cash flow analysis and stress test to enhance the Group's cash flow analysis under both normal and stressed conditions. In cash flow analysis under normal circumstances, assumptions have been made relating to on-balance sheet items (such as deposits from customers) and off-balance sheet items (such as loan commitments). According to various characteristics of the assets, liabilities and off-balance sheet items, the Group forecasts the future cash flow based on contractual maturity date and the assumptions of customer behaviour and balance sheet changes. The Group establishes MCO indicator which predicts the future 30-day maximum cumulative net cash outflow in normal situations based on the above assumptions, to assess if the Group has sufficient financing capacity to meet the cash flow gap in order to achieve the objective of continuing operation. As at 31 December 2022, before taking the cash inflow through the sale of outstanding marketable securities into consideration, the Bank's 30-day cumulative cash flow was a net cash inflow amounting to HK\$17,326,179,000 (2021: HK\$17,026,621,000) and was in compliance with the internal limit requirements.

財務報表附註

Notes to the Financial Statements

4. 金融風險管理(續)

4.3 流動資金風險(續)

在流動資金風險壓力測試中，本集團設立了自身危機、市場危機及合併危機情景，合併危機情景結合自身危機及市場危機，並採用一套更嚴謹的假設，以評估本集團於更嚴峻的流動資金危機情況下的抵禦能力。壓力測試的假設包括零售存款、批發存款及同業存款之流失率，貸款承擔及與貿易相關的或然負債之提取率，貸款逾期比例及滾動發放比率，同業拆出及有價證券的折扣率等。於2022年12月31日，本集團在以上三種壓力情景下都能維持正現金流，表示本集團有能力應付壓力情景下的融資需要。此外，本集團的管理政策要求本集團維持流動資金緩衝，當中包括的高質素或質素相若的有價證券為由官方實體、中央銀行、公營單位或多邊發展銀行發行或擔保，而其風險權重為0%或20%，或由非金融企業發行或擔保，其外部信用評級相等於BBB-或以上，以確保在壓力情況下的資金需求。於2022年12月31日，本銀行流動資金緩衝(折扣前)為港幣48,631,199,000元(2021年：港幣44,050,883,000元)。應急計劃明確了需根據壓力測試結果和預警指標結果為啟動方案的條件，並詳述了相關行動計劃、程序以及各相關部門的職責。集團每年進行測試及更新，確保計劃的有效性及其操作可行性。

流動性覆蓋比率是根據由2015年1月1日起生效的《銀行業(流動性)規則》計算，而穩定資金淨額比率於2018年1月1日起生效。本集團被金管局指定為第一類認可機構，並需要以綜合基礎計算。本集團須維持流動性覆蓋比率及穩定資金淨額比率不少於100%。

當指標維持高於法定最低水平時，流動性覆蓋比率確保集團持有足夠流動性資產應對短期流動性壓力，而穩定資金淨額比率確保集團維持足夠的穩定資金來源以支持長期資產。

在部分衍生工具合約中，交易對手有權基於對集團的信用狀況的關注而向集團收取額外的抵押品。

4. FINANCIAL RISK MANAGEMENT (Cont'd)

4.3 Liquidity risk (Cont'd)

In the liquidity stress test, institution specific, general market crisis and combined crisis scenario has been set up, combined crisis scenario is a combination of institution specific and general market crisis to assess the Group's capability to withstand a more severe liquidity crisis, with a more stringent set of assumptions being adopted. Stress test assumptions include the run-off rate of retail, wholesale and interbank deposits; drawdown rate of loan commitments and trade-related contingent liabilities; delinquency ratio and rollover rate of customer loans; and haircut of interbank placement and marketable securities. As at 31 December 2022, the Group was able to maintain a positive cash flow under the three stressed scenarios, indicating the Group has the ability to meet financing needs under stressed conditions. In addition, the Group has a policy in place to maintain a liquidity cushion which includes high quality or comparable quality marketable securities issued or guaranteed by sovereigns, central banks, public sector entities or multilateral development banks with 0% or 20% risk weight or marketable securities issued or guaranteed by non-financial corporate with a corresponding external credit rating of BBB- or above to ensure funding needs even under stressed scenarios. As at 31 December 2022, the Bank's liquidity cushion (before haircut) was HK\$48,631,199,000 (2021: HK\$44,050,883,000). A contingency plan is being established which details the conditions to trigger the plan based on stress test results and early warning indicators, the action plans and relevant procedures and responsibility of various departments. The Group tests and updates the Plan annually to ensure its effectiveness and operational feasibility.

The LCR is calculated in accordance with the Banking (Liquidity) Rules effective from 1 January 2015 and the NSFR is effective from 1 January 2018. The Group, being classified as category 1 authorised institution by the HKMA, is required to calculate LCR and NSFR on consolidated basis. The Group is required to maintain LCR and NSFR not less than 100%.

By maintaining a ratio in excess of minimum regulatory requirements, the LCR seeks to ensure that the Group holds adequate liquidity assets to mitigate a short-term liquidity stress and the NSFR ensures the Group maintaining sufficient stable funding sources to cover their long-term assets.

In certain derivative contracts, the counterparties have right to request from the Group additional collateral if they have concerns about the Group's creditworthiness.

財務報表附註

Notes to the Financial Statements

4. 金融風險管理(續)

4.3 流動資金風險(續)

本集團對流動資金風險的管理，同時適用於新產品或新業務。在新產品或業務推出前，相關單位必須首先履行風險評估程序，包括評估潛在的流動資金風險，並考慮現行管理措施是否足夠控制相關風險。如果新產品或新業務可能對銀行流動資金風險形成重大影響，須上報風險管理委員會審批。

本集團制訂統一的流動資金風險管理政策，附屬銀行根據集團的統一政策，結合自身特點制訂具體的管理辦法，並承擔管理本機構流動資金風險的責任。主要附屬銀行獨立地履行日常風險管理職能，並定期向本集團管理層匯報。

有關流動性覆蓋比率及淨穩定資金比率披露的資料可於「未經審核之補充財務資料 – 1. 流動性覆蓋比率及淨穩定資金比率」及本銀行網頁 www.ncb.com.hk 中「監管披露」一節瀏覽。

4. FINANCIAL RISK MANAGEMENT (Cont'd)

4.3 Liquidity risk (Cont'd)

The Group's liquidity risk management also covers new products or business developments. Before launching a new product or business, the relevant departments are required to go through a risk assessment process, which includes the assessment of underlying liquidity risk and consideration of the adequacy of the current risk management mechanism. Any material impact on liquidity risk noted during the risk assessment process will be reported to Risk Management Committee for approval.

The Group has established a set of uniform liquidity risk management policies. On the basis of the Group's uniform policy, the principal banking subsidiary develops its own liquidity management policies according to its own characteristics, and assumes its own liquidity risk management responsibility, executes its daily risk management processes independently, and reports to the Group's Management on a regular basis.

The information of liquidity coverage ratio and net stable funding ratio disclosures are available under "Unaudited Supplementary Financial Information – 1. Liquidity Coverage Ratio and Net Stable Funding Ratio" and section "Regulatory Disclosures" on the Bank's website at www.ncb.com.hk.

財務報表附註

Notes to the Financial Statements

4. 金融風險管理 (續)

4.3 流動資金風險 (續)

(A) 到期日分析

下表為本集團於12月31日之資產及負債的到期日分析，按於結算日時，資產及負債相距合約到期日的剩餘期限分類。

4. FINANCIAL RISK MANAGEMENT (Cont'd)

4.3 Liquidity risk (Cont'd)

(A) Maturity analysis

The tables below analyse the Group's assets and liabilities as at 31 December into relevant maturity groupings based on the remaining period at balance sheet date to the contractual maturity date.

		2022							
		即期	一個月內	一至三個月	三至十二個月	一至五年	五年以上	不確定	總計
		On demand	Up to 1 month	1 to 3 months	3 to 12 months	1 to 5 years	Over 5 years	Indefinite 日期	Total
		港幣千元	港幣千元	港幣千元	港幣千元	港幣千元	港幣千元	港幣千元	港幣千元
		HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
資產	Assets								
庫存現金及存放銀行及 其他金融機構的結餘	Cash and balances with banks and other financial institutions	23,262,819	39,150,536	-	-	-	-	-	62,413,355
在銀行及其他金融機構 一至十二個月內到期之 定期存放	Placements with banks and other financial institutions maturing between one and twelve months	-	-	3,947,341	654,077	-	-	-	4,601,418
公允價值變化計入損益之 金融資產	Financial assets at fair value through profit or loss								
- 交易性	- Trading								
- 債務證券	- Debt securities	-	32,504	3,084,442	3,457,224	46,742	-	-	6,620,912
- 強制性以公允價值變化 計入損益，非交易性	- Mandatorily measured at fair value through profit or loss, non trading								
- 債務證券	- Debt securities	-	-	-	10,681	-	-	28,519	39,200
- 其他	- Others	-	272,899	1,185,369	9,077,989	-	-	-	10,536,257
- 股份證券	- Equity securities	-	-	-	-	-	-	1,417,583	1,417,583
衍生金融工具	Derivative financial instruments	332,607	263,600	429,943	195,191	638,180	25,424	-	1,884,945
貸款及其他賬項	Advances and other accounts								
- 客戶貸款	- Advances to customers	31,740,660	12,379,379	17,740,827	55,165,100	116,486,772	54,202,281	1,985,276	289,700,295
- 貿易票據	- Trade bills	6	172,766	266,403	171,185	-	-	-	610,360
- 銀行及其他金融機構貸款	- Advances to banks and other financial institutions	-	-	611	-	155,923	-	-	156,534
金融投資	Financial investments								
- 以公允價值變化計入其他 全面收益	- At fair value through other comprehensive income	-	2,362,709	13,716,989	27,857,038	92,510,645	1,496,446	-	137,943,827
- 以攤銷成本作計量	- At amortised cost	-	2,342,580	5,530	9,442,541	1,439,038	-	-	13,229,689
- 股份證券	- Equity securities	-	-	-	-	-	-	21,844	21,844
投資物業	Investment properties	-	-	-	-	-	-	559,140	559,140
物業、器材及設備	Properties, plant and equipment	-	-	-	-	-	-	9,089,246	9,089,246
其他資產(包括應收稅項 及遞延稅項資產)	Other assets (including current and deferred tax assets)	906,841	813,910	21,556	76,348	356,768	-	677,010	2,852,433
資產總額	Total assets	56,242,933	57,790,883	40,399,011	106,107,374	211,634,068	55,724,151	13,778,618	541,677,038

財務報表附註

Notes to the Financial Statements

4. 金融風險管理 (續)

4.3 流動資金風險 (續)

(A) 到期日分析 (續)

4. FINANCIAL RISK MANAGEMENT (Cont'd)

4.3 Liquidity risk (Cont'd)

(A) Maturity analysis (Cont'd)

		2022							
		一個月內	一至三個月	三至十二個月	一至五年	五年以上	不確定	總計	
		即期	Up to	1 to 3	3 to 12	1 to 5	Over 5	Indefinite	
		On demand	1 month	months	months	years	years	date	
		港幣千元	港幣千元	港幣千元	港幣千元	港幣千元	港幣千元	港幣千元	
		HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	
負債	Liabilities								
銀行及其他金融機構之存款及結餘	Deposits and balances from banks and other financial institutions	2,975,847	17,551,054	8,768,240	15,627,994	-	-	-	44,923,135
公允價值變化計入損益之金融負債	Financial liabilities at fair value through profit or loss	-	5,065,482	656,066	1,397,810	-	-	-	7,119,358
衍生金融工具	Derivative financial instruments	137,926	176,973	274,130	220,605	303,147	-	-	1,112,781
客戶存款	Deposits from customers	124,783,153	50,119,339	100,958,091	83,038,261	6,563,620	-	-	365,462,464
已發行債務證券及存款證	Debt securities and certificates of deposit in issue	11,469	368,775	6,702,697	15,588,895	12,750,576	-	-	35,422,412
其他賬項及準備(包括應付稅項及遞延稅項負債)	Other accounts and provisions (including current and deferred tax liabilities)	5,799,615	1,098,087	2,342,551	8,283,155	1,744,503	131,812	610,311	20,010,034
後償負債	Subordinated liabilities	-	-	-	-	-	5,455,215	-	5,455,215
負債總額	Total liabilities	133,708,010	74,379,710	119,701,775	124,156,720	21,361,846	5,587,027	610,311	479,505,399
流動資金缺口	Net liquidity gap	(77,465,077)	(16,588,827)	(79,302,764)	(18,049,346)	190,272,222	50,137,124	13,168,307	62,171,639

財務報表附註

Notes to the Financial Statements

4. 金融風險管理 (續)

4.3 流動資金風險 (續)

(A) 到期日分析 (續)

4. FINANCIAL RISK MANAGEMENT (Cont'd)

4.3 Liquidity risk (Cont'd)

(A) Maturity analysis (Cont'd)

		2021							
		即期	一個月內	一至三個月	三至十二個月	一至五年	五年以上	不確定日期	總計
		On demand	Up to 1 month	1 to 3 months	3 to 12 months	1 to 5 years	Over 5 years	Indefinite	Total
		港幣千元	港幣千元	港幣千元	港幣千元	港幣千元	港幣千元	港幣千元	港幣千元
		HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
資產	Assets								
庫存現金及存放銀行及 其他金融機構的結餘	Cash and balances with banks and other financial institutions	30,350,521	34,352,791	-	-	-	-	-	64,703,312
在銀行及其他金融機構 一至十二個月內到期之 定期存放	Placements with banks and other financial institutions maturing between one and twelve months	-	-	2,348,982	335,159	-	-	-	2,684,141
公允價值變化計入損益之 金融資產	Financial assets at fair value through profit or loss								
- 交易性	- Trading								
- 債務證券	- Debt securities	-	725,985	2,548,381	3,977,960	-	-	-	7,252,326
- 強制性以公允價值變化 計入損益，非交易性	- Mandatorily measured at fair value through profit or loss, non trading								
- 債務證券	- Debt securities	-	10,418	-	-	717,908	-	31,272	759,598
- 其他	- Others	-	404,036	655,641	16,378,578	-	-	-	17,438,255
- 股份證券	- Equity securities	-	-	-	-	-	-	1,572,391	1,572,391
衍生金融工具	Derivative financial instruments	263,240	128,075	64,345	104,413	272,179	2,712	-	834,964
貸款及其他賬項	Advances and other accounts								
- 客戶貸款	- Advances to customers	30,173,136	8,102,517	17,691,913	51,391,375	120,475,479	63,191,634	523,791	291,549,845
- 貿易票據	- Trade bills	6	363,785	123,729	-	-	-	-	487,520
金融投資	Financial investments								
- 以公允價值變化計入 其他全面收益	- At fair value through other comprehensive income	-	4,273,863	14,027,910	26,738,764	88,370,671	3,954,302	-	137,365,510
- 以攤銷成本作計量	- At amortised cost	-	-	-	-	-	-	592,486	592,486
- 股份證券	- Equity securities	-	-	-	-	-	-	49,933	49,933
投資物業	Investment properties	-	-	-	-	-	-	327,610	327,610
物業、器材及設備	Properties, plant and equipment	-	-	-	-	-	-	8,759,766	8,759,766
其他資產 (包括遞延稅項資產)	Other assets (including deferred tax assets)	1,133,090	396,585	20,573	(11,849)	383,427	-	31,517	1,953,343
資產總額	Total assets	61,919,993	48,758,055	37,481,474	98,914,400	210,219,664	67,148,648	11,888,766	536,331,000

財務報表附註

Notes to the Financial Statements

4. 金融風險管理(續)

4.3 流動資金風險(續)

(A) 到期日分析(續)

4. FINANCIAL RISK MANAGEMENT (Cont'd)

4.3 Liquidity risk (Cont'd)

(A) Maturity analysis (Cont'd)

		2021							
		一個月內	一至三個月	三至十二個月	一至五年	五年以上	不確定日期	總計	
		即期	Up to	1 to 3	3 to 12	一至五年	五年以上	不確定日期	總計
		On demand	1 month	months	months	1 to 5 years	Over 5 years	Indefinite	Total
		港幣千元	港幣千元	港幣千元	港幣千元	港幣千元	港幣千元	港幣千元	港幣千元
		HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
負債	Liabilities								
銀行及其他金融機構之存款及結餘	Deposits and balances from banks and other financial institutions	3,595,374	9,315,668	3,567,781	5,175,149	-	-	-	21,653,972
公允價值變化計入損益之金融負債	Financial liabilities at fair value through profit or loss	-	2,275,979	1,880,607	2,258,726	-	-	-	6,415,312
衍生金融工具	Derivative financial instruments	93,532	62,803	142,239	103,853	412,243	-	-	814,670
客戶存款	Deposits from customers	143,759,694	58,527,212	87,730,380	86,224,547	7,478,296	61,257	-	383,781,386
已發行債務證券及存款證	Debt securities and certificates of deposit in issue	895	2,307,190	5,906,494	5,372,701	18,167,947	-	-	31,755,227
其他賬項及準備(包括應付稅項及遞延稅項負債)	Other accounts and provisions (including current and deferred tax liabilities)	4,712,123	1,729,993	2,430,703	8,943,987	2,093,446	189,723	25,248	20,125,223
後償負債	Subordinated liabilities	-	-	-	-	-	5,451,286	-	5,451,286
負債總額	Total liabilities	152,161,618	74,218,845	101,658,204	108,078,963	28,151,932	5,702,266	25,248	469,997,076
流動資金缺口	Net liquidity gap	(90,241,625)	(25,460,790)	(64,176,730)	(9,164,563)	182,067,732	61,446,382	11,863,518	66,333,924

本集團將逾期不超過1個月之資產，例如貸款及債務證券列為「即期」資產。對於按不同款額或分期償還之資產，只有該資產中實際逾期之部分被視作逾期。其他未到期之部分仍繼續根據剩餘期限分類，但假若對該資產之償還存有疑慮，則將該等款項列為「不確定日期」。上述列示之資產已扣除任何相關準備(如有)。

按尚餘到期日對債務證券之分析不代表此等證券將持有至到期日。

The Group has reported assets such as advances and debt securities which have been overdue for not more than one month as "On demand". In the case of an asset that is repayable by different payments or instalments, only that portion of the asset that is actually overdue is reported as overdue. Any part of the asset that is not due is reported according to the residual maturity unless the repayment of the asset is in doubt in which case the amount is reported as "Indefinite". The above assets are stated after deduction of provisions, if any.

The analysis of debt securities by remaining period to maturity does not imply that the securities will be held to maturity.

財務報表附註

Notes to the Financial Statements

4. 金融風險管理(續)

4.3 流動資金風險(續)

(B) 按合約到期日分析之未折現現金流

(a) 非衍生工具之現金流

下表概述了本集團於12月31日之非衍生金融負債以剩餘合約到期日列示之現金流。

4. FINANCIAL RISK MANAGEMENT (Cont'd)

4.3 Liquidity risk (Cont'd)

(B) Analysis of undiscounted cash flows by contractual maturities

(a) Non-derivative cash flows

The tables below summarise the cash flows of the Group as at 31 December for non-derivative financial liabilities by remaining contractual maturity.

		2022						
		一個月內	一至三個月	三至十二個月	一至五年	五年以上	不確定日期	總計
		Up to	1 to 3	3 to 12	1 to 5	Over	Indefinite	Total
		1 month	months	months	years	5 years	Indefinite	Total
		港幣千元	港幣千元	港幣千元	港幣千元	港幣千元	港幣千元	港幣千元
		HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
金融負債	Financial liabilities							
銀行及其他金融機構之存款及結餘	Deposits and balances from banks and other financial institutions	20,659,028	8,842,065	16,061,093	-	-	-	45,562,186
公允價值變化計入損益之金融負債	Financial liabilities at fair value through profit or loss	5,068,000	659,500	1,420,000	-	-	-	7,147,500
客戶存款	Deposits from customers	175,022,886	101,702,064	84,943,933	7,215,625	-	-	368,884,508
已發行債券證券及存款證	Debt securities and certificates of deposit in issue	395,252	6,741,175	16,169,574	13,879,994	-	-	37,185,995
後償負債	Subordinated liabilities	-	-	207,420	829,681	5,846,432	-	6,883,533
其他金融負債	Other financial liabilities	6,410,758	2,085,696	8,315,708	977,725	131,812	601,412	18,523,111
金融負債總額	Total financial liabilities	207,555,924	120,030,500	127,117,728	22,903,025	5,978,244	601,412	484,186,833
		2021						
		一個月內	一至三個月	三至十二個月	一至五年	五年以上	不確定日期	總計
		Up to	1 to 3	3 to 12	1 to 5	Over	Indefinite	Total
		1 month	months	months	years	5 years	Indefinite	Total
		港幣千元	港幣千元	港幣千元	港幣千元	港幣千元	港幣千元	港幣千元
		HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
金融負債	Financial liabilities							
銀行及其他金融機構之存款及結餘	Deposits and balances from banks and other financial institutions	12,913,316	3,574,153	5,191,304	-	-	-	21,678,773
公允價值變化計入損益之金融負債	Financial liabilities at fair value through profit or loss	2,276,000	1,881,000	2,261,000	-	-	-	6,418,000
客戶存款	Deposits from customers	202,445,411	88,171,263	87,412,901	8,340,985	61,257	-	386,431,817
已發行債券證券及存款證	Debt securities and certificates of deposit in issue	2,324,771	6,143,832	5,554,850	19,921,090	-	-	33,944,543
後償負債	Subordinated liabilities	-	-	207,398	829,590	6,049,858	-	7,086,846
其他金融負債	Other financial liabilities	5,625,939	2,385,060	8,721,090	1,207,725	189,723	18,898	18,148,435
金融負債總額	Total financial liabilities	225,585,437	102,155,308	109,348,543	30,299,390	6,300,838	18,898	473,708,414

財務報表附註

Notes to the Financial Statements

4. 金融風險管理(續)

4.3 流動資金風險(續)

(B) 按合約到期日分析之未折現現金流(續)

(b) 衍生工具之現金流

下表概述了本集團於12月31日以剩餘合約到期日列示之現金流，包括按淨額基準結算之衍生金融負債，及所有按總額基準結算之衍生金融工具(不論有關合約屬資產或負債)。除部分衍生工具以公允值列示外，下表披露的其他金額均為未經折現的合同現金流。

本集團按淨額基準結算之衍生金融工具主要包括利率掉期及外匯交易期權(不交收)，而按總額基準結算之衍生金融工具主要包括貨幣遠期及貨幣掉期。

4. FINANCIAL RISK MANAGEMENT (Cont'd)

4.3 Liquidity risk (Cont'd)

(B) Analysis of undiscounted cash flows by contractual maturities (Cont'd)

(b) Derivative cash flows

The tables below summarise the cash flows of the Group by remaining contractual maturity as at 31 December for derivative financial liabilities that will be settled on a net basis, together with all derivative financial instruments that will be settled on a gross basis regardless of whether the contract is in an asset or liability position. The amounts disclosed in the tables are the contractual undiscounted cash flows, except for certain derivatives which are disclosed at fair value.

The Group's derivative financial instruments that will be settled on a net basis mainly include interest rate swaps and foreign exchange options (non-deliverable) whereas derivative financial instruments that will be settled on a gross basis mainly include currency forwards and currency swaps.

財務報表附註

Notes to the Financial Statements

4. 金融風險管理 (續)

4.3 流動資金風險 (續)

(B) 按合約到期日分析之未折現現金流 (續)

(b) 衍生工具之現金流 (續)

4. FINANCIAL RISK MANAGEMENT (Cont'd)

4.3 Liquidity risk (Cont'd)

(B) Analysis of undiscounted cash flows by contractual maturities (Cont'd)

(b) Derivative cash flows (Cont'd)

		2022					
		一個月內	一至三個月	三至十二個月	一至五年	五年以上	總計
		Up to	1 to 3	3 to 12	1 to 5	Over	Total
		1 month	months	months	years	5 years	Total
		港幣千元	港幣千元	港幣千元	港幣千元	港幣千元	港幣千元
		HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
按淨額基準結算之 衍生金融負債	Derivative financial liabilities settled on a net basis	(145,405)	(15,601)	(25,500)	(154,965)	(2,103)	(343,574)
按總額基準結算之 衍生金融工具	Derivative financial instruments settled on a gross basis						
總流入	Total inflow	32,437,467	35,010,155	12,431,618	1,222,405	-	81,101,645
總流出	Total outflow	(32,355,245)	(34,840,363)	(12,506,074)	(1,222,405)	-	(80,924,087)
		2021					
		一個月內	一至三個月	三至十二個月	一至五年	五年以上	總計
		Up to	1 to 3	3 to 12	1 to 5	Over	Total
		1 month	months	months	years	5 years	Total
		港幣千元	港幣千元	港幣千元	港幣千元	港幣千元	港幣千元
		HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
按淨額基準結算之 衍生金融負債	Derivative financial liabilities settled on a net basis	(95,982)	(2,443)	(57,342)	(240,097)	-	(395,864)
按總額基準結算之 衍生金融工具	Derivative financial instruments settled on a gross basis						
總流入	Total inflow	22,662,915	17,957,415	9,262,226	1,101,284	1,086,109	52,069,949
總流出	Total outflow	(22,588,902)	(18,017,086)	(9,256,109)	(1,101,284)	(1,086,109)	(52,049,490)

財務報表附註

Notes to the Financial Statements

4. 金融風險管理(續)

4.3 流動資金風險(續)

(B) 按合約到期日分析之未折現現金流(續)

(c) 資產負債表外項目

貸款承擔

有關本集團於2022年12月31日向客戶承諾延長信貸及其他融資之表外金融工具，其合約金額為港幣132,473,612,000元(2021年：港幣134,755,362,000元)，此等貸款承擔可於一年內提取。

財務擔保及其他財務融資

本集團於2022年12月31日之財務擔保及其他財務融資金額為港幣59,934,940,000元(2021年：港幣52,037,217,000元)，其到期日少於一年。

4.4 資本管理

本集團資本管理的主要目標是維持與集團整體風險狀況相稱的資本充足水平，同時為股東帶來最大回報。資產負債管理委員會定期檢討本集團資本結構，並在需要時進行調整以保持風險、回報與資本充足性的最佳平衡。

本集團已經建立並維持一套有效的資本管理政策和調控機制。此套機制保證集團在支持業務發展的同時，滿足法定資本充足率的要求。資產負債管理委員會負責監控集團的資本充足性。本集團在報告時段內就銀行業務符合各項金管局的法定資本規定，詳述如下：

4. FINANCIAL RISK MANAGEMENT (Cont'd)

4.3 Liquidity risk (Cont'd)

(B) Analysis of undiscounted cash flows by contractual maturities (Cont'd)

(c) Off-balance sheet items

Loan commitments

The contractual amounts of the Group's off-balance sheet financial instruments as at 31 December 2022 that the Group commits to extend credit to customers and other facilities totalled HK\$132,473,612,000 (2021: HK\$134,755,362,000). Those loan commitments can be drawn within one year.

