



2024

ANNUAL REPORT

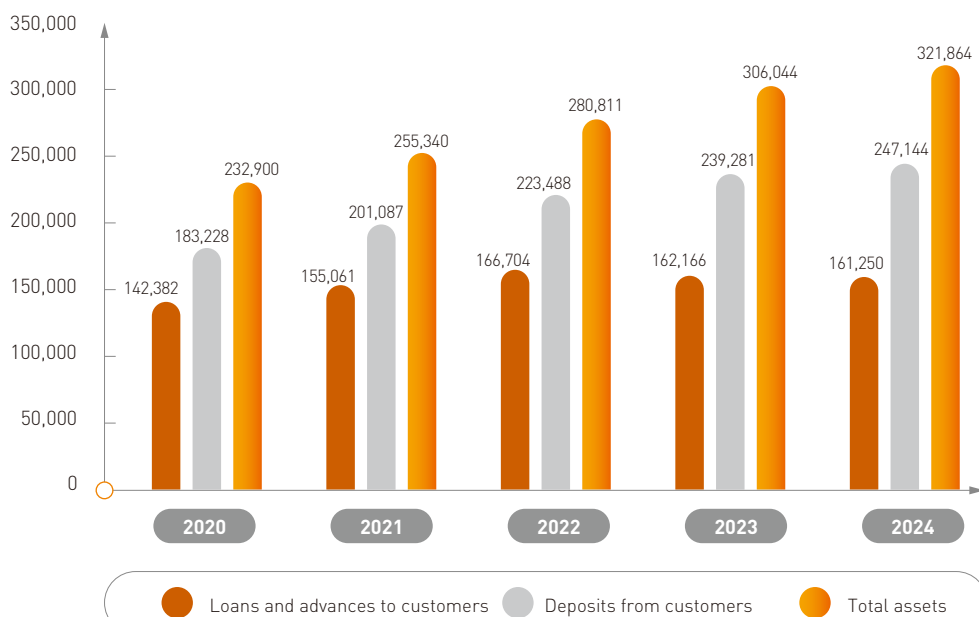
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FINANCIAL SUMMARY

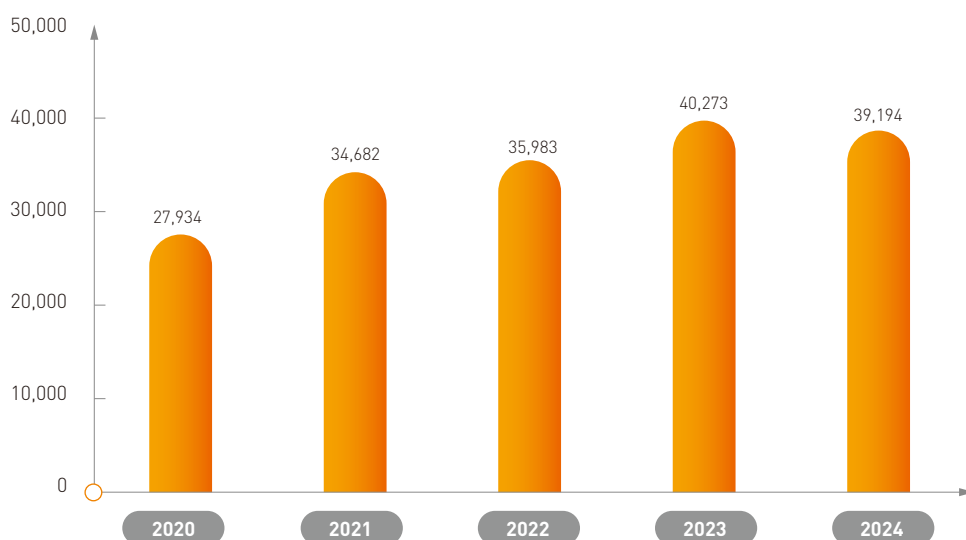
LOANS AND ADVANCES TO CUSTOMERS/DEPOSITS FROM CUSTOMERS/TOTAL ASSETS

HK\$ Million



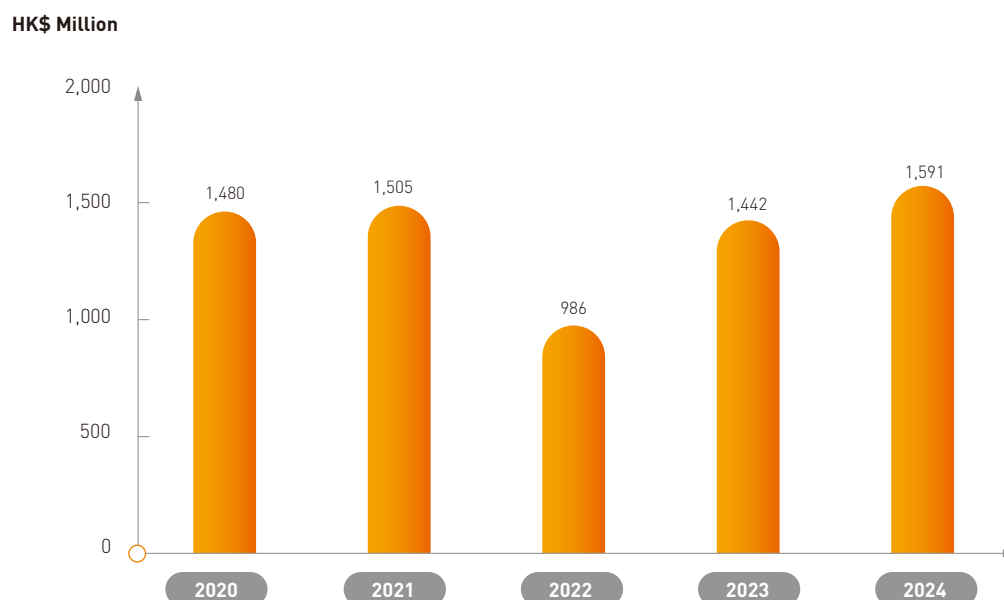
TOTAL EQUITY

HK\$ Million



FINANCIAL SUMMARY

PROFIT ATTRIBUTABLE TO EQUITY OWNERS



FINANCIAL SUMMARY

	2020 HK\$ Million	2021 HK\$ Million	2022 HK\$ Million	2023 HK\$ Million	2024 HK\$ Million
Loans and advances to customers	142,382	155,061	166,704	162,166	161,250
Deposits from customers	183,228	201,087	223,488	239,281	247,144
Total assets	232,900	255,340	280,811	306,044	321,864
Total liabilities	204,965	220,658	244,828	265,770	282,670
Total equity	27,934	34,682	35,983	40,273	39,194
Profit attributable to equity owners	1,480	1,505	986	1,442	1,591

CORPORATE INFORMATION

as of 18 March 2025

BOARD OF DIRECTORS

EXECUTIVE DIRECTORS

Mr ZONG Jianxin (*Deputy Chairman and Chief Executive*)
Mr LAU Wai Man (*Deputy Chief Executive*)
Mr JIN Lin (*Deputy Chief Executive*)

NON-EXECUTIVE DIRECTORS

Mr LI Feng (*Chairman*)
Mr LIN Zhaoyuan
Ms CHEN Jing

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr CHENG Yuk Wo
Mr LEE Ka Lun
Mr YU Lup Fat Joseph

BOARD COMMITTEES

AUDIT COMMITTEE

Mr CHENG Yuk Wo (*Chairman*)
Mr LI Feng
Ms CHEN Jing
Mr LEE Ka Lun
Mr YU Lup Fat Joseph

CONNECTED PARTY TRANSACTIONS COMMITTEE

Mr CHENG Yuk Wo (*Chairman*)
Mr JIN Lin
Mr YEE Wing Chi
Mr YOUNG Chi Ho

DIGITALIZATION STRATEGY COMMITTEE

Mr LEE Ka Lun (*Chairman*)
Mr LI Feng
Mr ZONG Jianxin
Mr LAU Wai Man

NOMINATION AND REMUNERATION COMMITTEE

Mr YU Lup Fat Joseph (*Chairman*)
Mr LI Feng
Mr LIN Zhaoyuan
Mr CHENG Yuk Wo
Mr LEE Ka Lun

RISK COMMITTEE

Mr LEE Ka Lun (*Chairman*)
Mr LI Feng
Mr CHENG Yuk Wo
Mr YU Lup Fat Joseph

STRATEGIC AND SUSTAINABLE DEVELOPMENT COMMITTEE

Mr LIN Zhaoyuan (*Chairman*)
Mr LI Feng
Mr YU Lup Fat Joseph
Mr ZONG Jianxin
Mr LAU Wai Man

SENIOR MANAGEMENT

Mr YEE Wing Chi (*Chief Financial Officer*)
Mr YOUNG Chi Ho (*Chief Risk Officer and Alternate Chief Executive*)
Ms CHUNG Sau Lai Cindy (*Chief Operating Officer*)
Ms LAM Pik Ha Eliza (*Head of Financial Institutions Division*)
Ms NG Sau Wai Sylvia (*Head of Personal Banking Division*)
Mr WONG Kwok Pun (*Head of Treasury and Markets and Alternate Chief Executive*)
Ms YU Haibing (*Head of Human Resources Division*)
Ms CHEUNG Hoi Lam (*Company Secretary*)

CORPORATE INFORMATION

as of 18 March 2025

REGISTERED OFFICE

Address : Ground Floor, Chong Hing Bank Centre
24 Des Voeux Road Central, Hong Kong

Telephone : (852) 3768 6888

Facsimile : (852) 3768 1888

SWIFT BIC : LCHB HK HH

Website : www.chbank.com

E-mail : customerservice@chbank.com



Chong Hing Bank's website access code

PRINCIPAL LEGAL ADVISERS

Baker & McKenzie
Mayer Brown

AUDITOR

Ernst & Young
Certified Public Accountants

STOCK CODES FOR LISTED DEBT SECURITIES

Debt Securities	Listing	Stock Codes
US\$300,000,000 5.50% undated non-cumulative subordinated additional tier 1 capital securities	The Stock Exchange of Hong Kong Limited	40329
RMB1,500,000,000 4.20% tier 2 capital bonds due 2033	Shanghai Clearing House	232380063.IB
RMB2,500,000,000 2.93% tier 2 capital bonds due 2034	Shanghai Clearing House	292480005.IB

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

as of 18 March 2025

BOARD OF DIRECTORS

EXECUTIVE DIRECTORS



Mr ZONG Jianxin

has been appointed an Executive Director of the Bank since September 2015, and has been the Chief Executive and the Deputy Chairman of the Bank since April 2017 and May 2018 respectively. He also acted as Alternate Chief Executive, Deputy Managing Director and Head of Mainland Business Division of the Bank from May 2016 to April 2017, May 2015 to May 2018 and May 2015 to September 2022 respectively.

Mr Zong has been appointed an Executive Director of Yuexiu Financial Holdings Limited ("Yuexiu Financial Holdings", the sole shareholder of the Bank) since November 2015 and the Deputy Chairman and the Chief Executive of Yuexiu Financial Holdings since May 2018; he also acted as Alternate Chief Executive of Yuexiu Financial Holdings from June 2016 to May 2018. He has been a Director and the Chief Executive of Chong Hing Finance Limited (a wholly-owned subsidiary of the Bank) since August 2017.

Mr Zong has more than 30 years of banking experience, specialising in corporate banking, international business and investment banking business. He was an Executive Director and Alternate Chief Executive of Industrial and Commercial Bank of China (Asia) Limited ("ICBC Asia") from October 2010 to May 2015, and was also a Director of various subsidiaries of ICBC Asia from December 2010 to May 2015. Mr Zong held various positions in Industrial and Commercial Bank of China Limited, Shenzhen Branch from October 1999 to December 2009, with his last position as the Vice President. Mr Zong holds a Master Degree in Business Administration awarded by Shanghai Jiao Tong University.



Mr LAU Wai Man

has been appointed an Executive Director of the Bank since August 2001 and was appointed as Deputy Managing Director in May 2016, and such title was changed to Deputy Chief Executive of the Bank in May 2018. Mr Lau also acts as Alternate Chief Executive of the Bank and Chong Hing Finance Limited (a wholly-owned subsidiary of the Bank). He has been an Executive Director and Alternate Chief Executive of Yuexiu Financial Holdings Limited (the sole shareholder of the Bank) since February 2014, and has been appointed as Deputy Chief Executive since May 2018. Mr Lau is also a Director of various subsidiaries of the Bank. Mr Lau holds a Bachelor of Law degree and a Master of Business Administration degree. He is a Vice President of the Council of the Hong Kong Institute of Bankers, a Certified Financial Planner^{CM}, a member of the Hong Kong Institute of Certified Public Accountants and an Honorary Certified Banker. He was a fellow of the Association of Chartered Certified Accountants and a senior associate of the Australian Institute of Bankers. Mr Lau joined the Bank as the Chief Auditor in 1988, and was Deputy Chief Executive Officer from July 2007 to March 2013 and Chief Executive Officer from March 2013 to May 2016. Before joining the Bank, he had worked for an international bank and a global accounting firm.

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

as of 18 March 2025



Mr JIN Lin

has been appointed an Executive Director of the Bank since September 2024, and has been the Deputy Chief Executive and Head of Mainland Business Division of the Bank since September 2022.

Mr Jin has been an Executive Director and the Deputy Chief Executive of Yuexiu Financial Holdings Limited (the sole shareholder of the Bank) since September 2024 and January 2025 respectively.

Mr Jin obtained a Master Degree of Management in Technical Economics and Management from The Harbin Institute of Technology and is qualified as a senior Economist. He has been engaged in the banking industry for more than 30 years and held senior management positions in national joint-stock commercial banks for substantial years. He has extensive experience and professional standards in banking management.

NON-EXECUTIVE DIRECTORS



Mr LI Feng

has been appointed the Chairman of the Board of Directors and a Non-executive Director of the Bank since October 2023 and February 2014 respectively. Mr Li is the Chief Capital Officer of 廣州越秀集團股份有限公司 (Guangzhou Yue Xiu Holdings Limited*) and Yue Xiu Enterprises (Holdings) Limited ("YX Enterprises"), mainly responsible for formulating and implementing major capital management, organizing industrial development and financing coordination, optimizing and deepening the customer resources management, etc, of the Yue Xiu Group and is the press spokesperson of the Yue Xiu Group. Mr Li is also a Non-executive Director of Yuexiu Financial Holdings Limited (the sole shareholder of the Bank), the Chairman of Yue Xiu Securities Holdings Limited, a Non-executive Director of Yuexiu REIT Asset Management Limited (the Manager of Yuexiu Real Estate Investment Trust (Stock Code: 00405), which is listed on the Hong Kong Stock Exchange), and a Director of Guangzhou Yuexiu Capital Holdings Group Co., Ltd. (廣州越秀資本控股集團股份有限公司) (a company listed on the Shenzhen Stock Exchange (Stock Code: 000987)). Mr Li graduated from the South China University of Technology majoring in Naval Architecture, and obtained a Master of Business Administration degree from Jinan University. He holds the qualification of a Senior Engineer in China. Mr Li is also the President of the Association of Guangzhou Belt and Road Investment Enterprises, a member of Guangzhou Housing Provident Fund Management Committee and a director of the Guangzhou People's Association for Friendship with Foreign Countries. Mr Li joined YX Enterprises in December 2001; he is familiar with business of listed companies and the operations of capital markets and has extensive practical experience in capital operations.

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

as of 18 March 2025



Mr LIN Zhaoyuan

has been appointed a Non-executive Director of the Bank since October 2023. Mr Lin is the Chairman and an Executive Director of Yuexiu Property Company Limited ("Yuexiu Property", a company listed on the Hong Kong Stock Exchange (Stock Code: 00123)). He is also the respective Deputy Chairman, a Director and General Manager of 廣州越秀集團股份有限公司 (Guangzhou Yue Xiu Holdings Limited*) ("Guangzhou Yue Xiu"), 廣州越秀企業集團股份有限公司 (Guangzhou Yue Xiu Enterprises Holdings Limited*) and Yue Xiu Enterprises (Holdings) Limited ("YX Enterprises"), the Chairman of the Board of Guangzhou City Construction & Development Co., Ltd., and the Chairman and a Non-executive Director of Yuexiu Financial Holdings Limited (the sole shareholder of the Bank).

Mr Lin holds a Bachelor degree of Economics and a Master of Business Administration degree of the Sun Yat-sen University and the qualification of Mechanical Engineer. Mr Lin had been the Vice Chairman and General Manager of Yuexiu Property, the Chairman of the Board of Guangzhou Paper Group Limited, an assistant to general manager and a deputy general manager of Guangzhou Yue Xiu and YX Enterprises, and the Chairman and a Non-executive Director of Yuexiu REIT Asset Management Limited (the Manager of Yuexiu Real Estate Investment Trust (Stock Code: 00405), which is listed on the Hong Kong Stock Exchange). Mr Lin has extensive experience in corporate management, sound and efficient management, cost control and corporate restructuring and development and is forward-looking and innovative in corporate operations and management.



