The unaudited supplementary financial information regarding corporate governance, risk management and other financial information disclosed pursuant to the Supervisory Policy Manual FD-1 “Financial Disclosure By Locally Incorporated Authorised Institutions” issued by the Hong Kong Monetary Authority in November 2002 is as follows:

1. CORPORATE GOVERNANCE

The Board of Directors of the Bank (the “full Board”) is constituted in accordance with the Bank’s Articles of Association and is the ultimate governing body. In order to ensure that matters arising between meetings of the full Board are handled properly and timely, the full Board delegates the day-to-day supervision of major functional areas to the following specialised committees. These committees are established with clearly defined objectives, authorities, responsibilities and tenure. Written terms of reference are approved by the full Board and are up-dated appropriately.

(i) Executive Committee

The Executive Committee comprises all executive directors of the Bank.

It is authorised by the full Board to exercise all such powers and do all such acts as may be exercised, done or approved by full Board, thus relieving the full Board of detailed review of information and operational activities. The Executive Committee steers the Group’s policy and operational decisions on a day-to-day basis, and attends to matters that require the review and supervision of the full Board between regular board meetings. Moreover, it also coordinates the work of other committees as it sees fit.

(ii) Executive Loans Committee

The Executive Loans Committee comprises all executive directors of the Bank.

The Executive Loans Committee is established to guide and review the operations of, and to delegate proper authorities as it deems appropriate from time to time to the Loans Committee. It also approves large and certain specific new loan applications and applications for renewal and amendment of existing loans, having due regard to the Group’s Lending Policy and the relevant laws and regulations.

(iii) Loans Committee

Members of the Loans Committee are appointed by the full Board. It comprises the director in charge of the Credit Control Division, the director in charge of the Corporate & Commercial Banking Development Division, and several other senior staff members of the Bank.

The Loans Committee ensures that the Group’s Lending Policy is adequate, and issues guidelines from time to time to guide lending activities of the Group. It also directs the Credit Risk Management Department to monitor loans portfolio quality through identifying problems early and taking timely corrective actions such as implementing debt-restructuring schemes and maintaining adequate provisions for loan losses. The Loans Committee members meet daily to evaluate loan applications and make credit decisions. The monitoring of compliance with statutory lending limits, the assessment and approval of new loan products, the attending to instructions of the Executive Loans Committee are other key functions of the Loans Committee.
1. CORPORATE GOVERNANCE - continued
   (iv) The Asset and Liability Management Committee (the “ALCO”)

   Members of the ALCO is appointed by the full Board. It comprises the director in charge of the
   Finance Management Division, the director in charge of the Credit Control Division, the director
   in charge of the Operations Division, the senior manager in charge of the Treasury Management
   Department, and several other senior staff members of the Bank.

   The ALCO is established to facilitate the oversight of the full Board in the management of the
   assets and liabilities of the Group from the perspective of containing the pertinent liquidity,
   interest rate, foreign exchange and other market risks. The assessment of the impact of the
   current economic and business climate on the Group’s balance sheet, the formulation of the
   corresponding strategies and plans, and the evaluation of non-credit related products also come
   under other key functions of the ALCO.

   (v) Audit Committee

   The Audit Committee members are appointed by the full Board from amongst the independent
   non-executive directors of the Bank and should consist of not less than 2 members. The Head
   of the Internal Audit Department is the secretary to the Audit Committee.

   The Audit Committee is established to monitor compliance with the policies approved by the
   full Board and other internal and statutory regulations. It provides oversight of the Group’s
   internal and external auditors and thereby assists the full Board in the independent review of the
   effectiveness of the financial reporting process and the internal control system of the Group.

   In the opinion of the directors, the Bank has fully complied with the Supervisory Policy Manual CG-1
   “Corporate Governance of Locally Incorporated Authorised Institutions” which was issued by the
   Hong Kong Monetary Authority in September 2001.

2. RISK MANAGEMENT

   The Group has established policies, procedures, and controls for measuring, monitoring and controlling
   risks arising from the banking and related financial services business. These policies, procedures,
   and controls are implemented by various committees and departments of the Group and are regularly
   reviewed by the full Board. The internal auditors also play an important role in the risk management
   process by performing regular, as well as sporadic compliance audits.

   The management of assets and liabilities of the Group is conducted under the guidance of the ALCO.
   The ALCO comprises executive directors and senior managers representing major operations of the
   Group. It holds weekly meetings, and more frequent meetings when required, to review and direct
   the relevant policies, and to monitor the bank-wide positions. The day-to-day management of the
   liquidity risk, foreign exchange, interest rate and other market risks, and the compliance with the
   ALCO policies are monitored by the Treasury and the Finance Management Departments with the
   assistance of various qualitative and quantitative analyses.