

# UNAUDITED SUPPLEMENTARY FINANCIAL INFORMATION

## 未經審核補充財務資料

### (1) CAPITAL ADEQUACY RATIO AND CAPITAL BASE 資本充足比率及資本基礎

#### (a) Capital Adequacy Ratio

#### (a) 資本充足比率

		2004 % 百分率	2003 % 百分率
Unadjusted capital adequacy ratio as at 31st December	於12月31日的未經調整資本充足比率	<b>16.2</b>	17.2
Adjusted capital adequacy ratio as at 31st December	於12月31日的調整後資本充足比率	<b>16.1</b>	17.1

The unadjusted capital adequacy ratio is computed on the consolidated basis which comprises the positions of the Bank and its subsidiaries as required by the Hong Kong Monetary Authority for its regulatory purposes, and is in accordance with the Third Schedule to the Hong Kong Banking Ordinance.

未經調整資本充足比率之計算，是根據香港金融管理局訂定用作規管用途的綜合基準及香港《銀行業條例》附表3。綜合基準包括了本銀行及其附屬公司。

The adjusted capital adequacy ratio which takes into account market risks as at the balance sheet date is computed in accordance with the Guideline "Maintenance of Adequate Capital Against Market Risks" issued by the Hong Kong Monetary Authority and on the same consolidated basis as for the unadjusted capital adequacy ratio.

調整後資本充足比率的計算，是根據香港金融管理局發出的指引《就市場風險維持充足資本》，計入在結算日的市場風險。所根據的綜合基準與未經調整資本充足比率所根據的相同。

#### (b) Group Capital Base after Deductions

#### (b) 集團扣減後的資本基礎

		2004 HK\$'000 港幣千元	2003 HK\$'000 港幣千元
Core capital	核心資本		
Paid up ordinary share capital	繳足股款的普通股股本	<b>3,729,996</b>	3,668,634
Share premium	股份溢價	<b>631,188</b>	520,305
Reserves	儲備	<b>14,997,378</b>	14,059,945
Minority interests	少數股東權益	<b>165,655</b>	24,418
Deduct: Goodwill	減：商譽	<b>(2,448,156)</b>	(2,343,408)
Total core capital	核心資本總額	<b>17,076,061</b>	15,929,894
Eligible supplementary capital	可計算的附加資本		
Reserves on revaluation of land and interests in land (at 70%)	土地及土地權益價值重估儲備(以70%計算)	<b>822,725</b>	659,956
General provisions for doubtful debts	一般呆賬準備金	<b>1,336,044</b>	1,266,365
Term subordinated debt	有期後償債項	<b>4,271,124</b>	4,260,751
Total eligible supplementary capital	可計算的附加資本總額	<b>6,429,893</b>	6,187,072
Total capital base before deductions	扣減前的資本基礎總額	<b>23,505,954</b>	22,116,966
Deductions from total capital base	資本基礎總額扣減項目	<b>(969,261)</b>	(1,049,318)
Total capital base after deductions	扣減後的資本基礎總額	<b>22,536,693</b>	21,067,648

Unaudited Supplementary Financial Information (continued)  
未經審核補充財務資料(續)

(2) LIQUIDITY RATIO 流動資金比率

		2004 % 百分率	2003 % 百分率
Average liquidity ratio for the year	年度內平均流動資金比率	44.4	44.8

The average liquidity ratio for the year is the simple average of each calendar month's average liquidity ratio, which is computed on the consolidated basis as required by the Hong Kong Monetary Authority for its regulatory purposes, and is in accordance with the Fourth Schedule to the Hong Kong Banking Ordinance.

年度內平均流動資金比率是每月平均比率的簡單平均數，其計算是根據香港金融管理局訂定用作規管用途的綜合基準及香港《銀行業條例》(附表4)。

(3) SEGMENTAL INFORMATION 分部資料

(a) Advances to Customers

(i) By industry sectors

The analysis of gross advances to customers (net of suspended interest) by industry sector is based on the categories and definitions used by the Hong Kong Monetary Authority.

(a) 客戶貸款

(i) 按行業分類

客戶貸款總額(減除懸欠利息)的行業分類是按香港金融管理局所採用的類別和定義。

		2004 HK\$'000 港幣千元	2003 HK\$'000 港幣千元
The Group	集團		
Loans for use in Hong Kong	在香港使用的貸款		
Industrial, commercial and financial	工商金融		
– Property development	– 物業發展	4,398,093	4,969,798
– Property investment	– 物業投資	14,536,729	11,883,891
– Financial concerns	– 金融企業	1,507,153	2,045,115
– Stockbrokers	– 股票經紀	277,903	322,112
– Wholesale and retail trade	– 批發與零售業	1,569,771	1,790,164
– Manufacturing	– 製造業	1,822,971	1,250,396
– Transport and transport equipment	– 運輸與運輸設備	4,507,233	4,564,759
– Others	– 其他	6,032,368	4,500,757
– Sub-total	– 小計	34,652,221	31,326,992
Individuals	個人		
– Loans for the purchase of flats in the Home Ownership Scheme, Private Sector Participation Scheme and Tenants Purchase Scheme	– 購買「居者有其屋計劃」、 「私人參建居屋計劃」及 「租者置其屋計劃」 樓宇的貸款	1,522,173	1,848,337
– Loans for the purchase of other residential properties	– 購買其他住宅物業 的貸款	34,928,247	34,595,575
– Credit card advances	– 信用卡貸款	1,649,200	1,432,687
– Others	– 其他	3,230,750	2,950,460
– Sub-total	– 小計	41,330,370	40,827,059
Total loans for use in Hong Kong	在香港使用的貸款總額	75,982,591	72,154,051
Trade finance	貿易融資	4,092,162	3,314,514
Loans for use outside Hong Kong	在香港以外使用的貸款	37,184,000	27,440,271
Total advances to customers	客戶貸款總額	117,258,753	102,908,836

Unaudited Supplementary Financial Information (continued)  
未經審核補充財務資料(續)

(ii) By geographical areas

The information concerning the breakdown of the gross amount of advances to customers by countries or geographical areas is derived according to the location of the counterparties after taking into account any transfer of risk. In general, such transfer of risk takes place if the claims are guaranteed by a party in a country which is different from that of the counterparty or if the claims are on an overseas branch of a bank whose head office is located in another country.