Ms CHEN Jing

has been a Non-executive Director of the Bank since August 2018. Ms Chen is the Chief Financial Officer and General Manager of the Finance Department of 廣州越秀集團股份有限公司 (Guangzhou Yue Xiu Holdings Limited*) ("Guangzhou Yue Xiu") and Yue Xiu Enterprises (Holdings) Limited. Ms Chen is an Executive Director of Yuexiu Property Company Limited (Stock Code: 00123) and Yuexiu Transport Infrastructure Limited (Stock Code: 01052), both of which are listed on the Hong Kong Stock Exchange. She is also a Non-executive Director of Yuexiu Financial Holdings Limited (the sole shareholder of the Bank).

Ms Chen graduated from Xi'an Jiaotong University with a major in auditing, and holds a Master of Business Administration Degree from the School of Management and Economics of Beijing Institute of Technology and the qualifications of auditor and certified internal auditor. Ms Chen joined Guangzhou Yue Xiu in July 2004 and was the Deputy General Manager of the Supervisory (Audit) Office and the General Manager of the Audit Department. Ms Chen has participated in building systems to monitor the major risks and finance of Guangzhou Yue Xiu. Ms Chen is well versed in risk management, internal control management and financial management of listed companies and has extensive experience in establishing a sound system for risk management, internal control and financial management for enterprises. Prior to joining Guangzhou Yue Xiu, Ms Chen worked in the School of Business of Hubei University and Hisense Kelon Electrical Holdings Company Limited.

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

as of 18 March 2025

INDEPENDENT NON-EXECUTIVE DIRECTORS

**Mr CHENG Yuk Wo**

has been an Independent Non-executive Director of the Bank since September 2004. He has also been an Independent Non-executive Director of Yuexiu Financial Holdings Limited (the sole shareholder of the Bank) since February 2014. Mr Cheng has been an Independent Non-executive Director of Chong Hing Insurance Company Limited (a wholly-owned subsidiary of the Bank) since May 2017. Mr Cheng, a co-founder of a Hong Kong merchant banking firm, is currently the proprietor of a certified public accountant practice in Hong Kong. Mr Cheng obtained a Master of Science (Economics) degree in Accounting and Finance from the London School of Economics, England and a Bachelor of Arts (Honours) degree in Accounting from the University of Kent, England. He is a fellow of the Institute of Chartered Accountants in England and Wales, the Hong Kong Institute of Certified Public Accountants and the Institute of Chartered Professional Accountants of Canada. Mr Cheng has more than 30 years of expertise in financial and corporate advisory services in mergers, acquisitions and investments. He had worked at Coopers and Lybrand (now known as PricewaterhouseCoopers) in London and Swiss Bank Corporation (now known as UBS AG) in Toronto, and held senior management positions in a number of Hong Kong listed companies.

In addition to his directorship in the Bank, Mr Cheng is also an Independent Non-executive Director of a number of companies listed on the Hong Kong Stock Exchange, including CSI Properties Limited (Stock Code: 00497), CPMC Holdings Limited (Stock Code: 00906), Liu Chong Hing Investment Limited (Stock Code: 00194), Chia Tai Enterprises International Limited (Stock Code: 03839), Miricor Enterprises Holdings Limited (Stock Code: 01827), Somerley Capital Holdings Limited (Stock Code: 08439), Kidsland International Holdings Limited (Stock Code: 02122) and China Renewable Energy Investment Limited (Stock Code: 00987), and an Independent Non-executive Director of C.P. Pokphand Co. Ltd. (Stock Code before delisting in January 2022: 00043). Besides, Mr Cheng was an Independent Non-executive Director of C.P. Lotus Corporation (Stock Code before delisting in October 2019: 00121) from September 2004 to October 2019; DTXS Silk Road Investment Holdings Company Limited (a company listed on the Hong Kong Stock Exchange (Stock Code: 00620)) from November 2015 to May 2020; HKC (Holdings) Limited (Stock Code before delisting in June 2021: 00190) from July 2004 to June 2021; Goldbond Group Holdings Limited (Stock Code before cancellation of listing in August 2021: 00172) from November 2007 to August 2021; and Top Spring International Holdings Limited (a company listed on the Hong Kong Stock Exchange (Stock Code: 03688)) from November 2010 to September 2024.

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

as of 18 March 2025



Mr LEE Ka Lun

has been appointed an Independent Non-executive Director of the Bank since February 2014. Mr Lee has been an Independent Non-executive Director of Yuexiu Financial Holdings Limited (the sole shareholder of the Bank) since November 2013. He is also an Independent Non-executive Director of Yuexiu Property Company Limited (Stock Code: 00123), Chow Sang Sang Holdings International Limited (Stock Code: 00116) and Ever Harvest Group Holdings Limited (Stock Code: 01549), all of which are listed on the Hong Kong Stock Exchange. Besides, Mr Lee was an Independent Non-executive Director of Medicskin Holdings Limited (Stock Code: 08307) from December 2014 to November 2022 and Best Mart 360 Holdings Limited (Stock Code: 02360) from December 2018 to September 2023, both of which are listed on the Hong Kong Stock Exchange. Mr Lee is an accountant by profession and is a Fellow of the Association of Chartered Certified Accountants in the UK. He has over 20 years of experience in banking and auditing.



Mr YU Lup Fat Joseph

has been an Independent Non-executive Director of the Bank since August 2015. Mr Yu has been an Independent Non-executive Director of Yuexiu Financial Holdings Limited (the sole shareholder of the Bank), Yue Xiu Securities Holdings Limited and Chong Hing Insurance Company Limited (a wholly-owned subsidiary of the Bank) since August 2015, March 2021 and May 2021 respectively. He is also an Independent Non-executive Director of Yuexiu Property Company Limited (a company listed on the Hong Kong Stock Exchange (Stock Code: 00123)). Mr Yu holds a Master Degree in Applied Finance from Macquarie University in Australia, a Diploma of Management Studies from The University of Hong Kong and a Diploma from the Association of International Bond Dealers. Mr Yu was the Founding President of the Hong Kong Forex Club from 1974 to 1975. Mr Yu was also the Founding Deputy Chairman of the Hong Kong Capital Markets Association and Asia Chairman of the Association of International Bond Dealers. Mr Yu has held numerous senior managerial and advisory positions and has more than 40 years of experience in investment, banking and finance.

* for identification purpose only

Note: The directorships held by the Directors in the subsidiaries of the Bank (where applicable) are set out in the "List of names of the directors of Chong Hing Bank Limited and its subsidiaries" posted on the Bank's website (www.chbank.com/en/personal/footer/about-ch-bank/investor-relations/directors-list/index.shtml).

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

as of 18 March 2025

SENIOR MANAGEMENT

Mr YEE Wing Chi

Executive Vice President, has been the Chief Financial Officer of the Bank since December 2022. Mr Yee obtained a Master Degree of Risk Management Science from The Chinese University of Hong Kong and a Master Degree of Business Administration from The University of Warwick. He is a fellow of the Hong Kong Institute of Certified Public Accountants and a Chartered Financial Analyst. Mr Yee has more than 30 years of auditing and financial controllership experience in the financial services industry. Prior to joining the Bank, he held different senior positions with various local and international banks.

Mr YOUNG Chi Ho

Executive Vice President, has been the Chief Risk Officer of the Bank since September 2022 and an Alternate Chief Executive of the Bank, Chong Hing Finance Limited (a wholly-owned subsidiary of the Bank) and Yuexiu Financial Holdings Limited (the sole shareholder of the Bank) since January 2025. Mr Young holds a Master Degree of Science in Economics from The Hong Kong University of Science and Technology and a Master Degree of Commercial Bank Management from The East China Normal University. He is a Certified Financial Planner^{CM} and Certified Anti-Money Laundering Specialist. He has extensive experience in banking industry for more than 25 years covering wealth management, channel management and product management in frontline business, and credit risk, market risk, operational risk, legal and compliance risk in bank-wide risk management. He worked across Hong Kong and Mainland with vast exposure to risk management and compliance.

Ms CHUNG Sau Lai Cindy

Executive Vice President, has been the Chief Operating Officer of the Bank since March 2025. Ms Chung obtained a Master of Science Degree in Finance from the City University of Hong Kong and a Master of Science Degree in Information Systems from The Hong Kong Polytechnic University. She has more than 25 years of experience in project management and operations. Prior to joining the Bank, she held different senior positions with various Chinese and foreign banks.

Ms LAM Pik Ha Eliza

Executive Vice President, has been the Head of Financial Institutions Division since September 2018. Ms Lam has over 30 years of experience in corporate and institutional banking business and has held different senior positions with various international banks in managing corporate and institutional clients in the Asia Pacific region. Ms Lam obtained a postgraduate diploma in international marketing of the Society of Business Practitioner (U.K.).

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

as of 18 March 2025

Ms NG Sau Wai Sylvia

Executive Vice President, has been the Head of Personal Banking Division of the Bank since October 2020. Ms Ng obtained a Bachelor of Social Sciences degree from The University of Hong Kong. She possesses over 20 years of working experience in the financial services industry, and has worked in various Chinese and foreign banks in Hong Kong overseeing retail banking business and marketing.

Mr WONG Kwok Pun

Executive Vice President, Head of Treasury and Markets. Mr Wong has been an Alternate Chief Executive of the Bank, Chong Hing Finance Limited (a wholly-owned subsidiary of the Bank) and Yuexiu Financial Holdings Limited (the sole shareholder of the Bank) since January 2025. He holds a Bachelor and a Master Degree in Economics from The University of Hong Kong. He is a Fellow Member of the Association of Chartered Certified Accountants, a Chartered Financial Analyst and a Financial Risk Manager. Mr Wong has more than 20 years of experience in banking, accounting and finance.

Ms YU Haibing

Executive Vice President, has been the Head of Human Resources Division since December 2024. Ms Yu holds a Master Degree in Economics from Shandong University and is qualified as a Senior Economist. She has over 25 years of experience in the banking industry and has worked in a number of large commercial banks and investment banks in management roles related to human resources and strategic development.

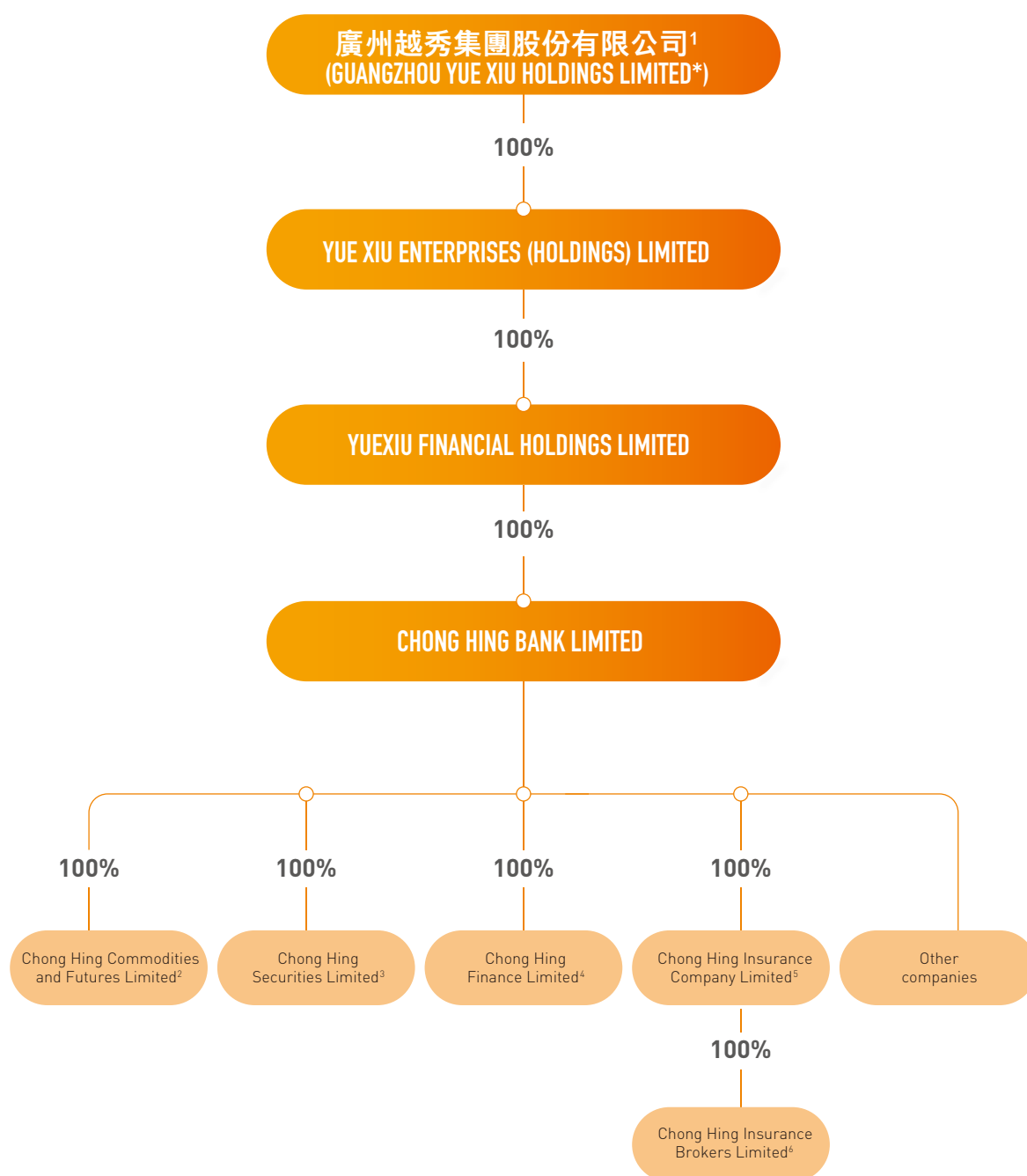
Ms CHEUNG Hoi Lam

Executive Vice President, has been appointed the Company Secretary of the Bank since July 2024. Ms Cheung has 20 years of work experience in corporate secretarial and governance areas of sizable listed companies and financial institutions. Ms Cheung obtained a Bachelor of Arts degree from The Chinese University of Hong Kong and a Master of Science degree in Professional Accounting and Corporate Governance from the City University of Hong Kong. Ms Cheung is a Fellow of The Hong Kong Chartered Governance Institute and The Chartered Governance Institute.

Note: The directorships held by the Senior Management in the subsidiaries of the Bank (where applicable) are set out in the "List of names of the directors of Chong Hing Bank Limited and its subsidiaries" posted on the Bank's website (www.chbank.com/en/personal/footer/about-ch-bank/investor-relations/directors-list/index.shtml).

ABRIDGED CORPORATE STRUCTURE

as of 18 March 2025



¹ State-owned enterprise under the supervision of the State-owned Assets Supervision and Administration Commission of the Guangzhou Municipal People's Government

² Registered with The Hong Kong Futures Exchange Limited as a participant

³ Registered with The Stock Exchange of Hong Kong Limited as a participant

⁴ Licensed under the Hong Kong Banking Ordinance as a deposit-taking company

⁵ Licensed under the Hong Kong Insurance Ordinance as an insurance company

⁶ Licensed under the Hong Kong Insurance Ordinance as an insurance broker company

* for identification purpose only

CHAIRMAN'S STATEMENT



Mr LI Feng
Chairman

2024 marks the 75th anniversary of the founding of the People's Republic of China, a pivotal year for achieving the goals and tasks of the 14th Five-Year Plan and a crucial year for the transformation and development of Chong Hing Bank Limited ("Chong Hing Bank"). Despite the complex and challenging external environment, Chong Hing Bank, through the concerted efforts of all its employees, has achieved hard-won accomplishments. Bearing our business philosophy of pursue development with a solid foundation and robust risk management, we advanced our transformation and upgraded our business by driving development through innovation and following the lean management principle to enhance efficiency, thereby laying a solid foundation for achieving high-quality development in a sustainable way. In the list of the Top 1000 World Banks for 2024 released by the British magazine The Banker, Chong Hing Bank further climbed to the 324th place, maintaining its ranking among the top 400 banks for the sixth consecutive year and demonstrating continuous enhancement of its overall strength.

2024 is the 10th anniversary for Chong Hing Bank to join Yuexiu Group, also marked as a period of unceasing integration and synergetic development with Yuexiu Group. During the period, the external economic environment evolved rapidly and the banking business was increasingly challenging. The Bank demonstrated strong resilience, total assets and operating income have grown nearly fourfold, and profit attributable to equity owners has climbed about threefold over the past ten years. At the same time, the Bank achieved dramatic progress in products and services, infrastructure construction, business management capability and team building, while fostering Chong Hing's distinctive character.