Financial guarantees and other financial facilities

Financial guarantees and other financial facilities of the Group as at 31 December 2022 totalled HK\$59,934,940,000 (2021: HK\$52,037,217,000) are maturing no later than one year.

4.4 Capital management

The major objective of the Group's capital management is to maximise total shareholders' return while maintaining a capital adequacy position in relation to the Group's overall risk profile. The ALCO periodically reviews the Group's capital structure and adjusts the capital mix where appropriate to maintain an optimal balance among risk, return and capital adequacy.

The Group has developed and maintained a sound framework of policies and controls on capital management to support the development of the Group's business and to meet the statutory capital adequacy ratio. The ALCO monitors the Group's capital adequacy. The Group has complied with all the statutory capital requirements of the HKMA for the reported periods in respect of banking operation as further elaborated below.

財務報表附註

Notes to the Financial Statements

4. 金融風險管理(續)

4.4 資本管理(續)

本集團採用標準(信用風險)計算法及標準(市場風險)計算法分別計算信用風險資本要求及市場風險資本要求。

本集團採用標準信貸估值調整方法計算具有信貸估值調整風險的交易對手資本要求及標準(業務操作風險)計算法計算操作風險資本要求，並根據《銀行業(資本)規則》第317C條獲金管局批准豁免計算結構性外匯敞口產生的市場風險資本要求。

本集團於2022年採用內部資本充足評估程序以符合金管局監管政策手冊「監管審查程序」內的要求。按金管局對第二支柱的指引，內部資本充足評估程序主要用以評估在第一支柱下未有涵蓋或充分涵蓋的重大風險所需的額外資本，從而設定本集團最低普通股權一級資本比率、最低一級資本比率及最低總資本比率。同時，本集團亦就前述的資本比率設定了運作區間，以支持業務發展需要及促進資本的有效運用。本集團認為內部資本充足評估程序是一個持續的資本管理過程，並會因應自身的整體風險狀況而定期重檢及按需要調整其資本結構。

此外，本集團每年制定年度資本規劃，由資產負債管理委員會審議後呈董事會批准。資本規劃從業務策略、股東回報、風險偏好、信用評級、監控要求等多維度評估對資本充足性的影響，從而預測未來資本需求及資本來源，以保障集團能維持良好的資本充足性及資本組合結構，配合業務發展，保持風險、回報與資本充足性的最佳平衡。

4. FINANCIAL RISK MANAGEMENT (Cont'd)

4.4 Capital management (Cont'd)

The Group adopts standardised (credit risk) ("STC") approach and standardised (market risk) ("STM") approach to calculate the credit risk capital charge and the market risk capital charge respectively.

The Group adopts the standardised credit valuation adjustment ("CVA") method to calculate the capital charge for the CVA risk of the counterparty and the standardised (operational risk) ("STO") approach to calculate the operational risk capital charge and, with the approval from the HKMA, excluded its structural FX positions pursuant to section 317C of the Banking (Capital) Rules in the calculation of the market risk capital charge.

The Group adopts an internal capital adequacy assessment process ("ICAAP") to comply with the HKMA's requirements in the Supervisory Policy Manual "Supervisory Review Process" in 2022. Based on the HKMA's guidelines on Pillar II, ICAAP has been initiated to assess the extra capital needed to cover the material risks not captured or not adequately captured under Pillar I, and therefore minimum Common Equity Tier 1 capital ratio, minimum Tier 1 capital ratio and minimum Total capital ratio are determined. Meanwhile, operating ranges for the aforementioned capital ratios have also been established which enable the flexibility for future business growth and efficiency of capital utilisation. The Group considers this ICAAP as an on-going process for capital management and periodically reviews and adjusts its capital structure where appropriate in relation to the overall risk profile.

In addition, the capital plan of the Group is drawn up annually and then submitted to the Board for approval after endorsement of the ALCO. The plan is built up by assessing the implications of various factors upon capital adequacy such as the business strategies, return on equity, risk appetite, credit rating, as well as regulatory requirements. Hence, the future capital requirement is determined and capital sources are identified also. The plan is to ensure the Group maintains adequate capital and appropriate capital structure which align with its business development needs, thereby achieving an optimal balance among risk, return and capital adequacy.

財務報表附註

Notes to the Financial Statements

4. 金融風險管理(續)

4.4 資本管理(續)

(A) 監管綜合基礎

監管規定的綜合基礎乃根據《銀行業(資本)規則》由本銀行及其部分金管局指定之附屬公司組成。在會計處理方面，則按照香港財務報告準則綜合附屬公司，其名單載於「附錄 – 本銀行之附屬公司」。

包括在會計準則綜合範圍，而不包括在監管規定綜合範圍內的附屬公司之詳情如下：

4. FINANCIAL RISK MANAGEMENT (Cont'd)

4.4 Capital management (Cont'd)

(A) Basis of regulatory consolidation

The consolidation basis for regulatory purposes comprises the positions of the Bank and certain subsidiaries specified by the HKMA in accordance with the Banking (Capital) Rules. For accounting purposes, subsidiaries are consolidated in accordance with HKFRSs and the list of subsidiaries is set out in "Appendix – Subsidiaries of the Bank".

The particulars of subsidiaries which are included within the accounting scope of consolidation but not included within the regulatory scope of consolidation are as follows:

名稱	Name	2022		2021	
		資產總額 Total assets 港幣千元 HK\$'000	資本總額 Total equity 港幣千元 HK\$'000	資產總額 Total assets 港幣千元 HK\$'000	資本總額 Total equity 港幣千元 HK\$'000
南洋商業銀行信託有限公司	Nanyang Commercial Bank Trustee Limited	16,951	16,842	16,807	16,698
廣利南投資管理有限公司	Kwong Li Nam Investment Agency Limited	4,880	4,611	4,724	4,585
南洋商業銀行(代理人)有限公司	Nanyang Commercial Bank (Nominees) Limited	1,425	1,425	1,430	1,430
南商財富管理顧問有限公司	NCB Wealth Management Advisor Limited	107,822	93,962	5,117	4,981

以上附屬公司的主要業務載於「附錄 – 本銀行之附屬公司」。

於2022年12月31日，並無任何附屬公司只包括在監管規定綜合範圍，而不包括在會計準則綜合範圍(2021年：無)。

於2022年12月31日，亦無任何附屬公司同時包括在會計準則和監管規定綜合範圍而使用不同綜合方法(2021年：無)。

The principal activities of the above subsidiaries are set out in "Appendix – Subsidiaries of the Bank".

There were no subsidiaries which are included within the regulatory scope of consolidation but not included within the accounting scope of consolidation as at 31 December 2022 (2021: Nil).

Neither were there any subsidiaries which are included within both the accounting scope of consolidation and the regulatory scope of consolidation where the methods of consolidation differ as at 31 December 2022 (2021: Nil).

財務報表附註

Notes to the Financial Statements

4. 金融風險管理(續)

4.4 資本管理(續)

(B) 資本比率

4. FINANCIAL RISK MANAGEMENT (Cont'd)

4.4 Capital management (Cont'd)

(B) Capital ratio

		2022	2021
普通股權一級資本比率	CET1 capital ratio	12.67%	12.54%
一級資本比率	Tier 1 capital ratio	14.04%	15.02%
總資本比率	Total capital ratio	17.45%	18.46%

用於計算以上資本比率之扣減後的綜合資本基礎分析如下：

The consolidated capital base after deductions used in the calculation of the above capital ratios is analysed as follows:

		2022 港幣千元 HK\$'000	2021 港幣千元 HK\$'000
普通股權一級資本：票據及儲備	CET1 capital: instruments and reserves		
直接發行的合資格普通股權	Directly issued qualifying CET1 capital instruments		
一級資本票據		3,144,517	3,144,517
保留溢利	Retained earnings	47,250,590	43,323,642
已披露的儲備	Disclosed reserves	6,600,849	10,542,440
監管扣減之前的普通股權	CET1 capital before regulatory deductions	56,995,956	57,010,599
一級資本			
普通股權一級資本：監管扣減	CET1 capital: regulatory deductions		
估值調整	Valuation adjustments	(570)	(91)
已扣除遞延稅項負債的	Other intangible assets net of deferred tax liabilities	(589,377)	-
其他無形資產			
已扣除遞延稅項負債的	Deferred tax assets net of deferred tax liabilities	(358,280)	(352,791)
遞延稅項資產			
按公平價值估值的負債因	Gains and losses due to changes in own credit risk		
本身的信用風險變動	on fair valued liabilities	(2,429)	(940)
所產生的損益			
因土地及建築物(自用及	Cumulative fair value gains arising from the		
投資用途)進行價值	revaluation of land and buildings		
重估而產生的累積	(own-use and investment properties)	(6,767,961)	(6,862,754)
公平價值收益			
一般銀行業務風險監管儲備	Regulatory reserve for general banking risks	(2,116,502)	(2,636,044)
對普通股權一級資本的	Total regulatory deductions to CET1 capital	(9,835,119)	(9,852,620)
監管扣減總額			
普通股權一級資本	CET1 capital	47,160,837	47,157,979
額外一級資本	Additional Tier 1 capital	5,077,856	9,314,890

財務報表附註

Notes to the Financial Statements

4. 金融風險管理(續)

4.4 資本管理(續)

(B) 資本比率(續)

4. FINANCIAL RISK MANAGEMENT (Cont'd)

4.4 Capital management (Cont'd)

(B) Capital ratio (Cont'd)

		2022 港幣千元 HK\$'000	2021 港幣千元 HK\$'000
一級資本	Tier 1 capital	52,238,693	56,472,869
二級資本：票據及準備金	Tier 2 capital: instruments and provisions		
合資格二級資本票據加任何 相關股份溢價	Qualifying Tier 2 capital instruments plus any related share premium	5,431,592	5,427,666
合資格計入二級資本的集體 減值備抵及一般銀行風險 監管儲備	Collective impairment allowances and regulatory reserve for general banking risks eligible for inclusion in Tier 2 capital	4,206,158	4,413,868
監管扣減之前的二級資本	Tier 2 capital before regulatory deductions	9,637,750	9,841,534
二級資本：監管扣減	Tier 2 capital: regulatory deductions		
加回合資格計入二級資本的 因對土地及建築物(自用 及投資用途)進行價值 重估而產生的累積公平 價值收益	Add back of cumulative fair value gains arising from the revaluation of land and buildings (own-use and investment properties) eligible for inclusion in Tier 2 capital	3,045,582	3,088,239
對二級資本的監管扣減總額	Total regulatory deductions to Tier 2 capital	3,045,582	3,088,239
二級資本	Tier 2 capital	12,683,332	12,929,773
總資本	Total capital	64,922,025	69,402,642

防護緩衝資本比率分析如下：

The capital buffer ratios are analysed as follows:

		於 2022 年 12 月 31 日 At 31 December 2022	於 2021 年 12 月 31 日 At 31 December 2021
防護緩衝資本比率	Capital conservation buffer ratio	2.5%	2.5%
逆周期緩衝資本比率	Countercyclical capital buffer ratio	0.58%	0.60%

財務報表附註

Notes to the Financial Statements

4. 金融風險管理(續)

4.4 資本管理(續)

(B) 資本比率(續)

根據《銀行業(資本)規則》，引入防護緩衝資本(「CCB比率」)，目的是確保銀行在受壓期外，建立風險加權資產之2.5%之資本。逆周期緩衝資本(「CCyB比率」)是由個別司法管轄區設置，用以在信貸增長過度時期抵禦未來的損失。香港地區現時適用的逆周期緩衝資本為風險加權資產之1.00%。

有關資本披露的補充資料可於本銀行網頁 www.ncb.com.hk 中「監管披露」一節瀏覽。

(C) 槓桿比率

		2022 港幣千元 HK\$'000	2021 港幣千元 HK\$'000
一級資本	Tier 1 capital	52,238,693	56,472,869
槓桿比率風險承擔	Leverage ratio exposure	593,156,997	582,164,898
槓桿比率	Leverage ratio	8.81%	9.70%

有關槓桿比率披露的補充資料可於本銀行網頁 www.ncb.com.hk 中「監管披露」一節瀏覽。

4. FINANCIAL RISK MANAGEMENT (Cont'd)

4.4 Capital management (Cont'd)

(B) Capital ratio (Cont'd)

In accordance with the Banking (Capital) Rules, the Capital Conservation Buffer ("CCB") is designed to ensure banks build up capital outside periods of stress of 2.5% of risk-weighted assets ("RWAs"). The Countercyclical Capital Buffer ("CCyB") which is set on an individual country basis and is built up during periods of excess credit growth to protect against future losses. The currently applicable CCyB for Hong Kong is 1.00% of RWAs.

The additional information of capital disclosures is available under section "Regulatory Disclosures" on the Bank's website at www.ncb.com.hk.

(C) Leverage ratio

The additional information of leverage ratio disclosures is available under section "Regulatory Disclosures" on the Bank's website at www.ncb.com.hk.

財務報表附註

Notes to the Financial Statements

5. 資產和負債的公允值

所有以公允值計量或在財務報表內披露的資產及負債，均按香港財務報告準則第13號「公允值計量」的定義，於公允值層級表內分類。該等分類乃參照估值方法所採用的因素之可觀察性及重大性，並基於對整體公允值計量有重大影響之最低層級因素來釐定：

- 第一層級：相同資產或負債在活躍市場中的報價（未經調整）。此層級包括上市股份證券、部分政府發行的債務工具、若干場內交易的衍生合約及貴金屬。
- 第二層級：乃基於估值技術所採用的最低層級因素（同時需對整體公允值計量有重大影響）可被直接或間接地觀察。此層級包括大部分場外交易的衍生合約、從估值服務供應商獲取價格的債務證券及存款證。同時亦包括對可觀察的市場因素進行了不重大調整的貴金屬及物業。
- 第三層級：乃基於估值技術所採用的最低層級因素（同時需對整體公允值計量有重大影響）屬不可被觀察。此層級包括有重大不可觀察因素的股權投資、債務工具、轉貼現及福費廷。同時亦包括對可觀察的市場因素進行了重大調整的物業。

對於以重複基準確認於財務報表的資產及負債，本集團會於每一財務報告週期的結算日重新評估其分類（基於對整體公允值計量有重大影響之最低層級因素），以確定有否在公允值層級之間發生轉移。

5. FAIR VALUES OF ASSETS AND LIABILITIES

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy as defined in HKFRS 13, "Fair value measurement". The categorisation are determined with reference to the observability and significance of the inputs used in the valuation methods and based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1: based on quoted prices (unadjusted) in active markets for identical assets or liabilities. This category includes listed equity shares, debt instruments issued by certain governments, certain exchange-traded derivative contracts and precious metals.
- Level 2: based on valuation techniques for which the lowest level input that is significant to the fair value measurement is observable, either directly or indirectly. This category includes majority of the OTC derivative contracts, debt securities and certificates of deposit with quote from pricing services vendors. It also includes precious metals and properties with insignificant adjustments made to observable market inputs.
- Level 3: based on valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable. This category includes equity investment, debt instruments, rediscounted bills and forfeiting with significant unobservable components. It also includes properties with significant adjustments made to observable market inputs.

For assets and liabilities that are recognised in the financial statements on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by reassessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

財務報表附註

Notes to the Financial Statements

5. 資產和負債的公允值(續)

5.1 以公允值計量的金融工具

本集團建立了完善的公允值管治及控制架構，公允值數據由獨立於前線的控制單位確定或核實。各控制單位負責獨立核實前線業務之估值結果及重大公允值數據。其他特定控制程序包括核實可觀察的估值參數。重大估值事項將向管理層匯報。

當無法從公開市場獲取報價時，本集團通過一些估值技術或經紀／交易商之詢價來確定金融工具的公允值。

對於本集團所持有的金融工具，其估值技術使用的主要參數包括債券價格、利率、匯率、權益及股票價格、波幅、交易對手信貸利差及其他，主要為可從公開市場觀察及獲取的參數。

用以釐定以下金融工具公允值的估值方法如下：

債務工具、存款證、轉貼現、福費廷

此類工具的公允值由交易所、交易商或外間獨立估值服務供應商提供的市場報價或使用貼現現金流模型分析而決定。貼現現金流模型是一個利用預計未來現金流，以一個可反映市場上相類似風險的工具所需信貸息差之貼現率或一般以月末同樣產品成交利率為基準，同時參考同業詢價形成最後的貼現率。這些參數是市場上可觀察或由可觀察或不可觀察的市場數據證實。

5. FAIR VALUES OF ASSETS AND LIABILITIES

(Cont'd)

5.1 Financial instruments measured at fair value

The Group has an established governance structure and controls framework to ensure that fair values are either determined or validated by control units independent of the front offices. Control units have overall responsibility for independent verification of valuation results from front line businesses and all other significant fair value measurements. Specific controls include verification of observable pricing inputs. Significant valuation issues are reported to the Management.

The Group uses valuation techniques or broker/dealer quotations to determine the fair value of financial instruments when unable to obtain the open market quotation in active markets.

The main parameters used in valuation techniques for financial instruments held by the Group include bond prices, interest rates, foreign exchange rates, equity and stock prices, volatilities, counterparty credit spreads and others, which are mostly observable and obtainable from open market.

The technique used to calculate the fair value of the following financial instruments is as below:

Debt instruments, certificates of deposit, rediscounted bills and forfeiting

The fair value of these instruments is determined by obtaining quoted market prices from exchange, dealer or independent pricing service vendors or using discounted cash flow technique. Discounted cash flow model is a valuation technique that measures present value using estimated expected future cash flows from the instruments and then discounts these flows using a discount margin that reflects the credit spreads required by the market for instruments with similar risk or a discount rate which is referred to the transaction interest rate of instruments with similar risk as at the end of the month and inter-bank bid rate as the final discount rate. These inputs are observable or can be corroborated by observable or unobservable market data.

財務報表附註

Notes to the Financial Statements

5. 資產和負債的公允值(續)

5.1 以公允值計量的金融工具(續)

衍生工具

場外交易的衍生工具合約包括外匯、利率或商品的遠期、掉期及期權合約。衍生工具合約的價格主要由貼現現金流模型及期權計價模型等估值技術釐定。所使用的參數為可觀察或不可觀察市場數據。可觀察的參數包括利率、匯率、商品價格及波幅。不可觀察的參數如波動率曲面可用於嵌藏於結構性存款中非交易頻繁的期權類產品。對一些複雜的衍生工具合約，公允值將按經紀／交易商之報價為基礎。

本集團對場外交易的衍生工具作出了信貸估值調整及債務估值調整。調整分別反映對市場因素變化、交易對手信譽及集團自身信貸息差的期望。有關調整主要是按每一交易對手，以未來預期敞口、違約率及收回率釐定。

5. FAIR VALUES OF ASSETS AND LIABILITIES

(Cont'd)

5.1 Financial instruments measured at fair value (Cont'd)

Derivatives

OTC derivative contracts include forward, swap and option contracts on foreign exchange, interest rate or commodity. The fair values of these contracts are mainly measured using valuation techniques such as discounted cash flow models and option pricing models. The inputs can be observable or unobservable market data. Observable inputs include interest rate, foreign exchange rates, commodity prices and volatilities. Unobservable inputs such as volatility surface may be used for less commonly traded option products which are embedded in structured deposits. For certain complex derivative contracts, the fair values are determined based on broker/dealer price quotations.

Credit valuation adjustments ("CVA") and debit valuation adjustments ("DVA") are applied to the Group's OTC derivatives. These adjustments reflect market factors movement, expectations of counterparty creditworthiness and the Group's own credit spread respectively. They are mainly determined for each counterparty and are dependent on expected future values of exposures, default probabilities and recovery rates.

財務報表附註

Notes to the Financial Statements

5. 資產和負債的公允值(續)

5.1 以公允值計量的金融工具(續)

(A) 公允值的等級

5. FAIR VALUES OF ASSETS AND LIABILITIES

(Cont'd)

5.1 Financial instruments measured at fair value (Cont'd)

(A) Fair value hierarchy

		2022			
		第一層級	第二層級	第三層級	總計
		Level 1	Level 2	Level 3	Total
		港幣千元	港幣千元	港幣千元	港幣千元
		HK\$'000	HK\$'000	HK\$'000	HK\$'000
金融資產	Financial assets				
公允值變化計入損益之	Financial assets at fair value through				
金融資產(附註20)	profit or loss (Note 20)				
– 交易性	– Trading				
– 債務證券及存款證	– Debt securities and certificates				
	of deposit	–	6,620,912	–	6,620,912
– 強制性以公允值變化	– Mandatorily measured at fair				
計入損益，非交易性	value through profit or				
	loss, non trading				
– 債務證券	– Debt securities	–	10,681	28,519	39,200
– 其他	– Others	–	–	10,536,257	10,536,257
– 股份證券	– Equity securities	71,686	–	1,345,897	1,417,583
衍生金融工具(附註21)	Derivative financial instruments				
	(Note 21)	336,416	1,548,529	–	1,884,945
以公允值變化計入其他	Financial investments at fair value				
全面收益的金融投資	through other comprehensive				
(附註23)	income (Note 23)				
– 債務證券及存款證	– Debt securities and certificates				
	of deposit	–	137,943,827	–	137,943,827
– 股份證券	– Equity securities	–	–	21,844	21,844
金融負債	Financial liabilities				
公允值變化計入損益之	Financial liabilities at fair value				
金融負債(附註27)	through profit or loss (Note 27)				
– 交易性	– Trading	–	7,119,358	–	7,119,358
衍生金融工具(附註21)	Derivative financial instruments				
	(Note 21)	137,959	974,822	–	1,112,781

財務報表附註

Notes to the Financial Statements

5. 資產和負債的公允值(續)

5.1 以公允值計量的金融工具(續)

(A) 公允值的等級(續)

5. FAIR VALUES OF ASSETS AND LIABILITIES

(Cont'd)

5.1 Financial instruments measured at fair value (Cont'd)

(A) Fair value hierarchy (Cont'd)

		2021			
		第一層級	第二層級	第三層級	總計
		Level 1	Level 2	Level 3	Total
		港幣千元	港幣千元	港幣千元	港幣千元
		HK\$'000	HK\$'000	HK\$'000	HK\$'000
金融資產	Financial assets				
公允值變化計入損益之 金融資產(附註20)	Financial assets at fair value through profit or loss (Note 20)				
– 交易性	– Trading				
– 債務證券	– Debt securities	–	7,252,326	–	7,252,326
– 強制性以公允值變化計 入損益, 非交易性	– Mandatorily measured at fair value through profit or loss, non trading				
– 債務證券	– Debt securities	–	730,024	29,574	759,598
– 其他	– Others	–	–	17,438,255	17,438,255
– 股份證券	– Equity securities	101,430	–	1,470,961	1,572,391
衍生金融工具(附註21)	Derivative financial instruments (Note 21)	265,547	569,417	–	834,964
以公允值變化計入其他全面 收益的金融投資(附註23)	Financial investments at fair value through other comprehensive income (Note 23)				
– 債務證券及存款證	– Debt securities and certificates of deposit	1,559,297	135,806,213	–	137,365,510
– 股份證券	– Equity securities	–	–	49,933	49,933
金融負債	Financial liabilities				
公允值變化計入損益之 金融負債(附註27)	Financial liabilities at fair value through profit or loss (Note 27)				
– 交易性	– Trading	–	6,415,312	–	6,415,312
衍生金融工具(附註21)	Derivative financial instruments (Note 21)	96,576	718,094	–	814,670

本集團之金融資產及負債於年內均沒有第一層級及第二層級之間的轉移(2021年:無)。

There were no financial asset and liability transfers between level 1 and level 2 for the Group during the year (2021: Nil).

財務報表附註

Notes to the Financial Statements

5. 資產和負債的公允值(續)

5.1 以公允值計量的金融工具(續)

(B) 第三層級的項目變動

5. FAIR VALUES OF ASSETS AND LIABILITIES

(Cont'd)

5.1 Financial instruments measured at fair value (Cont'd)

(B) Reconciliation of level 3 items

		2022 金融資產 Financial assets			
		強制性以公允值 變化計入損益 Mandatorily measured at fair value through profit or loss 非交易性 Non trading		以公允值計入 其他全面收益 的金融投資 Financial investments at fair value through other comprehensive income	
		債務證券 Debt securities 港幣千元 HK\$'000	其他 Others 港幣千元 HK\$'000	股份證券 Equity securities 港幣千元 HK\$'000	股份證券 Equity securities 港幣千元 HK\$'000
於2022年1月1日	At 1 January 2022	29,574	17,438,255	1,470,961	49,933
收益	Gains				
– 收益表	– Income statement				
– 淨交易性虧損	– Net trading loss	(960)	(1,842,186)	(125,064)	–
– 其他以公平值變化計 入損益之金融工具 淨(虧損)/收益	– Net (loss)/gain on other financial instruments at fair value through profit or loss	(95)	634,757	–	–
– 其他全面收益	– Other comprehensive income				
– 以公允值計入其他 全面收益的金融資 產之公允值變化	– Change in fair value of financial assets at fair value through other comprehensive income	–	–	–	(28,089)
增置	Additions	–	143,675,576	–	–
處置、贖回及到期	Disposals, redemptions and maturity	–	(149,370,145)	–	–
於2022年12月31日	At 31 December 2022	28,519	10,536,257	1,345,897	21,844
於2022年12月31日持 有的金融資產於期內 計入收益表的未實現 虧損總額	Total unrealised loss for the period included in income statement for financial assets held as at 31 December 2022	–	(10,881)	–	–

財務報表附註

Notes to the Financial Statements

5. 資產和負債的公允值(續)

5.1 以公允值計量的金融工具(續)

(B) 第三層級的项目變動(續)

5. FAIR VALUES OF ASSETS AND LIABILITIES

(Cont'd)

5.1 Financial instruments measured at fair value (Cont'd)

(B) Reconciliation of level 3 items (Cont'd)

		2021 金融資產 Financial assets			
		強制性以公允值 變化計入損益 Mandatorily measured at fair value through profit or loss		以公允值計入 其他全面收益 的金融投資 Financial investments at fair value through other comprehensive income	
		非交易性 Non trading			
		債務證券 Debt securities	其他 Others	股份證券 Equity securities	股份證券 Equity securities
		港幣千元 HK\$'000	港幣千元 HK\$'000	港幣千元 HK\$'000	港幣千元 HK\$'000
於2021年1月1日	At 1 January 2021	–	16,415,554	–	54,109
收益	Gains				
– 收益表	– Income statement				
– 淨交易性收益	– Net trading gain	–	269,193	–	–
– 其他以公平值變化計入 損益之金融工具淨 收益	– Net gain on other financial instruments at fair value through profit or loss	–	632,813	–	–
– 其他全面收益	– Other comprehensive income				
– 以公允值計入其他全面 收益的金融資產之 公允值變化	– Change in fair value of financial assets at fair value through other comprehensive income	–	–	–	(4,176)
增置	Additions	29,574	134,845,260	1,470,961	–
處置、贖回及到期	Disposals, redemptions and maturity	–	(134,724,565)	–	–
於2021年12月31日	At 31 December 2021	29,574	17,438,255	1,470,961	49,933
於2021年12月31日持有的 金融資產於期內計入收 益表的未實現收益總額	Total unrealised gain for the period included in income statement for financial assets held as at 31 December 2021	–	27,990	–	–

財務報表附註

Notes to the Financial Statements

5. 資產和負債的公允值(續)

5.1 以公允值計量的金融工具(續)

(B) 第三層級的項目變動(續)

於2022年12月31日及2021年12月31日，分類為第三層級的金融工具主要為以公允值變化計入損益之金融資產及非上市股權。

對於某些低流動性其他以公允值變化計入損益和以公允值計入其他全面收益之金融資產，本集團從交易對手處詢價；其公允值的計量可能採用了對估值產生重大影響的不可觀察參數，因此本集團將這些金融工具劃分至第三層級。本集團已建立相關內部控制程序監控集團對此類金融工具的敞口。

非上市股權的公允值乃參考可供比較的上市公司之平均市價／盈利倍數，或若沒有合適可供比較的公司，則按其資產淨值釐定。本集團未上市以公允價值計量且其變動計入其他綜合收益的股份在公允價值計量中採用的重大不可觀察參數如下：

估值方法 Valuation method	重大不可觀察參數 Significant unobservable inputs	範圍 Range	不可觀察參數與公允值的關係 Relationship of unobservable inputs to fair value
市場比較法 Market comparison approach	市價／盈利倍數 Price/earning ratios	3.4 – 16.4 (2021: 9.6 – 32.3)	市價／盈利倍數愈高，公允值愈高 The higher the price/earning ratios, the higher the fair value.
	市價／賬面淨值倍數 Price/Book ratios	1.5 – 4.4 (2021: 2.4 – 8.9)	市價／賬面淨值愈高，公允值愈高 The higher the Price/Book ratios, the higher the fair value.
	企業價值／稅息折舊及攤銷前利潤 EV/EBITDA	5.0 – 7.8 (2021: 4.0 – 20.7)	企業價值／稅息折舊及攤銷前利潤愈高，公允值愈高 The higher the EV/EBITDA ratios, the higher the fair value.
	流動性貼水 Liquidity discount	30.0% (2021: 30.0%)	流動性貼水愈高，公允值愈低 The higher the liquidity discount, the lower the fair value.
近期交易法 Recent transaction approach	不適用 N/A	不適用 N/A	不適用 N/A

5. FAIR VALUES OF ASSETS AND LIABILITIES

(Cont'd)

5.1 Financial instruments measured at fair value (Cont'd)

(B) Reconciliation of level 3 items (Cont'd)

As at 31 December 2022 and 31 December 2021, financial instruments categorised as level 3 are mainly comprised of financial assets at fair value through profit or loss and unlisted equity shares.