(ii) 按區域分類

客戶貸款總額按國家或區域的分類，是根據交易對手的所在地，並已顧及轉移風險因素。一般而言，有關貸款的債權獲得並非交易對手所在地的國家的一方擔保，或該債權的履行對象是某銀行的海外分行，而該銀行的總辦事處並非設於交易對手的所在地，風險便確認為由一個國家轉移到另一個國家。

		Total advances to customers		Non-performing loans		Advances overdue for over three months	
		客戶貸款總額		不履行貸款		逾期3個月以上的客戶貸款	
		2004	2003	2004	2003	2004	2003
		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
The Group	集團						
Hong Kong	香港	88,598,608	81,092,324	765,035	1,587,928	575,894	872,215
People's Republic of China	中華人民共和國	10,911,094	5,588,249	317,005	747,602	77,426	470,946
Other Asian countries	其他亞洲國家	6,354,111	5,150,091	107,771	108,408	103,688	83,713
Others	其他	11,394,940	11,078,172	175,621	82,451	83,377	71,799
Total	總額	117,258,753	102,908,836	1,365,432	2,526,389	840,385	1,498,673

(b) Cross-border Claims

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

(b) 跨國債權

跨國債權資料披露對海外交易對手風險額最終風險的所在地，並已顧及轉移風險因素。一般而言，有關貸款的債權獲得並非交易對手所在地的國家的一方擔保，或該債權的履行對象是某銀行的海外分行，而該銀行的總辦事處並非設於交易對手的所在地，風險便確認為由一個國家轉移到另一個國家。當某一地區的風險額佔風險總額的10%或以上，該地區的風險額便予以披露。

		2004			
		Banks and other financial institutions	Public sector entities	Others	Total
		銀行及其他金融機構	公營機構	其他	總額
		HK\$'000 港幣千元	HK\$'000 港幣千元	HK\$'000 港幣千元	HK\$'000 港幣千元
The Group	集團				
People's Republic of China	中華人民共和國	9,413,577	1,458,707	7,962,500	18,834,784
Asian countries, excluding People's Republic of China	其他亞洲國家 (不包括中華人民共和國)	10,764,517	1,413,490	7,519,486	19,697,493
North America	北美洲	5,129,033	7,886,401	5,182,553	18,197,987
Western Europe	西歐	26,577,806	255	2,016,679	28,594,740

Unaudited Supplementary Financial Information (continued)  
未經審核補充財務資料(續)

(3) SEGMENTAL INFORMATION (continued) 分部資料(續)

(b) Cross-border Claims (continued)

(b) 跨國債權(續)

		2003			
		Banks and other financial institutions 銀行及其他金融機構	Public sector entities 公營機構	Others 其他	Total 總額
		HK\$'000 港幣千元	HK\$'000 港幣千元	HK\$'000 港幣千元	HK\$'000 港幣千元
The Group	集團				
People's Republic of China	中華人民共和國	5,942,870	1,117,031	4,763,759	11,823,660
Asian countries, excluding People's Republic of China	其他亞洲國家 (不包括中華人民共和國)	13,068,878	1,156,111	6,184,322	20,409,311
North America	北美洲	5,526,584	8,245,582	4,920,474	18,692,640
Western Europe	西歐	33,240,941	-	1,088,757	34,329,698

(4) OVERDUE, RESCHEDULED AND REPOSSESSED ASSETS 逾期、經重組及收回資產

(a) Overdue and Rescheduled Advances

(a) 逾期及經重組貸款

		2004		2003	
		HK\$'000 港幣千元	% of total advances to customers 佔客戶貸款總額 的百分比	HK\$'000 港幣千元	% of total advances to customers 佔客戶貸款總額 的百分比
The Group	集團				
Advances to customers overdue for	逾期客戶貸款				
- 6 months or less but over 3 months	- 3個月以上至 6個月	242,893	0.2	276,799	0.3
- 1 year or less but over 6 months	- 6個月以上至1年	194,645	0.2	339,092	0.3
- Over 1 year	- 1年以上	402,847	0.3	882,782	0.9
		840,385	0.7	1,498,673	1.5
Rescheduled advances to customers	經重組客戶貸款	472,335	0.4	1,123,114	1.1
Total overdue and rescheduled advances	逾期及經重組客戶 貸款總額	1,312,720	1.1	2,621,787	2.6
Secured overdue advances	有抵押逾期貸款	660,700	0.6	1,323,712	1.3
Unsecured overdue advances	無抵押逾期貸款	179,685	0.1	174,961	0.2
Market value of security held against secured overdue advances	有抵押逾期貸款 抵押品市值	1,122,161		1,736,962	

There were no advances to banks and other financial institutions which were overdue for over 3 months as at 31st December, 2004 and 31st December, 2003, nor were there any rescheduled advances to banks and other financial institutions on these two dates.