Amid the complex operating environment in the banking industry, the Bank proactive manage its risk control, structural adjustment and digital transformation by following the guiding principle of "lean management stabilises development, transformation and optimisation creates distinctive features". The Bank's profit attributable to equity owners for 2024 amounted to HK\$1,591 million, representing growth of 10.35% from the level of 2023.

CHAIRMAN'S STATEMENT

The major financial ratios for 2024 are as follows:

- Return on shareholders' equity: 3.55%
- Average liquidity maintenance ratio: 66.52%
- Total capital ratio as of 31 December 2024: 20.40%
- Tier 1 capital ratio as of 31 December 2024: 16.90%
- Loan to deposit ratio as of 31 December 2024: 63.55%

While most central banks worldwide continue to lower policy rates, laying the foundation for a soft landing of the global economy, ongoing issues such as the U.S. tariff policies and geopolitical tensions have amplified uncertainties in global economic growth. The banking sector also faces headwinds including subdued corporate credit demand and narrowing interest rate spreads. Nevertheless, China steadfastly implemented more proactive and effective "economic stabilising" policies. With unwavering national support, Hong Kong is accelerating its integration into the country's development landscape. As a wholly-owned subsidiary of Yuexiu Group, Chong Hing Bank will continue to deepen its collaboration with Yuexiu Group and its subsidiaries, leveraging the brand, resources and strong support from various business segments of Yuexiu Group to drive steady operations and propel transformation and development.

During the year, Chong Hing Bank upheld the underlying principle of "pursuing progress while ensuring stability, promoting stability through progress and lean management", adhered to risk thresholds and retained our resolve for development. Meanwhile, we optimised our organisational structure, refined our business portfolio, enhanced internal management, and deepened cross-border collaborative initiatives to boost non-interest income, achieving steady growth in overall business and preserving sound asset quality. Chong Hing Bank increased its investment in technology, advancing digital transformation with greater resolve to enhance customer experience, frontline marketing capabilities and middle and back office operational support. The optimisation of our branch network layout further solidified our Mainland business, reinforcing our development foundation.

Having weathered the trials of 2024, 2025 will see the Bank drive high-quality development through lean management, pioneer new growth avenues, and open up new horizons amidst changes. We must be bold enough to break through, shoulder responsibilities with fervour, steadfast in our commitment to transformation and upgrading, and underpin high-quality growth with robust risk controls. Moreover, Chong Hing Bank will continue to draw on the guiding power of Yuexiu Group's corporate culture concept to cultivate a positive and enterprising atmosphere.

I would like to extend my sincere gratitude to all our directors for their astute guidance, to our customers and business partners for their trust and support, and to our management team and all staff members for their diligent dedication to the steady development of Chong Hing Bank. After years of prudent operation, Chong Hing Bank is well-positioned to embrace new situations and opportunities. Under the guidance of corporate culture concept, the Bank will continue to move forward steadily and promote its enterprise spirit of Beyond Excellence, confront challenges with determination, and strive to create a new landscape of high-quality development!

LI Feng
Chairman

Hong Kong, 18 March 2025

CHIEF EXECUTIVE'S STATEMENT



Mr ZONG Jianxin
Chief Executive

ECONOMIC ENVIRONMENT

In 2024, the global economy showed signs of slowing growth, with interest rates remaining at relatively high levels which affected demand. The U.S. economy grew steadily, with its gross domestic product (GDP) for the year increasing by 2.8% year-on-year. Amid a general downward trend in inflation and a gradual slowdown in the labour market, the U.S. Federal Reserve (the "Fed") cut interest rates three times during the year to stimulate the economy. Inflation in the Eurozone declined significantly, while GDP for the year merely grew by 0.7% year-on-year due to factors such as continued weak investment.

The economy of Mainland China in 2024 operated generally stably and made progress, and successfully achieved the expected economic growth target for the year, with GDP for the year rising by 5% year-on-year after preliminary calculations, surpassing RMB130 trillion for the first time. In September, the Political Bureau of the Central Committee of the Communist Party of China emphasised the need to enhance countercyclical adjustments to fiscal and monetary policies. To support stable economic growth, a basket of economy-boosting measures were introduced, including lowering the reserve requirement ratio and interest rates, resolving the debt risk of local governments and supporting the real estate market. In December, the Central Economic Work Conference pointed out that the economic operation in Mainland China still faced problems such as insufficient demand and difficulties in the production and operation of some enterprises. However, the basic trend of economic long-term improvement remained unchanged with firm economic foundation.

Despite a challenging external environment, Hong Kong's economy has achieved a steady and forward-moving momentum, with GDP for the year grew by 2.5% year-on-year. Overall exports of goods have resumed growth amidst improved external demand, while benefiting from an increase in tourists visiting Hong Kong and the improvement of other cross-border economic activities, exports of services have continued to rise. Overall investment expenditure has further increased year-on-year in tandem with the continued economic expansion. However, private consumption expenditure has recorded a slight decline due to changes in the consumption patterns of tourists visiting Hong Kong and local residents, as well as the strong Hong Kong dollar exchange rate. The local unemployment rate and overall inflation have remained at low levels.

CHIEF EXECUTIVE'S STATEMENT

RESULTS ANNOUNCEMENT AND PROFIT ANALYSIS

The results for the financial year of 2024 of Chong Hing Bank Limited (the "Bank" or "Chong Hing Bank"), on a consolidated basis, are summarised below:

KEY FINANCIAL DATA

31 December (12 months)			
	2024 HK\$'000	2023 HK\$'000	Variance
1. Total operating income	6,073,962	6,002,876	+1.18%
2. Profit attributable to equity owners	1,591,015	1,441,770	+10.35%
3. Net interest income	4,836,109	4,979,308	-2.88%
4. Net fee and commission income	331,089	289,876	+14.22%
5. Net income from trading and investments	751,832	552,226	+36.15%
6. Other operating income	154,932	181,466	-14.62%
7. Operating expenses	2,016,048	1,930,031	+4.46%
8. Net impairment losses on financial assets	2,365,492	2,454,126	-3.61%
9. Operating profit before impairment allowances	4,057,914	4,072,845	-0.37%

	As of 31 December 2024 HK\$'000	As of 31 December 2023 HK\$'000	Variance
10. Loans and advances to customers	161,250,390	162,165,621	-0.56%
11. Deposits from customers	247,144,076	239,281,407	+3.29%
12. Investments in securities	57,595,849	69,291,896	-16.88%
13. Total assets	321,864,132	306,043,744	+5.17%

31 December (12 months)			
	2024	2023	Variance
14. Return on shareholders' equity (Note 1)	3.55%	3.52%	+0.03 p.p
15. Net interest margin	1.63%	1.74%	-0.11 p.p
16. Cost to income ratio	33.19%	32.15%	+1.04 p.p
17. Average liquidity maintenance ratio	66.52%	59.64%	+6.88 p.p

CHIEF EXECUTIVE'S STATEMENT

	As of 31 December 2024	As of 31 December 2023	Variance
18. Non-performing loan ratio	2.84%	2.79%	+0.05 p.p
19. Loan to deposit ratio	63.55%	66.42%	-2.87 p.p
20. Total capital ratio (Note 2)	20.40%	19.64%	+0.76 p.p
21. Tier 1 capital ratio (Note 2)	16.90%	17.38%	-0.48 p.p
22. Common Equity Tier 1 capital ratio (Note 2)	15.82%	14.87%	+0.95 p.p

Notes:

- (1) Return on shareholders' equity took into consideration the distribution paid on the additional equity instruments relevant for the period.
- (2) The ratio is calculated on a consolidated basis in accordance with the Banking (Capital) Rules.

ANALYSIS OF KEY FINANCIAL DATA

2024 was a challenging year. Amid a complex and ever-changing external environment, the Bank maintains its growth momentum, continuously strengthens its credit risk control capabilities, optimises its business structure, and actively promotes lean management. In 2024, profit attributable to equity owners of the Bank amounted to HK\$1,591 million, an increase of 10.35% compared to 2023, mainly contributed by the increase in net fee and commission income, growth in net income from trading and investments, and decrease in net impairment losses on financial assets, and was partly offset by the impact on declining interest rates and increased operational costs.

Net interest income decreased by 2.88% to HK\$4,836 million, and net interest margin narrowed by 11 basis points to 1.63%, mainly by declining rates in mainland China, while net interest margin in Hong Kong remained stable on the back of high interest rate environment.

Net fee and commission income increased by 14.22% to HK\$331 million. The Bank continued to expand and develop wealth management and life insurance business, and commission income from agency services surged. Besides, the strong performance in securities broking and related services also brought up the securities fee income.

Net income from trading and investments increased by 36.15% to HK\$752 million, mainly driven by the growth in foreign exchange and other treasury customer activities.

Operating expenses increased by 4.46% to HK\$2,016 million. The Bank continued to invest in talent and digital capabilities while realising efficiency gains from its transformation initiatives.

Impairment losses on financial assets decreased from HK\$2,454 million in 2023 to HK\$2,365 million.

CHIEF EXECUTIVE'S STATEMENT

Total assets of the Bank increased by 5.17% to HK\$321.9 billion. Gross loans and advances to customers remained stable at HK\$161.3 billion. The Bank continued to adopt prudent credit risk management, with the non-performing loan ratio for 2024 stood at 2.84%. Deposits from customers grew by 3.29% to HK\$247.1 billion. The Bank continued to maintain a stable deposit base to fund the asset growth and the wealth management and cross-boundary financial business development.

With the proactive and effective management of terms and structures of assets and liabilities, the Bank managed to keep a healthy liquidity and the level of loan to deposit ratio decreased by 287 basis points to 63.55%, whereas the average liquidity maintenance ratio increased to 66.52%.

As at 31 December 2024, total capital ratio, Tier 1 capital ratio and the Common Equity Tier 1 capital ratio were at 20.40%, 16.90% and 15.82% respectively.

Overall, the Bank's core businesses, financial position and asset quality remained strong in 2024, while the capital adequacy ratio and liquidity maintenance ratio were above the relevant statutory requirements.

SUCCESSFUL ISSUANCE OF RENMINBI TIER 2 CAPITAL BONDS

Following the successful issuance of 2023 Renminbi Tier 2 Capital Bonds (Panda bonds) in Mainland China on 26 September 2023, Chong Hing Bank further issued Panda bonds of RMB2.5 billion in Mainland China on 11 June 2024 with a term of 10 years and a fixed rate of 2.93% per annum (the issuer has a call option to a one-time redemption right at the end of the fifth year). The proceeds were raised to support the Bank's operations and development to expedite the services provided to the Guangdong-Hong Kong-Macao Greater Bay Area (the "Greater Bay Area").

In addition, Yuexiu Group, the Bank's shareholder, made a further capital injection of HK\$1 billion into Chong Hing Bank in June 2024. This demonstrated Yuexiu Group's confidence in fully supporting Chong Hing Bank.

CHIEF EXECUTIVE'S STATEMENT

BUSINESS REVIEW

CORPORATE BANKING

In 2024, Chong Hing Bank continued to leverage its advantages of regional ties, connectivity and synergy, and provided products and services with cross-border characteristics to key customers such as manufacturing, information and communications, new economy, and local blue chips, thereby achieving a further solidified customer base and more balanced and rational exposure to diversified industries.

In terms of transaction banking, corporate banking has launched convenient online services such as agreement-based exchange rate settlement, cloud rate for time deposit, and corporate eStatements, optimising business processing procedures and enhancing service response speed. Additionally, the Bank has introduced the eIPO receiving bank services to improve its offerings for listed companies.

In terms of trade finance, the Bank has successfully launched the RMB reverse payment business. Additionally, the Bank has engaged in secondary market forfaiting business with its banking peers, opening up new market opportunities. The Bank has also continued to expand its businesses in commodity trading for corporate customers and risk participation for financial institutions. The trade finance income for the year increased by 31% compared to 2023, while the trade finance settlement volume recorded an annual increment of 88%.

In terms of cross-border ties, leveraging the background advantages of the Guangdong-Hong Kong-Macao region, as well as the close cooperation between the Head Office and Mainland branches, the Bank has seized the cross-border business opportunities brought by the development of the Greater Bay Area to provide diversified cross-border financial products and services to our customers, enhancing the synergy and competitiveness. The Bank has successfully completed several cross-border financing transactions and achieved breakthroughs in cross-border capital pooling and RMB onshore exchange rate conversion.

In terms of green finance, the Bank has been actively promoting the development of its green finance business, with a steady increase in the scale of sustainable assets and the number of green finance customers. The Bank will further optimise its green financial products and services, and will work hand in hand with its customers towards a green and low-carbon transformation.



Chong Hing Bank launches diversified Corporate Internet Banking promotional offers.

CHIEF EXECUTIVE'S STATEMENT

PERSONAL BANKING

Chong Hing Bank is committed to providing quality financial services to customers and improving their online and offline experience. During the year, personal banking business comprehensively enhanced its services across multiple areas and launched a series of customer experience optimisation initiatives to cater to the diverse needs of different customer groups.

The Bank keeps pace with the times and continuously advances the digitalisation of its business. During the year, the Bank launched a new generation of personal digital banking platform, bringing customers a brand-new online experience, including investment product trading and information interfaces, online deposit tools, remote account opening services, etc. The number of accounts opened through remote account opening services has increased significantly, with new customers accounting for 70%. In addition, the branches also enhanced automated services. The application of cheque deposit machines and queuing machines has improved the operational and service efficiency of branches while providing customers with a better service experience.

In terms of customer brand building, apart from continuing to expand the brand Exceed Banking for high-end customers, the Bank specifically created a new brand Go Banking to attract affluent young customers. Go Banking focuses on digital self-service wealth management, allowing young customers to enjoy more exclusive benefits through a series of digital wealth management services. With integrated online and offline promotions on social media, the number of customers with total assets of HK\$200,000 or above increased by 66% compared to 2023.

Following the launch of Cross-boundary Wealth Management Connect 2.0 in the first quarter, the Bank met the needs of cross-border customers by collaborating with Mainland partner banks to introduce a proxy-witness account opening service for Southbound Scheme investment accounts. Customers no longer need to travel to Hong Kong to complete the account opening procedures, thereby enjoying the convenience of cross-border financial services.

The loan business benefited from the Hong Kong SAR Government's relaxation of special arrangements for property mortgage loans. The loan balance under personal banking of the Bank increased by nearly 20% compared to 2023. In terms of deposit, the U.S. Fed initiated its first interest rate cut in four years in September 2024. With market expectations of a gradual decline in interest rates, the Bank launched various deposit promotional plans as and when appropriate, driving the Bank's interest margin income. Amid changes in the interest rate environment, the Bank continued to optimise its products and strengthened its marketing management. As a result, revenue from insurance business increased by over 47% compared to 2023. Benefiting from the improved investment sentiment in the fourth quarter, the Bank actively met customers' wealth management needs, leading to a 43% increase in wealth management (investment) income compared to 2023.

With the increase in card usage by customers, coupled with the Bank's optimisation of multiple functions of credit card in Chong Hing Mobile Banking and Internet Banking, as well as deepening of payment channels, the card business has seen a remarkable growth in the amount of card swiping consumption.

CHIEF EXECUTIVE'S STATEMENT



Go Banking for affluent young customers



Exceed Banking for high-end customers



Remote account opening services



Southbound Scheme of cross-border financial services



Personal loan and tax loan services



Deepening of credit card payment channels

Chong Hing Bank comprehensively enhances its personal banking services and launches a series of customer experience optimisation initiatives to satisfy customer needs.

CHIEF EXECUTIVE'S STATEMENT

TREASURY AND MARKETS BUSINESS

The Bank has been actively developing its treasury and markets business, with significant growth registered in areas such as treasury activities and customer cross-selling business during the year. In recent years, the Bank has established a proprietary trading business to enhance its ability to meet customers' investment and risk hedging needs, which has increased the market share of its sales business and generated additional revenue for the Bank.

MAINLAND OPERATIONS

Amidst a decelerating economic environment, real estate market adjustments and insufficient effective demand, coupled with challenges such as scarcity of high-quality assets, declining interest rates and narrowing interest margin, the Bank's Mainland branches rose to the challenges through pragmatic execution. The overall business maintained stable development, with steady growth in total assets and a stable credit asset quality.