For certain illiquid others financial assets classified as fair value through profit or loss and fair value through other comprehensive income, the Group obtains valuation quotations from counterparties which may be based on unobservable inputs with significant impact on the valuation. Therefore, these instruments have been classified by the Group as level 3. The Group has established internal control procedures to control the Group's exposure to such financial instruments.

The fair values of unlisted equity shares are determined with reference to multiples of comparable listed companies, such as average of the price/earning ratios of comparables, or net asset value, if appropriate comparables are not available. The significant unobservable inputs applied in the fair values measurement of the Group's unlisted fair value through other comprehensive income equity shares are as follows:

財務報表附註

Notes to the Financial Statements

5. 資產和負債的公允值(續)

5.1 以公允值計量的金融工具(續)

(B) 第三層級的項目變動(續)

公允值與適合採用之可比較市價／盈利倍數比率、市價／賬面淨值倍數比率和企業價值／稅息折舊及攤銷前利潤，存在正向關係。若應用於估值技術上的重大不可觀察參數增加／減少5% (2021年12月31日：5%)，則本集團其他全面收益和溢利或虧損將增加／減少港幣1,092,000元(2021年12月31日：港幣2,497,000)和港幣67,295,000元(2021年12月31日：73,548,000元)。當非上市股權股份的公允價值受到多於一項的不可觀察參數影響時，前述的影響反映由個別不同參數產生的最有利或最不利之變化。

5.2 非以公允值計量的金融工具

公允值是在一特定時點按相關市場資料及不同金融工具之資料來評估。以下之方法及假設已按實際情況應用於評估各類金融工具之公允值。

存放／尚欠銀行及其他金融機構之結餘及貿易票據

大部分之金融資產及負債將於結算日後一年內到期，其賬面值與公允值相若。

客戶貸款

大部分之客戶貸款是浮動利率，按市場息率計算利息，其賬面值與公允值相若。

以攤餘成本作計量的債務工具

以攤餘成本作計量的債務工具之公允值釐定與附註5.1內以公允值計量的債務工具採用之方法相同。

客戶存款

大部分之客戶存款將於結算日後一年內到期，其賬面值與公允值相若。

5. FAIR VALUES OF ASSETS AND LIABILITIES

(Cont'd)

5.1 Financial instruments measured at fair value (Cont'd)

(B) Reconciliation of level 3 items (Cont'd)

The fair value is positively correlated to the price/earning ratios, price/booking ratios and EV/EBITDA of appropriate comparables. Had the significant unobservable inputs applied on the valuation techniques increased/decreased by 5% (31 December 2021: 5%), the Group's other comprehensive income and profit or loss would have increased/decreased by HK\$1,092,000 (31 December 2021: HK\$2,497,000) and HK\$67,295,000 (31 December 2021: HK\$73,548,000) respectively. When the fair value of the unlisted shares are affected by more than one unobservable input, the aforesaid impact reflects the most favourable or the most unfavourable change from varying inputs individually.

5.2 Financial instruments not measured at fair value

Fair value estimates are made at a specific point in time based on relevant market information and information about various financial instruments. The following methods and assumptions have been used to estimate the fair value of each class of financial instrument as far as practicable.

Balances with/from banks and other financial institutions and trade bills

Substantially all the financial assets and liabilities mature within one year from the balance sheet date and their carrying value approximates fair value.

Advances to customers

Substantially all the advances to customers are on floating rate terms, bear interest at prevailing market interest rates and their carrying value approximates fair value.

Debt instruments at amortised cost

The fair value of debt instruments at amortisation cost is determined by using the same approach as those debt instruments measured at fair value as described in Note 5.1.

Deposits from customers

Substantially all the deposits from customers mature within one year from the balance sheet date and their carrying value approximates fair value.

財務報表附註

Notes to the Financial Statements

5. 資產和負債的公允值(續)

5.2 非以公允值計量的金融工具(續)

已發行債務證券及存款證

此類工具之公允值釐定與附註5.1內以公允值計量的債務工具及存款證採用之方法相同。

後償負債

此類工具之公允值釐定與附註5.1內以公允值計量的債務工具及存款證採用之方法相同。

除以上其賬面值與公允值相若的金融工具外，下表為非以公允值計量的金融工具之賬面值和公允值。

5. FAIR VALUES OF ASSETS AND LIABILITIES

(Cont'd)

5.2 Financial instruments not measured at fair value

(Cont'd)

Debt securities and certificates of deposit in issue

The fair value of these instruments is determined by using the same approach as those debt instruments and certificates of deposit measured at fair value as described in Note 5.1.

Subordinated liabilities

The fair value of the instrument is determined by using the same approach as those debt instruments and certificates of deposit measured at fair value as described in Note 5.1.

The following tables set out the carrying values and fair values of the financial instruments not measured at fair value, except for the above with their carrying values being approximation of fair values.

		2022		2021	
		賬面值 Carrying value 港幣千元 HK\$'000	公允值 Fair value 港幣千元 HK\$'000	賬面值 Carrying value 港幣千元 HK\$'000	公允值 Fair value 港幣千元 HK\$'000
金融資產	Financial assets				
以攤餘成本作計量的 債務工具	Debt instruments at amortised cost	13,229,689	13,151,875	592,486	592,486
金融負債	Financial liabilities				
已發行債務證券及存款證	Debt securities and certificates of deposit in issue	35,422,412	35,534,343	31,755,227	31,912,287
後償負債	Subordinated liabilities	5,455,215	5,157,981	5,451,286	5,604,743

財務報表附註

Notes to the Financial Statements

5. 資產和負債的公允值(續)

5.2 非以公允值計量的金融工具(續)

下表列示已披露其公允值的金融工具之公允值等級。

5. FAIR VALUES OF ASSETS AND LIABILITIES

(Cont'd)

5.2 Financial instruments not measured at fair value

(Cont'd)

The following tables show the fair value hierarchy for financial instruments with fair values disclosed.

		2022			
		第一層級	第二層級	第三層級	總計
		Level 1	Level 2	Level 3	Total
		港幣千元	港幣千元	港幣千元	港幣千元
		HK\$'000	HK\$'000	HK\$'000	HK\$'000
金融資產	Financial assets				
以攤餘成本作計量的債務工具	Debt instruments at amortised cost	10,280,213	2,871,662	–	13,151,875
金融負債	Financial liabilities				
已發行債務證券及存款證	Debt securities and certificates of deposit in issue	–	35,534,343	–	35,534,343
後償負債	Subordinated liabilities	–	5,157,981	–	5,157,981

		2021			
		第一層級	第二層級	第三層級	總計
		Level 1	Level 2	Level 3	Total
		港幣千元	港幣千元	港幣千元	港幣千元
		HK\$'000	HK\$'000	HK\$'000	HK\$'000
金融資產	Financial assets				
以攤餘成本作計量的債務工具	Debt instruments at amortised cost	–	–	592,486	592,486
金融負債	Financial liabilities				
已發行債務證券及存款證	Debt securities and certificates of deposit in issue	–	31,912,287	–	31,912,287
後償負債	Subordinated liabilities	–	5,604,743	–	5,604,743

財務報表附註

Notes to the Financial Statements

5. 資產和負債的公允值(續)

5.3 以公允值計量的非金融工具

本集團通過一些估值技術或活躍市場報價來確定非金融工具的公允值。

投資物業及房產

本集團之物業可分為投資物業及房產。所有本集團之投資物業及房產已進行重估。估值由獨立特許測量師萊坊測計師行有限公司進行，其擁有具備香港測量師學會資深專業會員及專業會員資格之人員，並在估值物業所處地區及種類上擁有經驗。當估值於每半年末及年末進行時，本集團管理層會跟測量師討論估值方法、估值假設及估值結果。估值方法於年內沒有改變。

(i) 第二層級公允值計量採用的估值方法及因素

被分類為第二層級之物業的公允值，乃參考可比較物業之近期出售成交價(市場比較法)或參考市場租金及資本化率(收入資本法)，再對可比較物業及被評估物業之間的差異作出適當調整。此等調整被認為對整體計量並不構成重大影響。

本集團之物業均位於香港及內地之主要城市，被認為是活躍及透明的物業市場。可比較物業之出售價、市場租金及資本化率一般均可在此等市場上被直接或間接觀察得到。

5. FAIR VALUES OF ASSETS AND LIABILITIES

(Cont'd)

5.3 Non-financial instruments measured at fair value

The Group uses valuation techniques or quoted market prices in active market to determine the fair value of non-financial instruments.

Investment properties and premises

The Group's properties can be divided into investment properties and premises. All of the Group's investment properties and premises were revalued. The valuations were carried out by an independent firm of chartered surveyors, Knight Frank Petty Limited, who have among their staff Fellow and Members of The Hong Kong Institute of Surveyors with recent experience in the locations and categories of properties being valued. The Group's Management had discussions with the surveyors on the valuation methods, valuation assumptions and valuation results when the valuation is performed at each interim and annual reporting date. There has been no change in valuation methods during the year.

(i) *Valuation methods and inputs used in Level 2 fair value measurements*

The fair value of properties classified as Level 2 is determined using either the market comparison approach by reference to recent sales price of comparable properties or the income capitalisation approach by reference to market rent and capitalisation rate, with appropriate adjustments to reflect the differences between the comparable properties and the subject properties. These adjustments are considered as insignificant to the entire measurement.

The Group's properties are located in Hong Kong and major cities in the PRC where the property markets are considered active and transparent. Sales price, market rent and capitalisation rate of comparable properties are generally observable either directly or indirectly in these markets.

財務報表附註

Notes to the Financial Statements

5. 資產和負債的公允值(續)

5.3 以公允值計量的非金融工具(續)

投資物業及房產(續)

(ii) 有關第三層級公允值計量的資料

被分類為第三層級的本集團物業之公允值均採用市場比較法或收入資本法，再按本集團物業相對於可比較物業之性質作折溢價調整來釐定。

以下為在公允值計量時對被分類為第三層級之本集團物業所採用的估值方法及重大不可觀察因素：

5. FAIR VALUES OF ASSETS AND LIABILITIES

(Cont'd)

5.3 Non-financial instruments measured at fair value

(Cont'd)

Investment properties and premises (Cont'd)

(ii) Information about Level 3 fair value measurements

The fair value of all of the Group's properties classified as Level 3 is determined using either the market comparison approach or the income capitalisation approach, adjusted for a premium or a discount specific to the features of the Group's properties compared to the comparable properties.

The valuation methods and significant unobservable inputs used in the fair value measurement of the Group's properties classified as Level 3 are as follows:

	估值方法 Valuation method	重大不可觀察因素 Significant unobservable inputs	加權平均 Weighted average	不可觀察因素與公允值的關係 Relationship of unobservable inputs to fair value
其他物業 Other properties	市場比較法或收入資本法 Market comparison approach or income capitalisation approach	物業相對可比較物業在性質上之折價 Discount on features of the property compared to comparable properties	5.1% (2021: 5.7%)	折價越高，公允值越低。 The higher the discount, the lower the fair value.

物業相對可比較物業在性質上之折價乃參考與可比較物業在不同因素上的差異，例如成交後之市場變動、位置、便達性、樓齡／狀況、樓層、面積、佈局等而釐定。

Discount on features of a property is determined after taken into account various factors, such as time for market movement, location, accessibility, building age/condition, floor level, size, layout, with reference to the differences in features with comparable properties.

財務報表附註 Notes to the Financial Statements

5. 資產和負債的公允值(續)

5.3 以公允值計量的非金融工具(續)

貴金屬

貴金屬之公允值是按活躍市場報價或有若干調整的市場報價為基礎。

(A) 公允值的等級

		2022			
		第一層級	第二層級	第三層級	總計
		Level 1	Level 2	Level 3	Total
		港幣千元	港幣千元	港幣千元	港幣千元
		HK\$'000	HK\$'000	HK\$'000	HK\$'000
非金融資產	Non-financial assets				
投資物業(附註24)	Investment properties (Note 24)	–	13,400	545,740	559,140
物業、器材及設備(附註25)	Properties, plant and equipment (Note 25)				
– 房產	– Premises	–	1,270,902	6,631,015	7,901,917
其他資產(附註26)	Other assets (Note 26)				
– 貴金屬	– Precious metals	106,835	201,222	–	308,057

		2021			
		第一層級	第二層級	第三層級	總計
		Level 1	Level 2	Level 3	Total
		港幣千元	港幣千元	港幣千元	港幣千元
		HK\$'000	HK\$'000	HK\$'000	HK\$'000
非金融資產	Non-financial assets				
投資物業(附註24)	Investment properties (Note 24)	–	13,400	314,210	327,610
物業、器材及設備(附註25)	Properties, plant and equipment (Note 25)				
– 房產	– Premises	–	382,604	6,893,850	7,276,454
其他資產(附註26)	Other assets (Note 26)				
– 貴金屬	– Precious metals	133,172	241,091	–	374,263

本集團之非金融資產於年內沒有第一層級及第二層級之間的轉移(2021年：無)。

There were no non-financial asset transfers between level 1 and level 2 for the Group during the year (2021: Nil).

財務報表附註

Notes to the Financial Statements

5. 資產和負債的公允值(續)

5.3 以公允值計量的非金融工具(續)

(B) 第三層級的项目變動

5. FAIR VALUES OF ASSETS AND LIABILITIES

(Cont'd)

5.3 Non-financial instruments measured at fair value

(Cont'd)

(B) Reconciliation of level 3 items

		2022	
		非金融資產	
		Non-financial assets	
		投資物業	物業、器材及設備
		Investment properties	Properties, plant and equipment
		房產	Premises
		港幣千元	港幣千元
		HK\$'000	HK\$'000
於2022年1月1日	At 1 January 2022	314,210	6,893,850
收益	Gains		
– 收益表	– Income statement		
– 投資物業公允值調整之淨虧損	– Net loss from fair value adjustments on investment properties	(6,920)	–
– 重估房產之淨虧損	– Net loss from revaluation of premises	–	(2,989)
– 其他全面收益	– Other comprehensive income		
– 房產重估	– Revaluation of premises	–	(157,996)
增置	Additions	–	66,126
出售	Disposals	–	(16,835)
折舊	Depreciation	–	(146,960)
重新分類	Reclassification	238,450	(238,450)
轉入	Transfer in	–	305,900
匯兌差額	Exchange difference	–	(71,631)
於2022年12月31日	At 31 December 2022	545,740	6,631,015
於2022年12月31日持有的非金融資產於年內計入收益表的未實現虧損總額	Total unrealised loss for the year included in income statement for non-financial assets held as at 31 December 2022		
– 投資物業公允值調整之淨虧損	– Net loss from fair value adjustments on investment properties	(6,920)	–
– 重估房產之淨虧損	– Net loss from revaluation of premises	–	(2,989)
		(6,920)	(2,989)

財務報表附註

Notes to the Financial Statements

5. 資產和負債的公允值(續)

5.3 以公允值計量的非金融工具(續)

(B) 第三層級的项目變動(續)

5. FAIR VALUES OF ASSETS AND LIABILITIES

(Cont'd)

5.3 Non-financial instruments measured at fair value

(Cont'd)

(B) Reconciliation of level 3 items (Cont'd)

		2021	
		非金融資產	
		Non-financial assets	
		投資物業	物業、器材及設備
		Investment properties	Properties, plant and equipment
		房產	Premises
		HK\$'000	HK\$'000
於2021年1月1日	At 1 January 2021	327,680	5,598,890
收益	Gains		
– 收益表	– Income statement		
– 重估房產之淨收益	– Net gain from revaluation of premises	–	2,056
– 其他全面收益	– Other comprehensive income		
– 房產重估	– Revaluation of premises	–	61,401
增置	Additions	–	100,786
折舊	Depreciation	–	(140,129)
重新分類	Reclassification	(13,470)	13,470
轉入	Transfer in	–	1,236,153
匯兌差額	Exchange difference	–	21,223
於2021年12月31日	At 31 December 2021	314,210	6,893,850
於2021年12月31日持有的非金融資產於年內計入收益表的未實現收益總額	Total unrealised gain for the year included in income statement for non-financial assets held as at 31 December 2021		
– 重估房產之淨收益	– Net gain from revaluation of premises	–	2,056
		–	2,056

轉入及轉出第三層級的物業乃因該等被估值物業相對其可比較物業在性質上之溢價／(折價)於年內出現變化所引致。性質上之溢價／(折價)乃取決於被估值物業與近期成交之可比較物業在性質上的差異。由於每年來自近期市場成交之可比較物業均會不盡相同，被估值物業與可比較物業在性質上之溢價／(折價)會相應每年有所變化，從而對可觀察的市場因素所進行之調整之重大性亦會隨之變化，引致物業被轉入及轉出第三層級。

The transfer of properties into and out of level 3 is due to change in the premium/(discount) on features applied between the subject and comparable properties during the year. Premium/(discount) on features is determined with reference to differences in features between the subject properties and the comparable properties recently transacted in the market. As comparable properties that come from recent market transactions may be different in each year, the premium/(discount) on features applied between the subject and comparable properties would change from year to year accordingly. As a result, the significance of adjustments made to observable market inputs may vary and lead to the transfer of properties into and out of level 3.

財務報表附註 Notes to the Financial Statements

6. 淨利息收入

6. NET INTEREST INCOME

		2022 港幣千元 HK\$'000	2021 港幣千元 HK\$'000
利息收入	Interest income		
存放於同業及其他金融機構 的款項	Due from banks and other financial institutions	950,168	486,744
客戶貸款	Advances to customers	10,304,447	8,655,833
金融投資	Financial investments	3,249,311	2,564,111
其他	Others	27,207	14,245
		14,531,133	11,720,933
利息支出	Interest expense		
同業及其他金融機構存放的款項	Due to banks and other financial institutions	(965,889)	(480,324)
客戶存款	Deposits from customers	(4,725,928)	(3,360,672)
已發行債務證券及存款證	Debt securities and certificates of deposit in issue	(1,158,247)	(1,052,916)
後償負債	Subordinated liabilities	(211,639)	(209,955)
租賃負債	Lease liabilities	(28,125)	(27,728)
其他	Others	(269,281)	(263,922)
		(7,359,109)	(5,395,517)
淨利息收入	Net interest income	7,172,024	6,325,416

非以公允值變化計入損益之金融資產與金融負債所產生的利息收入及利息支出分別為港幣 14,531,133,000 元(2021年：港幣 11,720,933,000 元)及港幣 7,359,109,000 元(2021年：港幣 5,395,517,000 元)。

Included within interest income and interest expense are HK\$ 14,531,133,000 (2021: HK\$ 11,720,933,000) and HK\$ 7,359,109,000 (2021: HK\$ 5,395,517,000) for financial assets and financial liabilities that are not recognised at fair value through profit or loss respectively.

財務報表附註

Notes to the Financial Statements

7. 淨服務費及佣金收入

7. NET FEE AND COMMISSION INCOME

		2022	2021
		港幣千元	港幣千元
		HK\$'000	HK\$'000
服務費及佣金收入	Fee and commission income		
貸款佣金	Loan commissions	490,171	650,203
匯票佣金	Bills commissions	228,995	186,088
證券經紀	Securities brokerage	184,986	312,536
保險	Insurance	170,202	228,536
基金分銷	Funds distribution	86,180	157,515
繳款服務	Payment services	45,734	48,422
保管箱	Safe deposit box	40,316	42,635
信用卡業務	Credit card business	2,995	4,558
信託及託管服務	Trust and custody services	1,069	3,336
買賣貨幣	Currency exchange	419	436
其他	Others	128,516	174,518
		1,379,583	1,808,783
服務費及佣金支出	Fee and commission expense		
證券經紀	Securities brokerage	(27,915)	(43,814)
信用卡業務	Credit card business	(1,419)	(2,487)
繳款服務	Payment services	(39)	(9)
其他	Others	(49,889)	(46,929)
		(79,262)	(93,239)
淨服務費及佣金收入	Net fee and commission income	1,300,321	1,715,544
其中源自	Of which arise from		
– 非以公允值變化計入損益之 金融資產或金融負債	– financial assets or financial liabilities not at fair value through profit or loss		
– 服務費及佣金收入	– Fee and commission income	702,246	818,543
– 服務費及佣金支出	– Fee and commission expense	(8,056)	(5,906)
		694,190	812,637
– 信託及其他受託活動	– trust and other fiduciary activities		
– 服務費及佣金收入	– Fee and commission income	15,010	17,333
– 服務費及佣金支出	– Fee and commission expense	(1,289)	(1,372)
		13,721	15,961

財務報表附註 Notes to the Financial Statements

8. 淨交易性收益

8. NET TRADING GAIN

		2022 港幣千元 HK\$'000	2021 港幣千元 HK\$'000
淨收益／(虧損)源自	Net gain/(loss) from		
– 外匯交易及外匯交易產品	– foreign exchange and foreign exchange products	268,012	427,174
– 利率工具及公允值對沖的項目	– interest rate instruments and items under fair value hedge	10,740	(109,839)
– 商品	– commodities	(8,613)	(6,446)
		270,139	310,889

9. 其他金融資產之淨收益

9. NET GAIN ON OTHER FINANCIAL ASSETS

		2022 港幣千元 HK\$'000	2021 港幣千元 HK\$'000
以公允值變化計入其他全面 收益的金融投資之淨收益	Net gain on financial investments measured at fair value through other comprehensive income	259,527	165,857
其他	Others	1,227	(12,565)
		260,754	153,292

10. 其他經營收入

10. OTHER OPERATING INCOME

		2022 港幣千元 HK\$'000	2021 港幣千元 HK\$'000
證券投資股息收入	Dividend income from investment in securities		
– 非上市證券投資	– Unlisted investments	1,705	1,905
投資物業之租金總收入	Gross rental income from investment properties	8,942	10,185
減：有關投資物業之支出	Less: Outgoings in respect of investment properties	(918)	(728)
其他	Others	29,376	11,153
		39,105	22,515

「有關投資物業之支出」包括年內未出租投資物業之直接經營支出港幣329,000元(2021年：港幣132,000元)。

Included in the “Outgoings in respect of investment properties” is HK\$329,000 (2021: HK\$132,000) of direct operating expenses related to investment properties that were not let during the year.