於2004年12月31日及2003年12月31日，本集團貸予銀行及其他金融機構的款項中，並無逾期3個月以上或經重組的貸款。

Unaudited Supplementary Financial Information (continued)  
未經審核補充財務資料(續)

(b) Reconciliation

(b) 對賬表

		2004	2003
		HK\$'000 港幣千元	HK\$'000 港幣千元
Overdue advances (Note 1)	逾期貸款(附註1)	840,385	1,498,673
Rescheduled advances (Note 2)	經重組貸款(附註2)	472,335	1,123,114
Total overdue and rescheduled advances	逾期及經重組貸款總額	1,312,720	2,621,787
Less: Overdue advances on which interest is still being accrued	減: 逾期但仍累計利息貸款	(157,696)	(150,286)
Less: Rescheduled advances on which interest is still being accrued	減: 經重組但仍累計利息貸款	(63,283)	(173,813)
Add: Non-performing loans which are not overdue or rescheduled	加: 不履行貸款但非逾期或經重組	273,691	228,701
Total non-performing loans	不履行貸款總額	1,365,432	2,526,389

Notes:

- Advances which are overdue for more than three months.
- Rescheduled advances which have been overdue for more than three months under the revised repayment terms are included under overdue advances and not rescheduled advances.

附註:

- 逾期貸款即逾期3個月以上的貸款。
- 根據修訂還款條款已逾期超過3個月的經重組貸款，已列入逾期貸款範圍，並不屬於經重組貸款。

(c) Other Overdue and Rescheduled Assets

(c) 其他逾期及經重組資產

		2004		2003	
		Accrued interest	Other assets*	Accrued interest	Other assets*
		累計利息	其他資產*	累計利息	其他資產*
		HK\$'000 港幣千元	HK\$'000 港幣千元	HK\$'000 港幣千元	HK\$'000 港幣千元
The Group	集團				
Other assets overdue for	其他逾期資產				
- 6 months or less but over 3 months	- 3個月以上至6個月	1,653	305	1,699	2,592
- 1 year or less but over 6 months	- 6個月以上至1年	1,065	614	1,442	1,096
- Over 1 year	- 1年以上	407	19,462	904	13,406
		3,125	20,381	4,045	17,094
Rescheduled assets	經重組資產	-	-	-	827
Total other overdue and rescheduled assets	其他逾期及經重組資產總額	3,125	20,381	4,045	17,921

\* Other assets refer to trade bills and receivables.

\* 其他資產是指貿易票據及應收款項。

Unaudited Supplementary Financial Information (continued)  
未經審核補充財務資料(續)

(4) OVERDUE, RESCHEDULED AND REPOSSESSED ASSETS (continued) 逾期、經重組及收回資產(續)

(d) Repossessed Assets

(d) 收回資產

		2004	2003
		HK\$'000 港幣千元	HK\$'000 港幣千元
The Group	集團		
Repossessed properties*	收回物業*	107,745	176,265
Repossessed vehicles and machines	收回汽車及機器	340	671
Total repossessed assets	收回資產總額	108,085	176,936

The amount represents the estimated market value of the repossessed assets as at 31st December.

此等數額指於12月31日收回資產的估計市值。

\* The balance included HK\$26,293,000 (2003: HK\$47,656,000) relating to properties that were contracted for sale but not yet completed.

\* 結餘包括總值港幣26,293,000元(2003年:港幣47,656,000元)已簽約出售但仍未成交的物業。

(5) CURRENCY CONCENTRATIONS 貨幣風險

The net positions or net structural positions in foreign currencies are disclosed when each currency constitutes 10% or more of the respective total net position or total net structural position in all foreign currencies.

如個別外幣的持倉淨額或結構性持倉淨額佔所持有外幣淨持倉總額或結構性淨持倉總額的10%或以上，便須予以披露。

		2004					Total
		HK\$ Million 港幣百萬元					總額
		USD	CAD	GBP	CNY	Others	
		美元	加元	英鎊	人民幣	其他	
The Group	集團						
Spot assets	現貨資產	49,928	4,375	4,270	7,581	21,586	87,740
Spot liabilities	現貨負債	(52,103)	(4,458)	(6,690)	(7,364)	(22,592)	(93,207)
Forward purchases	遠期買入	18,257	484	2,727	-	5,802	27,270
Forward sales	遠期賣出	(15,863)	(289)	(370)	-	(4,812)	(21,334)
Net options position	期權倉淨額	16	(1)	(1)	-	3	17
Net long/(short) position	長/(短)盤淨額	235	111	(64)	217	(13)	486

		2003					Total
		HK\$ Million 港幣百萬元					總額
		USD	CAD	GBP	CNY	Others	
		美元	加元	英鎊	人民幣	其他	
The Group	集團						
Spot assets	現貨資產	50,041	4,337	4,374	2,544	14,498	75,794
Spot liabilities	現貨負債	(45,079)	(5,088)	(7,305)	(2,508)	(21,627)	(81,607)
Forward purchases	遠期買入	23,881	1,674	2,110	-	14,465	42,130
Forward sales	遠期賣出	(27,768)	(780)	(171)	-	(7,318)	(36,037)
Net options position	期權倉淨額	(9)	2	(3)	-	(6)	(16)
Net long/(short) position	長/(短)盤淨額	1,066	145	(995)	36	12	264

Unaudited Supplementary Financial Information (continued)  
未經審核補充財務資料(續)

		2004				
		HK\$ Million 港幣百萬元				
		USD 美元	CAD* 加元*	CNY 人民幣	Others 其他	Total 總額
Net structural position	結構性持倉淨額	1,452	245	564	394	2,655

		2003				
		HK\$ Million 港幣百萬元				
		USD 美元	CAD 加元	CNY 人民幣	Others 其他	Total 總額
Net structural position	結構性持倉淨額	1,423	228	-	376	2,027

\* The currency constitutes less than 10% of the total net structural position in all foreign currencies and is presented for comparative purpose only.

\* 此等外幣是少於外幣結構性淨持倉總額的10%。該數額只列作比較用途。

The net option position for 2004 is calculated using the model user approach, which has been approved by HKMA. The net structural position represents the net asset value of the Group's foreign currency investment in overseas operations and their related funding.