Our cross-border business continued to achieve breakthroughs in innovation, with the base of effective corporate cross-border customers being continuously strengthened. The Bank became the first foreign-funded bank in Mainland China to successfully implement the RMB Cross-border Interbank Payment System (CIPS), while collaborating with its Macau Branch to launch cross-border direct lending services. Synergistic businesses continued to expand and deepen, with strengthened partnership with government agencies, and the institutional deposits and synergistic business with Yuexiu Group continued to grow while achieving breakthroughs in joint marketing of Hong Kong-funded customers by the Head Office and Mainland branches. The contribution of financial markets activities continued to rise, supported by broadening scope of counterparties, optimised interbank asset-liability structures and enhanced profit contribution. The scale of cross-border financing between the Head Office and Mainland branches surged significantly, which facilitated the Bank and its Macau Branch to successfully join in the underwriting syndicates in Hong Kong and Macau for Guangdong Provincial Local Bonds in 2024. The Bank executed the first onshore cross-border RMB purchase and sale transaction and successfully issued the first interbank certificate of deposit in the interbank market in Mainland China. The corporate customer base was further strengthened through actively engaged in acquiring new customers in key industries as well as upstream and downstream enterprises of core customers. Corporate customers maintained double-digit growth, driving sustained expansion in loan scale.

CHONG HING SECURITIES LIMITED

In 2024, there were still many uncertainties in the global political and economic landscape. In September, as spurred by the U.S. interest rate cut and a series of market-stabilising policies introduced in Mainland China, the stock market sentiment turned bullish. The Hang Seng Index rose to over 23,000 points in October, representing its highest level in over two years, and even hit a record high on 8 October. However, there was a significant pullback after the sharp rise. The overall performance of Chong Hing Securities still recorded growth during the year. Both commission income and profit before tax increased by approximately 19% and 25% respectively compared to 2023.

CHONG HING INSURANCE COMPANY LIMITED

Although the pace of economic growth in Hong Kong slowed down in 2024, the underwriting profit of Chong Hing Insurance and the dividend income from its associated companies both saw significant increases. In addition, due to the relatively high interest rates, the interest income from fixed deposits of Chong Hing Insurance continued to grow, and profit before tax maintained a positive overall performance during the year.

CHIEF EXECUTIVE'S STATEMENT

CHONG HING INSURANCE BROKERS LIMITED

Benefiting from favorable policies for the Greater Bay Area, Chong Hing Insurance Broker successfully facilitated mid-to-high-end individual and corporate customers in designing customised insurance solutions for the year. These solutions not only met the financial and family guarantee needs of customers but also earned recognition from customers for the professionalism and meticulousness of its services. Aiming to promote the diversified development of corporate insurance services, Chong Hing Insurance Broker will actively enhance its service innovation capabilities and continue to provide customers with one-stop wealth planning and risk management solutions.

TRANSFORMATION OF BUSINESS DEVELOPMENT

Fintech

The Bank closely follows the development trend of fintech digitalisation, focusing on enhancing the usability and customer experience of digital services, achieved significant breakthroughs in digital transformation for the year. In terms of personal retail services, the new generation of personal digital platform was comprehensively upgraded in June. The new interface design, with improvements to product functions on the theme of "friendlier, easier and smarter", provides customers with experience of one-stop online wealth management services via the new "electronic Know Your Customer" (eKYC) technology. Remote account opening services have significantly increased the number of new accounts, ushering in a new era of online customer acquisition for the Bank. Focusing on customers' cross-border consumption needs, the Bank launched a series of leisure and shopping offers in Hong Kong and Mainland China, and built a new development model for remote customer acquisition by combining online and offline scenario-based marketing. In terms of corporate financial services, the Bank continued to develop distinctive online business functions on the new corporate digital platform. Online services such as cloud rate for time deposit, corporate payroll and bulk transfer have delivered remarkable customer acquisition results. The new bank-enterprise interconnection and cash management platform provides a more professional and comprehensive settlement platform for customers.



The new generation of personal digital platform of Chong Hing Bank is comprehensively upgraded.

CHIEF EXECUTIVE'S STATEMENT



Chong Hing Bank focuses on customers' cross-border consumption needs and has launched a series of leisure and shopping offers in Hong Kong and Mainland China, exploring a scenario-based marketing model.

Optimisation of Operations

In line with the pace of the times and guided by customer needs, the Bank advocates lean management and continuously optimises its operational processes and product services. During the year, through the implementation of projects such as centralised management, process optimisation, system upgrades, and front-office process centralisation, the Bank has adjusted for major risks and strengthened operational risk control. Business units have achieved efficient collaboration, enhancing operational efficiency and service quality. These measures are conducive to controlling corporate costs while delivering higher-quality financial services to customers.

Green Finance

The Bank is committed to developing green financial services. It introduced a sustainability deposit certificate and continued to issue green certificates of deposit in the first quarter of 2024, and issued a social responsibility certificate of deposit in the third quarter. The Bank has also strengthened climate-related risk management. During the annual review of the Sustainable Lending Policy and related implementation guidelines, the Bank re-examined the classification of climate-sensitive industries and established targeted climate risk assessment templates for individual climate-sensitive industries, with a view of encouraging customers to develop climate risk management strategies and promoting the transition into a low-carbon model. To deepen and promote the development of green and sustainable finance, the Bank continued to participate in the Green Finance Committee of the Chinese Banking Association of Hong Kong. Through green business exchange activities and expert lectures, the Bank keeps abreast of and promotes the latest developments in the green finance sector of financial institutions and enterprises.

CHIEF EXECUTIVE'S STATEMENT

CORPORATE CULTURE

Chong Hing Bank has always given high priority to the establishment of good corporate culture. It upholds and strives to promote and pursue Yuexiu Group's corporate culture concept by deeply integrating the corporate culture consensus with the Bank's operations and development to develop corporate values that are recognised by both the Bank and its staff members. The Bank launched the Chong Hing People's Charter with "Commitment and Risk Management" as the theme for 2024, added with lean management concepts. The Bank also kicked off the sixth Corporate Culture Ambassador Programme and appointed 22 employees from various departments as cultural ambassadors to advocate the Bank's corporate culture in their units. A total of 32 cultural training courses were successfully organised, with all Bank employees participating. In addition, the Bank actively reinforced the culture of integrity and co-organised seminars with the Independent Commission Against Corruption (ICAC) to raise employees' awareness of corruption and fraud risks so as for everyone to maintain integrity and uphold high ethical standards. The Bank signed the Banking Industry Integrity Charter launched by the ICAC.

TALENT DEVELOPMENT

In pursuit of the people-oriented management concepts, the Bank is committed to caring for employees, fostering a positive working environment and providing diverse development opportunities for employees, so as to promote the sustainable development and competitiveness of the Bank and its staff.

- Strengthening the business capabilities, related knowledge and skills of employees. The Bank organised different types of training courses, including special training on Corporate Credit Analysis and Credit Proposal, and courses on Green and Sustainable Finance, Financial Technology Redefinition, Customer Portfolio Management, and Core Sales Skills.
- Improving employees' professional qualifications. During the year, the number of employees holding qualifications under the Enhanced Competency Framework (ECF) for Banking Practitioners promoted by the Hong Kong Monetary Authority as a percentage of all target employees rose to 74%.
- Launching different trainee programmes, through which the Bank recruited a total of 27 trainees for personal banking officer and trainees for counter service officer during 2024.
- Conducting organisational structure review, job function integration and talent inventory on an ongoing basis and enhancing human resource effectiveness, in line with the Bank's development strategy.

CHIEF EXECUTIVE'S STATEMENT

CORPORATE RESPONSIBILITY

Chong Hing Bank has been actively fulfilled the corporate mission of benefiting the community, with a charity theme of community care, environmental protection and financial education. Through various volunteer activities with different charity organisations, the Bank has been caring for community members in need and contributing to the community. Meanwhile, the Bank gives high priority to environmental protection, and is committed to disseminating green lifestyle to employees and the public, while fulfilling the corporate responsibility for environmental protection.

CARING FOR THE COMMUNITY AND THE ENVIRONMENT

- In February, the Bank sponsored Green Run 2024 organised by the Green Council and sent employees to participate in the run race at the Science Park and Pak Shek Kok Promenade, thereby protecting the environment with practical actions.
- In May, the Bank held the Mother's Day Vegetable Bouquet Workshop to make vegetable bouquet with children from families of the visually impaired who are members of the Hong Kong Federation of the Blind, presenting mothers with unique gifts for Mother's Day. Moreover, the volunteers presented gift packages on behalf of the Bank, adding to the lively atmosphere of Mother's Day.
- In June, the Bank visited the elderly in St. James' Settlement and the Hong Kong Federation of the Blind. The volunteers, on behalf of the Bank, presented food and daily necessities to the elderly, and extended care and blessings to them.
- In August, the Bank participated in the Eating with Health and Joy 2024 activity organised by the Promoting Happiness Index Foundation, in which the elderly were accompanied to listen to healthy eating advice from professional nutritionists and then purchase healthy foods at the food exhibition.



CHIEF EXECUTIVE'S STATEMENT

- In September, the Bank organised the Mid-Autumn Snowy Mooncake Workshop and arranged youths from Baptist Oi Kwan Social Service who participated in the Child Development Fund programme to make snowy mooncake together. Moreover, the volunteers presented gift packages on behalf of the Bank, sharing joy together during the Mid-Autumn Festival.
- In November, the volunteers carried out coastal clean-ups at Lung Ha Wan, Sai Kung, aiming to protect the marine environment and arouse public attention to coastal conservation through practical actions.
- In December, the Bank organised a bank visit for students from Baptist Oi Kwan Social Service who participated in the Child Development Fund programme, giving them a talk on career planning and providing them with financial tips. This enhanced their understanding of the daily operations of banks and the importance of financial planning, thereby encouraging them to start saving from an early age and to be well-prepared to realise their dreams. In addition, the Bank participated in the 2024 Hong Kong Brands and Products Shopping Festival organised by the Promoting Happiness Index Foundation, in which the elderly were accompanied to purchase at the Hong Kong Brands and Products Expo.



For the third time Chong Hing Bank joined the Child Development Fund programme organised by the Labour and Welfare Bureau by providing matching donations to children in the Baptist Oi Kwan Social Service programme. The Fund provides support to children in identifying their long-term vision, developing savings habits and achieving personal growth.

2024 marks the 27th anniversary of Hong Kong's return to the Motherland. In response to the Seminar Series on Finance Service-based Community Outreach by Chinese Enterprises in Celebration of the Return jointly held by the Hong Kong Chinese Enterprises Association and several Chinese financial institutions, the Bank organised five Financial and Anti-fraud Seminars Bearing Chinese Enterprises' Care for the Community to improve the public awareness of fraud prevention and financial knowledge, which were attended by over 500 community members.



CHIEF EXECUTIVE'S STATEMENT

AWARDS AND RECOGNITIONS

The Bank is committed to delivering quality banking services and improving operation efficiency, while consistently implementing policies and measures to care for its employees, and actively engages in charitable activities to fulfill its corporate social responsibility. Its achievements and contributions were recognised by a variety of organisations in 2024:

- In the 2024 Top 1000 World Banks list released by the British magazine The Banker, Chong Hing Bank climbed to the 324th place, maintaining its ranking among the top 400 banks for the sixth consecutive year. It demonstrated the continuous improvement in its overall strength.
- Excellent Financial Service Award of the 13th China (Guangzhou) International Finance Expo presented by the Organising Committee Office of China (Guangzhou) International Finance Expo.
- Employer of the Year – Grand, and Best Reward & Recognition Strategy Award – Grand presented by the CTgoodjobs.



CHIEF EXECUTIVE'S STATEMENT

- The Bank won the 5-Year Good MPF Employer Award, the e-Contribution Award and the MPF Support Award presented by the Mandatory Provident Fund Schemes Authority.
- The 15 Years plus Caring Company Logo was awarded to the Bank by the Hong Kong Council of Social Service.
- For the fifth consecutive year, the Happy Company logo was presented to the Bank by the Promoting Happiness Index Foundation.



CHIEF EXECUTIVE'S STATEMENT

CORPORATE GOVERNANCE

The Bank strictly abides by the relevant regulations and regulatory requirements and proactively adopts and implements corresponding measures while striving to improve its corporate governance standards, so as to support the sustainable development of the Bank.

For details of the Bank's corporate governance practices, please refer to the section entitled Corporate Governance Report of this Annual Report.

LOOKING AHEAD

The operating environment for the banking industry will be even more arduous amid factors such as geopolitics and economic slowdowns. Chong Hing Bank will adhere to the underlying principles of robust operations and seeking progress in a stable manner in order to implement lean management and enhance risk management capabilities. Leveraging on the extensive operational resources of Yuexiu Group, Chong Hing Bank will fully utilise its advantages in cross-border services, further promote its business structure transformation and professional capabilities enhancement, and actively promote digitalised risk control, scenario-based customer acquisition, online products and streamlined operations. The Bank will also closely monitor market changes and customer needs, keep innovating and optimising its products and services to enhance its market competitiveness and service quality, and expand its customer partnerships and comprehensive business spaces to achieve sustainable high-quality development.

IN APPRECIATION

Notwithstanding the ongoing complexity and volatility of the global economic climate and the uncertainties in the operating environment, the Bank's ability to maintain stable performance in 2024 was attributable to the efforts and dedication of all Bank staff. I would like to express my sincere gratitude to the Board for its astute leadership, which has laid a solid foundation for our decision-making, and to the management team and all staff for their dedication and professionalism, which have empowered us to seize opportunities amidst adversity and forge ahead. I would also like to express my sincere gratitude to our partners and customers for their enduring support and trust in the Bank. Despite the challenges ahead, Chong Hing Bank will unite to improve operation efficiency with the concept of lean management, and actively bring greater value for customers, shareholders, employees and society.

ZONG Jianxin

Chief Executive

Hong Kong, 18 March 2025

DIRECTORS' REPORT

The Directors of Chong Hing Bank Limited (the "Bank") are pleased to present their report together with the audited consolidated financial statements of the Bank and its subsidiaries (collectively the "Group") for the year ended 31 December 2024.

PRINCIPAL ACTIVITIES AND BUSINESS REVIEW

The Group is engaged in the provision of banking and related financial services. Details of the principal activities and other particulars of the Bank's subsidiaries are set out in note 22 to the consolidated financial statements.

A discussion and analysis of the activities as required by Schedule 5 to the Hong Kong Companies Ordinance (Chapter 622 of the Laws of Hong Kong) (the "Companies Ordinance"), including a fair review of the business and a description of the principal risks and uncertainties facing the Group, particulars of important events affecting the Group that have occurred since the end of the financial year 2024 (if any), as well as indication of likely future development in the Group's business are set out in the sections headed "Financial Summary" on pages 2 to 3, "Chairman's Statement" on pages 14 to 15, "Chief Executive's Statement" on pages 16 to 31 and note 7 to the consolidated financial statements on pages 115 to 165 in this Annual Report. Discussions on the environmental policies and performance, compliance by the Group with the relevant laws and regulations that have a significant impact on the Group and an account of the key relationships of the Group with its stakeholders are contained in the "2024 Environmental, Social and Governance Report", which is an online report available on the website of the Bank. The discussions as referred to the above form part of this report.

BUSINESS PERFORMANCE

The Group's total operating income (net of interest expense and fee and commission expense) is analysed and reported by significant business classes as follows:

	2024 HK\$'000	2023 HK\$'000
Corporate and personal banking	4,286,904	4,672,031
Financial markets activities	400,674	31,126
Securities business	119,060	106,691
Others	1,267,324	1,193,028
	<u>6,073,962</u>	<u>6,002,876</u>

The corporate and personal banking services provided by the Group are principally lending and trade finance facilities, auto financing, consumer financing, overdraft facilities, mandatory provident fund services, provision of fixed deposits, current and savings accounts, credit cards and personal wealth management services. The Group also provides fully automated telephone and internet banking services to its customers. Other banking services offered include remittance and money exchange, safe deposit boxes, autopay and direct debit services.

DIRECTORS' REPORT

Financial markets activities mainly comprise inter-bank placement and deposit transactions, management of overall interest rate risk and liquidity of the Group and centralised cash management. Income from foreign exchange activities is generated from services provided to customers in the form of foreign exchange trading and forward contracts, and from the Bank's cash management activities through foreign currency funding swaps.

Securities business of the Group includes securities trading, stockbroking and futures broking.

Others comprise investment holding, insurance, other investment advisory services and property investments.

An analysis of the Group's performance for the year by operating and geographical segments is set out in note 6 to the consolidated financial statements.

RESULTS AND APPROPRIATIONS

The results of the Group for the year ended 31 December 2024 are set out in the consolidated income statement and the consolidated statement of comprehensive income on pages 67 and 68.

An interim cash dividend of HK\$160,000,000 (2023: HK\$180,000,000) was paid to the sole shareholder during the year. The board of Directors of the Bank (the "Board") has recommended the payment of a final cash dividend for the year ended 31 December 2024 of HK\$210,000,000 (2023: HK\$150,000,000).