財務報表附註

Notes to the Financial Statements

11. 減值準備淨撥備

11. NET CHARGE OF IMPAIRMENT ALLOWANCES

		2022 港幣千元 HK\$'000	2021 港幣千元 HK\$'000
存放銀行及其他金融機構的結餘	Balances with banks and other financial institutions	(174)	1,622
貸款及其他賬項	Advances and other accounts	(1,535,028)	(1,413,149)
金融投資	Financial investments	(225,720)	29,533
其他資產	Other assets	(1,937)	3,911
財務擔保	Financial guarantees	89,392	(128,263)
貸款承擔	Loan commitments	(11,090)	7,077
減值準備淨撥備	Net charge of impairment allowances	(1,684,557)	(1,499,269)

12. 經營支出

12. OPERATING EXPENSES

		2022 港幣千元 HK\$'000	2021 港幣千元 HK\$'000
人事費用(包括董事酬金)	Staff costs (including directors' emoluments)		
– 薪酬及其他費用	– Salaries and other costs	1,607,709	1,503,886
– 退休成本	– Pension cost	236,861	279,385
– 補充退休福利	– Supplementary retirement benefits	7,080	5,930
		1,851,650	1,789,201
房產及設備支出(不包括折舊)	Premises and equipment expenses (excluding depreciation)		
– 短期或低價值資產租賃	– leases of short-term or low-value assets	15,929	67,506
– 資訊科技	– Information technology	75,323	91,647
– 其他	– Others	71,233	78,547
		162,485	237,700
折舊及攤銷	Depreciation and amortisation	568,713	534,411
核數師酬金	Auditor's remuneration		
– 審計服務	– Audit services	10,319	10,773
– 非審計服務	– Non-audit services	3,320	806
其他經營支出	Other operating expenses		
– 業務外包費	– Outsourcing activities fee	378,742	353,043
– 其他	– Others	514,388	414,331
		3,489,617	3,340,265

財務報表附註 Notes to the Financial Statements

13. 投資物業公允值調整之淨虧損

13. NET LOSS FROM FAIR VALUE ADJUSTMENTS ON INVESTMENT PROPERTIES

		2022 港幣千元 HK\$'000	2021 港幣千元 HK\$'000
投資物業公允值調整之淨虧損	Net loss from fair value adjustments on investment properties	(6,920)	–

14. 出售／重估物業、器材及設備之淨虧損

14. NET LOSS FROM DISPOSAL/REVALUATION OF PROPERTIES, PLANT AND EQUIPMENT

		2022 港幣千元 HK\$'000	2021 港幣千元 HK\$'000
出售房產之淨虧損	Net loss from disposal of premises	(12,914)	–
出售設備、固定設施及裝備之淨虧損	Net loss from disposal of equipment, fixtures and fittings	(8,508)	(9,887)
重估房產之淨(虧損)/收益	Net (loss)/gain from revaluation of premises	(2,989)	2,056
		(24,411)	(7,831)

15. 稅項

收益表內之稅項組成如下：

15. TAXATION

Taxation in the income statement represents:

		2022 港幣千元 HK\$'000	2021 港幣千元 HK\$'000
本期稅項	Current tax		
香港利得稅	Hong Kong profits tax		
– 年內計入稅項	– Current year taxation	503,404	388,288
– 往年超額撥備	– Over-provision in prior years	(12,591)	(11,685)
		490,813	376,603
海外稅項	Overseas taxation		
– 年內計入稅項	– Current year taxation	57,524	125,924
– 往年超額撥備	– Over-provision in prior years	(461)	(3,230)
		547,876	499,297
遞延稅項	Deferred tax		
暫時性差額之產生及撥回及未使用稅項抵免	Origination and reversal of temporary differences and unused tax credits	(11,707)	11,666
		536,169	510,963

財務報表附註

Notes to the Financial Statements

15. 稅項 (續)

香港利得稅乃按照本年度估計應課稅溢利依稅率16.5% (2021年：16.5%) 提撥。海外溢利之稅款按照本年度估計應課稅溢利依本集團經營業務所在國家之現行稅率計算。

本集團除稅前溢利產生的實際稅項，與根據香港利得稅率計算的稅項差異如下：

15. TAXATION (Cont'd)

Hong Kong profits tax has been provided at the rate of 16.5% (2021: 16.5%) on the estimated assessable profits arising in Hong Kong during the year. Taxation on overseas profits has been calculated on the estimated assessable profits for the year at the rates of taxation prevailing in the countries in which the Group operates.

The taxation on the Group's profit before taxation that differs from the theoretical amount that would arise using the taxation rate of Hong Kong is as follows:

		2022 港幣千元 HK\$'000	2021 港幣千元 HK\$'000
除稅前溢利	Profit before taxation	4,444,483	3,742,050
按稅率 16.5% (2021年：16.5%)	Calculated at a taxation rate of 16.5% (2021: 16.5%)		
計算的稅項		733,340	617,438
其他國家稅率差異的影響	Effect of different taxation rates in other countries	28,614	48,474
無需課稅之收入	Income not subject to taxation	(224,444)	(187,346)
稅務上不可扣減之開支	Expenses not deductible for taxation purposes	86,585	123,734
未確認的稅務虧損	Tax losses not recognised	1	2
使用往年未確認的稅務虧損	Utilisation of previously unrecognised tax losses	(3,161)	(24)
往年超額撥備	Over-provision in prior years	(13,052)	(14,915)
海外預提稅	Foreign withholding tax	(1,882)	612
發行成本及支付額外資本工具 票息調整	Adjustment in respect of cost and distribution payment for additional equity instruments	(69,832)	(77,012)
計入稅項	Taxation charge	536,169	510,963
實際稅率	Effective tax rate	12.06%	13.65%

16. 股息

16. DIVIDENDS

		2022		2021	
		每股 港幣 Per share HK\$	總額 港幣千元 Total HK\$'000	每股 港幣 Per share HK\$	總額 港幣千元 Total HK\$'000
股息	Dividends	-	-	-	-

2022年並無宣派股息(2021年：無)。

No dividend has been declared for the year ended 31 December 2022 (2021: Nil).

財務報表附註

Notes to the Financial Statements

17. 退休福利成本

(a) 界定供款計劃

本集團給予本集團員工的界定供款計劃主要為獲《強積金條例》豁免之職業退休計劃及中銀保誠簡易強積金計劃。根據職業退休計劃，僱員須向職業退休計劃之每月供款為其基本薪金之5%，而僱主之每月供款為僱員基本月薪之5%至15%不等（視乎僱員之服務年期）。僱員有權於退休、提前退休或僱用期終止且服務年資滿10年或以上等情況下收取100%之僱主供款。服務滿3年至9年的員工，因其他原因而終止僱用期（被即時解僱除外），可收取30%至90%之僱主供款。僱員收取的僱主供款，須受《強制性公積金計劃條例》所限。

隨著《強積金條例》於2000年12月1日實施，本集團亦參與中銀保誠簡易強積金計劃，該計劃之受託人為中銀國際英國保誠信託有限公司，投資管理人為中銀國際英國保誠資產管理有限公司。

截至2022年12月31日，在扣除約港幣2,859,000元（2021年：約港幣2,138,000元）之沒收供款後，職業退休計劃之供款總額約為港幣41,497,000元（2021年：約港幣43,885,000元），而本集團向強積金計劃之供款總額則約為港幣11,586,000元（2021年：約港幣12,254,000元）。

(b) 界定利益計劃

本集團設置了一項非存置基金的界定利益福利計劃予所有已退休員工。在該計劃下，員工獲得之退休福利包括免費之醫療、房屋津貼及其他退休福利。

本計劃面對利率風險及退休員工之預計生命週期改變風險。

界定利益福利承擔現值之最新一期精算估值於2022年12月31日以預期累計福利單位精算估值方法計算。

17. RETIREMENT BENEFIT COSTS

(a) Defined contribution schemes

Defined contribution schemes for the Group's employees are ORSO schemes exempted under the MPF Schemes Ordinance and the BOC-Prudential Easy Choice MPF Scheme. Under the ORSO schemes, employees make monthly contributions to the ORSO schemes equal to 5% of their basic salaries, while the employer makes monthly contributions equal to 5% to 15% of the employees' monthly basic salaries, depending on years of service. The employees are entitled to receive 100% of the employer's contributions upon retirement, early retirement or termination of employment after completing 10 years of service. Employees with 3 to 9 years of service are entitled to receive the employer's contributions at a scale ranging from 30% to 90% upon termination of employment for other reasons other than summary dismissal. All employer's contributions received by employee are subject to MPF Schemes Ordinance.

With the implementation of the MPF Schemes Ordinance on 1 December 2000, the Group also participates in the BOC-Prudential Easy Choice MPF Scheme, of which the trustee is BOCI-Prudential Trustee and the investment manager is BOCI-Prudential Manager.

The Group's total contributions made to the ORSO schemes for the year ended 31 December 2022 amounting to approximately HK\$41,497,000 (2021: approximately HK\$43,885,000), after a deduction of forfeited contributions of approximately HK\$2,859,000 (2021: approximately HK\$2,138,000). For the MPF Scheme, the Group contributed approximately HK\$11,586,000 (2021: approximately HK\$12,254,000) for the year ended 31 December 2022.

(b) Defined benefit schemes

The Group operates an unfunded defined benefit plan for all its retired employees. Under the plan, the employees are entitled to retirement benefits which included fully redeemed medical care, housing allowance and other retirement benefits.

The plan is exposed to interest rate risk and the risk of changes in the life expectancy for pensioners.

The most recent actuarial valuations of the present value of the defined benefit obligations were carried out at 31 December 2022 by using the projected unit credit actuarial valuation method.

財務報表附註 Notes to the Financial Statements

17. 退休福利成本(續)

(b) 界定利益計劃(續)

在本報告期末所使用之主要精算假設如下：

17. RETIREMENT BENEFIT COSTS (Cont'd)

(b) Defined benefit schemes (Cont'd)

The principal actuarial assumptions used as at the end of the reporting period are as follows:

		2022	2021
折現率(%)	Discount rate (%)	3.75	1.6
預期醫療保險開支增長率(%)	Expected rate of medical insurance cost increases (%)	6.0	6.0
預期聯誼活動經費增長率(%)	Expected rate of social entertainment cost increases (%)	0.0	0.0
預期退休紀念品開支增長率(%)	Expected rate of retirement souvenir cost increases (%)	0.0	0.0
預期租金增長率(%)	Expected rate of rental increases (%)	3.0	3.0
預期離職率(%)	Expected rate of withdrawal (%)	3.0-18.0	3.0-18.0
預期死亡率	Expected death rate	香港人口生命表 Hong Kong Life Tables 2021	香港人口生命表 Hong Kong Life Tables 2020

在本報告期末對主要精算假設之敏感性分析如下：

A quantitative sensitivity analysis for significant assumptions as at the end of the reporting period is shown below:

		2022			
		比率增加 Increase in rate %	界定利益福利 承擔之 增加/(減少) Increase/ (decrease) in defined benefit obligations 港幣千元 HK\$'000	比率減少 Decrease in rate %	界定利益福利 承擔之 增加/(減少) Increase/ (decrease) in defined benefit obligations 港幣千元 HK\$'000
折現率	Discount rate	0.1	(1,930)	0.1	1,980
預期醫療保險開支增長率	Expected rate of medical insurance cost	0.5	10,050	0.5	(8,850)

		2021			
		比率增加 Increase in rate %	界定利益福利 承擔之 增加/(減少) Increase/ (decrease) in defined benefit obligations 港幣千元 HK\$'000	比率減少 Decrease in rate %	界定利益福利 承擔之 增加/(減少) Increase/ (decrease) in defined benefit obligations 港幣千元 HK\$'000
折現率	Discount rate	0.1	(3,230)	0.1	3,320
預期醫療保險開支增長率	Expected rate of medical insurance cost	0.5	16,670	0.5	(14,490)

財務報表附註

Notes to the Financial Statements

17. 退休福利成本 (續)

(b) 界定利益計劃 (續)

上述敏感性分析是根據期末主要假設之合理變動推算對界定利益福利承擔之影響。

在綜合收益表內確認本計劃的總開支如下：

		2022 港幣千元 HK\$'000	2021 港幣千元 HK\$'000
界定利益計劃	Defined benefit schemes		
– 當期服務成本	– Current service cost	3,730	3,950
– 過去服務成本	– Past service cost		
– 計劃改變	– plan amendment	940	–
– 淨利息費用	– Net interest cost	2,410	1,980
總支出	Total expenses	7,080	5,930

在綜合全面收益表內確認本計劃的總開支如下：

		2022 港幣千元 HK\$'000	2021 港幣千元 HK\$'000
界定利益計劃	Defined benefit schemes		
– 假設變動產生的精算盈餘	– Actuarial gains arising from changes in Assumptions	(52,810)	(8,650)
– 經驗調整產生的精算虧損	– Actuarial losses arising from experience adjustments	4,160	4,720
於全面收益表確認的界定福利 成本部分	Components of defined benefit costs recognised in comprehensive income	(48,650)	(3,930)

17. RETIREMENT BENEFIT COSTS (Cont'd)

(b) Defined benefit schemes (Cont'd)

The sensitivity analysis above has been determined based on a method that extrapolates the impact on defined benefit obligations as a result of reasonable changes in key assumptions occurring at the end of the reporting period.

The total expenses recognised in the consolidated income statement in respect of the plan is as follows:

The total expenses recognised in the consolidated statement of comprehensive income in respect of the plan is as follows:

財務報表附註 Notes to the Financial Statements

17. 退休福利成本(續)

(b) 界定利益計劃(續)

本計劃的現值變動如下：

		2022 港幣千元 HK\$'000	2021 港幣千元 HK\$'000
福利負債	Benefit liability		
於1月1日	At 1 January	152,660	154,160
當期服務成本	Current service cost	3,730	3,950
過去服務成本	Past service cost		
– 計劃改變	– plan amendment	940	–
淨利息費用	Net interest cost	2,410	1,980
重新計量精算(盈餘)/虧損	Actuarial (gain)/losses on remeasurement	(48,650)	(3,930)
福利支付額	Benefit paid	(4,320)	(3,500)
於12月31日	At 31 December	106,770	152,660

本界定利益福利計劃在未來之預期開支如下：

17. RETIREMENT BENEFIT COSTS (Cont'd)

(b) Defined benefit schemes (Cont'd)

The movement in respect of the plan is as follows:

		2022 港幣千元 HK\$'000	2021 港幣千元 HK\$'000
福利負債	Benefit liability		
於1月1日	At 1 January	152,660	154,160
當期服務成本	Current service cost	3,730	3,950
過去服務成本	Past service cost		
– 計劃改變	– plan amendment	940	–
淨利息費用	Net interest cost	2,410	1,980
重新計量精算(盈餘)/虧損	Actuarial (gain)/losses on remeasurement	(48,650)	(3,930)
福利支付額	Benefit paid	(4,320)	(3,500)
於12月31日	At 31 December	106,770	152,660

Expected payment to the defined benefit plan in future years are as follows:

		2022 港幣千元 HK\$'000	2021 港幣千元 HK\$'000
未來12個月以內	Within the next 12 months	3,420	3,210
2年至5年	Between 2 and 5 years	15,180	14,670
6年至10年	Between 6 and 10 years	21,550	20,580
10年以上	Over 10 years	276,570	281,050
預期總開支	Total expected payments	316,720	319,510

界定利益福利承擔在報告期末之平均久期為19年。

The average duration of the defined benefit obligations at the end of the reporting period is 19 years.

財務報表附註

Notes to the Financial Statements

18. 董事、高層管理人員及主要人員酬金

(a) 董事酬金

本年度本集團就本銀行董事為本銀行及管理附屬公司提供之服務而已付及其應收未收之酬金詳情如下：

		2022	2021
		港幣千元	港幣千元
		HK\$'000	HK\$'000
袍金	Fees	3,110	2,924
其他酬金	Other emoluments	26,073	19,665
		29,183	22,589

(b) CG-5 下高級管理人員及主要人員的薪酬

按金管局發出之 CG-5《穩健的薪酬制度指引》，本年度本集團之高級管理人員及主要人員的薪酬詳情如下：

(i) 於年內授予的薪酬

		2022					
		高級管理人員 Senior Management			主要人員 Key Personnel		
		非遞延 Non- deferred	遞延 Deferred	總計 Total	非遞延 Non- deferred	遞延 Deferred	總計 Total
		港幣千元 HK\$'000	港幣千元 HK\$'000	港幣千元 HK\$'000	港幣千元 HK\$'000	港幣千元 HK\$'000	港幣千元 HK\$'000
固定薪酬	Fixed remuneration						
現金	Cash	30,559	-	30,559	23,188	-	23,188
其他形式	Other forms	3,589	-	3,589	1,874	-	1,874
浮動薪酬	Variable remuneration						
現金	Cash	6,791	9,291	16,082	7,402	4,934	12,336
		40,939	9,291	50,230	32,464	4,934	37,398

18. DIRECTORS', SENIOR MANAGEMENT'S AND KEY PERSONNEL'S EMOLUMENTS

(a) Directors' emoluments

Details of the emoluments paid to or receivable by the directors of the Bank in respect of their services rendered for the Bank and managing the subsidiaries within the Group during the year are as follows:

(b) Remuneration for Senior Management and Key Personnel under CG-5

Pursuant to CG-5 Guideline on a Sound Remuneration System issued by the HKMA, details of the remuneration for Senior Management and Key Personnel of the Group during the year are as follows:

(i) Remuneration awarded during the year

財務報表附註

Notes to the Financial Statements

18. 董事、高層管理人員及主要人員酬金 (續)

(b) CG-5 下高級管理人員及主要人員的薪酬 (續)

(i) 於年內授予的薪酬 (續)

18. DIRECTORS', SENIOR MANAGEMENT'S AND KEY PERSONNEL'S EMOLUMENTS (Cont'd)

(b) Remuneration for Senior Management and Key Personnel under CG-5 (Cont'd)

(i) Remuneration awarded during the year (Cont'd)

2021

		高級管理人員 Senior Management			主要人員 Key Personnel		
		非遞延 Non-deferred 港幣千元 HK\$'000	遞延 Deferred 港幣千元 HK\$'000	總計 Total 港幣千元 HK\$'000	非遞延 Non-deferred 港幣千元 HK\$'000	遞延 Deferred 港幣千元 HK\$'000	總計 Total 港幣千元 HK\$'000
固定薪酬	Fixed remuneration						
現金	Cash	30,473	-	30,473	24,480	-	24,480
其他形式	Other forms	4,222	-	4,222	1,837	-	1,837
浮動薪酬	Variable remuneration						
現金	Cash	7,093	9,447	16,540	7,651	5,627	13,278
		41,788	9,447	51,235	33,968	5,627	39,595

以上薪酬包括 10 名 (2021 年：11 名) 高級管理人員及 13 名 (2021 年：15 名) 主要人員。按 2022 年 12 月 31 日的相關人員名單作統計。

The remuneration above includes 10 (2021: 11) members of Senior Management and 13 (2021: 15) members of Key Personnel. The list of members is as of 31 December 2022.

(ii) 遞延薪酬

(ii) Deferred remuneration

		2022		2021	
		高級管理人員 Senior Management 港幣千元 HK\$'000	主要人員 Key Personnel 港幣千元 HK\$'000	高級管理人員 Senior Management 港幣千元 HK\$'000	主要人員 Key Personnel 港幣千元 HK\$'000
遞延薪酬	Deferred remuneration				
已歸屬	Vested	8,709	4,900	8,300	4,217
未歸屬	Unvested	18,911	9,270	18,490	9,496
		27,620	14,170	26,790	13,713
於 1 月 1 日	At 1 January	18,490	9,496	17,343	8,086
已授予	Awarded	9,291	4,934	9,447	5,627
已發放	Paid out	(6,158)	(2,611)	(4,720)	(1,498)
已發放 (予本年底已 非屬該類別人員)	Paid out for members not in this category at the end of this year	(2,551)	(2,289)	(3,580)	(2,719)
已離職	Resignation	(161)	(260)	-	-
於 12 月 31 日	At 31 December	18,911	9,270	18,490	9,496

財務報表附註

Notes to the Financial Statements

18. 董事、高層管理人員及主要人員 酬金 (續)

(b) CG-5 下高級管理人員及主要人員的薪酬 (續)

就披露用途，本部分提及的高級管理人員及主要人員乃根據金管局《穩健的薪酬制度指引》定義。

- 高級管理人員：董事會直接管理的高級管理人員，負責總體策略或重要業務，包括總裁、候補總裁、執行董事、副總裁、總監、其他管理層成員、董事會秘書及稽核部總經理。
- 主要人員：個人業務活動涉及重大風險承擔，對風險暴露有重大影響，或個人職責對風險管理有直接、重大影響，或對盈利有直接影響的人員，包括直接創利部門總經理、主要附屬公司第一責任人、交易主管，以及對風險管理有直接影響的職能單位第一責任人。

於該等合併財務報表的發表日期，上述執行董事、高級管理人員及主要人員截至2022年12月31日止年度的總薪酬尚未落實。本集團管理層相信，最終酬金與上述所披露金額的差額不會對本集團的綜合財務報表產生重大影響。

18. DIRECTORS', SENIOR MANAGEMENT'S AND KEY PERSONNEL'S EMOLUMENTS (Cont'd)

(b) Remuneration for Senior Management and Key Personnel under CG-5 (Cont'd)

For the purpose of disclosure, Senior Management and Key Personnel mentioned in this section are defined according to the HKMA's Guideline on a Sound Remuneration System.

- Senior Management: The senior executives directly managed by the Board who are responsible for oversight of the firm-wide strategy or material business lines, including Chief Executive, Alternate Chief Executive, Executive Directors, Deputy Chief Executives, Chief Officers, other members of Management, Board Secretary and General Manager of Audit Department.
- Key Personnel: The employees whose individual business activities involve the assumption of material risk which may have significant impact on risk exposure, or whose individual responsibilities are directly and materially linked to the risk management, or those who directly generate the profit, including heads of material business lines with direct generation of profits, heads of major subsidiaries, head of trading, as well as heads of risk control functions with direct influence.

As of the date of these issuance of consolidated financial statements, the above compensation packages including performance based bonus for executive directors, senior management and key personnel for the year ended 31 December 2022 has not been finalised. Management of the Group believes that the difference between the final emoluments and that disclosed above will not have significant impact on the consolidated financial statements of the Group.

財務報表附註

Notes to the Financial Statements

19. 庫存現金、存放及定放銀行及其他金融機構的結餘

19. CASH, BALANCES AND PLACEMENTS WITH BANKS AND OTHER FINANCIAL INSTITUTIONS

		2022 港幣千元 HK\$'000	2021 港幣千元 HK\$'000
庫存現金及存放銀行及其他金融機構的結餘	Cash and balances with banks and other financial institutions		
– 庫存現金	– Cash	590,060	544,912
– 存放中央銀行的結餘	– Balances with central banks	18,033,681	21,546,067
– 存放銀行及其他金融機構的結餘	– Balances with banks and other financial institutions	4,639,087	8,259,558
– 在銀行及其他金融機構一個月內到期之定期存放	– Placements with banks and other financial institutions maturing within one month	39,150,873	34,353,172
		62,413,701	64,703,709
減值準備	Impairment allowances	(346)	(397)
		62,413,355	64,703,312
在銀行及其他金融機構一至十二個月內到期之定期存放	Placements with banks and other financial institutions maturing between one and twelve months	4,601,699	2,684,305
減值準備	Impairment allowances	(281)	(164)
		4,601,418	2,684,141
		67,014,773	67,387,453

財務報表附註 Notes to the Financial Statements

19. 庫存現金、存放及定放銀行及其他金融機構的結餘(續)

相關減值準備之變化分析如下：

		第一階段 Stage 1 港幣千元 HK\$'000	第二階段 Stage 2 港幣千元 HK\$'000	第三階段 Stage 3 港幣千元 HK\$'000	總計 Total 港幣千元 HK\$'000
於2022年1月1日	At 1 January 2022	(561)	–	–	(561)
增加	Addition	(608)	–	–	(608)
終止確認或償還(不包括撇銷)	Derecognised or repaid (excluding written off)	503	–	–	503
減值參數的轉變	Changes to inputs used for impairment calculations	(69)	–	–	(69)
撇銷	Amounts written off	–	–	–	–
匯兌差額	Exchange difference	108	–	–	108
於2022年12月31日	At 31 December 2022	(627)	–	–	(627)

19. CASH, BALANCES AND PLACEMENTS WITH BANKS AND OTHER FINANCIAL INSTITUTIONS (Cont'd)

An analysis of changes in the corresponding impairment allowances is, as follows:

		第一階段 Stage 1 港幣千元 HK\$'000	第二階段 Stage 2 港幣千元 HK\$'000	第三階段 Stage 3 港幣千元 HK\$'000	總計 Total 港幣千元 HK\$'000
於2021年1月1日	At 1 January 2021	(1,977)	–	(75,380)	(77,357)
增加	Addition	(511)	–	–	(511)
終止確認或償還(不包括撇銷)	Derecognised or repaid (excluding written off)	1,752	–	–	1,752
減值參數的轉變	Changes to inputs used for impairment calculations	381	–	–	381
撇銷	Amounts written off	–	–	77,504	77,504
匯兌差額	Exchange difference	(206)	–	(2,124)	(2,330)
於2021年12月31日	At 31 December 2021	(561)	–	–	(561)

財務報表附註 Notes to the Financial Statements

20. 公允值變化計入損益之金融資產

20. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

		強制性以公允 值變化計入損益 Mandatorily measured at fair value through profit or loss					
		交易性 Trading		非交易性 Non trading		總計 Total	
		2022	2021	2022	2021	2022	2021
		港幣千元 HK\$'000	港幣千元 HK\$'000	港幣千元 HK\$'000	港幣千元 HK\$'000	港幣千元 HK\$'000	港幣千元 HK\$'000
按公允值列賬	At fair value						
庫券	Treasury bills	6,180,799	7,252,326	–	–	6,180,799	7,252,326
存款證	Certificates of deposit	190,238	–	–	–	190,238	–
其他債務證券	Other debt securities	249,875	–	39,200	759,598	289,075	759,598
		6,620,912	7,252,326	39,200	759,598	6,660,112	8,011,924
股份證券	Equity securities	–	–	1,417,583	1,572,391	1,417,583	1,572,391
其他	Others	–	–	10,536,257	17,438,255	10,536,257	17,438,255
		6,620,912	7,252,326	11,993,040	19,770,244	18,613,952	27,022,570

於2022年12月31日，沒有界定為以公允值變化計入損益之金融資產(2021：無)。

As at 31 December 2022, there were no financial assets designated at fair value through profit or loss (2021: Nil).

公允值變化計入損益之金融資產按上市地之分類如下：

Financial assets at fair value through profit or loss are analysed by place of listing as follows:

		強制性以公允 值變化計入損益 Mandatorily measured at fair value through profit or loss			
		交易性 Trading		非交易性 Non trading	
		2022	2021	2022	2021
		港幣千元 HK\$'000	港幣千元 HK\$'000	港幣千元 HK\$'000	港幣千元 HK\$'000
債務證券	Debt securities				
– 於香港以外上市	– Listed outside Hong Kong	25,518	–	–	–
– 非上市	– Unlisted	6,595,394	7,252,326	39,200	759,598
股份證券	Equity securities				
– 於香港以外上市	– Listed outside Hong Kong	–	–	–	101,430
– 非上市	– Unlisted	–	–	1,417,583	1,470,961
其他	Others				
– 非上市	– Unlisted	–	–	10,536,257	17,438,255
		6,620,912	7,252,326	11,993,040	19,770,244

財務報表附註 Notes to the Financial Statements

20. 公允價值變化計入損益之金融資產 (續)

公允價值變化計入損益之金融資產按發行機構之分類如下：

		交易性 Trading		強制性以公允 價值變化計入損益 Mandatorily measured at fair value through profit or loss 非交易性 Non trading	
		2022 港幣千元 HK\$'000	2021 港幣千元 HK\$'000	2022 港幣千元 HK\$'000	2021 港幣千元 HK\$'000
官方實體	Sovereigns	6,180,799	7,252,326	–	–
公營單位	Public sector entities	84,098	–	–	–
銀行及其他金融機構	Banks and other financial institutions	306,428	–	10,536,257	17,438,255
公司企業	Corporate entities	49,587	–	1,456,783	2,331,989
		6,620,912	7,252,326	11,993,040	19,770,244

21. 衍生金融工具及對沖會計

集團訂立下列匯率、利率及商品相關的衍生金融工具合約作買賣及風險管理之用：

貨幣遠期是指於未來某一日期買或賣外幣的承諾。

貨幣、利率及貴金屬掉期是指交換不同現金流或商品的承諾。掉期的結果是交換不同貨幣、利率(如固定利率與浮動利率)或貴金屬(如黃金掉期)或以上的所有組合(如交叉貨幣利率掉期)。除某些貨幣掉期合約外，該等交易無需交換本金。

外匯期權是指期權的賣方(出讓方)為買方(持有方)提供在未來某一特定日期或未來一定時期內按約定的價格買進(認購期權)或賣出(認沽期權)一定數量的金融工具的權利(而非承諾)的一種協議。考慮到外匯風險，期權的賣方從購買方收取一定的期權費。本集團期權合約是與對手方在場外協商達成。

20. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS (Cont'd)

Financial assets at fair value through profit or loss are analysed by type of issuer as follows:

		Trading		Mandatorily measured at fair value through profit or loss Non trading	
		2022 HK\$'000	2021 HK\$'000	2022 HK\$'000	2021 HK\$'000
Sovereigns	Official entities	6,180,799	7,252,326	–	–
Public sector entities	公營單位	84,098	–	–	–
Banks and other financial institutions	銀行及其他金融機構	306,428	–	10,536,257	17,438,255
Corporate entities	公司企業	49,587	–	1,456,783	2,331,989
		6,620,912	7,252,326	11,993,040	19,770,244

21. DERIVATIVE FINANCIAL INSTRUMENTS AND HEDGE ACCOUNTING

The Group enters into the following exchange rate, interest rate and commodity related derivative financial instrument contracts for trading and risk management purposes:

Currency forwards represent commitments to purchase and sell foreign currency on a future date.