2004年的期權倉淨額是按“模式使用者”方法計算，並已經香港金融管理局核准。結構性持倉淨額代表本集團在投資於海外業務的資產淨值及其有關的資金。

## (6) CORPORATE GOVERNANCE 企業管治

The Group recognises the benefits of sound corporate governance practice to its shareholders. It has made reference to the Hong Kong Monetary Authority's statutory guidelines set out in the Supervisory Policy Manual "Corporate Governance of Locally Incorporated Authorized Institutions". There are thirteen specialised committees formed under the Board of Directors. The roles, functions and composition of these key committees are as follows:

**Audit Committee** (Please refer to Report of the Directors on page 52).

**Nomination Committee** (Please refer to Report of the Directors on page 52).

**Remuneration Committee** (Please refer to Report of the Directors on page 52).

**Sealing Committee** is responsible for directing the usage and custody of the Bank's common seal. It comprises all Executive Directors and Non-executive Directors of the Bank, as appointed from time to time.

**Executive Committee** is responsible for reviewing all major functions and critical issues relating to the businesses and operations of the Group. It comprises the Chief Executive, the Deputy Chief Executives, all Division Heads, the Head of Credit & Special Asset Department and the Head of Legal Affairs Department.

**Risk Management Committee** is responsible for dealing with all risk management related issues of the Group. It comprises the Chief Executive, the Deputy Chief Executives, the Head of Investment Banking Division, the Head of Strategic Planning & Control Division, the Head of Operations Support Division, the Head of Credit & Special Asset Department and the Head of Risk Management Department.

本行認同實施優良的企業管治對股東的利益。本行已參照香港金融管理局所頒布的監管政策手冊《本地註冊認可機構的企業管治》的法定指引。在董事會轄下已成立了13個專責委員會。它們的主要角色、職能及組織如下：

**審核委員會**(請參閱董事會報告書第53頁)。

**提名委員會**(請參閱董事會報告書第53頁)。

**薪酬委員會**(請參閱董事會報告書第53頁)。

**印章委員會**是負責監督本行之法定印章的使用及保管。成員包括本行不時委任之執行董事及非執行董事。

**執行委員會**負責檢討集團各項有關業務及運作的主要功能和重大事宜。成員包括行政總裁、副行政總裁、所有處主管、信貸及資產重組部主管和法律事務部主管。

**風險管理委員會**負責處理集團各項有關風險管理的事宜。成員包括行政總裁、副行政總裁、投資銀行處主管、策劃及調控處主管、營運支援處主管、信貸及資產重組部主管和風險管理部主管。

## (6) CORPORATE GOVERNANCE (continued) 企業管治(續)

**Credit Committee** is responsible for carrying out lending related activities and in particular, to monitor the lending portfolio for managing the overall credit risk of the Group. It comprises the Chief Executive, the Deputy Chief Executives, the Head of Investment Banking Division, the Head of Strategic Planning & Control Division, the Head of Operations Support Division and the Head of Credit & Special Asset Department.

**Asset and Liability Management Committee** is responsible for overseeing the management of liquidity risk, interest rate risk, market risk and country risk of the Group. It comprises the Deputy Chief Executives, the Head of Investment Banking Division, the Head of Strategic Planning & Control Division, the Head of Personal Banking Division, the Head of Corporate Banking Division, the Head of China Division, the Head of International Division, the Head of Wealth Management Division, the Head of Branch Distribution Department, the Head of Credit & Special Asset Department, the Head of Treasury Department and the Head of Risk Management Department.

**Operational and Other Risks Management Committee** is responsible for dealing with all issues related to the management of operational, legal, reputation and strategic risks of the Group. It comprises the Deputy Chief Executive, all Division Heads, the Head of Credit & Special Asset Department, the Head of Legal Affairs Department, the Head of Marketing & Communications Department and the Head of Organisation and Productivity Department.

**Investment Committee** is responsible for formulating investment strategies and making daily investment decisions on the overall investment portfolio of the Group. It comprises the Deputy Chief Executives, the Head of Investment Banking Division and the Head of Strategic Planning & Control Division.

**Policy Committee** is responsible for discussing and formulating various strategies and policies for managing businesses and operations of the Group. It comprises the Chief Executive, the Deputy Chief Executives, the Head of Investment Banking Division and the Head of Strategic Planning & Control Division.

**Crisis Management Committee** is responsible for developing and reviewing the Group's strategy for managing crisis scenarios and taking charge of crisis situations which jeopardise or have the potential to jeopardise the Group in its reputation, liquidity/financial position and business continuity. It comprises the Chief Executive, the Deputy Chief Executives, all Division Heads and the Head of Organisation & Productivity Department.

**Steering Committee for the Basel Project** is responsible for dealing with all issues related to the implementation of the New Basel Capital Accord for the Group. It comprises the Chief Executive, the Deputy Chief Executives, the Head of Investment Banking Division, the Head of Strategic Planning & Control Division, the Head of Operations Support Division and the Head of Credit & Special Asset Department.

The terms of reference of the Committees together with all the Policies within the corporate governance regime are subject to an annual review in order to cope with the latest development in the banking industry as well as other changes in the regulatory requirements.