FINANCIAL SUMMARY

A summary of the results for the year and of the assets and liabilities of the Group as of 31 December 2024 and for the last four financial years is set out on pages 2 and 3 of this Annual Report.

DISTRIBUTABLE RESERVES

Distributable reserves of the Bank as of 31 December 2024, calculated under the provisions of sections 291, 297 and 299 of the Companies Ordinance, amounted to HK\$11,583,065,000 (2023: HK\$10,869,331,000).

SHARES ISSUED

During the year, a total of 1 ordinary share of the Bank was issued. Details of the issued share capital of the Bank during the year ended 31 December 2024 are set out in note 30 to the consolidated financial statements.

ISSUE OF DEBENTURES

During the year ended 31 December 2024, the following bonds were issued by the Bank to raise funds for general corporate purposes:

Class	Amount issued	Consideration received
Renminbi Tier 2 Capital Bonds*	RMB2,500,000,000	RMB2,500,000,000
Total	RMB2,500,000,000	RMB2,500,000,000

* Listed on Shanghai Clearing House

DIRECTORS' REPORT

DIRECTORS

The Directors of the Bank during the year and up to the date of this report are:

EXECUTIVE DIRECTORS

Mr ZONG Jianxin	<i>(Deputy Chairman and Chief Executive)</i>
Mr LAU Wai Man	<i>(Deputy Chief Executive)</i>
Mr JIN Lin	<i>(Deputy Chief Executive) (Appointment with effect from 3 September 2024)</i>

NON-EXECUTIVE DIRECTORS

Mr LI Feng	<i>(Chairman)</i>
Mr LIN Zhaoyuan	
Mr CHOW Cheuk Yu Alfred BBS, JP	<i>(Retirement with effect from 3 September 2024)</i>
Ms CHEN Jing	

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr CHENG Yuk Wo
Mr LEE Ka Lun
Mr YU Lup Fat Joseph

There being no provisions in the articles of association of the Bank for the retirement of Directors of the Bank by rotation, all the existing Directors of the Bank shall continue in office for the ensuing year.

DIRECTORS OF SUBSIDIARIES

Listed below are the names of all the persons who have served on the boards of directors of the Bank's subsidiaries during the year and up to the date of this report:

Mr ZONG Jianxin	Ms HUNG Wai Kuen ⁽³⁾
Mr LAU Wai Man	Mr LEUNG Chan Keung ⁽⁴⁾
Mr CHOW Cheuk Yu Alfred	Mr MA Wai Leung
Mr CHENG Yuk Wo	Ms TAM Wai Chun Magdalene ⁽⁵⁾
Mr YU Lup Fat Joseph	Ms TSANG Yuen Ting Camay
Mr CHAN Tai On	Mr WONG Wan Hong
Ms CHAN Yun Ling ⁽¹⁾	Mr YANG Shengbo ⁽²⁾
Mr CHU Shiu Man	Mr YEE Wing Chi
Mr CHUN Ka Wing	Mr YOUNG Chi Ho
Mr FANG Baifa ⁽²⁾	

Notes:

- (1) Ceased to act as a director of the relevant subsidiaries of the Bank with effect from 8 August 2024.
- (2) Appointed as a director of the relevant subsidiaries of the Bank with effect from 13 December 2024.
- (3) Appointed as a director of the relevant subsidiary of the Bank with effect from 8 August 2024.
- (4) Ceased to act as a director of the relevant subsidiary of the Bank with effect from 30 August 2024.
- (5) Appointed as a director of the relevant subsidiaries of the Bank with effect from 8 August and 13 December 2024 respectively.

DIRECTORS' REPORT

DIRECTORS' INTERESTS IN TRANSACTIONS, ARRANGEMENTS AND CONTRACTS OF SIGNIFICANCE

No transactions, arrangements and contracts of significance in relation to the Group's business to which the Bank or any of its holding companies, its subsidiaries or its fellow subsidiaries was a party and in which a Director of the Bank or an entity connected with a Director (within the meaning of section 486 of the Companies Ordinance) had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

PERMITTED INDEMNITY PROVISION

Pursuant to the articles of association of the Bank, every Director or other officer of the Bank shall be entitled to be indemnified out of the assets of the Bank against any liability (to the extent permitted by the Companies Ordinance) incurred by any of them as the holder of any such office or appointment to a person other than the Bank or any of its holding companies, its subsidiaries or its fellow subsidiaries. The Bank has taken out insurance against any liability associated with defending any proceedings which may be brought against the Directors and other officers of the Bank.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

At no time during the year ended 31 December 2024 was the Bank or any of its holding companies, its subsidiaries or its fellow subsidiaries a party to any arrangement to enable the Directors of the Bank to acquire benefits by means of the acquisition of shares in, or debentures of, the Bank or any other body corporate.

EQUITY-LINKED AGREEMENTS

No equity-linked agreements were entered into by the Bank during the year or subsisted at the end of the year.

DIRECTORS' REPORT

MANAGEMENT CONTRACTS

Save for the service contracts, no other contracts concerning the management and/or administration of the whole or any substantial part of the business of the Bank were entered into or subsisting during the year.

DONATIONS

During the year, the Group made charitable and other donations amounting to approximately HK\$60,100 (2023: HK\$162,500).

CORPORATE GOVERNANCE

Details of the corporate governance practices of the Bank are set out in the "Corporate Governance Report" in this Annual Report.

AUDITOR

The consolidated financial statements of the Group for the year ended 31 December 2024 have been audited by Ernst & Young who shall retire and, being eligible, offer itself for re-appointment as the Bank's auditor at the 2025 annual general meeting of the Bank.

On behalf of the Board

LI Feng

Chairman

Hong Kong, 18 March 2025

CORPORATE GOVERNANCE REPORT

as of 18 March 2025

CORPORATE GOVERNANCE PRACTICES

Chong Hing Bank Limited (the “Bank”) is an authorized institution supervised by the Hong Kong Monetary Authority (the “HKMA”) under the Hong Kong Banking Ordinance (the “Banking Ordinance”). The Bank is committed to maintaining high standards of corporate governance, with a view to safeguarding the interests of shareholders, customers, employees and other stakeholders.

The Bank has applied the principles in the module on “Corporate Governance of Locally Incorporated Authorized Institutions” (“CG-1”) under the Supervisory Policy Manual (“SPM”) issued by the HKMA to its corporate governance structure and practices.

BOARD OF DIRECTORS

ROLES AND RESPONSIBILITIES

The board of Directors of the Bank (the “Board”) is ultimately responsible for the sustainable performance of the Bank and its subsidiaries (the “Group”), including the consistent achievement of business plans and compliance with statutory and corporate obligations. It is the ultimate decision-making body for all matters considered material to the Group and operates under defined Terms of Reference. The Board is also responsible for laying down strategic directions of the Group and overseeing their implementation by senior management, reviewing the operational and financial performance, and providing oversight to ensure that effective systems of risk management and internal control of the Group are in place. In addition, the Board also plays a leading role in establishing the Group’s culture and behavioural standards that promote prudent risk-taking and fair treatment of customers.

While the Board delegates the day-to-day management of the Group’s business to senior management, specific matters are reserved for the Board’s consideration and decision under its Terms of Reference including, but not limited to, the Group’s long-term objectives and strategies, annual business plan and budget, capital planning and management policies, annual and interim financial reporting, major capital projects and investments, major acquisitions and disposals, overall risk management strategy and framework, the Group’s development strategies and goals of environmental, social and governance (“ESG”) (including, without limitation, climate change, green and sustainable finance) as well as the governance framework of its related risk management functions and other significant ESG related issues, and corporate governance matters covering the development, implementation and monitoring of the corporate governance policies and practices.

During the year, the Board conducted a robust review of the Group’s corporate governance framework and updated the Terms of Reference of the Board and various Board Committees to reflect best practices. The Board also adopted various policies as recommended by the Risk Committee, Nomination and Remuneration Committee and Executive Committee and reviewed the Bank’s compliance with the SPMs issued by the HKMA.

CORPORATE GOVERNANCE REPORT

as of 18 March 2025

CHAIRMAN AND CHIEF EXECUTIVE

The roles of the Chairman and the Chief Executive of the Bank are separate, with a clear division of responsibilities as set out in the Board's Terms of Reference.

The Chairman of the Board, who is a Non-executive Director, is responsible for the leadership and effective running of the Board and for ensuring that decisions of the Board are taken on a sound and well-informed basis and in the best interest of the Group. With the support of the Executive Directors and the Company Secretary, the Chairman also ensures that all key and appropriate issues are discussed by the Board in a timely manner.

The Chief Executive, who is an Executive Director and leads the Group's management, is accountable to the Board for the overall implementation of the Bank's objectives, policies, major strategies and initiatives adopted by the Board. With the support of other Executive Directors and senior management, he is also in charge of all day-to-day operations and administration, within the framework of the Group's policies, reserved powers and routine reporting requirements.

BOARD COMPOSITION

There are currently nine Board members, including three Executive Directors, three Non-executive Directors and three Independent Non-executive Directors. There is a strong independent element on the Board that ensures the independence and objectivity of the decisions of the Board, as well as the thoroughness and impartiality of the Board's oversight of the management.

The composition of the Board is well balanced with each Director having sound board level experience and a diverse range of business, banking and professional expertise relevant to the business operations and development of the Group. Biographies of the Directors and relevant relationships (including financial, business, family or other material relationship) among the Directors and senior management of the Bank are set out in the section headed "Biographical Details of Directors and Senior Management" on pages 6 to 12 of this Annual Report.

APPOINTMENT OF DIRECTORS

The Bank adopts a formal procedure in the selection of new Directors.

The Nomination and Remuneration Committee identifies individual(s) suitably qualified to become Director(s), having due regard to the strategic needs of the Bank and succession planning of the Board. The prospective Director will first be assessed by the Nomination and Remuneration Committee, taking into account the balance of skills, knowledge, experience and diversity on the Board. Upon receiving the recommendation from the Nomination and Remuneration Committee, the proposed appointment will be considered and approved by the Board after due deliberation.

In accordance with the requirement under the Banking Ordinance, approval from the HKMA will be obtained for the appointment of new Directors.

Pursuant to the articles of association of the Bank (the "Articles of Association"), unless otherwise specified in the appointment, a Director holds office for an unlimited period.

CORPORATE GOVERNANCE REPORT

as of 18 March 2025

BOARD PROCESS

Board meetings shall be held at least four times a year and no less than once every quarter. Additional Board meetings will be held as and when warranted.

Notice of meetings will be given to all Directors at least 14 days before each regular meeting to give them an opportunity to include matters for discussion in the agenda. Meeting agenda and accompanying Board papers are normally sent to all Directors at least a week before the intended date of a Board meeting.

The Board has a standing agenda of items to ensure that matters relating to overall strategies, business plans, interim and annual results, corporate governance review, risk management and compliance are covered in its meetings at appropriate intervals.

Apart from those regular financial and business performance reports submitted to the Board for deliberation at the regular meetings, the management provides monthly updates to the Board members with information on the Bank's latest financial performance and any material variance from its annual business plan to enable them to discharge their responsibilities. Management also submits to the Board members regular reports regarding auditor's and regulators' findings and recommendations as well as loans and advances to connected parties for regular review and monitoring, where appropriate.

During the year, there were five Board meetings, all of which were convened in accordance with the Articles of Association and attended by the Directors either in person or through electronic means of communication. In addition to the formal Board meetings, the Chairman has regular communications with Directors, occasionally without the presence of the Executive Directors and senior management, to consider issues in an informal setting.

During the year, the Board also had a meeting with the representatives of HKMA to maintain a regular dialogue with the regulator where HKMA shared with the Board about HKMA's overall supervisory assessment of the Bank and their key supervisory focuses on the banking industry in general.

All Directors are entitled to have access to board papers and related materials. Where queries are raised by Directors, steps will be taken to respond as promptly and fully as possible. Any concerns raised or dissenting views expressed by the Directors in respect of any matter discussed at a Board meeting will be reflected clearly in the minutes. Full minutes are being kept by the Company Secretary and such minutes are open for inspection at any time during office hours on reasonable notice by any Director.

All Directors are entitled to seek independent professional advice for the purpose of discharging their duties at the Bank's expense.

All Directors have devoted sufficient time and attention to the affairs of the Bank.

The Bank has put in place procedures to deal with Directors' conflict of interest. Directors are required to declare their direct/indirect interests, if any, in any proposed transactions to be considered by the Board and, where appropriate, they should abstain from voting on the proposed transactions and should not be counted in the quorum.

Appropriate Directors' and Officers' liability insurance cover has been arranged to indemnify the Directors and Officers against liabilities arising out of corporate activities. The coverage and the sum insured for 2024/2025 was reviewed and renewed.

CORPORATE GOVERNANCE REPORT

as of 18 March 2025

ATTENDANCE RECORDS

The attendance records of individual Directors at Board meetings, Board Committee meetings and general meetings held in 2024 are as follows:

Names of Directors	2024								
	Number of meetings attended/Number of meetings convened during Directors' term of office								
	Board	Audit Committee	Connected Party Transactions Committee	Digitalization Strategy Committee	Executive Committee	Nomination and Remuneration Committee	Risk Committee	Strategic and Sustainable Development Committee	General Meetings
Number of meetings held during the year	5	4	Nil ⁽⁵⁾	4	16	4	4	5	Nil ⁽⁶⁾
Chairman and Non-executive Director									
Mr LI Feng ⁽¹⁾	5/5	1/1	-	3/4	-	4/4	4/4	5/5	Nil ⁽⁶⁾
Executive Directors									
Mr ZONG Jianxin	5/5	-	-	4/4	16/16	-	-	5/5	Nil ⁽⁶⁾
Mr LAU Wai Man	5/5	-	-	4/4	16/16	-	-	4/5	Nil ⁽⁶⁾
Mr JIN Lin ⁽²⁾	2/2	-	Nil ⁽⁵⁾	-	4/6	-	-	-	-
Non-executive Directors									
Mr LIN Zhaoyuan ⁽³⁾	3/5	-	-	-	-	1/1	-	5/5	Nil ⁽⁶⁾
Mr CHOW Cheuk Yu Alfred ⁽⁴⁾	3/3	3/3	Nil ⁽⁵⁾	-	-	2/3	-	-	Nil ⁽⁶⁾
Ms CHEN Jing	5/5	4/4	-	-	-	-	-	-	Nil ⁽⁶⁾
Independent Non-executive Directors									
Mr CHENG Yuk Wo	5/5	4/4	Nil ⁽⁵⁾	-	-	4/4	4/4	-	Nil ⁽⁶⁾
Mr LEE Ka Lun	5/5	4/4	-	4/4	-	4/4	4/4	-	Nil ⁽⁶⁾
Mr YU Lup Fat Joseph	5/5	4/4	-	-	-	4/4	4/4	2/5	Nil ⁽⁶⁾

Notes:

- (1) Mr LI Feng was appointed as a member of Audit Committee of the Bank with effect from 3 September 2024.
- (2) Mr JIN Lin was appointed as an Executive Director and a member of Connected Party Transactions Committee of the Bank with effect from 3 September 2024.
- (3) Mr LIN Zhaoyuan was appointed as a member of Nomination and Remuneration Committee of the Bank with effect from 3 September 2024.
- (4) Mr CHOW Cheuk Yu Alfred retired as a Non-executive Director and ceased to act as a member of Audit Committee, Connected Party Transactions Committee as well as Nomination and Remuneration Committee of the Bank with effect from 3 September 2024.
- (5) During the year, the Connected Party Transactions Committee reviewed and recommended to the Board of Directors for approval of various connected transactions of the Group by way of written resolutions.
- (6) The holding of 2024 annual general meeting was conducted by way of written resolutions of the sole shareholder passed in May 2024.

CORPORATE GOVERNANCE REPORT

as of 18 March 2025

BOARD EFFECTIVENESS

During the year ended 31 December 2024, the Board conducted an annual review of its effectiveness by way of an evaluation survey (the "Survey") and received responses from all Directors. The scope of the Survey required Directors to consider the performance and effectiveness of the Board and its Board Committees including the composition, structure, dynamics, operation and diversity. The overall feedback was positive. The evaluation revealed that the Board and all Board Committees continue to perform well with a balanced composition and operate to a high standard. The Bank has also formulated appropriate enhancement measures taking into account the recommendations provided by Directors to further strengthen the effectiveness of the Board and its Board Committees.

INDUCTION AND ONGOING DEVELOPMENT

The Bank provides each Director with personalized induction, training and development. On appointment, each new Director receives a comprehensive and tailored induction covering, among others, information about the Group's operations and business, the roles and responsibilities of the Board and its Board Committees, the Bank's governance structure and practices, as well as the internal audit and risk management functions.