Currency, interest rate and precious metal swaps are commitments to exchange one set of cash flows or commodity for another. Swaps result in an exchange of currencies, interest rates (for example, fixed rate for floating rate), or precious metals (for example, gold swaps) or a combination of all these (for example, cross-currency interest rate swaps). Except for certain currency swap contracts, no exchange of principal takes place.

Foreign currency options are contractual agreements under which the seller (writer) grants the purchaser (holder) the right, but not the obligation, either to buy (a call option) or sell (a put option) at or by a set date or during a set period, a specific amount of the financial instrument at a predetermined price. In consideration for the assumption of foreign exchange risk, the seller receives a premium from the purchaser. Options are negotiated over-the-counter between the Group and its counterparty.

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21. 衍生金融工具及對沖會計 (續)

本集團之衍生金融工具合約／名義數額及其公允值詳列於下表。各類型金融工具的合約／名義數額僅顯示於資產負債表日未完成之交易量，而若干金融工具之合約／名義數額則提供了一個與資產負債表內所確認的公允值資產或負債的對比基礎。但是，這並不反映所涉及的未來的現金流或當前的公允值，因而也不能反映本集團所面臨的信貸風險或市場風險。隨著與衍生金融工具合約條款相關的匯率、市場利率或貴金屬價格價格的波動，衍生金融工具的估值可能產生有利（資產）或不利（負債）的影響，這些影響可能在不同期間有較大的波動。

(a) 衍生金融工具

本集團進行場外衍生產品交易的主要目的是開展客戶業務。集團與客戶及同業市場做的衍生產品交易均需嚴格遵從本集團各相關風險管理政策及規定。

衍生產品亦應用於管理銀行賬的利率風險，只有在獲批准之產品名單上載有的衍生產品方可進行交易。由衍生產品交易產生的風險承擔名義數額以設限控制，並制訂交易的最長期限。每宗衍生產品交易必須記錄於相應的系統，以進行結算、市場劃價、報告及監控。

21. DERIVATIVE FINANCIAL INSTRUMENTS AND HEDGE ACCOUNTING (Cont'd)

The contract/notional amounts and fair values of derivative financial instruments held by the Group are set out in the following tables. The contract/notional amounts of these instruments indicate the volume of transactions outstanding at the balance sheet dates and certain of them provide a basis for comparison with fair value instruments recognised on the balance sheet. However, they do not necessarily indicate the amounts of future cash flows involved or the current fair values of the instruments and, therefore, do not indicate the Group's exposure to credit or market risks. The derivative financial instruments become favourable (assets) or unfavourable (liabilities) as a result of fluctuations in foreign exchange rates, market interest rates or metal prices relative to their terms. The aggregate fair values of derivative financial instruments can fluctuate significantly from time to time.

(a) Derivative financial instruments

The Group trades OTC derivative products mainly for customer business. The Group strictly follows risk management policies and requirement in providing derivative products to our customers and in trading of derivative products in the interbank market.

Derivatives are also used to manage the interest rate risk of the banking book. A derivative instrument must be included in the approved product list before any transactions for that instrument can be made. There are limits to control the notional amount of exposure arising from derivative transactions, and the maximum tenor of the deal is set. Every derivative transaction must be input into the relevant system for settlement, mark-to-market revaluation, reporting and control.

財務報表附註 Notes to the Financial Statements

21. 衍生金融工具及對沖會計(續)

(a) 衍生金融工具(續)

下表概述各類衍生金融工具於12月31日之合約/名義數額和公允值：

21. DERIVATIVE FINANCIAL INSTRUMENTS AND HEDGE ACCOUNTING (Cont'd)

(a) Derivative financial instruments (Cont'd)

The following tables summarise the contract/notional amounts and fair value of each class of derivative financial instrument as at 31 December:

		合約/ 名義數額 Contract/ notional amounts 港幣千元 HK\$'000	2022 公允值 Fair values	
			資產 Assets 港幣千元 HK\$'000	負債 Liabilities 港幣千元 HK\$'000
匯率合約	Exchange rate contracts			
即期及遠期	Spot and forwards	13,424,969	485,638	(274,076)
掉期	Swaps	68,074,050	620,072	(439,025)
外匯交易期權	Foreign currency options			
– 買入期權	– Options purchased	1,400,943	157,027	(121,422)
– 賣出期權	– Options written	1,400,943	16,985	(52,650)
		84,300,905	1,279,722	(887,173)
利率合約	Interest rate contracts			
掉期	Swaps	44,654,907	600,330	(224,562)
商品合約	Commodity contracts	453,723	4,893	(1,046)
		129,409,535	1,884,945	(1,112,781)

		合約/ 名義數額 Contract/ notional amounts 港幣千元 HK\$'000	2021 公允值 Fair values	
			資產 Assets 港幣千元 HK\$'000	負債 Liabilities 港幣千元 HK\$'000
匯率合約	Exchange rate contracts			
即期及遠期	Spot and forwards	5,982,586	281,426	(108,275)
掉期	Swaps	47,764,446	237,686	(244,682)
外匯交易期權	Foreign currency options			
– 買入期權	– Options purchased	981,200	75,561	(20,204)
– 賣出期權	– Options written	981,200	19,974	(49,604)
		55,709,432	614,647	(422,765)
利率合約	Interest rate contracts			
掉期	Swaps	93,256,035	211,510	(384,668)
商品合約	Commodity contracts	820,999	8,807	(7,237)
		149,786,466	834,964	(814,670)

財務報表附註 Notes to the Financial Statements

21. 衍生金融工具及對沖會計 (續)

(b) 對沖會計

公允值對沖

本集團利用利率掉期合約對沖由市場利率引致的金融資產公允值變動。

下表概述了於2022年12月31日以剩餘合約到期日列示之對沖工具的合約／名義數額。

21. DERIVATIVE FINANCIAL INSTRUMENTS AND HEDGE ACCOUNTING (Cont'd)

(b) Hedge accounting

Fair value hedges

The Group uses interest rate swaps to hedge against change in fair value of financial assets arising from movements in market interest rates.

The table below summarises the contract/notional amounts of the hedging instruments as at 31 December 2022 by remaining contractual maturity.

		2022					
		一個月內	一至三個月	三至十二個月	一至五年	五年以上	總計
		Up to	1 to 3	3 to 12	1 to 5	Over	Total
		1 month	months	months	years	5 years	Total
		港幣千元	港幣千元	港幣千元	港幣千元	港幣千元	港幣千元
		HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
利率掉期	Interest rate swaps	241,730	-	659,690	8,176,865	294,944	9,373,229

		2021					
		一個月內	一至三個月	三至十二個月	一至五年	五年以上	總計
		Up to	1 to 3	3 to 12	1 to 5	Over	Total
		1 month	months	months	years	5 years	Total
		港幣千元	港幣千元	港幣千元	港幣千元	港幣千元	港幣千元
		HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
利率掉期	Interest rate swaps	-	-	1,019,718	5,600,425	100,000	6,720,143

財務報表附註

Notes to the Financial Statements

21. 衍生金融工具及對沖會計 (續)

(b) 對沖會計 (續)

公允值對沖 (續)

界定為對沖工具之相關金額如下：

21. DERIVATIVE FINANCIAL INSTRUMENTS AND HEDGE ACCOUNTING (Cont'd)

(b) Hedge accounting (Cont'd)

Fair value hedges (Cont'd)

The amounts relating to items designated as hedging instruments are as follows:

		2022			用以確認對沖 無效部分之 公允值變動 Change in fair value used for recognising hedge ineffectiveness 港幣千元 HK\$'000
		公允值 Fair values			
		合約/ 名義數額 Contract/ notional amounts 港幣千元 HK\$'000	資產 Assets 港幣千元 HK\$'000	負債 Liabilities 港幣千元 HK\$'000	
		港幣千元 HK\$'000	港幣千元 HK\$'000	港幣千元 HK\$'000	
衍生金融工具	Derivative financial instruments				
利率掉期	Interest rate swaps	9,373,229	391,718	5,725	-
		2021			用以確認對沖 無效部分之 公允值變動 Change in fair value used for recognising hedge ineffectiveness 港幣千元 HK\$'000
		公允值 Fair values			
		合約/ 名義數額 Contract/ notional amounts 港幣千元 HK\$'000	資產 Assets 港幣千元 HK\$'000	負債 Liabilities 港幣千元 HK\$'000	
		港幣千元 HK\$'000	港幣千元 HK\$'000	港幣千元 HK\$'000	
衍生金融工具	Derivative financial instruments				
利率掉期	Interest rate swaps	6,720,143	12,262	148,141	-

財務報表附註

Notes to the Financial Statements

21. 衍生金融工具及對沖會計 (續)

(b) 對沖會計 (續)

公允值對沖 (續)

被對沖項目之相關金額如下：

		2022		
		賬面值	計入賬面值的 公允值對沖 調整累計金額 Accumulated amount of fair value hedge adjustment included in the carrying amounts	用以確認對 沖無效部分 之價值變動 Change in value used for recognising hedge ineffectiveness
		Carrying amounts	included in the carrying amounts	recognising hedge ineffectiveness
		港幣千元 HK\$'000	港幣千元 HK\$'000	港幣千元 HK\$'000
金融投資	Financial investments			
債務證券及存款證	Debt securities and certificates of deposit	9,054,605	(315,747)	–
		2021		
		賬面值	計入賬面值的 公允值對沖 調整累計金額 Accumulated amount of fair value hedge adjustment included in the carrying amounts	用以確認對 沖無效部分 之價值變動 Change in value used for recognising hedge ineffectiveness
		Carrying amounts	included in the carrying amounts	recognising hedge ineffectiveness
		港幣千元 HK\$'000	港幣千元 HK\$'000	港幣千元 HK\$'000
金融投資	Financial investments			
債務證券及存款證	Debt securities and certificates of deposit	7,006,977	175,395	–

財務報表附註

Notes to the Financial Statements

21. 衍生金融工具及對沖會計 (續)

(b) 對沖會計 (續)

公允值對沖 (續)

確認對沖無效部分如下：

		2022	2021
		港幣千元	港幣千元
		HK\$'000	HK\$'000
淨交易性收益	Net trading gain	-	-

(c) 基準利率改革

於2022年12月31日，對沖會計關係中指定的利率衍生工具的合約／名義金額港幣4,841,000,000元(2021年：港幣4,841,000,000元)代表本集團管理並直接受基準利率改革影響且在第一階段基準利率改革修訂範圍內的風險承擔。在英國金融行為監管局於2021年3月宣布大部分美元倫敦銀行同業拆息基準利率將會由2021年12月31日繼續發布至2023年6月30日之後，本年年末的風險承擔已排除了與2023年6月30日之前到期以美元倫敦銀行同業拆息基準利率定價的利率衍生工具，除以1星期和2個月的美元倫敦銀行同業拆息基準利率定價的利率衍生工具，因為這些利率衍生工具將於相關基準利率要求過渡前到期。

21. DERIVATIVE FINANCIAL INSTRUMENTS AND HEDGE ACCOUNTING (Cont'd)

(b) Hedge accounting (Cont'd)

Fair value hedges (Cont'd)

Hedge ineffectiveness recognised is as follows:

		2022	2021
		港幣千元	港幣千元
		HK\$'000	HK\$'000
淨交易性收益	Net trading gain	-	-

(c) Interest rate benchmark reform

At 31 December 2022, HK\$4,841,000,000 (2021: HK\$4,841,000,000) of the contract/notional amounts of interest rate derivatives designated in hedge accounting relationships represent the extent of the risk exposure managed by the Group that is directly affected by interest rate benchmark reform and in scope of Phase 1 amendments. The exposure at current year end excluded interest rate derivatives referenced to USD LIBOR maturing before 30 June 2023, except those referenced to 1-week and 2-month USD LIBOR, after the announcement by the Financial Conduct Authority ("FCA"), the UK regulator, in March 2021 that the publication date of most USD LIBOR tenors are extended from 31 December 2021 to 30 June 2023. Therefore, these exposures will expire before a transition is required.

財務報表附註 Notes to the Financial Statements

22. 貸款及其他賬項

22. ADVANCES AND OTHER ACCOUNTS

		2022	2021
		港幣千元	港幣千元
		HK\$'000	HK\$'000
個人貸款	Personal loans and advances	56,085,284	63,247,755
公司貸款	Corporate loans and advances	237,680,000	232,315,106
客戶貸款	Advances to customers	293,765,284	295,562,861
減值準備	Impairment allowances	(4,064,989)	(4,013,016)
		289,700,295	291,549,845
貿易票據	Trade bills	610,399	487,550
減值準備	Impairment allowances	(39)	(30)
		610,360	487,520
銀行及其他金融機構貸款	Advances to banks and other financial institutions	156,566	–
減值準備	Impairment allowances	(32)	–
		156,534	–
		290,467,189	292,037,365

於2022年12月31日，客戶貸款包括應計利息港幣885,929,000元(2021年：港幣543,479,000元)。

As at 31 December 2022, advances to customers included accrued interest of HK\$885,929,000 (2021: HK\$543,479,000).

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22. 貸款及其他賬項(續)

提取減值準備前之總貸款及其他賬項按階段分析如下：

22. ADVANCES AND OTHER ACCOUNTS (Cont'd)

Gross advances and other accounts before impairment allowances are analysed by stage classification as follows:

		2022			
		第一階段	第二階段	第三階段	總計
		Stage 1	Stage 2	Stage 3	Total
		港幣千元	港幣千元	港幣千元	港幣千元
		HK\$'000	HK\$'000	HK\$'000	HK\$'000
客戶貸款	Advances to customers	282,845,566	7,423,013	3,496,705	293,765,284
貿易票據	Trade bills	610,399	–	–	610,399
銀行及其他金融機構貸款	Advances to banks and other financial institutions	156,566	–	–	156,566
總計	Total	283,612,531	7,423,013	3,496,705	294,532,249

		2021			
		第一階段	第二階段	第三階段	總計
		Stage 1	Stage 2	Stage 3	Total
		港幣千元	港幣千元	港幣千元	港幣千元
		HK\$'000	HK\$'000	HK\$'000	HK\$'000
客戶貸款	Advances to customers	286,360,971	4,772,799	4,429,091	295,562,861
貿易票據	Trade bills	487,550	–	–	487,550
銀行及其他金融機構貸款	Advances to banks and other financial institutions	–	–	–	–
總計	Total	286,848,521	4,772,799	4,429,091	296,050,411

財務報表附註

Notes to the Financial Statements

22. 貸款及其他賬項(續)

相關減值準備之變化分析如下：

22. ADVANCES AND OTHER ACCOUNTS (Cont'd)

An analysis of changes in the corresponding impairment allowances is, as follows:

		第一階段 Stage 1 港幣千元 HK\$'000	第二階段 Stage 2 港幣千元 HK\$'000	第三階段 Stage 3 港幣千元 HK\$'000	總計 Total 港幣千元 HK\$'000
於2022年1月1日	At 1 January 2022	(1,313,109)	(167,896)	(2,532,041)	(4,013,046)
增加	Addition	(759,779)	-	-	(759,779)
終止確認或償還(不包括撇銷)	Derecognised or repaid (excluding written off)	518,343	71,395	84,671	674,409
轉至第一階段	Transfers to Stage 1	(14,400)	14,400	-	-
轉至第二階段	Transfers to Stage 2	20,988	(20,988)	-	-
轉至第三階段	Transfers to Stage 3	17,431	48,669	(66,100)	-
期內各階段之間風險承擔轉撥對 未預期損失的影響	Impact on period end ECLs of exposures transferred between stages during the period	7,411	(376,499)	(531,302)	(900,390)
減值參數的轉變	Changes to inputs used for impairment calculations	98,068	(96,888)	(550,448)	(549,268)
收回已撇銷賬項	Recoveries	-	-	(24,238)	(24,238)
撇銷之貸款	Loans written off	-	-	1,307,438	1,307,438
匯兌差額	Exchange difference	53,214	4,934	141,666	199,814
於2022年12月31日	At 31 December 2022	(1,371,833)	(522,873)	(2,170,354)	(4,065,060)
		第一階段 Stage 1 港幣千元 HK\$'000	第二階段 Stage 2 港幣千元 HK\$'000	第三階段 Stage 3 港幣千元 HK\$'000	總計 Total 港幣千元 HK\$'000
於2021年1月1日	At 1 January 2021	(1,228,412)	(96,965)	(1,804,583)	(3,129,960)
增加	Addition	(805,059)	-	-	(805,059)
終止確認或償還(不包括撇銷)	Derecognised or repaid (excluding written off)	538,184	38,487	524,281	1,100,952
轉至第一階段	Transfers to Stage 1	(40,180)	40,180	-	-
轉至第二階段	Transfers to Stage 2	14,024	(14,024)	-	-
轉至第三階段	Transfers to Stage 3	31,378	644	(32,022)	-
期內各階段之間風險承擔轉撥對 期末預期損失的影響	Impact on period end ECLs of exposures transferred between stages during the period	33,784	(119,642)	(1,270,175)	(1,356,033)
減值參數的轉變	Changes to inputs used for impairment calculations	185,574	(18,701)	(519,882)	(353,009)
收回已撇銷賬項	Recoveries	-	-	(84,473)	(84,473)
撇銷之貸款	Loans written off	-	-	678,059	678,059
匯兌差額	Exchange difference	(42,402)	2,125	(23,246)	(63,523)
於2021年12月31日	At 31 December 2021	(1,313,109)	(167,896)	(2,532,041)	(4,013,046)

財務報表附註 Notes to the Financial Statements

23. 金融投資

23. FINANCIAL INVESTMENTS

		2022		
		以公允價值變化計 入其他全面收益	以攤餘 成本作計量	總計
		At fair value through other comprehensive income	At amortised cost	Total
		港幣千元 HK\$'000	港幣千元 HK\$'000	港幣千元 HK\$'000
庫券	Treasury bills	60,061,111	11,212,935	71,274,046
其他債務證券	Other debt securities	74,512,517	2,018,018	76,530,535
		134,573,628	13,230,953	147,804,581
存款證	Certificates of deposit	3,370,199	–	3,370,199
債務證券及存款證總額	Total debt securities and certificates of deposit	137,943,827	13,230,953	151,174,780
減值準備	Impairment allowances	–	(1,264)	(1,264)
		137,943,827	13,229,689	151,173,516
股份證券	Equity securities	21,844	–	21,844
		137,965,671	13,229,689	151,195,360

財務報表附註 Notes to the Financial Statements

23. 金融投資(續)

23. FINANCIAL INVESTMENTS (Cont'd)

		2021		
		以公允價值變化計 入其他全面收益	以攤餘 成本作計量	總計
		At fair value through other comprehensive income	At amortised cost	Total
		港幣千元 HK\$'000	港幣千元 HK\$'000	港幣千元 HK\$'000
庫券	Treasury bills	52,059,928	–	52,059,928
其他債務證券	Other debt securities	82,293,940	–	82,293,940
		134,353,868		134,353,868
存款證	Certificates of deposit	3,011,642	–	3,011,642
債務證券及存款證總額	Total debt securities and certificates of deposit	137,365,510	–	137,365,510
其他	Others	–	592,486	592,486
減值準備	Impairment allowances	–	–	–
		–	592,486	592,486
股份證券	Equity securities	49,933	–	49,933
		137,415,443	592,486	138,007,929

財務報表附註 Notes to the Financial Statements

23. 金融投資(續)

相關以公允值變化計入其他全面收益之金融投資的減值準備之變化分析如下：

23. FINANCIAL INVESTMENTS (Cont'd)

An analysis of changes in the corresponding impairment allowances of financial investments at fair value through other comprehensive income is, as follows:

		第一階段 Stage 1 港幣千元 HK\$'000	第二階段 Stage 2 港幣千元 HK\$'000	第三階段 Stage 3 港幣千元 HK\$'000	總計 Total 港幣千元 HK\$'000
於2022年1月1日	At 1 January 2022	(97,269)	–	(182,098)	(279,367)
增加	Addition	(23,587)	–	–	(23,587)
終止確認或償還(不包括撇銷)	Derecognised or repaid (excluding written off)	28,483	–	–	28,483
減值參數的轉變	Changes to inputs used for impairment calculations	(8,179)	–	(1,246)	(9,425)
匯兌差額	Exchange difference	1,010	–	1,215	2,225
於2022年12月31日	At 31 December 2022	(99,542)	–	(182,129)	(281,671)

		第一階段 Stage 1 港幣千元 HK\$'000	第二階段 Stage 2 港幣千元 HK\$'000	第三階段 Stage 3 港幣千元 HK\$'000	總計 Total 港幣千元 HK\$'000
於2021年1月1日	At 1 January 2021	(58,907)	–	(181,024)	(239,931)
增加	Addition	(50,639)	–	–	(50,639)
終止確認或償還(不包括撇銷)	Derecognised or repaid (excluding written off)	19,384	–	–	19,384
減值參數的轉變	Changes to inputs used for impairment calculations	(5,575)	–	(1,074)	(6,649)
匯兌差額	Exchange difference	(1,532)	–	–	(1,532)
於2021年12月31日	At 31 December 2021	(97,269)	–	(182,098)	(279,367)

財務報表附註

Notes to the Financial Statements

23. 金融投資 (續)

相關以攤餘成本作計量之金融投資的減值準備之變化分析如下：

23. FINANCIAL INVESTMENTS (Cont'd)

An analysis of changes in the corresponding impairment allowances of financial investments at amortised cost is, as follows:

		第一階段 Stage 1 港幣千元 HK\$'000	第二階段 Stage 2 港幣千元 HK\$'000	第三階段 Stage 3 港幣千元 HK\$'000	總計 Total 港幣千元 HK\$'000
於2022年1月1日	At 1 January 2022	-	-	-	-
增加	Addition	(1,264)	-	-	(1,264)
減值參數的轉變	Changes to inputs used for impairment calculations	-	-	(219,927)	(219,927)
撇銷之貸款	Loans written off	-	-	217,539	217,539
匯兌差額	Exchange difference	-	-	2,388	2,388
於2022年12月31日	At 31 December 2022	(1,264)	-	-	(1,264)

		第一階段 Stage 1 港幣千元 HK\$'000	第二階段 Stage 2 港幣千元 HK\$'000	第三階段 Stage 3 港幣千元 HK\$'000	總計 Total 港幣千元 HK\$'000
於2021年1月1日	At 1 January 2021	(12,115)	(55,322)	-	(67,437)
終止確認或償還(不包括撇銷)	Derecognised or repaid (excluding written off)	12,115	-	-	12,115
轉至第三階段	Transfers to Stage 3	-	55,322	(55,322)	-
減值參數的轉變	Changes to inputs used for impairment calculations	-	-	55,322	55,322
於2021年12月31日	At 31 December 2021	-	-	-	-

財務報表附註 Notes to the Financial Statements

23. 金融投資(續)

金融投資按上市地之分類如下：

23. FINANCIAL INVESTMENTS (Cont'd)

Financial investments are analysed by place of listing as follows:

		2022	
		以公允價值變化計入其他全面收益 At fair value through other comprehensive income 港幣千元 HK\$'000	以攤餘成本作計量 At amortised cost 港幣千元 HK\$'000
債務證券及存款證	Debt securities and certificates of deposit		
– 於香港上市	– Listed in Hong Kong	11,323,646	–
– 於香港以外上市	– Listed outside Hong Kong	6,509,470	–
		17,833,116	–
– 非上市	– Unlisted	120,110,711	13,229,689
		137,943,827	13,229,689
股份證券	Equity securities		
– 非上市	– Unlisted	21,844	–
總計	Total	137,965,671	13,229,689
持有至到期日之上市證券市值	Market value of listed securities at amortised cost		–

		2021	
		以公允價值變化計入其他全面收益 At fair value through other comprehensive income 港幣千元 HK\$'000	以攤餘成本作計量 At amortised cost 港幣千元 HK\$'000
債務證券及存款證	Debt securities and certificates of deposit		
– 於香港上市	– Listed in Hong Kong	16,850,300	–
– 於香港以外上市	– Listed outside Hong Kong	10,362,245	–
		27,212,545	–
– 非上市	– Unlisted	110,152,965	–
		137,365,510	–
其他	Others		
– 非上市	– Unlisted	–	592,486
股份證券	Equity securities		
– 非上市	– Unlisted	49,933	–
總計	Total	137,415,443	592,486
持有至到期日之上市證券市值	Market value of listed securities at amortised cost		–

財務報表附註 Notes to the Financial Statements

23. 金融投資(續)

金融投資按發行機構之分類如下：

23. FINANCIAL INVESTMENTS (Cont'd)

Financial investments are analysed by type of issuer as follows:

		2022	
		以公允價值變化計入其他全面收益	以攤餘成本作計量
		At fair value through other comprehensive income	At amortised cost
		港幣千元 HK\$'000	港幣千元 HK\$'000
官方實體	Sovereigns	60,061,111	11,212,627
公營單位	Public sector entities	3,029,029	301,379
銀行及其他金融機構	Banks and other financial institutions	52,741,552	1,515,299
公司企業	Corporate entities	22,133,979	200,384
		137,965,671	13,229,689

		2021	
		以公允價值變化計入其他全面收益	以攤餘成本作計量
		At fair value through other comprehensive income	At amortised cost
		港幣千元 HK\$'000	港幣千元 HK\$'000
官方實體	Sovereigns	52,139,025	–
公營單位	Public sector entities	2,969,648	–
銀行及其他金融機構	Banks and other financial institutions	54,799,251	592,486
公司企業	Corporate entities	27,507,519	–
		137,415,443	592,486

於2022年12月31日，包括在《銀行業(資本)規則》內分類為認可公營單位的以公允價值變化計入其他全面收益的金融投資為港幣3,029,029,000元(2021年：港幣2,969,648,000)。

As at 31 December 2022, included financial investments at fair value through other comprehensive income of HK\$3,029,029,000 which are eligible to be classified as public sector entities under the Banking (Capital) Rules (2021: HK\$2,969,648,000).