**信貸委員會**負責執行有關借貸活動，尤其是監控集團借貸組合以管理整體的信貸風險。成員包括行政總裁、副行政總裁、投資銀行處主管、策劃及調控處主管、營運支援處主管和信貸及資產重組部主管。

**資產負債管理委員會**負責監察集團管理流動資金、利率風險、市場風險及國家風險。成員包括副行政總裁、投資銀行處主管、策劃及調控處主管、個人銀行處主管、企業銀行處主管、中國業務總部主管、國際業務處主管、財富管理處主管、分行業務部主管、信貸及資產重組部主管、資金部主管及風險管理部主管。

**營運及其他風險管理委員會**負責處理集團各項有關營運、法律、信譽及策略風險的事宜。成員包括副行政總裁、所有處主管、信貸及資產重組部主管、法律事務部主管、市場策劃及傳訊部主管和組織及生產力促進部主管。

**投資委員會**是負責制訂投資策略及作出日常集團投資組合的投資決策。成員包括副行政總裁、投資銀行處主管和策劃及調控處主管。

**政策委員會**是負責商討及制訂策略和政策以管理集團各類業務及運作。成員包括行政總裁、副行政總裁、投資銀行處主管和策劃及調控處主管。

**危機管理委員會**負責建立和檢討集團監控各類危機事故的策略，及當發生或有可能發生危害集團聲譽、流動資金或財政狀況及持續業務運作的事故時負責危機處理。成員包括行政總裁、副行政總裁、所有處主管和組織及生產力促進部主管。

**巴塞爾項目督導委員會**負責處理集團各項有關實施巴塞爾委員會新資本協議的事宜。成員包括行政總裁、副行政總裁、投資銀行處主管、策劃及調控處主管、營運支援處主管和信貸及資產重組部主管。

每個委員會的職能範圍以及屬於企業管治制度的政策，須每年檢討以配合銀行業和其他監管要求的最新發展。



## (7) RISK MANAGEMENT 風險管理

Risk management is an essential element of banking. The Group has in place a comprehensive risk management system to identify, measure, monitor and control the various types of risk which the Group faces and, where appropriate, to allocate capital against those risks. The risk management policies of the Group are reviewed regularly by the Management and related specialised committees, and recommendations are made by the Risk Management Committee for the approval of the Board of Directors. The internal auditors also perform regular audits on business units to check compliance with policies and procedures. The Group has also established an Investment Committee to plan the Group's investment strategies and to monitor the performance and compliance of investment activities.

### (a) Credit Risk Management

Credit risk arises from the possibility that a customer or counterparty in a transaction may default. Such risk may arise from both lending and treasury activities. The Board of Directors has delegated authority to the Credit Committee to oversee management of the Group's credit risk, independent of the business units. The Credit Committee will report to the Board of Directors via the Risk Management Committee, which deals with all risk management related issues of the Bank Group.

The Credit Committee is to deal with all credit risk related issues for the Bank Group, including formulation of credit policies, credit approval and monitoring of asset quality.

In evaluating the credit risk associated with an individual customer or counterparty, financial strength and repayment ability are always the primary considerations. Credit risk may be mitigated by obtaining collateral from the customer or counterparty. Concentration risk is monitored by adopting appropriate risk control measures, such as setting limits on large exposures.

In this connection, comprehensive guidelines for management of credit risk have been laid down in the Group's Credit Manual. These guidelines stipulate delegated lending authorities, credit extension criteria, credit monitoring process, 10-grade loan classification system, credit recovery and provisioning policy.

The Group's Credit Manual is regularly reviewed by the Credit Committee to ensure the adequacy of credit risk management policies and systems.

風險管理為銀行業務的重要一環。本集團已建立一套完善的風險管理系統，以識別、衡量、監察及控制本集團所承受各類風險，並於適當的情況下分配資本以抵禦該等風險。本集團的風險管理政策均由管理層和有關的專責委員會定期檢討，並由風險管理委員會作出適當建議，最後經董事會批核。內部稽核員亦會對業務部門進行定期稽核，以確保該等政策及程序能得以遵從。本集團並已設立投資委員會以制定本集團的投資策略，及監察投資活動的表現和法規遵從情況。

### (a) 信貸風險管理

信貸風險源於客戶或交易對手未能履行其承擔，可來自本集團的貸款及財資業務。為了監管本集團的信貸風險管理，董事會已授權本行之信貸委員會執行這職能；而此信貸風險管理乃獨立於借貸業務單位。信貸委員會經風險管理委員會向董事會匯報有關信貸風險事宜，而風險管理委員會則負責處理本集團一切與風險管理相關之事項。

信貸委員會負責處理所有與本集團信貸風險有關之事務，包括信貸政策制定、信貸審批，以及監控資產素質。

本集團在評估個別客戶或交易對手的信貸風險時，主要考慮因素為其財政實力及還款能力。本行可藉著客戶或交易對手提供的抵押品以減低信貸風險。此外，本行亦採取適當的控制措施，以監控信貸集中的潛在風險，例如釐定大額風險限額。

就此方面，本集團已將信貸風險管理指引詳列於信貸手冊內，對信貸權限授權、授信標準、信貸監控處理、10級貸款分類系統、信貸追收及撥備政策作出詳盡的規定。

信貸委員會會定期審閱本集團之信貸手冊，以確保本集團之信貸風險管理政策及制度健全和有效。

## (7) RISK MANAGEMENT (continued) 風險管理(續)

### (b) Liquidity Risk and Market Risk Management

The Asset and Liability Management Committee is authorised by the Board of Directors to manage the assets and liabilities of the Bank Group. The function of the Asset and Liability Management Committee is to oversee the Group's operations relating to interest rate risk, liquidity risk and market risk.

#### (1) Liquidity Risk Management

Liquidity risk is the risk that the Group cannot meet its current obligations. To manage liquidity risk, the Group has established the liquidity risk management policy, which is approved by the Board of Directors. The Group measures the liquidity of the Group through the statutory liquidity ratio, the loan-to-deposit ratio and the maturity mismatch portfolio.

The Asset and Liability Management Committee closely monitors the liquidity of the Group on a daily basis to ensure that the liquidity structure of the Group's assets, liabilities and commitments can meet its funding needs, and that the Group remains in compliance with the statutory liquidity ratio. The Group's average liquidity ratio was 44.4% for 2004, which was well above the statutory minimum ratio of 25%.