On an ongoing basis, all Directors are provided with briefings and training in order to keep them updated on the Group's business and the latest developments of applicable laws, rules and regulations, including but not limited to ESG related matters, to ensure the continued enhancement of their knowledge and skills. Such briefings and training are provided at the Bank's expense.

During the year, the Bank had provided a number of briefings and training to the Directors which covered topics on the Bank's corporate culture, latest governance and regulatory updates, risk management and sustainable finance.

CORPORATE GOVERNANCE REPORT

as of 18 March 2025

All Directors are required to provide their training records to the Bank on an annual basis. The training received by the Directors during the year under review is summarized as follows:

Names of Directors	Regulatory Updates	Articles/Seminars/ Conferences relevant to the Bank's business and corporate governance
Chairman and Non-executive Director		
Mr LI Feng	✓	✓
Executive Directors		
Mr ZONG Jianxin	✓	✓
Mr LAU Wai Man	✓	✓
Mr JIN Lin ⁽¹⁾	✓	✓
Non-executive Directors		
Mr LIN Zhaoyuan	✓	✓
Mr CHOW Cheuk Yu Alfred ⁽²⁾	✓	✓
Ms CHEN Jing	✓	✓
Independent Non-executive Directors		
Mr CHENG Yuk Wo	✓	✓
Mr LEE Ka Lun	✓	✓
Mr YU Lup Fat Joseph	✓	✓

Notes:

(1) Mr JIN Lin was appointed as an Executive Director of the Bank with effect from 3 September 2024.

(2) Mr CHOW Cheuk Yu Alfred retired as a Non-executive Director of the Bank with effect from 3 September 2024.

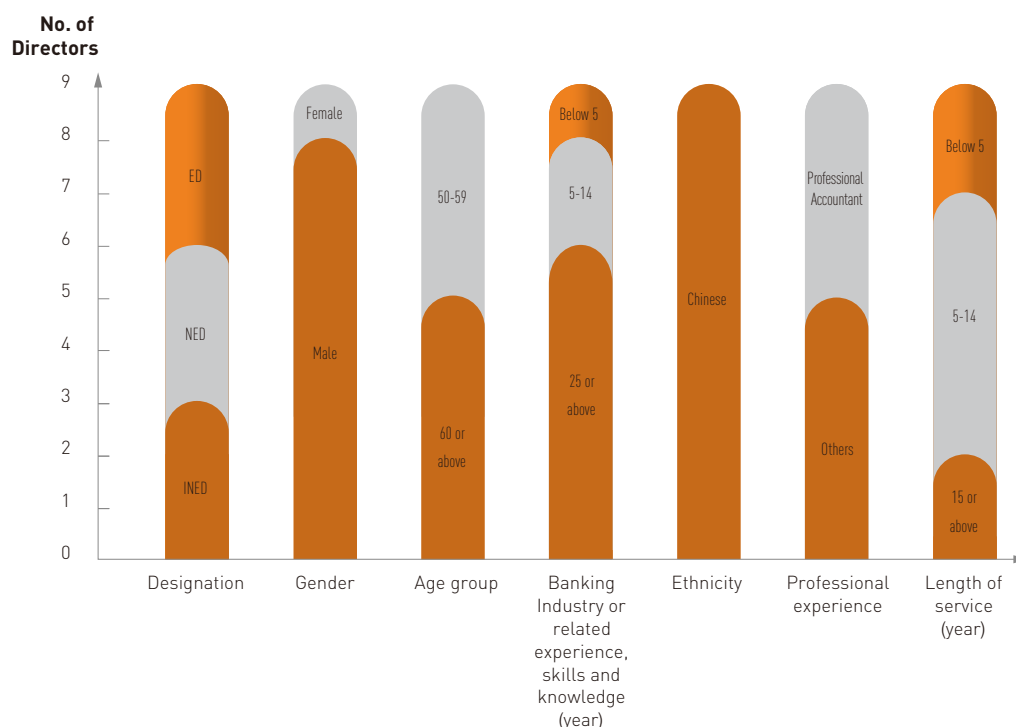
CORPORATE GOVERNANCE REPORT

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POLICY STATEMENT ON BOARD DIVERSITY

The Bank recognises and embraces the benefits of having a Board composed of a diverse range of experience, which is an essential element in supporting the attainment of the Bank's strategic objectives and achieving sustainable commercial success of the Bank.

Board diversity has been considered from various aspects in designing the Board's composition, including gender, age, cultural and educational background, industry or related experience, ethnicity, professional experience, skills, knowledge and length of service (the "Diversity Aspects"). All Board members' appointments will be based on meritocracy, and candidates will be considered against objective criteria, with due regard to the benefits of diversity on the Board. During the year, the Nomination and Remuneration Committee had reviewed the Board diversity based on the Diversity Aspects and considered that it had a balanced diversity. As at 31 December 2024, the composition of the Board was as follows:



The diverse culture helps promote critical thinking and foster constructive debate, thereby enabling the Board to provide strategic direction to the management and to ensure the decision-making process is fair and balanced. All of these are essential in achieving a sustainable and balanced development of the Group.

This policy statement is not intended to, and does not in any way, enlarge or diminish the responsibilities of the Directors under the Articles of Association and such other relevant laws, rules, regulations, codes, guidelines, practice notes, circulars and the like. This policy statement is, however, intended to serve as a source of guiding principles for Directors to take appropriate actions to achieve the aims of board diversity as outlined above. The Board will review and, where appropriate, revise from time to time this policy statement in light of experience, evolving standards of corporate governance and any other changing circumstances.

CORPORATE GOVERNANCE REPORT

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COMPANY SECRETARY

All Directors have access to the advice and services of the Company Secretary. The Company Secretary is responsible for ensuring the Board policies and procedures are followed and for facilitating information flows and communications among Directors as well as with Shareholder(s) and Management.

The Company Secretary's biography is set out in the "Biographical Details of Directors and Senior Management" section on page 12 of this Annual Report. During the year of 2024, the Company Secretary undertook over 15 hours of professional training to update her skills and knowledge.

BOARD COMMITTEES

The Board has delegated its authorities to various committees, namely the Audit Committee, the Connected Party Transactions Committee, the Executive Committee, the Nomination and Remuneration Committee, the Risk Committee, the Digitalization Strategy Committee and the Strategic and Sustainable Development Committee which operate under defined Terms of Reference. Composition and Terms of Reference of the Board Committees are reviewed and updated regularly by the Board to ensure that they remain appropriate and in line with the Group's business and changes in governance practices.

Terms of Reference of certain Board Committees are available on the website of the Bank. Each Board Committee has been provided with sufficient resources to discharge its duties.

AUDIT COMMITTEE

The Audit Committee currently consists of five members, including three Independent Non-executive Directors and two Non-executive Directors.

Under its Terms of Reference, the Audit Committee is required, among other things, to make recommendations to the Board on the appointment, reappointment and removal of the external auditor, to review and monitor the external auditor's independence and objectivity and the effectiveness of the audit process in accordance with the applicable standards, to review any engagement of external auditor for the provision of non-audit services, to review the half-year and annual reports and accounts before submission to the Board, to receive audit reports and review the external auditor's management letter, to review audit and/or investigation reports submitted by the Chief Auditor/Head of Internal Audit Division, to review the HKMA's on-site examination reports and bring major findings to the attention of the Board, and to assess and consider the adequacy and effectiveness of the Group's systems of internal control, financial reporting and controls, risk management and regulatory compliance.

CORPORATE GOVERNANCE REPORT

as of 18 March 2025

Four committee meetings were held in 2024 and the attendance records of the Audit Committee members are set out on page 40 of this Annual Report. The major work performed by the Audit Committee during the year included:

- (i) reviewed the Bank's financial statements for the year ended 31 December 2023 and for the six months ended 30 June 2024 and met with the external auditor and the Bank's senior executives in charge of Finance and Capital Management function to discuss thereon;
- (ii) reviewed and discussed with the external auditor to ensure that the Group's financial statements had been prepared in accordance with the accounting principles generally accepted in Hong Kong;
- (iii) reviewed the report for the year of 2023 from the external auditor to the Audit Committee;
- (iv) reviewed the progress of enhancement measures implemented by the Bank according to the recommendations provided by the external auditor in the management letter for the year of 2022, as well as reviewed the management letter for the year 2023;
- (v) reviewed the re-appointment of the Bank's external auditor, including the consideration of its independence and objectivity, and the scope of audit services, and recommended to the Board for approval;
- (vi) reviewed and approved the annual audit services and non-audit services for the years of 2023 and 2024 provided by the external auditor to the Group and the related fees;
- (vii) reviewed the external auditor's audit strategy and plan of the Group for the year of 2024 and work progress of audit work;
- (viii) approved the internal audit plan for the year of 2024 and the revised Internal Audit Policy;
- (ix) reviewed the quarterly report of internal audit and the implementation of related audit recommendations, as well as the amendments to internal audit procedures upon annual review;
- (x) reviewed the remediation progress of the regulatory reporting process;
- (xi) assessed the structure, scope of work, qualification and experience of employee and employee's training course of the Internal Audit and Finance and Capital Management Divisions of the Bank, and confirmed that the Bank has sufficient resources in accounting, internal audit and financial reporting to deal with the daily work; and
- (xii) reviewed the result of annual review to the Terms of Reference of the Audit Committee.

CORPORATE GOVERNANCE REPORT

as of 18 March 2025

REVIEW OF FINANCIAL RESULTS

The Audit Committee had reviewed the Group's financial statements for the year ended 31 December 2024 in conjunction with the Bank's external auditor. Based on this review and discussions with the Management, the Audit Committee was satisfied that the Group's financial statements for the year ended 31 December 2024 were prepared in accordance with applicable accounting standards and fairly present the Group's financial position and results for the year ended 31 December 2024. The Audit Committee therefore recommended the Group's financial statements for the year ended 31 December 2024 be approved by the Board.

CONNECTED PARTY TRANSACTIONS COMMITTEE

The Connected Party Transactions Committee currently consists of four members, including one Independent Non-executive Director, one Executive Director, the Chief Financial Officer and the Chief Risk Officer of the Bank.

Under its Terms of Reference, the Connected Party Transactions Committee is responsible for reviewing the robustness of the Bank's control framework to ensure proper compliance with all legal and regulatory requirements together with accounting requirements (promulgated in Hong Kong and other jurisdictions) as may be applicable and approving significant connected transactions.

The Connected Party Transactions Committee had reviewed and recommended to the Board for approval of various connected transactions between the Group and the members of 廣州越秀集團股份有限公司 (Guangzhou Yue Xiu Holdings Limited*), including the granting of credits and loans and the renewal of lease agreement by written resolutions.

* for identification purpose only

EXECUTIVE COMMITTEE

The Executive Committee currently consists of eight members, including three Executive Directors and other senior executives of the Bank.

The Executive Committee exercises its powers, authorities and discretions as delegated by the Board to manage the day-to-day operations of the Group in accordance with its Terms of Reference and such other policies and directives as the Board may determine from time to time. The Executive Committee demonstrates its commitment and conviction in implementation of proper bank culture and values at all level of the Group, sets appropriate "tone from the top" and leads by example.

The Executive Committee has established the Asset and Liability Management Committee, the Expenses Control Committee, the New Product Approval Committee, the Disciplinary Committee, the Information Technology Committee, the Risk Management Committee, the Digitalization Management Committee and the Regulatory Reporting Project Steering Committee with defined Terms of Reference that are in line with best practices. The above specialized committees report directly to the Executive Committee and are responsible for overseeing assets and liabilities management, expenses control, approval of new products and services, staff disciplinary-related issues, overall information technology strategy, major risk and compliance issues, digitalization development as well as regulatory reporting policy of the Group.

16 Executive Committee meetings were held in 2024 and the attendance records of the Executive Directors are set out on page 40 of this Annual Report.

CORPORATE GOVERNANCE REPORT

as of 18 March 2025

NOMINATION AND REMUNERATION COMMITTEE

The Nomination and Remuneration Committee currently consists of five members, including three Independent Non-executive Directors and two Non-executive Directors.

Authority and Responsibility

Under its Terms of Reference, the Nomination and Remuneration Committee is responsible for, among others, reviewing and making recommendations to the Board on the structure, size, composition and diversity of the Board and its Committees; identifying potential candidate suitably qualified to become Directors or take up designated Senior Management or Key Personnel positions of the Bank; reviewing and making recommendations to the Board on the Remuneration Policy of the Group by taking into account the pay and conditions across the Group's individual remuneration packages for Directors, Senior Management and Key Personnel as well as those in positions of significant influence and those having an impact on the Group's risk profile; ensuring that the remuneration frameworks and decisions shall be developed in a manner that is appropriate and in line with the Group's corporate culture, risk appetite, risk culture, long-term interests, performance and control environment; ensuring that no Director, Senior Management, Key Personnel or Risk Control Personnel will be involved in deciding his/her own remuneration; and assisting the Board in carrying out the Bank's Corporate Culture-related duties.

Remuneration Structure

The remuneration system of the Group is composed of fixed remuneration, performance based variable remuneration and benefits in kind (where applicable). Considering the Group's business and scale, the Group will use an appropriate level of variable incentive compensation arrangements. This is consistent with the Group's risk appetite of growing steadily and prudently by encouraging long-term performance rather than short-term risk taking, and also motivates, recognizes and rewards outstanding individual contribution, sound team performance and positive behaviors. The proportion and amount of fixed and variable remuneration shall vary according to an employee's seniority, role, responsibilities and activities within the Group, the market benchmarking and trend, and the need to encourage employee behaviors that support the Group's risk management framework, corporate culture and values, and long-term financial soundness.

Review of Remuneration Policy

The Remuneration Policy of the Group aims to remunerate employees in a manner that supports the achievement of the Group's mission, vision and strategic objectives whilst attracting and retaining scarce skills and rewarding high level of performance. The Nomination and Remuneration Committee has reviewed and endorsed the updated Remuneration Policy in 2024 with regard to the enhancement recommendations from the independent review of the remuneration system and practices of the Group for 2023 against "Guideline on a Sound Remuneration System" ("CG-5") under the Supervisory Policy Manual ("SPM") issued by the Hong Kong Monetary Authority (the "HKMA") and the change of the organization structure of the Group. The major revisions include the deferral arrangement for variable remuneration and the Senior Management and Key Personnel Positions List.

Performance Management

The Group uses a Balanced Scorecard ("Scorecard") approach to measure and manage performance at the levels of the Group, business/functional units and individual employees. With reference to corporate goals and objectives at the beginning of financial year and when necessary, the Nomination and Remuneration Committee reviews the Key Performance Indicators ("KPIs") and the corresponding target levels of the Group and recommends to the Board for approval. The targets of the Group will be cascaded down under the Scorecard Framework whereby the performance would be assessed from the four key quadrants of "financial", "customer", "internal process" and "people management".

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Each key quadrant of the Scorecard is comprised of a set of KPIs to assess the performance according to the specific areas of responsibility of the Group, business/functional units and individual employees; both financial and non-financial performance indicators are required to ensure a balanced evaluation. To ensure independence, financial KPIs should not be applicable to those risk control unit/personnel whose performance should be evaluated by their performance objectives and independent of the performance of the business areas which they oversee.

To put the principle of aligning performance and remuneration with risk into practice, on top of the mentioned KPIs, a “Compliance and Risk Control” dimension is in place in the Scorecard to take into account any risk factors, control, ethics and compliance event, with its severity and impact to be fully reflected on the performance rating of the Group, business/functional units and individual employees.

In respect of risk management, the Group has developed a complete Risk Appetite Statement and Key Risk Indicators as the basis for monitoring, assessing and controlling the Group’s risk profile. In the Risk Modifier Framework of the Corporate Scorecard for 2024, seven major areas including credit risk, liquidity risk, market risk, operational risk, information technological risk, compliance risk and risk culture are taken into account as a Corporate Scorecard Risk Modifier.

The Compliance and Risk Control assessment at individual employee level covers the employee’s compliance, risk control and ethical standard. This includes, but is not limited to, the performance of the assessed employee in controlling various risks (e.g. credit, compliance, operations and reputation, etc.), the risk management ratings, compliance reports or audit reports related to the performance of the assessed employee, verbal or written warnings (e.g. misconduct), etc.

Compliance and Risk Control Modifier can be applied to adjust the annual performance score in response to any relevant performance. Poor performance can result in a deduction of the total performance score, which in turn affects the magnitude and amount of variable remuneration.

Under the current performance management system, apart from evaluating individuals’ KPIs in the Scorecard, there is a separate assessment of adherence to “Corporate Culture and Values”. The assessment indicators are designed and matched with reference to the Group’s core values and core competencies and their related behavioral indicators, so as to ensure employees and appraising managers clearly understand the required behaviors and attitude to achieve the defined corporate culture and core values of the Group.