於2022年12月31日，包括在《銀行業(資本)規則》內分類為認可公營單位的以攤餘成本作計量的金融投資為港幣301,379,000元(2021年：無)。

As at 31 December 2022, included financial investments at amortised cost of HK\$301,379,000 which are eligible to be classified as public sector entities under the Banking (Capital) Rules (2021: Nil).

財務報表附註 Notes to the Financial Statements

24. 投資物業

24. INVESTMENT PROPERTIES

		2022 港幣千元 HK\$'000	2021 港幣千元 HK\$'000
於1月1日	At 1 January	327,610	341,080
公允值虧損	Fair value losses	(6,920)	–
重新分類轉撥自／(至)物業、 器材及設備(附註25)	Reclassification from/(to) properties, plant and equipment (Note 25)	238,450	(13,470)
於12月31日	At 31 December	559,140	327,610

投資物業之賬面值按租約剩餘期限分析如下：

The carrying value of investment properties is analysed based on the remaining terms of the leases as follows:

		2022 港幣千元 HK\$'000	2021 港幣千元 HK\$'000
在香港持有	Held in Hong Kong		
長期租約(超過50年)	On long-term lease (over 50 years)	258,020	153,240
中期租約(10年至50年)	On medium-term lease (10 to 50 years)	301,120	174,370
		559,140	327,610

於2022年12月31日，列於資產負債表內之投資物業，乃依據獨立特許測量師萊坊測計師行有限公司於2022年12月31日以公允值為基準所進行之專業估值。公允值指在計量當日若有秩序成交的情況下向市場參與者出售每一項投資物業應取得的價格。

As at 31 December 2022, investment properties were included in the balance sheet at valuation carried out at 31 December 2022 on the basis of their fair value by an independent firm of chartered surveyors, Knight Frank Petty Limited. The fair value represents the price that would be received to sell each investment property in an orderly transaction with market participants at the measurement date.

財務報表附註 Notes to the Financial Statements

25. 物業、器材及設備

25. PROPERTIES, PLANT AND EQUIPMENT

		房產 Premises 港幣千元 HK\$'000	設備、固定 設施及裝備 Equipment, fixtures and fittings 港幣千元 HK\$'000	使用權資產 Right-of-use assets 港幣千元 HK\$'000	總計 Total 港幣千元 HK\$'000
於2022年1月1日之 賬面淨值	Net book value at 1 January 2022	7,276,454	653,591	829,721	8,759,766
增置	Additions	1,235,050	208,365	236,541	1,679,956
出售／終止確認	Disposals/Derecognition	(37,393)	(16,181)	(369)	(53,943)
重估	Revaluation	(95,196)	–	–	(95,196)
年度折舊	Depreciation for the year	(165,796)	(118,625)	(241,779)	(526,200)
重新分類轉撥自／(至) 投資物業(附註24)	Reclassification from/(to) investment properties, net (Note 24)	(238,450)	–	–	(238,450)
轉出至其他資產 (附註26)	Transfer to other assets (Note 26)	–	(279,427)	–	(279,427)
匯兌差額	Exchange difference	(72,752)	(30,857)	(53,651)	(157,260)
於2022年12月31日之 賬面淨值	Net book value at 31 December 2022	7,901,917	416,866	770,463	9,089,246
於2022年12月31日 成本值或估值	At 31 December 2022 Cost or valuation	7,901,917	1,137,166	1,189,391	10,228,474
累計折舊	Accumulated depreciation	–	(720,300)	(418,928)	(1,139,228)
於2022年12月31日之 賬面淨值	Net book value at 31 December 2022	7,901,917	416,866	770,463	9,089,246
上述資產之成本值或估值 分析如下：	The analysis of cost or valuation of the above assets is as follows:				
於2022年12月31日 按成本值	At 31 December 2022 At cost	–	1,137,166	1,189,391	2,326,557
按估值	At valuation	7,901,917	–	–	7,901,917
		7,901,917	1,137,166	1,189,391	10,228,474

賬面淨值為港幣279,427,000元，成本為港幣468,918,000元，累計攤銷為港幣189,491,000元的應用軟件，於2022年6月30日轉為其他資產，並作為無形資產列報。

Application software with net book value of HK\$279,427,000, representing cost of HK\$468,918,000 and accumulated amortisation of HK\$189,491,000, was transferred to other assets and presented as intangible assets on 30 June 2022.

財務報表附註 Notes to the Financial Statements

25. 物業、器材及設備(續)

25. PROPERTIES, PLANT AND EQUIPMENT

(Cont'd)

		房產 Premises 港幣千元 HK\$'000	設備、固定 設施及裝備 Equipment, fixtures and fittings 港幣千元 HK\$'000	使用權資產 Right-of-use assets 港幣千元 HK\$'000	總計 Total 港幣千元 HK\$'000
於2021年1月1日之 賬面淨值	Net book value at 1 January 2021	7,220,090	553,131	447,517	8,220,738
增置	Additions	100,786	250,396	610,924	962,106
出售/終止確認	Disposals/Derecognition	–	(10,921)	(627)	(11,548)
重估	Revaluation	69,379	–	–	69,379
年度折舊	Depreciation for the year	(148,776)	(151,233)	(234,402)	(534,411)
重新分類轉撥自投資物業 (附註24)	Reclassification from investment properties	13,470	–	–	13,470
匯兌差額	Exchange difference	21,505	12,218	6,309	40,032
於2021年12月31日之 賬面淨值	Net book value at 31 December 2021	7,276,454	653,591	829,721	8,759,766
於2021年12月31日 成本值或估值	At 31 December 2021 Cost or valuation	7,276,454	1,575,447	1,293,292	10,145,193
累計折舊	Accumulated depreciation	–	(921,856)	(463,571)	(1,385,427)
於2021年12月31日之 賬面淨值	Net book value at 31 December 2021	7,276,454	653,591	829,721	8,759,766
上述資產之成本值或估值 分析如下：	The analysis of cost or valuation of the above assets is as follows:				
於2021年12月31日 按成本值	At 31 December 2021 At cost	–	1,575,447	1,293,292	2,868,739
按估值	At valuation	7,276,454	–	–	7,276,454
		7,276,454	1,575,447	1,293,292	10,145,193

財務報表附註

Notes to the Financial Statements

25. 物業、器材及設備(續)

房產之賬面值按租約剩餘期限分析如下：

		2022	2021
		港幣千元	港幣千元
		HK\$'000	HK\$'000
在香港持有	Held in Hong Kong		
長期租約(超過50年)	On long-term lease (over 50 years)	3,408,356	3,897,750
中期租約(10年至50年)	On medium-term lease (10 to 50 years)	3,749,025	2,512,927
在香港以外持有	Held outside Hong Kong		
中期租約(10年至50年)	On medium-term lease (10 to 50 years)	656,472	769,530
短期租約(少於10年)	On short-term lease (less than 10 years)	88,064	96,247
		7,901,917	7,276,454

於2022年12月31日，列於資產負債表內之房產，乃依據獨立特許測量師萊坊測計師行有限公司於2022年12月31日以公允值為基準所進行之專業估值。公允值指在計量當日若有秩序成交的情況下向市場參與者出售每一項房產應取得的價格。

根據上述之重估結果，房產估值變動已於房產重估儲備及收益表確認如下：

		2022	2021
		港幣千元	港幣千元
		HK\$'000	HK\$'000
(借)／貸記房產重估儲備之重估(減值)／增值	(Decrease)/increase in valuation (charged)/credited to premises revaluation reserve	(92,207)	67,323
(借)／貸記收益表之重估(減值)／增值	(Decrease)/increase in valuation (charged)/credited to income statement	(2,989)	2,056
		(95,196)	69,379

於2022年12月31日，假若房產按成本值扣減累計折舊列賬，本集團之資產負債表內之房產賬面淨值應為港幣2,181,719,000元(2021年：港幣1,004,855,000元)。

25. PROPERTIES, PLANT AND EQUIPMENT

(Cont'd)

The carrying value of premises is analysed based on the remaining terms of the leases as follows:

		2022	2021
		港幣千元	港幣千元
		HK\$'000	HK\$'000
在香港持有	Held in Hong Kong		
長期租約(超過50年)	On long-term lease (over 50 years)	3,408,356	3,897,750
中期租約(10年至50年)	On medium-term lease (10 to 50 years)	3,749,025	2,512,927
在香港以外持有	Held outside Hong Kong		
中期租約(10年至50年)	On medium-term lease (10 to 50 years)	656,472	769,530
短期租約(少於10年)	On short-term lease (less than 10 years)	88,064	96,247
		7,901,917	7,276,454

As at 31 December 2022, premises were included in the balance sheet at valuation carried out at 31 December 2022 on the basis of their fair value by an independent firm of chartered surveyors, Knight Frank Petty Limited. The fair value represents the price that would be received to sell each premises in an orderly transaction with market participants at the measurement date.

As a result of the above-mentioned revaluations, changes in value of the premises were recognised in the premises revaluation reserve and the income statement as follows:

		2022	2021
		港幣千元	港幣千元
		HK\$'000	HK\$'000
(借)／貸記房產重估儲備之重估(減值)／增值	(Decrease)/increase in valuation (charged)/credited to premises revaluation reserve	(92,207)	67,323
(借)／貸記收益表之重估(減值)／增值	(Decrease)/increase in valuation (charged)/credited to income statement	(2,989)	2,056
		(95,196)	69,379

As at 31 December 2022, the net book value of premises that would have been included in the Group's balance sheet had the premises been carried at cost less accumulated depreciation was HK\$2,181,719,000 (2021: HK\$1,004,855,000).

財務報表附註 Notes to the Financial Statements

26. 其他資產

26. OTHER ASSETS

		2022 港幣千元 HK\$'000	2021 港幣千元 HK\$'000
收回資產	Repossessed assets	4,353	7,335
貴金屬	Precious metals	308,057	374,263
無形資產 ¹	Intangible assets ¹	619,709	–
應收賬項及預付費用	Accounts receivable and prepayments	1,533,284	1,222,854
		2,465,403	1,604,452
減值準備	Impairment allowances	(4,045)	(3,900)
		2,461,358	1,600,552

(1) 無形資產之變動概述如下：

(1) The movements in intangible assets are summarised as follows:

		2022 港幣千元 HK\$'000
於1月1日之賬面淨值	Net book value at 1 January	–
轉入	Transfer in	279,427
增置	Additions	394,329
出售	Disposals	(1,789)
年度攤銷	Amortisation for the year	(42,513)
匯兌差額	Exchange difference	(9,745)
於12月31日之賬面淨值	Net book value at 31 December	619,709
於12月31日	At 31 December	
成本	Cost	842,815
累計攤銷及減值	Accumulated amortisation and impairment	(223,106)
於12月31日之賬面淨值	Net book value at 31 December	619,709

財務報表附註 Notes to the Financial Statements

26. 其他資產(續)

相關減值準備之變化分析如下：

		第一階段 Stage 1 港幣千元 HK\$'000	第二階段 Stage 2 港幣千元 HK\$'000	第三階段 Stage 3 港幣千元 HK\$'000	總計 Total 港幣千元 HK\$'000
於2022年1月1日	At 1 January 2022	(795)	–	(3,105)	(3,900)
增加	Addition	(20)	(17)	–	(37)
終止確認或償還(不包括撇銷)	Derecognised or repaid (excluding written off)	196	–	1	197
期內各階段之間風險承擔轉撥 對期末預期損失的影響	Impact on period end ECLs of exposures transferred between stages during the period	–	–	(43)	(43)
減值參數的轉變	Changes to inputs used for impairment calculations	(2,056)	–	2	(2,054)
匯兌差額	Exchange difference	1,785	–	7	1,792
於2022年12月31日	At 31 December 2022	(890)	(17)	(3,138)	(4,045)

		第一階段 Stage 1 港幣千元 HK\$'000	第二階段 Stage 2 港幣千元 HK\$'000	第三階段 Stage 3 港幣千元 HK\$'000	總計 Total 港幣千元 HK\$'000
於2021年1月1日	At 1 January 2021	(2,774)	(18)	(1,869)	(4,661)
增加	Addition	(380)	–	–	(380)
終止確認或償還(不包括撇銷)	Derecognised or repaid (excluding written off)	493	18	12	523
轉至第一階段	Transfers to Stage 1	(1)	–	1	–
轉至第三階段	Transfers to Stage 3	1	–	(1)	–
期內各階段之間風險承擔轉撥 對期末預期損失的影響	Impact on period end ECLs of exposures transferred between stages during the period	1	–	–	1
減值參數的轉變	Changes to inputs used for impairment calculations	5,016	–	(1,249)	3,767
匯兌差額	Exchange difference	(3,151)	–	1	(3,150)
於2021年12月31日	At 31 December 2021	(795)	–	(3,105)	(3,900)

財務報表附註 Notes to the Financial Statements

27. 公允值變化計入損益之金融負債

27. FINANCIAL LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS

		2022 港幣千元 HK\$'000	2021 港幣千元 HK\$'000
交易性負債	Trading liabilities		
– 外匯基金票據及債券短盤	– Short positions in Exchange Fund Bills and Notes	7,119,358	6,415,312

於2022年12月31日沒有界定為以公允值變化計入損益之金融負債(2021年：無)。

At 31 December 2022, there were no financial liabilities designated at fair value through profit or loss (2021: Nil).

28. 客戶存款及對沖會計

28. DEPOSITS FROM CUSTOMERS AND HEDGE ACCOUNTING

(a) 客戶存款

(a) Deposits from customers

		2022 港幣千元 HK\$'000	2021 港幣千元 HK\$'000
即期存款及往來存款	Demand deposits and current accounts		
– 公司	– Corporate	24,487,101	34,464,942
– 個人	– Personal	2,833,665	4,098,393
		27,320,766	38,563,335
儲蓄存款	Savings deposits		
– 公司	– Corporate	53,625,038	47,794,956
– 個人	– Personal	43,532,670	56,760,350
		97,157,708	104,555,306
定期、短期及通知存款	Time, call and notice deposits		
– 公司	– Corporate	126,318,809	152,873,966
– 個人	– Personal	114,665,181	87,788,779
		240,983,990	240,662,745
		365,462,464	383,781,386

財務報表附註 Notes to the Financial Statements

28. 客戶存款及對沖會計 (續)

(b) 對沖會計

海外運作淨投資對沖

於2022年12月31日，本集團界定部分人民幣計值的客戶存款合共港幣2,034,312,000元(2021年：港幣2,223,346,000元)為對沖工具，用以對沖海外運作淨投資。

年內沒有無效部分之收益或虧損於收益表內確認(2021年：無)。

29. 已發行債務證券及存款證

28. DEPOSITS FROM CUSTOMERS AND HEDGE ACCOUNTING (Cont'd)

(b) Hedge accounting

Hedges of net investments in foreign operations

As at 31 December 2022, a proportion of the Groups's RMB-denominated deposits from customers of HK\$2,034,312,000 (2021: HK\$2,223,346,000) were designated as a hedging instrument to hedge against the net investments in foreign operations.

There were no gains or losses on ineffective portion recognised in the income statement during the year (2021: Nil).

29. DEBT SECURITIES AND CERTIFICATES OF DEPOSIT IN ISSUE

		2022 港幣千元 HK\$'000	2021 港幣千元 HK\$'000
債務證券及存款證， 按攤銷成本列賬	Debt securities and certificates of deposit, at amortised cost		
– 存款證	– Certificates of deposit	23,553,516	18,748,012
– 其他債務證券	– Other debt securities	11,868,896	13,007,215
		35,422,412	31,755,227

30. 其他賬項及準備

30. OTHER ACCOUNTS AND PROVISIONS

		2022 港幣千元 HK\$'000	2021 港幣千元 HK\$'000
租賃負債	Lease liabilities	809,968	865,378
其他應付賬項	Other accounts payable	18,235,020	17,812,855
準備	Provisions	52,637	51,899
貸款承諾及財務擔保合同減值 準備	Impairment allowances for loan commitments and financial guarantee contracts	188,318	292,367
		19,285,943	19,022,499

財務報表附註 Notes to the Financial Statements

30. 其他賬項及準備(續)

相關減值準備之變化分析如下：

		第一階段 Stage 1 港幣千元 HK\$'000	第二階段 Stage 2 港幣千元 HK\$'000	第三階段 Stage 3 港幣千元 HK\$'000	總計 Total 港幣千元 HK\$'000
於2022年1月1日	At 1 January 2022	292,349	18	–	292,367
增加	Addition	111,667	–	–	111,667
終止確認(不包括撇銷)	Derecognised (excluding written off)	(199,779)	(16)	–	(199,795)
轉至第一階段	Transfers to Stage 1	1	(1)	–	–
轉至第二階段	Transfers to Stage 2	(258)	258	–	–
期內各階段之間風險承擔轉撥對 期末預期損失的影響	Impact on period end ECLs of exposures transferred between stages during the period	85	(21)	–	64
減值參數的轉變	Changes to inputs used for impairment calculations	(7,909)	17,671	–	9,762
匯兌差額	Exchange difference	(24,225)	(1,522)	–	(25,747)
於2022年12月31日	At 31 December 2022	171,931	16,387	–	188,318

		第一階段 Stage 1 港幣千元 HK\$'000	第二階段 Stage 2 港幣千元 HK\$'000	第三階段 Stage 3 港幣千元 HK\$'000	總計 Total 港幣千元 HK\$'000
於2021年1月1日	At 1 January 2021	163,377	637	–	164,014
增加	Addition	270,195	–	–	270,195
終止確認(不包括撇銷)	Derecognised (excluding written off)	(128,666)	(625)	–	(129,291)
轉至第一階段	Transfers to Stage 1	1	(1)	–	–
轉至第二階段	Transfers to Stage 2	(5)	5	–	–
期內各階段之間風險承擔轉撥對 期末預期損失的影響	Impact on period end ECLs of exposures transferred between stages during the period	–	12	–	12
減值參數的轉變	Changes to inputs used for impairment calculations	(19,720)	(10)	–	(19,730)
匯兌差額	Exchange difference	7,167	–	–	7,167
於2021年12月31日	At 31 December 2021	292,349	18	–	292,367

財務報表附註

Notes to the Financial Statements

31. 遞延稅項

遞延稅項是根據香港會計準則第12號「所得稅」計算，就資產負債之稅務基礎與其在財務報表內賬面值兩者之暫時性差額及未使用稅項抵免作提撥。

資產負債表內之遞延稅項(資產)/負債主要組合，以及其在年度內之變動如下：

31. DEFERRED TAXATION

Deferred tax is recognised in respect of the temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements and unused tax credits in accordance with HKAS 12 "Income Taxes".

The major components of deferred tax (assets)/liabilities recorded in the balance sheet, and the movements during the year are as follows:

		加速折舊 免稅額	物業重估	減值準備	其他	總計
		Accelerated tax depreciation	Property revaluation	Impairment allowance	Other	Total
		港幣千元 HK\$'000	港幣千元 HK\$'000	港幣千元 HK\$'000	港幣千元 HK\$'000	港幣千元 HK\$'000
於2022年1月1日	At 1 January 2022	46,062	1,139,120	(610,790)	(114,301)	460,091
借/(貸)記收益表	Charged/(credited) to income statement	15,747	3,655	(51,602)	20,493	(11,707)
貸記其他全面收益	Credited to other comprehensive income	-	(81,829)	-	(369,531)	(451,360)
匯兌差額	Exchange difference	-	(11,543)	45,961	4,719	39,137
於2022年12月31日	At 31 December 2022	61,809	1,049,403	(616,431)	(458,620)	36,161

		加速折舊 免稅額	物業重估	減值準備	其他	總計
		Accelerated tax depreciation	Property revaluation	Impairment allowance	Other	Total
		港幣千元 HK\$'000	港幣千元 HK\$'000	港幣千元 HK\$'000	港幣千元 HK\$'000	港幣千元 HK\$'000
於2021年1月1日	At 1 January 2021	44,669	1,136,956	(557,900)	(189,092)	434,633
借/(貸)記收益表	Charged/(credited) to income statement	1,393	1,947	(39,395)	47,721	11,666
(貸)/借記其他全面收益	(Credited)/charged to other comprehensive income	-	(3,306)	-	28,047	24,741
匯兌差額	Exchange difference	-	3,523	(13,495)	(977)	(10,949)
於2021年12月31日	At 31 December 2021	46,062	1,139,120	(610,790)	(114,301)	460,091

財務報表附註 Notes to the Financial Statements

31. 遞延稅項 (續)

當有法定權利可將現有稅項資產與現有稅項負債抵銷，而遞延稅項涉及同一財政機關，則可將個別法人的遞延稅項資產與遞延稅項負債互相抵銷。下列在資產負債表內列賬之金額，已計入適當抵銷：

		2022 港幣千元 HK\$'000	2021 港幣千元 HK\$'000
遞延稅項資產	Deferred tax assets	(327,947)	(352,791)
遞延稅項負債	Deferred tax liabilities	364,108	812,882
		36,161	460,091

		2022 港幣千元 HK\$'000	2021 港幣千元 HK\$'000
遞延稅項資產 (超過12個月後收回)	Deferred tax assets to be recovered after more than twelve months	(340,721)	(383,092)
遞延稅項負債 (超過12個月後支付)	Deferred tax liabilities to be settled after more than twelve months	765,618	884,871
		424,897	501,779

於2022年12月31日，本集團未確認遞延稅項資產之稅務虧損為港幣2,134,000元(2021年：港幣21,287,000元)。按照現行稅例，有關稅務虧損沒有作廢期限。

31. DEFERRED TAXATION (Cont'd)

Deferred tax assets and liabilities are offset on an individual entity basis when there is a legal right to set off current tax assets against current tax liabilities and when the deferred taxation relates to the same authority. The following amounts, determined after appropriate offsetting, are shown in the balance sheet:

As at 31 December 2022, the Group has not recognised deferred tax assets in respect of tax losses amounting to HK\$2,134,000 (2021: HK\$21,287,000). These tax losses do not expire under the current tax legislation.

32. 後償負債

按攤銷成本列賬於2029年到期 之700,000,000美元定息 後償票據	US\$700,000,000 fixed rate subordinated notes issued due 2029 at amortised cost	5,455,215	5,451,286
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32. SUBORDINATED LIABILITIES

		2022 港幣千元 HK\$'000	2021 港幣千元 HK\$'000
		5,455,215	5,451,286

財務報表附註

Notes to the Financial Statements

32. 後償負債(續)

此乃本銀行於2019年11月20日發行之700,000,000美元在香港交易所上市及符合《巴塞爾協定三》而被界定為二級資本的10年期後償票據(「票據」)(須根據《銀行業(資本)規則》之條款)。此等票據將於2029年11月20日到期，選擇性贖還日為2024年11月20日。由發行日至其選擇性贖還日，年息為3.80%，每半年付息一次。其後，倘票據未在選擇性贖還日贖回，往後的利息會重訂為當時5年期美國國庫債券息率加218點子。若獲得金管局預先批准，本銀行可於選擇性贖還日或因稅務或監管要求等理由於票據到期前的任何日子以票面價值贖回所有(非部分)票據。

33. 股本

32. SUBORDINATED LIABILITIES (Cont'd)

This represents US\$700,000,000 Basel III compliant 10-year subordinated notes qualifying as Tier 2 capital of the Bank issued on 20 November 2019 in accordance with the Banking (Capital) Rules (the "Notes"), which are listed on the Hong Kong Stock Exchange. The Notes will mature on 20 November 2029 with an optional redemption date falling on 20 November 2024. Interest at 3.80% p.a. is payable semi-annually from the issue date to the optional redemption date. Thereafter, if the Notes are not redeemed, the interest rate will be reset and the Notes will bear interest at the prevailing 5-year U.S. Treasury Rate plus 218 basis points. The Bank may, subject to receiving the prior approval of the HKMA, redeem the Notes at the option of the Bank in whole but not in part, at par either on the optional redemption date or for tax or regulatory reasons at any time prior to maturity of the Notes.

33. SHARE CAPITAL

		2022	2021
		港幣千元	港幣千元
		HK\$'000	HK\$'000
已發行及繳足：	Issued and fully paid:		
7,000,000股普通股	7,000,000 ordinary shares	3,144,517	3,144,517

34. 額外資本工具

34. ADDITIONAL EQUITY INSTRUMENTS

		2022	2021
		港幣千元	港幣千元
		HK\$'000	HK\$'000
1,200,000,000美元永久 非累計次級額外一級資本證券	US\$1,200,000,000 perpetual non-cumulative subordinated additional tier 1 capital securities	-	9,314,890
650,000,000美元永久 非累計次級額外一級資本證券	US\$650,000,000 perpetual non-cumulative subordinated additional tier 1 capital securities	5,077,856	-

本銀行已於2022年6月2日完成全數贖回票面值1,200,000,000美元的額外一級資本證券(發行於2017年6月2日)。完成贖回後，該額外一級資本證券已經註銷。

The Bank has completed the redemption of the Additional Tier 1 Capital Securities with a face value of US\$1,200,000,000 (issued on 2 June 2017) in full on 2 June 2022. Upon completion of the redemption, the Additional Tier 1 Capital Securities have been cancelled.

財務報表附註

Notes to the Financial Statements

34. 額外資本工具(續)

本銀行於2022年4月28日發行了票面值650,000,000美元(扣除相關發行成本後等值港幣5,077,856,000元)的永久非累計次級額外一級資本證券(「額外資本工具」)。此永久額外資本工具於2027年4月28日首個提前贖回日期前，票面年利率定於6.50%。若屆時未有行使贖回權，票面年利率將每五年按當時五年期美國國庫債券息率的每年利率加上初始發行利差重設。

票息需每半年派付一次。本銀行有權根據該額外資本工具的條款規定取消利息發放，而取消的利息不會累積。然而，本銀行亦禁止宣佈向普通股股東分派股息直至下一次發放利息為止。

假如金管局通知本銀行不對本金進行撇銷則無法繼續經營，該額外資本工具的本金將會按與金管局協商後或接受其指令下進行撇銷。

於2027年4月28日或任何其後的派息日，本銀行擁有贖回權贖回所有未償付的額外資本工具，但須受已列載之條款及細則所限制。

於2022年6月1日，本銀行支付額外資本工具(發行於2017年6月2日)票息30,000,000美元(2021年內共支付票息：60,000,000美元)。於2022年10月28日，本銀行支付額外資本工具(發行於2022年4月28日)票息21,125,000美元。

在2022年12月31日之後，本銀行於2023年3月7日發行了面值300,000,000美元的永久非累計次級額外一級資本證券(「額外資本工具」)。此永久額外資本工具於2028年3月7日首個提前贖回日期前，票面年利率定於7.35%。

34. ADDITIONAL EQUITY INSTRUMENTS (Cont'd)

On 28 April 2022, the Bank issued perpetual non-cumulative subordinated additional tier 1 capital securities ("additional equity instruments") with a face value of US\$650,000,000 (equivalent to HK\$5,077,856,000 net of related issuance costs). The additional equity instruments are perpetual and bear a 6.50% coupon until the first call date on 28 April 2027. The coupon will be reset every five years if the additional equity instruments are not redeemed to a fixed rate equivalent to the then-prevailing five-year US Treasury rate plus a fixed initial spread.