Adequate standby facilities are maintained to provide strategic liquidity to meet unexpected, material cash outflows in the ordinary course of business.

#### (2) Market Risk Management

Market risk is the risk arising from the net effect of changes in market rates and prices on the Group's assets, liabilities and commitments, thus causing profits or losses. Interest rates, foreign exchange rates, equity and commodity prices, among others, are monitored for market risk.

The Group's market risk originates from its trading-book holdings of foreign exchange, debt securities, equities and derivatives, which are valued at current market prices (mark-to-market basis); from its investment and banking activities in financial assets and liabilities, which are valued at cost plus any accrued interest (accrual basis); and from its holdings of securities classified as other investments, which are measured at fair value in the balance sheet.

The Group has established a market risk management policy that incorporates guidelines, procedures and control measures to monitor its market risk exposures.

The Group's derivative instruments trading activities mainly arise from the execution of trade orders from customers and positions taken in order to hedge other elements of the trading books.

### (b) 流動資金及市場風險管理

董事會授權資產負債管理委員會管理本集團的資產及負債狀況。此委員會的職能是監控集團內有關利率風險、流動資金風險及市場風險的運作情況。

#### (1) 流動資金風險

流動資金風險是指本集團可能無法履行當前承擔的風險。本集團已制定流動資金風險管理政策，並得到董事會批核。本集團透過法定流動資金比率、貸款對存款比率及到期錯配組合，以量度集團的流動資金狀況。

資產負債管理委員會每日均緊密監察集團的流動資金狀況，確保集團的資產、負債及承擔的流動結構足以切合對資金的需求，並能經常符合法定的流動資金比率。本集團於2004年的平均流動資金比率為44.4%，遠超於法定的25%最低要求。

本集團維持充足的備用信貸，能提供策略性的流動資金，以應付日常業務中未能預計的大量資金需求。

#### (2) 市場風險管理

市場風險是指由市場上之息率及價格的變化對銀行的資產、負債及承擔的影響，因而引起溢利或虧損的風險。本集團會監察利率、匯率、股票價格及商品價格等走勢，以監控市場風險。

本集團的市場風險源自以當時市場價格估值(即按市價計值之基準)所持有作買賣交易的外匯、債務證券、股份及衍生工具；亦有源自以成本加應計利息估值(即累計基準)的投資及銀行活動的財務資產及負債；以及源自在資產負債表上以公平價值衡量並分類作其他投資項目的證券。

本集團已制定包括有適當指引、程序和控制措施的市場風險管理政策，用以監控市場風險。

本集團在衍生工具上的交易活動，主要是為執行客戶的交易指令，以及為對其他交易項目所持倉盤而需要對沖。

Unaudited Supplementary Financial Information (continued)  
未經審核補充財務資料(續)

Financial derivatives are instruments that derive their value from the performance of underlying assets, interest or currency exchange rates, or indices. The Group principally uses financial derivative instruments as investment alternatives or to manage foreign exchange, interest rate or equity risk, and is a limited end-user of such instruments. Guidelines on participating in derivatives activities are included in the Group's market risk management policy. The Group's major trading activities in derivative instruments involve exchange-traded HIBOR Futures contracts and over-the-counter transacted currency options. Other over-the-counter transacted foreign exchange forwards, interest rate swaps and option contracts are mainly employed to hedge the interest rate risk and option risk of the banking book.

The Group's various market risk exposures are measured and monitored on the basis of principal (or notional) amount, outstanding position, stop-loss and options limits, and are controlled within established limits reviewed and approved by the Asset and Liability Management Committee where applicable for each business unit, business type and in aggregate. Independent middle and back offices monitor the risk exposure of trading activities against approved limits on a daily basis. The Group's market risk exposures are reviewed by the Asset and Liability Management Committee and reported to the Board of Directors on a regular basis. Exceptions to limits are reported when they occur.

The Group quantifies the market risk of the underlying trading portfolio by means of value-at-risk ("VaR"). VaR is a statistical estimate that measures the potential losses in market value of a portfolio as a result of unfavourable movements in market rates and prices, if positions are held unchanged over a certain horizon time period. The Group's VaR is calculated using historical movements in market rates and prices, a 99% confidence level and a one-day holding period, and takes into account correlations between different markets and rates.

Prior to 2002, VaR was calculated to a 95% confidence level. From the beginning of 2002, VaR is calculated at a 99% confidence level. This change has been made to facilitate consistency with the regulatory guidance in confidence level to measure market risk.

財務衍生工具的價值是取決於其相關資產、利率、匯率或指數的表現。本集團對財務衍生工具的應用，主要在另類投資，或用以管理外匯、利率或股票風險，且僅會對此類工具有限度使用。參與衍生工具交易活動的有關指引已載於本集團的市場風險管理政策內。本集團在衍生工具上的交易活動，主要包括在交易所買賣的港元同業拆息市場的期貨合約及場外交易的外匯期權；而其他場外交易的外匯遠期、利率掉期及期權合約，主要被應用於對沖銀行業務賬冊上的利率及期權風險。

本集團在衡量和監察各交易活動的市場風險時，是根據本金(或名義)金額、未平倉盤、止蝕及期權限制所制定，亦規定各營業部門、營業類別及整體的風險均受控於資產負債管理委員會已審閱及核准的限制內。買賣交易上的風險，每日均由獨立的中、後勤部門監察。本集團的市場風險報表會由資產負債管理委員會定期檢查，並向董事會匯報，而超過已批核的限額，則於發生時作即時報告。