The final performance rating of the staff (including the Scorecard and “Corporate Culture and Values”) will be a major consideration factor of their salary review and variable remuneration (if applicable).

Award of Variable Remuneration

The Group’s variable remuneration structure consists of cash-based discretionary bonus and/or other incentives (where applicable).

The size of the overall discretionary variable remuneration pool of the Group is determined according to the compliance/risk adjusted performance of the Group together with the consideration of all necessary factors (including capital position, market and peers’ performance, market competitiveness, material or potential risks involved in the business, and the extent to which the risks affect the Group as a whole), as recommended by the Nomination and Remuneration Committee to the Board for approval and is subject to the Board’s discretion.

CORPORATE GOVERNANCE REPORT

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The subsequent allocated quota of discretionary variable remuneration to each business/functional unit is based on the overall performance of the relevant business/functional unit; while the performance assessment of the employees is based on the final compliance/risk-adjusted performance rating in the individual Scorecard and the Corporate Culture and Values rating.

Poor performance (e.g. financial or non-financial factors in the Scorecard or the “Corporate Culture and Values” failed to reach any specified targets) at any level will result in a reduction to or elimination of the allocation of its/his/her remuneration, including salary review and/or variable remuneration. Adverse performance in non-financial factors, where appropriate, should override outstanding financial achievements. The overall performance of a business/functional unit or an individual employee could be thoroughly assessed (taking into account compliance and risk factors), rather than solely relying on its/his/her financial performance. This ultimately helps mitigate the Group’s risk exposure and aligns variable awards with its long-term value creation and the time horizons of risk.

To ensure independence, the variable remuneration of risk control personnel is determined in accordance with their performance objectives and commensurate with their key role in the Group. To avoid possible undue influence from business units, risk control personnel are compensated in a manner that is independent of the performance of the business unit which they oversee. Management of business units will not determine the remuneration of risk control personnel.

Deferral Arrangements

The award of variable remuneration to employee is subject to deferment in such a manner as determined by the Nomination and Remuneration Committee. Deferral of the payment of a portion of variable remuneration will allow employees’ performance, including the associated risks, to be observed and validated over a period of time before the payment is actually made. Generally, the proportion of variable remuneration made subject to deferment would increase with the employee’s seniority and responsibility in the Group. The deferral period is 3 years. The portion of variable remuneration subject to deferment is determined by a pre-defined percentage of their variable remuneration or a pre-defined deferral threshold.

The award of deferred portion is subject to a minimum vesting period and pre-defined vesting conditions as determined by the Nomination and Remuneration Committee and communicated to all relevant employees. Deferred portion is awarded in such a manner so as to align the relevant employees’ variable awards with long-term value creation and the time horizons of risk. The future performance (both financial and non-financial) of the Group, relevant business/functional units, and individual employees is taken into consideration when approving the vesting arrangement. In circumstances where it is later established that any performance measurement was based on data that is later proven to have been manifestly misstated or based on erroneous assumptions, or it is later established that the relevant employee has committed fraud, malfeasance, or a violation of internal control policies or legal requirements, all or part of the unvested portions of the deferred variable portion should be forgone (i.e. malus), and claw-back of all or part of the variable remuneration may also be applied.

External Remuneration Consultant

The Nomination and Remuneration Committee is authorised by the Board to seek professional advice as it deems appropriate and is responsible for the selection and appointment of consultants to advise it on all aspects of remuneration.

Vialto Partners Hong Kong Limited (“Vialto”) was appointed in 2024 by the Group to conduct an independent review of the remuneration system and practices of the Group for 2023 against CG-5.

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Summary of Work

Four Committee meetings were held in 2024 and the attendance records of the Nomination and Remuneration Committee members are set out on page 40 of this Annual Report. The major works performed by the Nomination and Remuneration Committee during the year included:

- (i) made recommendations to the Board on the extension of the employment contract and/or retirement date of Executive Director and Deputy Chief Executive as well as Executive Director, Deputy Chief Executive and Head of Mainland Business Division of the Bank;
- (ii) made recommendations to the Board on the change of composition of the Board Committees;
- (iii) reviewed the structure, size, composition (including tenure, skills, knowledge and experience) and diversity of the Board and its Committees and made recommendations to the Board;
- (iv) reviewed the efficiency and effectiveness of the functioning of the Board and its Committees and reported to the Board;
- (v) assessed the past performance and ongoing suitability of each Director (including Chief Executive serving as Executive Director) taking into account the Director's time commitment to the business of the Bank as well as any potential conflicts of interest arising, and provided advice to the Board;
- (vi) assessed and confirmed the independence of the Independent Non-executive Directors of the Bank;
- (vii) reviewed the updated succession policy for Senior Management and Key Personnel and recommended to the Board;
- (viii) reviewed the salary adjustment proposal for 2024 and the variable remuneration for 2023 for the Executive Directors, Senior Management and Key Personnel, and recommended to the Board;
- (ix) made recommendations to the Board on the appointment and/or remuneration package of Executive Director, Alternate Chief Executives, and certain members of Senior Management and Key Personnel;
- (x) reviewed the Bank's discretionary variable remuneration budget proposal for 2025;
- (xi) approved the Bank-level deferred variable remuneration to be paid in 2024 and reported to the Board;
- (xii) reviewed the performance indicators of the Corporate Scorecard of the Bank for 2024 and the estimated achievement of targets for 2024; reviewed the proposal for the 2024 discretionary variable remuneration pool and Mainland relationship managers' incentive framework and recommended to the Board;
- (xiii) reviewed the Bank-level 2025 salary review proposal and recommended to the Board;

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- (xiv) reviewed and confirmed the vesting arrangement for the unvested shares for 2019 and 2020 and reported to the Board;
- (xv) reviewed the proposals of 2 award schemes for 2024 and the 「開門紅」 incentive plan for 2025, and recommended to the Board;
- (xvi) reviewed the updated Remuneration Policy and its appendix and recommended to the Board;
- (xvii) received the report on Independent Review of the Group for 2023 against CG-5 by Vialto;
- (xviii) reviewed the implementation and progress updates of Chong Hing Bank Corporate Culture and reported to the Board; and
- (xix) reviewed its Terms of Reference and reported to the Board.

The emolument payable to the Directors will depend on their respective contractual terms under employment contracts, if any, and the recommendations made by the Nomination and Remuneration Committee. Details of the Directors' emolument are set out in note 40 to the Consolidated Financial Statements. According to the CG-5 and the Remuneration Policy of the Group, Senior Management refers to Executive Directors, Chief Executive, Deputy Chief Executives, and individual positions who are responsible for oversight of the group-wide strategy or activities or those of the Group's material business lines and report directly to Chief Executive or Deputy Chief Executive; Key Personnel refers to individual positions whose duties or activities involve the assumption of material risk or the taking on of material exposures on behalf of the Group. There are currently 13 and 7 employees categorised as Senior Management and Key Personnel respectively. The aggregate payouts for these senior executives for 2023 and 2024 are shown in the tables below in accordance with the disclosure requirement under CG-5.

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The remuneration for the Senior Management and Key Personnel for the years ended 31 December 2023 and 2024 is as follows:

Remuneration Amount and Quantitative Information (HK\$'000)	2024	2023
Senior Management		
Fixed Remuneration		
Number of employees	15	12
Total fixed remuneration	49,498	49,250
<i>Of which: cash</i>	49,498	49,250
Variable Remuneration		
Number of employees	11	10
Total variable remuneration	9,340	8,021
<i>Of which: cash</i>	9,340	8,021
<i>Of which: deferred</i>	4,670	3,208
<i>Of which: shares</i>	N/A	N/A
<i>Of which: deferred</i>	N/A	N/A
Total Remuneration	58,838	57,271
Key Personnel		
Fixed Remuneration		
Number of employees	8	10
Total fixed remuneration	17,276	19,934
<i>Of which: cash</i>	17,276	19,934
Variable Remuneration		
Number of employees	7	7
Total variable remuneration	4,470	4,916
<i>Of which: cash</i>	4,470	4,916
<i>Of which: deferred</i>	1,788	1,966
<i>Of which: shares</i>	N/A	N/A
<i>Of which: deferred</i>	N/A	N/A
Total Remuneration	21,746	24,850

Remarks:

- (1) The above disclosed remuneration figures for 2024 include 4 Senior Management and Key Personnel retired or left the Group in 2024.
- (2) The above disclosed remuneration figures for 2023 include 4 Senior Management and Key Personnel retired or left the Group in 2023.
- (3) Upon privatization and the withdrawal of the listing of shares of the Bank on the Stock Exchange, all outstanding award shares had been cancelled and each outstanding share award holder was entitled to receive the Share Award Offer Price of HK\$20.80 for each such outstanding share award cancelled, upon the fulfilment of pre-defined vesting and other conditions as set out in the rules of the Share Award Scheme. The Board exercised its discretion to terminate the Share Award Scheme with effect from 22 October 2021 in accordance with the terms and conditions of the Share Award Scheme.

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	2024				
		<i>Of which: Total amount of outstanding deferred and retained remuneration exposed to ex post explicit and/or implicit adjustment</i>	Total amount of amendment during the year due to ex post explicit adjustments	Total amount of amendment during the year due to ex post implicit adjustments	Total amount of deferred remuneration paid out in the financial year
Deferred and Retained Remuneration (HK\$'000)					
Senior Management					
Cash	6,413	6,413	–	–	3,198
Key Personnel					
Cash	3,027	3,027	–	–	1,445
Total	<u>9,440</u>	<u>9,440</u>	<u>–</u>	<u>–</u>	<u>4,643</u>

	2023				
		<i>Of which: Total amount of outstanding deferred and retained remuneration exposed to ex post explicit and/or implicit adjustment</i>	Total amount of amendment during the year due to ex post explicit adjustments	Total amount of amendment during the year due to ex post implicit adjustments	Total amount of deferred remuneration paid out in the financial year
Deferred and Retained Remuneration (HK\$'000)					
Senior Management					
Cash	5,691	5,691	–	–	2,297
Key Personnel					
Cash	2,844	2,844	–	–	1,068
Total	<u>8,535</u>	<u>8,535</u>	<u>–</u>	<u>–</u>	<u>3,365</u>

Remark:

The above disclosed outstanding and paid deferred cash bonus include 6 former Senior Management and Key Personnel retired or left the Group in 2022, 2023 and 2024.

CORPORATE GOVERNANCE REPORT

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Special Payments (HK\$'000)	2024	2023
Total amount of Guaranteed Bonuses	–	–
Number of employees	–	–
Total amount of Sign-on Awards	215	304
Number of employees	1	1
Total amount of Severance Payments	–	–
Number of employees	–	–

Remark:

As the number of Senior Management and Key Personnel involved in the above section is small, in order to avoid that individuals' figure could be deduced from disclosure of a breakdown of the figure, aggregate figures are disclosed.

The Nomination and Remuneration Committee will continue to review and enhance the Group's Remuneration Policy in accordance with the principles and spirit of CG-1, CG-5 and any other applicable SPM modules issued by the HKMA, with particular attention paid to risk adjustments to performance assessment; also alongside with the development of labor market, especially in the development of financial services sector, to evaluate and refine the remuneration provision of the Group so as to ensure that the rewards are competitive for the retention of talents.

RISK COMMITTEE

The Risk Committee currently consists of four members, including three Independent Non-executive Directors and one Non-executive Director.

Under its Terms of Reference, the Risk Committee is required, among other things, to advise the Board on the overall risk appetite/tolerance and risk management strategies of the Group, and to oversee senior management's implementation of those strategies that are established and approved by the Board and aligned with the Bank's overall business objectives. In performing its role, the Risk Committee is supported by the Bank's Risk Management Committee and its specialized sub-committees.

Four committee meetings were held in 2024 and the attendance records of the Risk Committee members are set out on page 40 of this Annual Report. The major duties performed by the Risk Committee during the year included:

- (i) reviewed the overall risk management strategies and risk appetite/tolerance statement(s) of the Group and made recommendation to the Board for approval, and received regularly the risk level rating for each risk type;
- (ii) reviewed and assessed regularly the adequacy and effectiveness of the Group's risk management framework, internal control systems and risk management policies, procedures and systems, and monitored their effective operation, implementation and maintenance;
- (iii) monitored the implementation progress of the risk management module under the substantial upgrade of the Bank's information technology system;
- (iv) monitored the implementation progress of the rectification measures taken by the Bank in response to the findings of the thematic examinations or meetings on risk-related matters conducted by the HKMA and National Financial Regulatory Administration;
- (v) reviewed the governance structure of the Bank;

CORPORATE GOVERNANCE REPORT

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- (vi) reviewed and approved the Operational Resilience Framework, the Stress Testing Policy, the Internal Stress-Test Methodology, the Supervisor-driven Stress Testing and the quarterly report of the stress-testing (including climate risk stress test), and endorsed the Capital Management Policy, the Dividend Policy, the Capital Contingency Plan, the Recovery Plan, the Internal Capital Adequacy Assessment Process, the Liquidity Risk Management Policy, the Contingency Funding Plan, the Valuation Policy, the Group Exposure and Clustering Limit Policy, the Compliance Policy, Business Continuity Planning Policy and the Policy for Counterparty Credit Risk Management and made recommendation for the Board's approval;
- (vii) reviewed the process updates of the risk culture related programmes of the Bank;
- (viii) provided oversight on the independence of staff members responsible for implementing risk management systems and controls;
- (ix) reported significant risk management issues to the Board as set out in its Terms of Reference; and
- (x) reviewed its Terms of Reference.

During the year under review, the Independent Non-executive Directors held separate meetings with the Bank's Chief Risk Officer and Head of Internal Audit Division without the presence of Executive Directors, Non-executive Directors and senior management.

DIGITALIZATION STRATEGY COMMITTEE

The Digitalization Strategy Committee currently consists of four members, including one Independent Non-executive Director, one Non-executive Director and two Executive Directors of the Bank.

Under its Terms of Reference, the Digitalization Strategy Committee is required, among other things, to advise the Board on the Group's strategy ("Strategy") of information technology and to assist the Board in monitoring and evaluating the implementation and execution of the Strategy.

In 2024, the Digitalization Strategy Committee held four committee meetings. The attendance records of the Digitalization Strategy Committee members are set out on page 40 of this Annual Report. The major duties performed by the Digitalization Strategy Committee during the year included:

- (i) reviewed the Bank's report on the execution status of information technology projects in 2024;
- (ii) reviewed the Bank's report on digital transformation development of corporate banking and personal banking businesses in 2024 and development strategy in 2025;
- (iii) reviewed the Bank's report on the execution status of Disaster Recovery Data Centre Relocation Project, the progress updates of IBM AIX and HP platform transformation, the result of the launch of personal banking's digital channels and subsequent digitalization plans as well as the construction progress of Data Middle Platform;
- (iv) reviewed the Bank's report on the effectiveness of information technology projects that were implemented from 2023 to 2024;
- (v) reviewed the implementation status and adjustment suggestion on the special budget for information technology projects of the Bank for 2024, the planning of the special budget for information technology projects for 2025 and made recommendations and reported to the Board;

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- (vi) reviewed the information technology development plan for 2025 and the 14th Five-Year Plan (roadmap for the years from 2025 to 2027);
- (vii) reviewed the Bank's report on cyber security strategy, enhancement, planning and implementation in alignment with the requirements under the HKMA Cyber Resilience Assessment Framework (C-RAF 2.0); and
- (viii) reviewed the suggested performance indicators of the Corporate Balanced Scorecard of the Bank in relation to information technology projects for 2024 and 2025.

STRATEGIC AND SUSTAINABLE DEVELOPMENT COMMITTEE

The Strategic and Sustainable Development Committee currently consists of five members, including one Independent Non-executive Director, two Non-executive Directors and two Executive Directors of the Bank.

Under its Terms of Reference, the Strategic and Sustainable Development Committee is required, among other things, to formulate the overall development strategic plan (including financial technology and green and sustainable development strategic plan) of the Group, to oversee and evaluate the implementation of annual business plan and development strategies, to assist the Board to carry out relevant duties within its Terms of Reference, to provide advice to the Board and to provide guidance on strategy direction to the Management.

Five committee meetings were held in 2024 and the attendance records of the Strategic and Sustainable Development Committee members are set out on page 40 of this Annual Report. The major work performed by the Strategic and Sustainable Development Committee during the year included:

- (i) reviewed and oversaw the implementation and effectiveness of the Group's overall development strategic plan and medium- to long-term development strategy, and provided guidance on strategy direction to the Management; and
- (ii) received the Management's regular report on the implementation of the Group's overall development strategy and business plan.