The coupon shall be payable semi-annually. The Bank has the right to cancel coupon payment (subjected to the requirement as set out in the terms and conditions of the additional equity instruments) and the coupon cancelled shall not be cumulative. However, the Bank is stopped from declaring dividend to its ordinary shareholders unless the next scheduled coupon payment is paid.

The principal of the additional equity instruments will be written down to the amount as directed or agreed with the HKMA if the HKMA notifies the Bank that the Bank would become non-viable if there is no written down of the principal.

The Bank has a call option to redeem all the outstanding additional equity instruments from 28 April 2027 or any subsequent coupon payment date, but subject to restriction as set out in the terms and conditions.

The Bank has distributed coupon payment for additional equity instruments (issued on 2 June 2017) of US\$30,000,000 on 1 June 2022 (total coupon payment during the year 2021: US\$60,000,000). Also, the Bank has distributed coupon payment for additional equity instruments (issued on 28 April 2022) of US\$21,125,000 on 28 October 2022.

Subsequent to the year ended 31 December 2022, the Bank has issued perpetual non-cumulative subordinated additional tier 1 capital securities ("additional equity instruments") on 7 March 2023 with a face value of US\$300,000,000. The additional equity instruments are perpetual and bear a 7.35% coupon until the first call date on 7 March 2028.

財務報表附註

Notes to the Financial Statements

35. 綜合現金流量表附註

(a) 經營溢利與除稅前經營現金之流入 / (流出) 對賬

35. NOTES TO CONSOLIDATED CASH FLOW STATEMENT

(a) Reconciliation of operating profit to operating cash inflow/(outflow) before taxation

		2022 港幣千元 HK\$'000	2021 港幣千元 HK\$'000
經營溢利	Operating profit	4,475,814	3,749,881
折舊	Depreciation and amortisation	568,713	534,411
減值準備淨撥備	Net charge of impairment allowances	1,684,557	1,499,269
折現減值準備回撥	Unwind of discount on impairment allowances	-	-
已撤銷之貸款 (扣除收回款額)	Advances written off net of recoveries	(1,283,200)	(593,586)
租賃負債利息支出	Interest expense on lease liabilities	28,125	27,728
後償負債利息支出	Interest expense on subordinated liabilities	211,639	209,955
原到期日超過3個月之存放銀行及其他金融機構的結餘之變動	Change in balances with banks and other financial institutions with original maturity over three months	2,146,980	(208,549)
原到期日超過3個月之在銀行及其他金融機構之定期存放之變動	Change in placements with banks and other financial institutions with original maturity over three months	(1,679,397)	(894,347)
公允值變化計入損益之金融資產之變動	Change in financial assets at fair value through profit or loss	8,907,992	(4,517,232)
衍生金融工具之變動	Change in derivative financial instruments	(751,870)	(872,184)
貸款及其他賬項之變動	Change in advances and other accounts	1,518,162	(15,835,318)
金融投資之變動	Change in financial investments	(12,501,615)	(5,549,854)
其他資產之變動	Change in other assets	(243,034)	2,461,406
銀行及其他金融機構之存款及結餘之變動	Change in deposits and balances from banks and other financial institutions	23,269,163	(11,410,344)
公允值變化計入損益之金融負債之變動	Change in financial liabilities at fair value through profit or loss	704,046	(235,675)
客戶存款之變動	Change in deposits from customers	(18,318,922)	32,151,458
其他賬項及準備之變動	Change in other accounts and provisions	382,776	(224,774)
匯率變動之影響	Effect of changes in exchange rates	(608,128)	(103,967)
除稅前經營現金之流入	Operating cash inflow before taxation	8,511,801	188,278
經營業務之現金流量中包括：	Cash flows from operating activities included:		
– 已收利息	– Interest received	13,990,244	12,017,776
– 已付利息	– Interest paid	(6,415,022)	(5,474,353)
– 已收股息	– Dividend received	1,705	1,905

財務報表附註 Notes to the Financial Statements

35. 綜合現金流量表附註(續)

(b) 現金及等同現金項目結存分析

		2022 港幣千元 HK\$'000	2021 港幣千元 HK\$'000
庫存現金及原到期日在3個月內之存放銀行及其他金融機構的結餘	Cash and balances with banks and other financial institutions with original maturity within three months	54,733,284	54,876,086
原到期日在3個月內之在銀行及其他金融機構之定期存放	Placements with banks and other financial institutions with original maturity within three months	1,471,695	1,233,815
原到期日在3個月內之庫券	Treasury bills with original maturity within three months	3,771,109	274,984
原到期日在3個月內之存款證	Certificates of deposit held with original maturity within three months	146,098	-
		60,122,186	56,384,885

(c) 融資業務負債之變動

35. NOTES TO CONSOLIDATED CASH FLOW STATEMENT (Cont'd)

(b) Analysis of the balances of cash and cash equivalents

(c) Changes in liabilities arising from financing activities

		2022 港幣千元 HK\$'000	2021 港幣千元 HK\$'000
已發行債務證券及存款證	Debt securities and certificates of deposit in issue		
於1月1日	At 1 January	31,755,227	24,014,435
年內發行	Issuance during the year	3,667,185	7,740,792
於12月31日	At 31 December	35,422,412	31,755,227
後償負債	Subordinated liabilities		
於1月1日	At 1 January	5,451,286	5,416,390
現金流量：	Cash flows:		
支付後償負債票息	Distribution payment for subordinated liabilities	(208,102)	(206,870)
非現金流變動：	Non-cash changes:		
折價及發行費用之攤分	Amortisation of discount and issuance cost	211,639	209,955
外匯變動	Foreign exchange movement	392	31,811
於12月31日	At 31 December	5,455,215	5,451,286

財務報表附註 Notes to the Financial Statements

35. 綜合現金流量表附註(續)

(c) 融資業務負債之變動(續)

		2022 港幣千元 HK\$'000	2021 港幣千元 HK\$'000
租賃負債	Lease liabilities		
於1月1日	At 1 January	865,378	454,071
現金流量：	Cash flows:		
支付租賃負債	Payment of lease liabilities	(256,740)	(232,940)
非現金變動：	Non-cash changes:		
新增	Additions	235,829	608,176
其他	Others	(34,499)	36,071
於12月31日	At 31 December	809,968	865,378

36. 或然負債及承擔

或然負債及承擔乃參照有關資本充足比率之金管局報表的填報指示而編製，其每項重要類別之合約數額及總信貸風險加權數額概述如下：

35. NOTES TO CONSOLIDATED CASH FLOW STATEMENT (Cont'd)

(c) Changes in liabilities arising from financing activities (Cont'd)

36. CONTINGENT LIABILITIES AND COMMITMENTS

The following is a summary of the contractual amounts of each significant class of contingent liability and commitment and the aggregate credit risk-weighted amount and is prepared with reference to the completion instructions for the HKMA return of capital adequacy ratio.

		2022 港幣千元 HK\$'000	2021 港幣千元 HK\$'000
直接信貸替代項目	Direct credit substitutes	26,834,992	26,344,345
與交易有關之或然負債	Transaction-related contingencies	2,391,980	1,671,736
與貿易有關之或然負債	Trade-related contingencies	23,828,234	20,075,844
有追索權的資產出售	Asset sales with recourse	6,879,734	3,945,292
不需事先通知的無條件撤銷之承諾	Commitments that are unconditionally cancellable without prior notice	115,318,606	117,673,275
其他承擔，原到期日為	Other commitments with an original maturity of		
– 1年或以下	– up to one year	2,425,091	2,438,374
– 1年以上	– over one year	14,729,915	14,643,713
		192,408,552	186,792,579
信貸風險加權數額	Credit risk-weighted amount	24,698,341	21,882,601

信貸風險加權數額是根據《銀行業(資本)規則》計算。此數額取決於交易對手之情況及各類合約之期限特性。

The credit risk-weighted amount is calculated in accordance with the Banking (Capital) Rules. The amount is dependent upon the status of the counterparty and the maturity characteristics of each type of contract.

財務報表附註

Notes to the Financial Statements

37. 資本承擔

本集團未於財務報表中撥備之資本承擔金額如下：

		2022 港幣千元 HK\$'000	2021 港幣千元 HK\$'000
已批准及簽約但未撥備	Authorised and contracted for but not provided for	718,805	1,147,563
已批准但未簽約	Authorised but not contracted for	16,816	4,325
		735,621	1,151,888

以上資本承擔大部分為將購入之房產、電腦硬件及軟件，以及本集團之樓宇裝修工程之承擔。

37. CAPITAL COMMITMENTS

The Group has the following outstanding capital commitments not provided for in the financial statements:

The above capital commitments mainly relate to commitments to purchase premises, computer equipment and software, and to renovate the Group's premises.

38. 經營租賃承擔

作為出租人

根據不可撤銷之經營租賃合約，下列為本集團與租客簽訂合約之未來有關租賃之最低應收租金：

		2022 港幣千元 HK\$'000	2021 港幣千元 HK\$'000
土地及樓宇	Land and buildings		
– 不超過1年	– Not later than one year	5,941	8,681
– 1年以上至5年內	– Later than one year but not later than five years	1,566	5,002
		7,507	13,683

本集團以經營租賃形式租出投資物業；租賃年期通常由1年至5年。租約條款一般要求租客提交保證金。

38. OPERATING LEASE COMMITMENTS

As lessor

The Group has contracted with tenants for the following future minimum lease receivables under non-cancellable operating leases:

The Group leases its investment properties under operating lease arrangements, with leases typically for a period from one to five years. The terms of the leases generally require the tenants to pay security deposits.

39. 訴訟

本集團正面對多項由獨立人士提出的索償及反索償。此等索償及反索償與本集團的正常商業活動有關。

由於董事認為本集團可對申索人作出有力抗辯或預計此等申索所涉及的數額不大，故並未對此等索償及反索償作出重大撥備。

39. LITIGATION

The Group has been served a number of claims and counterclaims by various independent parties. These claims and counterclaims are in relation to the normal commercial activities of the Group.

No material provision was made against these claims and counterclaims because the directors believe that the Group has meritorious defences against the claimants or the amounts involved in these claims are not expected to be material.

財務報表附註

Notes to the Financial Statements

40. 分類報告

(a) 按營運分類

本集團業務拆分為四個主要分類，分別為個人銀行、企業銀行、財資業務及投資。

個人銀行和企業銀行業務線均會提供全面的銀行服務，個人銀行業務線是服務個人客戶，而企業銀行業務線是服務非個人客戶。至於財資業務線，除了自營買賣外，還負責管理本集團的資本、流動資金、利率和外匯敞口。財資業務部門管理本集團的融資活動和資本，為其他業務線提供資金，並接收從個人銀行和企業銀行業務線的吸收存款活動中所取得的資金。這些業務線之間的資金交易主要按集團內部資金轉移價格機制釐定。在本附註呈列的財資業務損益資料，已包括上述業務線之間的收支交易，但其資產負債資料並未反映業務線之間的借貸（換言之，不可以把財資業務的損益資料與其資產負債資料比較）。

投資包括本集團的房地產和支援單位所使用的設備。對於佔用本集團的物業，其他業務線需要按照每平方呎的市場價格向投資業務線支付費用。由本集團附屬公司—南商（中國）之資本金所產生及已於其收益賬確認的貨幣換算差額，已包括於此業務分類內。

「其他」為集團其他營運及主要包括有關本集團整體但與其餘四個業務線無關的項目。

一個業務線的收入及支出，主要包括直接歸屬於該業務線的項目。至於管理費用，會根據合理基準攤分。

40. SEGMENTAL REPORTING

(a) By operating segment

The Group divides its business into four major segments, Personal Banking, Corporate Banking, Treasury and Investment.

Both Personal Banking and Corporate Banking provide general banking services. Personal Banking serves individual customers while Corporate Banking deals with non-individual customers. The Treasury segment is responsible for managing the capital, liquidity, and the interest rate and foreign exchange positions of the Group in addition to proprietary trades. It provides funds to other business segments and receives funds from deposit taking activities of Personal Banking and Corporate Banking. These inter-segment funding is charged according to the internal funds transfer pricing mechanism of the Group. The assets and liabilities of Treasury have not been adjusted to reflect the effect of inter-segment borrowing and lending (i.e. the profit and loss information in relation to Treasury is not comparable to the assets and liabilities information about Treasury).

Investment includes bank premises and equipment used by supporting units. Charges are paid to this segment from other business segments based on market rates per square foot for their occupation of the Group's premises. The exchange difference arising from capital of our subsidiary, NCB (China), which is recognised in its income statement, is also included in this class.

"Others" refers to other group operations and mainly comprises of items related to the Group as a whole and totally independent of the other four business segments.

Revenues and expenses of any business segment mainly include items directly attributable to the segment. For management overheads, allocations are made on reasonable bases.

財務報表附註

Notes to the Financial Statements

40. 分類報告 (續)

(a) 按營運分類 (續)

40. SEGMENTAL REPORTING (Cont'd)

(a) By operating segment (Cont'd)

		個人銀行 Personal Banking 港幣千元 HK\$'000	企業銀行 Corporate Banking 港幣千元 HK\$'000	財資業務 Treasury 港幣千元 HK\$'000	投資 Investment 港幣千元 HK\$'000	其他 Others 港幣千元 HK\$'000	小計 Subtotal 港幣千元 HK\$'000	合併抵銷 Eliminations 港幣千元 HK\$'000	綜合 Consolidated 港幣千元 HK\$'000
截至2022年12月31日	Year ended 31 December 2022								
淨利息收入 / (支出)	Net interest income/(expense)								
- 外來	- External	274,357	4,449,322	2,448,345	-	-	7,172,024	-	7,172,024
- 跨業務	- Inter-segment	1,070,091	(837,899)	(232,192)	-	-	-	-	-
		1,344,448	3,611,423	2,216,153	-	-	7,172,024	-	7,172,024
淨服務費及佣金收入 / (支出)	Net fee and commission income/(expense)	383,126	880,965	(62,801)	102,941	(3,910)	1,300,321	-	1,300,321
淨交易性收益 / (虧損)	Net trading gain/(loss)	38,082	606,195	(385,055)	11,074	(157)	270,139	-	270,139
以公允價值變化計入損益之 金融工具淨收益	Net gain on financial instruments at fair value through profit or loss	-	-	607,645	-	-	607,645	-	607,645
其他金融資產之淨(虧損)/收益	Net (loss)/gain on other financial assets	-	(1,670)	262,424	-	-	260,754	-	260,754
其他經營(支出)/收入	Other operating (expense)/income	(7,838)	(81,505)	94,262	151,267	(12)	156,174	(117,069)	39,105
提取減值準備前之淨經營收入	Net operating income before impairment allowances	1,757,818	5,015,408	2,732,628	265,282	(4,079)	9,767,057	(117,069)	9,649,988
減值準備淨撥備	Net charge of impairment allowances	(37,885)	(1,418,755)	(225,897)	-	(2,020)	(1,684,557)	-	(1,684,557)
淨經營收入	Net operating income	1,719,933	3,596,653	2,506,731	265,282	(6,099)	8,082,500	(117,069)	7,965,431
經營支出	Operating expenses	(1,055,071)	(1,466,308)	(524,094)	(301,946)	(259,267)	(3,606,686)	117,069	(3,489,617)
經營溢利 / (虧損)	Operating profit/(loss)	664,862	2,130,345	1,982,637	(36,664)	(265,366)	4,475,814	-	4,475,814
投資物業公允價值調整之淨虧損	Net loss from fair value adjustments on investment properties	-	-	-	(6,920)	-	(6,920)	-	(6,920)
出售/重估物業、器材及設備 之淨虧損	Net loss from disposal/ revaluation of properties, plant and equipment	-	-	-	(24,411)	-	(24,411)	-	(24,411)
除稅前溢利 / (虧損)	Profit/(loss) before taxation	664,862	2,130,345	1,982,637	(67,995)	(265,366)	4,444,483	-	4,444,483
於2022年12月31日	At 31 December 2022								
資產	ASSETS								
分部資產	Segment assets	58,298,162	234,721,197	236,438,902	11,708,335	510,442	541,677,038	-	541,677,038
負債	LIABILITIES								
分部負債	Segment liabilities	162,380,932	220,006,335	94,056,838	2,508	3,058,786	479,505,399	-	479,505,399
截至2022年12月31日	Year ended 31 December 2022								
其他資料	Other information								
資本性支出	Capital expenditure	-	-	-	1,837,744	-	1,837,744	-	1,837,744
折舊及攤銷	Depreciation and amortisation	77,848	122,266	52,082	301,864	14,653	568,713	-	568,713
證券攤銷	Amortisation of securities	-	-	270,520	-	-	270,520	-	270,520

財務報表附註

Notes to the Financial Statements

40. 分類報告 (續)

(a) 按營運分類 (續)

40. SEGMENTAL REPORTING (Cont'd)

(a) By operating segment (Cont'd)

		個人銀行 Personal Banking 港幣千元 HK\$'000	企業銀行 Corporate Banking 港幣千元 HK\$'000	財資業務 Treasury 港幣千元 HK\$'000	投資 Investment 港幣千元 HK\$'000	其他 Others 港幣千元 HK\$'000	小計 Subtotal 港幣千元 HK\$'000	合併抵銷 Eliminations 港幣千元 HK\$'000	綜合 Consolidated 港幣千元 HK\$'000
截至2021年12月31日	Year ended 31 December 2021								
淨利息收入 / (支出)	Net interest income/(expense)								
- 外來	- External	481,630	4,228,205	1,615,580	-	1	6,325,416	-	6,325,416
- 跨業務	- Inter-segment	240,582	196,577	(437,159)	-	-	-	-	-
		722,212	4,424,782	1,178,421	-	1	6,325,416	-	6,325,416
淨服務費及佣金收入 / (支出)	Net fee and commission income/(expense)	842,772	755,811	120,328	240	(3,607)	1,715,544	-	1,715,544
淨交易性收益 / (虧損)	Net trading gain/(loss)	40,143	(195,859)	341,584	125,123	(102)	310,889	-	310,889
以公允價值變化計入損益之 金融工具淨收益	Net gain on financial instruments at fair value through profit or loss	-	-	61,759	-	-	61,759	-	61,759
其他金融資產之淨(虧損)/收益	Net (loss)/gain on other financial assets	-	(13,725)	167,017	-	-	153,292	-	153,292
其他經營(支出)/收入	Other operating (expense)/income	(6,095)	(18,781)	24,880	147,721	11,149	158,874	(136,359)	22,515
提取減值準備前之淨經營收入	Net operating income before impairment allowances	1,599,032	4,952,228	1,893,989	273,084	7,441	8,725,774	(136,359)	8,589,415
減值準備淨回撥/(撥備)	Net reversal/(charge) of impairment allowances	547,171	(2,080,762)	31,156	-	3,166	(1,499,269)	-	(1,499,269)
淨經營收入	Net operating income	2,146,203	2,871,466	1,925,145	273,084	10,607	7,226,505	(136,359)	7,090,146
經營支出	Operating expenses	(1,141,261)	(1,581,151)	(222,510)	(426,231)	(105,471)	(3,476,624)	136,359	(3,340,265)
經營溢利 / (虧損)	Operating profit/(loss)	1,004,942	1,290,315	1,702,635	(153,147)	(94,864)	3,749,881	-	3,749,881
出售/重估物業、器材及設備之 淨虧損	Net loss from disposal/revaluation of properties, plant and equipment	-	-	-	(7,831)	-	(7,831)	-	(7,831)
除稅前溢利 / (虧損)	Profit/(loss) before taxation	1,004,942	1,290,315	1,702,635	(160,978)	(94,864)	3,742,050	-	3,742,050
於2021年12月31日	At 31 December 2021								
資產	ASSETS								
分部資產	Segment assets	65,264,020	228,924,067	232,454,507	9,137,896	550,510	536,331,000	-	536,331,000
負債	LIABILITIES								
分部負債	Segment liabilities	150,462,636	249,924,033	66,110,363	2,886	3,497,158	469,997,076	-	469,997,076
截至2021年12月31日	Year ended 31 December 2021								
其他資料	Other information								
資本性支出	Capital expenditure	-	-	-	351,182	-	351,182	-	351,182
折舊	Depreciation	58,189	37,592	4,215	426,093	8,322	534,411	-	534,411
證券攤銷	Amortisation of securities	-	-	(283,811)	-	-	(283,811)	-	(283,811)

財務報表附註

Notes to the Financial Statements

40. 分類報告 (續)

(b) 按地理區域劃分

以下資料是根據附屬公司的主要營業地點分類，如屬本銀行之資料，則依據負責申報業績或將資產記賬之分行所在地分類：

		2022		2021	
		提取減值準備前 之淨經營收入 Net operating income before impairment allowances 港幣千元 HK\$'000	除稅前 溢利 Profit before taxation 港幣千元 HK\$'000	提取減值準備前 之淨經營收入 Net operating income before impairment allowances 港幣千元 HK\$'000	除稅前 溢利 Profit before taxation 港幣千元 HK\$'000
香港	Hong Kong	6,470,552	3,422,341	5,673,138	2,798,991
中國內地	Mainland of China	3,179,436	1,022,142	2,916,277	943,059
合計	Total	9,649,988	4,444,483	8,589,415	3,742,050

		2022			或然負債和承擔 Contingent liabilities and commitments
		總資產 Total assets 港幣千元 HK\$'000	總負債 Total liabilities 港幣千元 HK\$'000	非流動資產 Non-current assets 港幣千元 HK\$'000	港幣千元 HK\$'000
香港	Hong Kong	383,107,589	338,839,045	8,388,318	76,839,982
中國內地	Mainland of China	158,569,449	140,666,354	1,884,618	115,568,570
合計	Total	541,677,038	479,505,399	10,272,936	192,408,552

		2021			或然負債和承擔 Contingent liabilities and commitments
		總資產 Total assets 港幣千元 HK\$'000	總負債 Total liabilities 港幣千元 HK\$'000	非流動資產 Non-current assets 港幣千元 HK\$'000	港幣千元 HK\$'000
香港	Hong Kong	356,529,276	309,300,665	6,987,733	65,215,675
中國內地	Mainland of China	179,801,724	160,696,411	2,107,651	121,576,904
合計	Total	536,331,000	469,997,076	9,095,384	186,792,579

財務報表附註

Notes to the Financial Statements

41. 已抵押資產

於2022年12月31日，本集團之負債港幣7,096,398,000元(2021年：港幣8,460,152,000元)是以存放於中央保管系統以便利結算之資產作抵押。此外，本集團通過售後回購協議的債務證券及票據抵押之負債為港幣34,244,105,000元(2021年：港幣8,546,658,000元)。本集團為擔保此等負債而質押之資產金額為港幣43,200,890,000元(2021年：港幣17,271,885,000元)，並主要於「交易性資產」及「金融投資」內列賬。

42. 金融工具之抵銷

下表列示本集團已抵銷、受執行性淨額結算總協議和類似協議約束的金融工具詳情。

41. ASSETS PLEDGED AS SECURITY

As at 31 December 2022, the liabilities of the Group amounting to HK\$7,096,398,000 (2021: HK\$8,460,152,000) were secured by assets deposited with central depositories to facilitate settlement operations. In addition, the liabilities of the Group amounting to HK\$34,244,105,000 (2021: HK\$8,546,658,000) were secured by debt securities and bills related to sale and repurchase arrangements. The amount of assets pledged by the Group to secure these liabilities was HK\$43,200,890,000 (2021: HK\$17,271,885,000) mainly included in "Trading assets" and "Financial investments".

42. OFFSETTING FINANCIAL INSTRUMENTS

The following tables present details of the Group's financial instruments subject to offsetting, enforceable master netting arrangements and similar agreements.

		2022					
		於資產 負債表中抵銷 之已確認金融 負債總額		於資產負債表 中列示的 金融資產淨額		未有於資產負債表中抵銷之 相關金額	
		已確認金融 資產總額	Gross amounts of recognised financial liabilities set off in the balance sheet	Net amounts of financial assets presented in the balance sheet	Related amounts not set off in the balance sheet		淨額
		Gross amounts of recognised financial assets	liabilities set off in the balance sheet	presented in the balance sheet	金融工具	已收取之 現金押品	Net amount
		港幣千元	港幣千元	港幣千元	Financial instruments	Cash collateral received	港幣千元
		HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
資產	Assets						
衍生金融工具	Derivative financial instruments	1,310,759	-	1,310,759	(375,203)	(734,002)	201,554
其他資產	Other assets	1,398,816	(865,203)	533,613	-	-	533,613
		2,709,575	(865,203)	1,844,372	(375,203)	(734,002)	735,167

財務報表附註

Notes to the Financial Statements

42. 金融工具之抵銷(續)

42. OFFSETTING FINANCIAL INSTRUMENTS

(Cont'd)

2022

負債	Liabilities	已確認金融 資產總額 Gross amounts of recognised financial assets	於資產 負債表中抵銷 之已確認金融 負債總額 Gross amounts of recognised financial liabilities set off in the balance sheet	於資產負債表 中列示的 金融資產淨額 Net amounts of financial assets presented in the balance sheet	未有於資產負債表中抵銷之 相關金額 Related amounts not set off in the balance sheet		淨額 Net amount
					金融工具 Financial instruments	已收取之 現金押品 Cash collateral received	
		港幣千元 HK\$'000	港幣千元 HK\$'000	港幣千元 HK\$'000	港幣千元 HK\$'000	港幣千元 HK\$'000	港幣千元 HK\$'000
衍生金融工具	Derivative financial instruments	452,854	-	452,854	(375,203)	(37,663)	39,988
其他負債	Other liabilities	929,054	(865,203)	63,851	-	-	63,851
		1,381,908	(865,203)	516,705	(375,203)	(37,663)	103,839

2021

資產	Assets	已確認金融 負債總額 Gross amounts of recognised financial liabilities	於資產 負債表中抵銷 之已確認金融 資產總額 Gross amounts of recognised financial assets set off in the balance sheet	於資產負債表 中列示的 金融負債淨額 Net amounts of financial liabilities presented in the balance sheet	未有於資產負債表中抵銷之 相關金額 Related amounts not set off in the balance sheet		淨額 Net amount
					金融工具 Financial instruments	已抵押之 現金押品 Cash collateral pledged	
		港幣千元 HK\$'000	港幣千元 HK\$'000	港幣千元 HK\$'000	港幣千元 HK\$'000	港幣千元 HK\$'000	港幣千元 HK\$'000
衍生金融工具	Derivative financial instruments	409,124	-	409,124	(275,561)	(68,847)	64,716
其他資產	Other assets	873,975	(753,279)	120,696	-	-	120,696
		1,283,099	(753,279)	529,820	(275,561)	(68,847)	185,412

財務報表附註 Notes to the Financial Statements

42. 金融工具之抵銷(續)

42. OFFSETTING FINANCIAL INSTRUMENTS

(Cont'd)

2021

負債	Liabilities	於資產		2021		淨額
		負債表中抵銷之已確認金融資產總額	負債表中抵銷之已確認金融負債總額	於資產負債表中列示的金融負債淨額	未有於資產負債表中抵銷之相關金額	
		Gross amounts of recognised financial assets set off in the balance sheet	Gross amounts of recognised financial liabilities in the balance sheet	Net amounts of financial liabilities presented in the balance sheet	Related amounts not set off in the balance sheet	Net amount
		港幣千元	港幣千元	港幣千元	港幣千元	港幣千元
		HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
衍生金融工具	Derivative financial instruments	521,805	-	521,805	(275,561)	34,012
其他負債	Other liabilities	934,757	(753,279)	181,478	-	181,478
		1,456,562	(753,279)	703,283	(275,561)	215,490

按本集團簽訂有關場外衍生工具和售後回購交易的淨額結算總協議，倘若發生違約或其他事先議定的事件，則同一交易對手之相關金額可採用淨額結算。

For master netting agreements of OTC derivative and sale and repurchase transactions entered into by the Group, related amounts with the same counterparty can be offset if an event of default or other predetermined events occur.