本集團運用風險數額來量化交易組合的市場風險。風險數額是統計學上的估計，用來量度於某一時段內，交易組合維持不變但因市場息率及價格的不利波動而引致市值上的潛在虧損。本集團於計算風險數額時，是依據過往市場息率與價格的波動、99%之置信水平及1日持倉期，並計入不同市場及息率的相關程度來推算。

2002年以前，計算風險數額的做法乃採用95%之置信水平來推算。自2002年起，涉及風險數額的計算基準則已改為99%的置信水平。此一改變是為遵循監管指引有關利用置信水平以衡量市場風險的規定。

**(7) RISK MANAGEMENT (continued) 風險管理(續)**

**(b) Liquidity Risk and Market Risk Management (continued)**

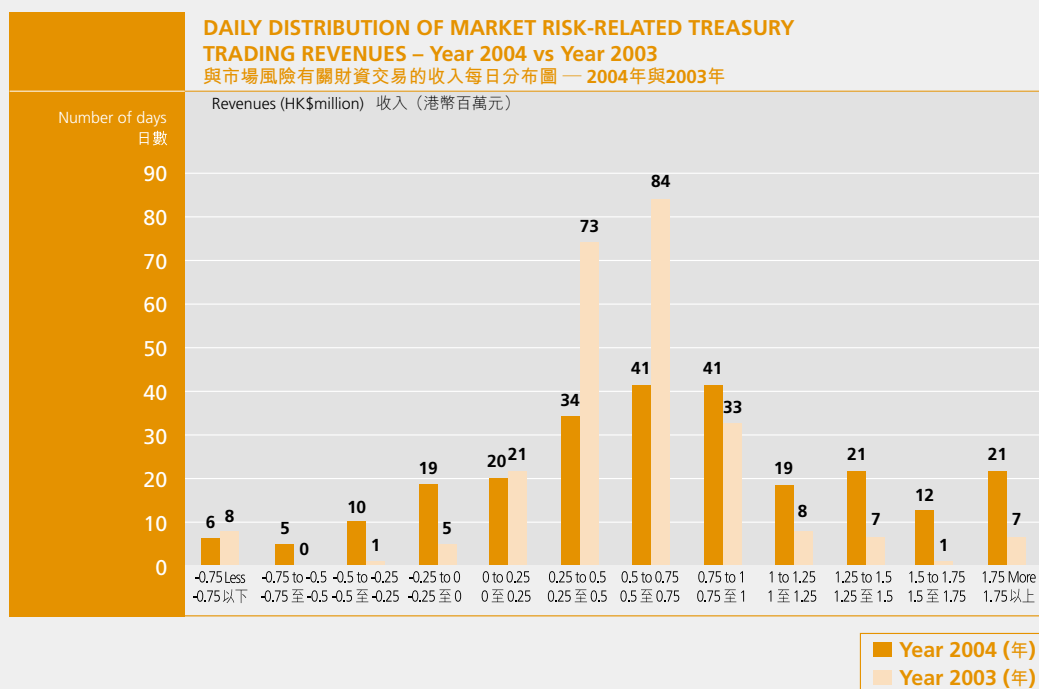
**(2) Market Risk Management (continued)**

The VaR for the Group's market risk-related treasury trading portfolio as at 31st December, 2004 was HK\$2.15 million (2003: HK\$2.68 million). The average daily revenue earned from the Group's market risk-related treasury trading activities in 2004 was HK\$0.68 million (2003: HK\$0.54 million). The standard deviation of these daily revenues was HK\$1.54 million (2003: HK\$1.24 million).

**(b) 流動資金及市場風險管理(續)**

**(2) 市場風險管理(續)**

於2004年12月31日，本集團與市場風險有關的財資交易組合的風險數額為港幣2,150,000元(2003年：港幣2,680,000元)。於2004年，本集團與市場風險有關的財資交易活動每日平均收入為港幣680,000元(2003年：港幣540,000元)。每日收入的標準差為港幣1,540,000元(2003年：港幣1,240,000元)。



An analysis of daily distribution of the Group's market risk-related treasury trading revenues for 2004 (comparing with 2003) is provided above. This shows that 40 out of 249 days (2003: 14 out of 248 days) are in loss positions. The most frequent results were daily revenue of between HK\$0.5 million and HK\$0.75 million and between HK\$0.75 million and HK\$1 million, each with 41 occurrences (2003: HK\$0.50 million to HK\$0.75 million with 84 occurrences). The maximum daily loss was HK\$19.41 million (2003: HK\$12.29 million) and the next maximum daily loss was HK\$1.58 million (2003: HK\$4.44 million). The highest daily revenue was HK\$4.75 million (2003: HK\$9.52 million).

上圖為本集團於2004年(對比2003年)與市場風險有關的財資交易收入的每日分布情況。圖中顯示了249個交易日中有40日(2003年：於248個交易日中有14日)出現虧損。而最普遍的單日收入，是介乎港幣500,000元至港幣750,000元，及介乎港幣750,000元至港幣1,000,000元，各有41日(2003年：介乎港幣500,000元至港幣750,000元之間收入範圍共有84日)。最高的單日虧損為港幣19,410,000元(2003年：港幣12,290,000元)，次高的單日虧損為港幣1,580,000元(2003年：港幣4,440,000元)；而最高的單日收入為港幣4,750,000元(2003年：港幣9,520,000元)。

(i) Foreign exchange exposure

The Group's foreign exchange risk exposure arises from foreign exchange dealing, commercial banking operations and structural foreign currency positions. All foreign exchange positions are managed by the Treasury units of the Group within limits approved by the Asset and Liability Management Committee.

The VaR related to foreign exchange dealing positions at 31st December, 2004 was HK\$0.91 million (2003: HK\$0.72 million). The average daily foreign exchange dealing profit for 2004 was HK\$0.66 million (2003: HK\$0.54 million).

Foreign exchange positions which arise mainly from foreign currency investments in the Group's branches, subsidiaries and associates are excluded from VaR measurements, as related gains or losses are taken to reserves. Such foreign currency positions are managed with the principal objective of ensuring that the Group's reserves are protected from exchange rate fluctuation.

(ii) Interest rate exposure

The Group's interest rate exposure arises from treasury and commercial banking activities where interest rate risk is inherent in both trading and non-trading portfolios. All trading positions are managed by the Treasury units of the Group within limits approved by the Asset and Liability Management Committee. For the non-trading portfolio, interest rate risk primarily arises from the timing differences in the repricing of interest-bearing assets, liabilities and commitments and the maturities of certain fixed rate assets and liabilities. The interest rate risk of the non-trading portfolio is also monitored by the Group's Asset and Liability Management Committee.

The VaR related to interest rate exposure due to debt securities and derivatives trading positions, excluding foreign exchange forwards and options, at 31st December, 2004 was HK\$1.76 million (2003: HK\$2.11 million). The average daily profit due to these activities for 2004 was HK\$0.02 million (2003: HK\$0.002 million).

(iii) Equities exposure

The Group's equities exposure comprises trading equities and long-term equities investments. The Group's Investment Committee regularly reviews and monitors the equities dealing activities. The VaR on equities trading positions at 31st December, 2004 was HK\$4.86 million (2003: HK\$6.71 million).

(i) 外匯風險承擔

本集團的外匯風險承擔源自外匯買賣、商業銀行業務及結構性外幣持倉。所有外幣持倉均由集團的資金部管理，並維持在資產負債管理委員會所訂定的限額內。

在2004年12月31日，外匯交易持倉的風險數額為港幣910,000元(2003年：港幣720,000元)。2004年每日平均外匯交易盈利為港幣660,000元(2003年：港幣540,000元)。

本集團投資於分行、附屬公司及聯營公司的外幣投資，其有關的溢利及虧損因為已撥入儲備內，所以未計算在風險數額內。管理此類外幣投資的主要目的，是要保護本集團的儲備免受匯率波動所影響。

(ii) 利率風險承擔

本集團的利率風險承擔源自財資及商業銀行業務活動，而此等活動的利率風險來自交易組合及非交易組合。所有交易組合持倉均由集團的資金部管理，並維持在資產負債管理委員會所訂定的限額內；而非交易組合的利率風險主要是由帶息資產、負債及承擔在再定息的時差，及某些定息資產和負債的不同到期日所引致，此等非交易組合的利率風險亦由本集團的資產負債管理委員會負責監管。

在2004年12月31日，債務證券及衍生工具交易(除外匯遠期合約及期權)的風險數額為港幣1,760,000元(2003年：港幣2,110,000元)，此類交易活動在2004年之每日平均盈利為港幣20,000元(2003年：港幣2,000元)。

(iii) 股票風險承擔

本集團的股票風險承擔包括股票交易持倉及作長線投資的股票持倉。本集團的投資委員會定期審閱及監控股票交易活動。在2004年12月31日，股票交易持倉的風險數額為港幣4,860,000元(2003年：港幣6,710,000元)。

## (7) RISK MANAGEMENT (continued) 風險管理(續)

### (c) Operational Risk Management

Operational Risk is the risk of loss resulting from inadequate or failed internal processes, people and systems or from external events. The Board of Directors has designated the Operational and Other Risks Management Committee to oversee the management of operational risk of the Bank Group.

The Group has adopted a risk-based operational risk management approach so as to focus on areas that are more vulnerable to operational risk. The Group has a comprehensive Operational Risk Management Policy in place. Every year, the Group conducts regular exercises to align its operational risk management framework with the industrial practice. This includes annual operational risk self-assessment, review of operating authorities, stress-testing and review of operation procedures.

The Group has also developed its Business Continuity Plan to provide a set of procedures for contingency operations and business recovery. Besides, the Bank maintains sufficient insurance coverage to minimise potential losses for the Group in respect of operational risk.

### (d) Capital Management

The Group's policy is to maintain a strong capital base to support the development of the Group's business and to meet the statutory capital adequacy ratio. Both the Group's adjusted capital adequacy ratio incorporating market risk of 16.1% and the unadjusted ratio of 16.2% as at 31st December, 2004 were well above the statutory minimum ratio.

Capital is allocated to the various activities of the Group depending on the risk taken on by each business division. Where the subsidiaries or branches are directly regulated by the appropriate regulators, they are required to maintain a minimum capital according to rules of those regulatory authorities.

### (c) 營運風險管理

營運風險乃指因內部程序不完善或失效、人為過失、系統故障或外來事故而引致虧損之風險。董事會已授權營運及其他風險管理委員會專責監督本銀行集團的營運風險管理。

本集團採用一套以風險為本的營運風險管理方法，以便集中管理風險較高的範疇。集團已制定一套完善的營運風險管理政策。此外，本集團每年均執行一系列的措施，務使集團的營運風險管理制度能與業界水平一致。此等措施包括自我評核營運風險、檢討營運審批權限、張力測試，以及檢討各項營運程序。

本集團亦制定了一套緊急事故應變方案，訂定必要程序以確保遇事時業務仍能持續運作，並能迅速恢復正常營運。此外，集團亦有購買足夠保險，以減低因營運風險引致的潛在虧損。

### (d) 資本管理

本集團的政策是要維持雄厚的資本，以支持集團的業務發展，並能達到法定的資本充足比率要求。本集團在2004年12月31日在計入市場風險的經調整資本充足比率為16.1%，未經調整資本充足比率為16.2%，均遠超法定的最低要求。

本集團按各業務部門所承受的風險來分配資本。一些附屬公司或分行若受其他監管機構直接監管，便必須遵守這些監管機構的規定以維持足夠的資本。