43. 金融資產轉移

於2022年及2021年12月31日，本集團沒有不符合終止確認條件之已轉移金融資產。

43. TRANSFERS OF FINANCIAL ASSETS

As at 31 December 2022 and 2021, there were no transferred financial assets of the Group that do not qualify for derecognition.

44. 董事貸款

根據香港《公司條例》第383條及《公司(披露董事利益資料)規例》第三部的規定，向本銀行董事提供之貸款詳情如下：

44. LOANS TO DIRECTORS

Particulars of loans made to directors of the Bank pursuant to section 383 of the Hong Kong Companies Ordinance and Part 3 of the Companies (Disclosure of Information about Benefits of Directors) Regulation are as follows:

		2022	2021
		港幣千元	港幣千元
		HK\$'000	HK\$'000
於年末尚未償還之有關交易總額	Aggregate amount of relevant transactions outstanding at year end	40,721	37,497
於年內未償還有關交易之最高總額	Maximum aggregate amount of relevant transactions outstanding during the year	42,101	46,182

財務報表附註

Notes to the Financial Statements

45. 主要之有關連人士交易

母公司的基本資料：

本集團直接控股公司為信達金融控股有限公司（「信達金控」），最終控股公司為中國信達資產管理股份有限公司（「中國信達」），而中國信達是由中華人民共和國財政部（「財政部」）在中華人民共和國（「中國」）成立的國有金融企業，其股份亦在香港聯合交易所有限公司（「香港聯交所」）上市交易。

(a) 與母公司及母公司控制之其他公司進行的交易

本集團之直接控股公司是信達金控，而信達金控是受中國信達（香港）控股有限公司（「信達香港」）控制。中國信達是信達香港之控股公司，其主要股東及實際控制人為財政部，財政部是中華人民共和國國務院的組成部門，主要負責國家財政收支和稅收政策等。

中國信達於某些內地實體均擁有控制權益。

大部分與中國信達進行的交易源自客戶存款及出售客戶貸款及墊款。於2022年12月31日，本集團相關款項總額為港幣16,000,255,000元（2021年：港幣14,123,405,000元）及港幣1,400,481,000元（2021年：1,197,776,000元）。截至2022年12月31日止年度，與中國信達做此類業務過程中產生的支出及出售引致的淨損失減分別為港幣38,860,000元（2021年：港幣49,292,000元）及港幣580,460,000元（2021年：357,316,000元）。

45. SIGNIFICANT RELATED PARTY TRANSACTIONS

General information of the parent companies:

The Group's immediate holding company is Cinda Financial Holdings Co., Limited ("Cinda Financial Holdings"), the Group's ultimate holding company is China Cinda Asset Management Co., Ltd. ("China Cinda") which is a state-owned financial enterprise established in the People's Republic of China (the "PRC") by the Ministry of Finance (the "MOF") and its shares are listed on the Main Board of The Stock Exchange of Hong Kong Limited ("Hong Kong Stock Exchange").

(a) Transactions with the parent companies and the other companies controlled by the parent companies

The Group's immediate holding company is Cinda Financial Holdings which is in turn controlled by China Cinda (HK) Holdings Company Limited ("Cinda Hong Kong"). China Cinda is the controlling entity of Cinda Hong Kong and its major shareholder and de facto controller is MOF, which is one of the ministries under the State Council of the PRC Government, primarily responsible for state fiscal revenue and expenditures, and taxation policies.

China Cinda has controlling equity interests in certain other entities in the PRC.

The majority of transactions with China Cinda arises from deposits from customers and disposal of loans and advances. As at 31 December 2022, the related aggregate amount of the Group was HK\$16,000,255,000 (2021: HK\$14,123,405,000) and HK\$1,400,481,000 (2021: HK\$1,197,776,000) respectively. The aggregate amount of expenses of the Group arising from these transactions and the net loss arising from disposal with China Cinda for the year ended 31 December 2022 was HK\$38,860,000 (2021: HK\$49,292,000) and HK\$580,460,000 (2021: HK\$357,316,000) respectively.

財務報表附註

Notes to the Financial Statements

45. 主要之有關連人士交易 (續)

(a) 與母公司及母公司控制之其他公司進行的交易 (續)

大部分與信達香港進行的交易源自客戶存款。於2022年12月31日，本集團相關款項總額為港幣1,545,133,000元(2021年：港幣4,911,717,000元)。截至2022年12月31日止年度，與信達香港敘做此類業務過程中產生的支出總額為港幣3,198,000元(2021年：港幣20,773,000元)。

於2022年12月31日，沒有與母公司控制之其他公司的金融投資交易。(2021年：港幣592,486,000元)。截至2022年12月31日止年度，與母公司控制之其他公司敘做此類業務過程中產生的收入總額為港幣27,896,000元(2021年：港幣48,092,000元)。

大部分與母公司控制之其他公司的交易源自衍生金融工具。於2022年12月31日，本集團相關款項總額為衍生金融資產為港幣16,625,000元(2021年：港幣19,857,000元)及衍生金融負債為港幣44,292,000元(2021年：港幣57,991,000元)。截至2022年12月31日止年度，與母公司控制之其他公司敘做此類業務過程中產生的收入總額分別為衍生金融資產為港幣941,000元(2021年：港幣339,000元)及衍生金融負債為港幣2,256,000元(2021年：港幣59,585,000元)。

大部分與母公司控制之其他公司的交易源客戶貸款及客戶存款。於2022年12月31日，本集團相關款項總額分別為港幣224,536,000元(2021年：港幣149,533,000元)及港幣2,373,219,000元(2021年：港幣6,397,258,000元)。截至2022年12月31日止年度，與母公司控制之其他公司敘做此類業務過程中產生的收入及支出總額分別為港幣9,614,000元(2021年：港幣4,939,000元)及港幣63,835,000元(2021年：港幣84,090,000元)。

45. SIGNIFICANT RELATED PARTY TRANSACTIONS (Cont'd)

(a) Transactions with the parent companies and the other companies controlled by the parent companies (Cont'd)

The majority of transactions with Cinda Hong Kong arises from deposits from customers. As at 31 December 2022, the related aggregate amount of the Group was HK\$1,545,133,000 (2021: HK\$4,911,717,000). The aggregate amount of expenses of the Group arising from these transactions with Cinda Hong Kong for the year ended 31 December 2022 was HK\$3,198,000 (2021: HK\$20,773,000).

As at 31 December 2022, there were no transactions of financial investments with other companies controlled by the parent companies. (2021: HK\$592,486,000). The aggregate amount of income of the Group arising from these transactions with other companies controlled by the parent companies for the year ended 31 December 2022 was HK\$27,896,000 (2021: HK\$ 48,092,000).

The majority of transactions with other companies controlled by the parent companies arises from derivative financial instruments. As at 31 December 2022, the related aggregate amount of the Group was HK\$16,625,000 (2021: HK\$19,857,000) for the asset side and HK\$44,292,000 (2021: HK\$57,991,000) for the liability side respectively. The aggregate amount of income of the Group arising from these transactions with other companies controlled by the parent companies for the year ended 31 December 2022 was HK\$941,000 (2021: HK\$339,000) for derivative financial assets and HK\$2,256,000 (2021: HK\$59,585,000) for derivative financial liabilities.

The majority of transactions with other companies controlled by the parent companies arises from advances to customers and deposits from customers. As at 31 December 2022, the related aggregate amount of the Group was HK\$224,536,000 (2021: HK\$149,533,000) and HK\$2,373,219,000 (2021: HK\$6,397,258,000) respectively. The aggregate amount of income and expenses of the Group arising from these transactions with other companies controlled by the parent companies for the period ended 31 December 2022 were HK\$9,614,000 (2021: HK\$4,939,000) and HK\$63,835,000 (2021: HK\$84,090,000) respectively.

財務報表附註

Notes to the Financial Statements

45. 主要之有關連人士交易 (續)

(a) 與母公司及母公司控制之其他公司進行的交易 (續)

大部分與母公司控制之其他公司的交易源自物業、器材及設備、其他資產及其他賬項及準備。於2022年12月31日，本集團相關款項總額為港幣312,016,000元(2021年：港幣401,409,000元)及港幣597,672,000元(2021年：港幣641,089,000元)，其中港幣303,618,000元(2021年12月31日：港幣391,468,000元)為使用權資產及港幣326,829,000元(2021年：港幣529,950,000元)為與母公司控制之其他公司簽訂租賃協議而產生的租賃負債。截至2022年12月31日止年度，與母公司控制之其他公司做此類業務過程中產生的淨支出總額為港幣61,693,000元(2021年：港幣9,018,000元)。

除上述披露外，與其他公司及母公司控制之其他公司進行的交易並不重大。

本集團在正常業務中與此等實體進行銀行業務交易，包括貸款、證券投資及貨幣市場交易。

45. SIGNIFICANT RELATED PARTY TRANSACTIONS (Cont'd)

(a) Transactions with the parent companies and the other companies controlled by the parent companies (Cont'd)

The majority of transactions with other companies controlled by the parent companies arises from property, plant and equipment, other assets and other accounts and provisions. As at 31 December 2022, the related aggregate amount of the Group was HK\$312,016,000 (2021: HK\$401,409,000) and HK\$597,672,000 (2021: HK\$641,089,000), of which HK\$303,618,000 (2021: HK\$391,468,000) represent right-of-use assets and HK\$326,829,000 (2021: HK\$529,950,000) represent lease liabilities arising from lease agreements entered into with other companies controlled by the parent companies. The aggregate amount of net expenses of the Group arising from these transactions with other companies controlled by the parent companies for the year ended 31 December 2022 was HK\$61,693,000 (2021: HK\$9,018,000).

Save as disclosed above, transactions with other parent companies and the other companies controlled by the parent companies are not considered material.

The Group enters into banking transactions with these entities in the normal course of business which include loans, investment securities and money market transactions.

財務報表附註

Notes to the Financial Statements

45. 主要之有關連人士交易 (續)

(b) 與政府機構、代理機構、附屬機構及其他國有控制實體的交易

中華人民共和國財政部對本集團實施控制，亦通過政府機構、代理機構、附屬機構及其他國有控制實體直接或間接控制大量其他實體。本集團按一般商業條款與政府機構、代理機構、附屬機構及其他國有控制實體進行常規銀行業務交易。

這些交易包括但不局限於下列各項：

- 借貸、提供授信及擔保和接受存款；
- 銀行同業之存放及結餘；
- 出售、購買、包銷及贖回由其他國有控制實體所發行之債券；
- 提供外匯、匯款及相關投資服務；
- 提供信託業務；及
- 購買公共事業、交通工具、電信及郵政服務。

45. SIGNIFICANT RELATED PARTY TRANSACTIONS (Cont'd)

(b) Transactions with government authorities, agencies, affiliates and other state controlled entities

The Group is subject to the control of the MOF of the PRC Government, which also directly or indirectly controls a significant number of entities through its government authorities, agencies, affiliates and other state controlled entities. The Group enters into banking transactions with government authorities, agencies, affiliates and other state controlled entities in the normal course of business at commercial terms.

These transactions include, but are not limited to, the following:

- lending, provision of credits and guarantees, and deposit taking;
- inter-bank balance taking and placing;
- sales, purchases, underwriting and redemption of bonds issued by other state controlled entities;
- rendering of foreign exchange, remittance and investment related services;
- provision of fiduciary activities; and
- purchase of utilities, transport, telecommunications and postage services.

財務報表附註

Notes to the Financial Statements

45. 主要之有關連人士交易 (續)

(c) 主要高層人員

主要高層人員是指某些能直接或間接擁有權力及責任來計劃、指導及掌管集團業務之人士，包括董事及其他高層管理人員。本集團在正常業務中會接受主要高層人員存款及向其提供貸款及信貸融資。於本年及去年，本集團並沒有與本銀行及其控股公司之主要高層人員或其有關連人士進行重大交易。

主要高層人員截至12月31日止年度之薪酬如下：

45. SIGNIFICANT RELATED PARTY TRANSACTIONS (Cont'd)

(c) Key management personnel

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the Group, directly or indirectly, including Directors and other Senior Management. The Group accepts deposits from and grants loans and credit facilities to key management personnel in the ordinary course of business. During both the current and prior years, no material transaction was conducted with key management personnel of the Bank and its holding companies, as well as parties related to them.

The compensation of key management personnel for the year ended 31 December is detailed as follows:

		2022 港幣千元 HK\$'000	2021 港幣千元 HK\$'000
薪酬及其他短期員工福利	Salaries and other short-term employee benefits	47,416	52,827
退休福利	Post-employment benefits	3,198	3,705
		50,614	56,532

(d) 與附屬公司的結餘

於2022年12月31日，本銀行在日常業務過程中按一般商業條款進行交易產生的應收及應付附屬公司款項總額分別為港幣1,237,214,000元(2021年：港幣946,715,000元)及港幣1,493,483,000元(2021年：港幣568,252,000元)。

(d) Balances with subsidiaries

As at 31 December 2022, the aggregate sums of amounts due from subsidiaries and amounts due to subsidiaries of the Bank arising from transactions entered into during the normal course of business at commercial terms are HK\$1,237,214,000 (2021: HK\$946,715,000) and HK\$1,493,483,000 (2021: HK\$568,252,000) respectively.

財務報表附註

Notes to the Financial Statements

46. 國際債權

以下分析乃參照有關國際銀行業統計之金管局報表的填報指示而編製。國際債權按照交易對手所在地計入風險轉移後以交易對手之最終風險承擔的地區分佈，其總和包括所有貨幣之跨國債權及本地之外幣債權。若債權之擔保人所在地與交易對手所在地不同，則風險將轉移至擔保人之所在地。若債權屬銀行之海外分行，其風險將會轉移至該銀行之總行所在地。

本集團的個別國家或區域其已計及風險轉移後佔國際債權總額 10% 或以上之債權如下：

46. INTERNATIONAL CLAIMS

The below analysis is prepared with reference to the completion instructions for the HKMA return of international banking statistics. International claims are exposures to counterparties on which the ultimate risk lies based on the locations of the counterparties after taking into account the transfer of risk, and represent the sum of cross-border claims in all currencies and local claims in foreign currencies. For a claim guaranteed by a party situated in a country different from the counterparty, the risk will be transferred to the country of the guarantor. For a claim on an overseas branch of a bank whose head office is located in another country, the risk will be transferred to the country where its head office is located.

Claims on individual countries or areas, after risk transfer, amounting to 10% or more of the aggregate international claims of the Group are shown as follows:

		2022				
		非銀行私人機構				
		Non-bank private sector				
		非銀行		非金融		總計
		金融機構	非金融	私人機構	私人機構	
		官方機構	Non-bank	financial	Non-financial	Total
		Banks	institutions	private sector	private sector	Total
		銀行	官方機構	金融機構	非金融	總計
		Banks	Official	Non-bank	Non-financial	Total
		港幣千元	港幣千元	港幣千元	港幣千元	港幣千元
		HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
中國內地	Mainland of China	27,131,003	846,551	8,410,519	56,709,064	93,097,137
香港	Hong Kong	5,474,498	26,007	20,771,849	30,827,178	57,099,532
		2021				
		非銀行私人機構				
		Non-bank private sector				
		非銀行		非金融		總計
		金融機構	非金融	私人機構	私人機構	
		官方機構	Non-bank	financial	Non-financial	Total
		Banks	institutions	private sector	private sector	Total
		銀行	官方機構	金融機構	非金融	總計
		Banks	Official	Non-bank	Non-financial	Total
		港幣千元	港幣千元	港幣千元	港幣千元	港幣千元
		HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
中國內地	Mainland of China	40,469,331	1,911,300	7,391,997	61,445,553	111,218,181
香港	Hong Kong	3,220,875	9,820	16,387,471	31,385,054	51,003,220

財務報表附註

Notes to the Financial Statements

47. 資產負債表及權益變動表

(a) 資產負債表

47. BALANCE SHEET AND STATEMENT OF CHANGES IN EQUITY

(a) Balance sheet

於12月31日
As at 31 December
2022 2021
港幣千元 港幣千元
HK\$'000 HK\$'000

資產	ASSETS		
庫存現金及存放銀行及 其他金融機構的結餘	Cash and balances with banks and other financial institutions	41,714,170	30,636,313
公允值變化計入損益之金融資產	Financial assets at fair value through profit or loss	7,966,809	8,723,287
衍生金融工具	Derivative financial instruments	1,260,176	455,043
貸款及其他賬項	Advances and other accounts	210,736,352	208,547,028
金融投資	Financial investments	111,744,550	99,812,367
附屬公司權益	Interests in subsidiaries	11,713,686	11,713,686
投資物業	Investment properties	559,140	327,610
物業、器材及設備	Properties, plant and equipment	7,472,730	6,654,356
其他資產	Other assets	2,309,733	1,738,683
資產總額	Total assets	395,477,346	368,608,373
負債	LIABILITIES		
銀行及其他金融機構之 存款及結餘	Deposits and balances from banks and other financial institutions	33,792,149	13,328,393
公允值變化計入損益之金融負債	Financial liabilities at fair value through profit or loss	7,119,358	6,415,312
衍生金融工具	Derivative financial instruments	548,351	474,387
客戶存款	Deposits from customers	289,512,087	279,380,266
已發行存款證	Certificates of deposit in issue	–	936,423
其他賬項及準備	Other accounts and provisions	3,168,578	2,834,823
應付稅項負債	Current tax liabilities	346,177	212,285
遞延稅項負債	Deferred tax liabilities	356,077	804,607
後償負債	Subordinated liabilities	5,455,215	5,451,286
負債總額	Total liabilities	340,297,992	309,837,782

財務報表附註 Notes to the Financial Statements

47. 資產負債表及權益變動表 (續)

(a) 資產負債表 (續)

47. BALANCE SHEET AND STATEMENT OF CHANGES IN EQUITY (Cont'd)

(a) Balance sheet (Cont'd)

		於12月31日 As at 31 December	
		2022	2021
		港幣千元 HK\$'000	港幣千元 HK\$'000
資本	EQUITY		
股本	Share capital	3,144,517	3,144,517
儲備	Reserves	46,956,981	46,311,184
歸屬於本集團股東資本總額	Total equity attributable to owners of the parent	50,101,498	49,455,701
額外資本工具	Additional equity instruments	5,077,856	9,314,890
資本總額	Total equity	55,179,354	58,770,591
負債及資本總額	Total liabilities and equity	395,477,346	368,608,373

經董事會於2023年3月23日通過核准並由以下人士代表簽署：

Approved by the Board of Directors on 23 March 2023 and signed on behalf of the Board by:

劉鈞
董事

Liu Jun
Director

鄭建崗
董事

Cheng Kin Kong
Director

財務報表附註

Notes to the Financial Statements

47. 資產負債表及權益變動表 (續)

(b) 權益變動表

47. BALANCE SHEET AND STATEMENT OF CHANGES IN EQUITY (Cont'd)

(b) Statement of changes in equity

		儲備 Reserves							
		公允值 變化計入其他 全面收益儲備 Reserve for fair value				監管儲備*	換算儲備	留存盈利	
		額外資本 工具	房產 重估儲備	through other comprehensive income	Regulatory reserve*	Translation reserve	Retained earnings	總計 Total	
		股本 Share capital	Premises revaluation reserve	through other comprehensive income	Regulatory reserve*	Translation reserve	Retained earnings	Total	
		港幣千元 HK\$'000	港幣千元 HK\$'000	港幣千元 HK\$'000	港幣千元 HK\$'000	港幣千元 HK\$'000	港幣千元 HK\$'000	港幣千元 HK\$'000	
於2021年1月1日	At 1 January 2021	3,144,517	9,314,890	5,967,708	497,643	983,555	(12,144)	37,021,629	56,917,798
年度溢利	Profit for the year	-	-	-	-	-	-	2,428,012	2,428,012
其他全面收益：	Other comprehensive income:								
房產	Premises	-	-	49,009	-	-	-	-	49,009
界定利益福利計劃之精算盈餘	Actuarial gains on defined benefit plan	-	-	-	-	-	-	3,282	3,282
公允值變化計入其他全面收益 之金融工具	Financial instruments at fair value through other comprehensive income	-	-	-	(160,768)	-	-	-	(160,768)
貨幣換算差額	Currency translation difference	-	-	-	(5)	-	-	-	(5)
全面收益總額	Total comprehensive income	-	-	49,009	(160,773)	-	-	2,431,294	2,319,530
支付額外資本工具票息	Distribution payment for additional equity instruments	-	(466,737)	-	-	-	-	-	(466,737)
轉發自留存盈利	Transfer from retained earnings	-	466,737	-	-	110,196	-	(576,933)	-
於2021年12月31日	At 31 December 2021	3,144,517	9,314,890	6,016,717	336,870	1,093,751	(12,144)	38,875,990	58,770,591

財務報表附註

Notes to the Financial Statements

47. 資產負債表及權益變動表 (續)

(b) 權益變動表 (續)

47. BALANCE SHEET AND STATEMENT OF CHANGES IN EQUITY (Cont'd)

(b) Statement of changes in equity (Cont'd)

		儲備								
		Reserves								
		公允值								
		變化計入其他								
		全面收益儲備								
		額外資本	房產	Reserve for		監管儲備*		換算儲備	留存盈利	總計
		工具	重估儲備	fair value		regulatory		translation	retained	total
		股本	Premises	through other		reserve*		reserve	earnings	Total
		Share	revaluation	comprehensive		Regulatory		Translation	Retained	Total
		capital	reserve	income		reserve*		reserve	earnings	Total
		港幣千元	港幣千元	港幣千元	港幣千元	港幣千元	港幣千元	港幣千元	港幣千元	港幣千元
		HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
於2022年1月1日	At 1 January 2022	3,144,517	9,314,890	6,016,717	336,870	1,093,751	(12,144)	38,875,990	58,770,591	
年度溢利	Profit for the year	-	-	-	-	-	-	2,894,969	2,894,969	
其他全面收益：	Other comprehensive income:									
房產	Premises	-	-	(44,720)	-	-	-	-	(44,720)	
界定利益福利計劃之精算盈餘	Actuarial gains on defined benefit plan	-	-	-	-	-	-	40,623	40,623	
公允值變化計入其他全面收益之金融工具	Financial instruments at fair value through other comprehensive income	-	-	-	(1,741,928)	-	-	-	(1,741,928)	
貨幣換算差額	Currency translation difference	-	-	-	-	-	-	-	-	
全面收益總額	Total comprehensive income	-	-	(44,720)	(1,741,928)	-	-	2,935,592	1,148,944	
發行額外資本工具 ¹	Issue of additional equity instruments ¹	-	5,077,856	-	-	-	-	-	5,077,856	
贖回額外資本工具	Redemption of the additional equity instruments	-	(9,314,890)	-	-	-	-	(101,932)	(9,416,822)	
支付額外資本工具票息	Distribution payment for additional equity instruments	-	(401,215)	-	-	-	-	-	(401,215)	
轉撥自/(至)留存盈利	Transfer from/(to) retained earnings	-	401,215	-	-	(353,952)	-	(47,263)	-	
於2022年12月31日	At 31 December 2022	3,144,517	5,077,856	5,971,997	(1,405,058)	739,799	(12,144)	41,662,387	55,179,354	

1. 年內，本行發行港幣5,099,868,000元(美元650,000,000)永久非累計次級額外一級資本證券「額外資本工具」。直接發行成本港幣22,012,000元經已入賬，並從額外資本工具中扣除。

* 除對貸款提取減值準備外，按金管局要求撥轉部分留存盈利至監管儲備作銀行一般風險之用(包括未來損失或其他不可預期風險)。

1. During the year, the Bank issued HK\$5,099,868,000 (US\$650,000,000) perpetual non-cumulative subordinated additional tier 1 capital securities ("additional equity instruments"). Direct issuance costs of HK\$22,012,000 are accounted for as a deduction from the additional equity instruments.

* In accordance with the requirements of the HKMA, the amounts are set aside for general banking risks, including future losses or other unforeseeable risks, in addition to the loan impairment allowances recognised.

財務報表附註

Notes to the Financial Statements

48. 最終控股公司

本集團由中國信達間接控制，而中國信達是由中華人民共和國財政部（「財政部」）在中華人民共和國（「中國」）成立的國有金融企業，其股份亦在香港聯合交易所有限公司（「香港聯交所」）上市交易。

49. 財務報表核准

本財務報表於2023年3月23日經董事會通過及核准發佈。

48. ULTIMATE HOLDING COMPANY

The Group is indirectly controlled by China Cinda, which is a state-owned financial enterprise established in the People's Republic of China (the "PRC") by the Ministry of Finance (the "MOF") and its shares are listed on the Main Board of The Stock Exchange of Hong Kong Limited ("Hong Kong Stock Exchange").

49. APPROVAL OF FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the Board of Directors on 23 March 2023.

ISSUER

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FOR THE YEAR ENDED 31 DECEMBER 2023**

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Registered Public Interest Entity Auditor
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REGISTRAR AND TRANSFER AGENT

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