ACCOUNTABILITY AND AUDIT

FINANCIAL REPORTING

The Board is responsible for presenting a balanced, clear and comprehensible assessment of the Group's performance, financial results and prospects to Shareholder(s) and other stakeholders in a timely manner. The annual and interim results and other discloseable financial information of the Bank are published in accordance with the requirements of other applicable regulations and industry best practice.

Management provides the Board with sufficient explanation and information to enable it to make an informed assessment of the Group's financial and other information put before it for approval.

The Directors also receive monthly financial and business updates with information on the Bank's latest financial performance and any material variance from its annual business plan to enable them to discharge their duties and responsibilities.

CORPORATE GOVERNANCE REPORT

as of 18 March 2025

The Directors acknowledge their responsibility for preparing the Bank's consolidated financial statements and ensuring that the preparation of the Bank's consolidated financial statements is in accordance with the relevant requirements and applicable standards. As at 31 December 2024, the Directors were not aware of any material uncertainties relating to events or conditions that may cast significant doubt on the Bank's ability to continue as a going concern.

The statement of the Bank's external auditor concerning its reporting responsibilities on the Bank's consolidated financial statements and the key audit matters identified in its audit are set out in the "Independent Auditor's Report" on pages 59 to 64 of this Annual Report.

RISK MANAGEMENT AND INTERNAL CONTROL

The Board acknowledges that it is responsible for the Group's risk management and internal control systems and reviewing their effectiveness. Although such systems are designed to manage rather than eliminate the risk of failure to achieve business objectives and to provide reasonable but not absolute assurance against material misstatement or loss, the Bank is committed to establishing and maintaining appropriate and effective risk management and internal control systems so as to safeguard Shareholders' investment and the Bank's assets.

The Bank's risk governance framework is substantiated by the clearly defined three lines of defence which are independent from each other. In short, the first line of defence is performed by the business units where risks are taken. The second line of defence is performed by the risk management and compliance functions that are responsible for overseeing the Bank's risk-taking activities and ensuring compliance with laws and regulations. The third line of defence is performed by the Internal Audit Division which is responsible for providing assurance on the effectiveness of the Bank's risk management framework.

The risk management and internal control systems of the Group comprise comprehensive policies and standards under a well-established organisational structure:

- Policies and procedures have been designed for safeguarding assets against unauthorized use or disposition; for maintaining proper accounting records; for ensuring the reliability of financial information used within the business or for publication; and for ensuring compliance with applicable laws, rules and regulations. Systems and procedures are also in place to identify, evaluate, manage and report on the major types of risks, including credit, compliance, interest rate, liquidity, market, operational, information technology, human resources, legal, reputation, insurance, new product, business and climate related risks. All these policies and systems are regularly reviewed to reflect changes in markets, products and best practices.
- Areas of responsibilities of each business/functional unit are clearly defined to ensure effective checks and balances. Each unit is responsible for the assessment of individual types of risks arising under its areas of responsibilities, the management of the risks in accordance with the established risk management procedures, and the reporting on such risk management issues.
- Specialised committees are established for the oversight and monitoring of major risk areas. Regular risk management reports prepared by relevant business and functional units are submitted to the Asset and Liability Management Committee, the Risk Management Committee, the Executive Committee and the Risk Committee, and ultimately to the Board for oversight and monitoring of the respective types of risks on an ongoing basis. The Bank's risk management policies and major control limits are reviewed and recommended by the relevant specialised committees to the Board for approval, and are monitored and reviewed regularly according to established policies and procedures.

CORPORATE GOVERNANCE REPORT

as of 18 March 2025

- The Internal Audit Division's role as the third line of defence is independent of the first and second lines of defence, with the Bank's Chief Auditor/Head of Internal Audit Division reporting directly to the Audit Committee. Pursuant to a risk-based approach, the Internal Audit Division conducts independent and objective assessment of the design and implementation of the risk management and control mechanisms of the Bank's business and functional units in order to identify any inadequacy. Results of audit work are reported regularly to the Audit Committee. In 2024, the Bank has engaged an external consultant to perform an external quality assurance review of the Internal Audit Division. The review report concluded that the Internal Audit Division has complied with the International Standards for the Professional Practice of Internal Auditing.
- The Bank has established a whistleblowing policy which encourages employees to raise concerns, in confidence, about possible improprieties in any matter related to the Bank. The Bank treats all information received confidentially and protects the identity and the interests of all whistleblowers.

The Board has, through the Audit Committee and the Risk Committee, monitored the performance of the Group's risk management and internal control systems on an ongoing basis and also completed the 2024 annual review of their effectiveness, which covered such material aspects as financial, operational and compliance controls. The Board has received a confirmation from management on the effectiveness of the Group's risk management and internal control systems and is satisfied that such systems, including the resources, staff qualifications and experience, training programmes and budget of the Group's accounting, internal audit and financial reporting functions, are effective and adequate.

DIVIDEND POLICY

The Board has established a comprehensive Dividend Policy for the purpose of ensuring the dividend distributions of the Bank are conducted in accordance with the Articles of Association, applicable laws and regulations and also meet the expectation of relevant regulatory bodies. The Dividend Policy will be reviewed regularly in accordance with changes in regulatory requirements, economic and commercial environment. The Bank is dedicated to striking the right balance between reinvesting capital in the Bank's operations and providing returns to shareholders.

INDEPENDENT AUDITOR'S REPORT



To the member of Chong Hing Bank Limited

(Incorporated in Hong Kong with limited liability)

OPINION

We have audited the consolidated financial statements of Chong Hing Bank Limited (the "Bank") and its subsidiaries (the "Group") set out on pages 67 to 214, which comprise the consolidated statement of financial position as at 31 December 2024, and the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including material accounting policy information.

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 2024, 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.

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.

INDEPENDENT AUDITOR'S REPORT

Key audit matter	How our audit addressed the key audit matter
Allowances for Expected Credit Losses on Advances to Customers	
Refer to material accounting policies in note 4, and disclosures on credit risk in note 7, note 14 and note 21 to the consolidated financial statements. As at 31 December 2024, gross advances to customers amounted to HK\$162 billion and the expected credit loss ("ECL") allowances for advances to customers amounted to HK\$3 billion. 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. The Group has adopted a forward-looking expected loss impairment model to recognise ECLs in respect of advances to customers. Significant management judgement and estimates are involved in the calculation of ECLs, including: – segmentation of financial assets according to credit risk characteristics – criteria to determine whether a significant increase in credit risk has occurred – determination of the ECL stage, estimation of probability of default, loss given default, exposure at default and discount rates – selection of forward-looking macroeconomic scenarios and their probability weightings For individual impairment allowances, management judgement is required to determine the probability of multiple exit or work out scenarios and estimate the impact that the uncertainties observed in current economic environment, including the risk associated with the commercial real estate sector in Mainland China and Hong Kong, may have on these exit strategies, the time to collect, and collateral valuation.	We obtained an understanding of the Group's credit management policies and procedures, including measurement and recognition of ECLs. We read the minutes of the Group's Risk Committee, Risk Management Committee, Expected Credit Loss Committee, and Model Governance Committee meetings, to understand ECL model governance and monitoring and the approval of the internal credit risk ratings and assumptions used in the ECL calculation. We performed walkthroughs of credit management processes and evaluated the Group's impairment methodology, including management judgement in respect of the segmentation of portfolio, the criteria on significant credit deterioration and the measurement approach of expected credit losses. We assessed the design and tested the operating effectiveness of the key controls over the systems and processes of credit assessment, loan classification, stage classification and calculation of ECL allowances. Our testing of the loan impairment processes' controls included, amongst others, an evaluation of the governance in respect of the selection and probability weightings of economic scenarios and the controls over data input. For the ECL allowances as at 31 December 2024, we performed testing on the completeness and accuracy of the data used in the ECL calculation by comparing the individual loan data to the relevant data source on a sample basis; evaluating the calculation logic and data processing; and recomputing management's calculation of the ECL allowances. We engaged our internal specialists in evaluating the impairment methodology and model enhancements. We assessed the appropriateness of the ECL model used by management in determining impairment allowances, including changes made to forward-looking macroeconomic scenarios, and evaluated the key parameters and assumptions adopted in the model. The key parameters and assumptions included ECL stage, probability of default, loss given default, exposure at default, and probability weighted economic scenarios.

INDEPENDENT AUDITOR'S REPORT

Key audit matter	How our audit addressed the key audit matter
Allowances for Expected Credit Losses on Advances to Customers In view of the significance of ECL allowances and the management judgement and estimates involved, the ECL allowances for advances to customers are considered a key audit matter.	In addition, for the corporate lending portfolio, we adopted a risk-based sampling approach to perform loan review procedures, with focus on high-risk industries including the commercial real estate sector in Mainland China and Hong Kong, in order to assess the appropriateness of management's credit risk rating and ECL staging by reviewing the borrowers' financial performance, valuation of collateral and other available information. As part of our loan review procedures, we selected samples of credit-impaired loans and advances and assessed their stage 3 ECL allowances by evaluating the timing and means of realisation of collateral, the forecast of recoverable cash flows, the viability of recovery plans and other credit enhancements. We also checked and evaluated the financial statement disclosures on credit risk relating to advances to customers.
Valuation of Level 3 financial assets Refer to material accounting policies in note 4, and disclosures on fair values and the valuation hierarchy of financial instruments in note 7 and note 19 to the consolidated financial statements. As at 31 December 2024, the Group's financial assets and liabilities measured at fair value amounted to HK\$58,563 million and HK\$2,262 million, respectively. In connection with this, HK\$876 million of the Group's financial assets measured at fair value were classified as Level 3 under the fair value hierarchy. No financial liabilities measured at fair value of the Group were classified as Level 3 under the fair valuation hierarchy. To estimate the fair value of these Level 3 financial assets, management is required to exercise significant judgement in respect of the selection of appropriate valuation techniques, and the development of assumptions and significant unobservable inputs into the valuation models. Valuation results can vary significantly under different valuation techniques or assumptions. In view of the complexity and significance of management judgements and assumptions required, valuation of Level 3 financial assets is considered as a key audit matter.	We obtained an understanding of the Group's valuation policies and procedures for Level 3 financial assets. In conjunction with our internal specialists, we performed, amongst others, the following procedures for the Level 3 financial assets: • Critically evaluated the appropriateness of valuation techniques and assumptions by assessing the characteristics of the financial assets with reference to the valuation techniques and assumptions that are commonly used in the market for financial assets with similar nature. • Independently revalued the financial assets and compared management's valuation outcome to our independent testing. We obtained an understanding and evaluated any material differences in valuation outcomes. • Assessed the valuation inputs used and agreed to third-party data sources where available. We have checked and evaluated the financial statement disclosures relating to fair value of Level 3 financial assets.

INDEPENDENT AUDITOR'S REPORT

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.

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 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.

INDEPENDENT AUDITOR'S REPORT

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

(Continued)

As part of an audit in accordance with HKSAAs, 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.
- 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.
- Plan and perform the group audit to obtain sufficient appropriate audit evidence regarding the financial information of the entities or business units within the Group as a basis for forming an opinion on the consolidated financial statements. We are responsible for the direction, supervision and review of the audit work performed for purposes of the group audit. We remain solely responsible for our audit opinion.

INDEPENDENT AUDITOR'S REPORT

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

[Continued]

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.

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 Tso Pui Sze.

Ernst & Young

Certified Public Accountants

Hong Kong
18 March 2025

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CONSOLIDATED INCOME STATEMENT

for the year ended 31 December 2024

	Notes	2024 HK\$'000	2023 HK\$'000
Interest income		12,672,387	12,575,378
Interest expense		(7,836,278)	(7,596,070)
Net interest income	9	4,836,109	4,979,308
Fee and commission income		430,753	387,323
Fee and commission expenses		(99,664)	(97,447)
Net fee and commission income	10	331,089	289,876
Net income from trading and investments	11	751,832	552,226
Other operating income	12	154,932	181,466
Operating expenses	13	(2,016,048)	(1,930,031)
Operating profit before impairment allowances		4,057,914	4,072,845
Net impairment losses on financial assets	14	(2,365,492)	(2,454,126)
Operating profit after impairment allowances		1,692,422	1,618,719
Net losses on disposal of equipment		(384)	(2,272)
Net losses on fair value adjustments on investment properties	24	(33,148)	(5,570)
Share of profit (losses) of associates	23	60,949	(43,003)
Profit before taxation		1,719,839	1,567,874
Taxation	15	(128,824)	(126,104)
Profit for the year			
– Attributable to equity owners of the Bank		1,591,015	1,441,770

The notes on pages 74 to 214 form an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

for the year ended 31 December 2024

	2024 HK\$'000	2023 HK\$'000
Profit for the year	1,591,015	1,441,770
Other comprehensive income		
Items that may not be reclassified subsequently to profit or loss:		
Surplus on transfer of land and buildings to investments properties	115,748	–
Surplus on remeasurement of retirement benefit	–	2,307
Income tax effect relating to retirement benefit	–	(380)
Net gains on investments in equity instruments measured at fair value through other comprehensive income ("FVOCI")	81,904	611,570
Items that may be reclassified subsequently to profit or loss:		
Exchange differences arising on translation	(280,502)	(218,394)
Net gains on investments in debt instruments measured at FVOCI	232,213	174,028
Amount reclassified to profit or loss upon disposal of debt securities measured at FVOCI	(17,045)	(30,856)
Income tax effect relating to disposal of financial assets measured at FVOCI	2,561	5,091
Income tax effect relating to fair value change of financial assets measured at FVOCI	(66,961)	(77,413)
Share of other comprehensive income of associates	2,234	–
Other comprehensive income for the year (net of tax)	70,152	465,953
Total comprehensive income for the year	1,661,167	1,907,723
Total comprehensive income attributable to:		
Equity owners of the Bank	1,661,167	1,907,723

The notes on pages 74 to 214 form an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

as of 31 December 2024

	Notes	2024 HK\$'000	2023 HK\$'000
Assets			
Cash and balances and placements with banks	17	92,849,713	65,508,631
Derivative financial instruments	18	2,132,987	1,405,454
Investments in securities	19	57,595,849	69,291,896
Advances and other accounts	21	166,867,449	167,250,753
Tax recoverable		13,872	97,550
Interests in associates	23	406,871	372,868
Investment properties	24	411,624	312,436
Property and equipment	25	893,404	1,044,794
Deferred tax assets	32	5,028	1,714
Intangible assets	33	687,335	757,648
Total assets		321,864,132	306,043,744
Liabilities			
Deposits and balances with banks and other financial institutions	26	17,444,171	16,545,976
Deposits from customers	27	247,144,076	239,281,407
Derivative financial instruments	18	1,232,261	919,905
Other accounts and accruals	34	5,620,305	5,154,691
Current tax liabilities		79,430	19,895
Certificates of deposit	28	5,094,471	387,415
Loan capital	29	5,958,446	3,384,753
Deferred tax liabilities	32	96,886	76,279
Total liabilities		282,670,046	265,770,321
Equity attributable to owners of the Bank			
Share capital	30	21,030,884	20,030,884
Additional equity instruments	31	2,316,681	5,427,996
Reserves		15,846,521	14,814,543
Total equity		39,194,086	40,273,423
Total liabilities and equity		321,864,132	306,043,744

The notes on pages 74 to 214 form an integral part of these consolidated financial statements.

Approved and authorised for issue by the Board of Directors on 18 March 2025 and signed on its behalf by:

Li Feng
Chairman

Zong Jianxin
Executive Director, Deputy Chairman and Chief Executive

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the year ended 31 December 2024

		Share capital	Additional equity instruments	Goodwill	Investment revaluation reserve	Land and building revaluation reserve	General reserve	Translation reserve	Regulatory reserve	Retained profits	Total
	Notes	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At 1 January 2024		20,030,884	5,427,996	(182)	867,493	197,136	1,388,500	(482,205)	538,000	12,305,801	40,273,423
Profit for the year		-	-	-	-	-	-	-	-	1,591,015	1,591,015
Other comprehensive income (net of tax)		-	-	-	234,906	115,748	-	(280,502)	-	-	70,152
Total comprehensive income for the year		-	-	-	234,906	115,748	-	(280,502)	-	1,591,015	1,661,167
Transfer of gain on disposal of equity investments at FVOCI to retained earnings		-	-	-	(2,876)	-	-	-	-	2,876	-
Issue of share capital	30	1,000,000	-	-	-	-	-	-	-	-	1,000,000
Redemption of additional equity instruments		-	(3,111,315)	-	-	-	-	-	-	(12,006)	(3,123,321)
Distribution payment for additional equity instruments		-	(307,183)	-	-	-	-	-	-	-	(307,183)
Transfer from retained profits		-	307,183	-	-	-	-	-	-	(307,183)	-
Interim dividend paid	16	-	-	-	-	-	-	-	-	(160,000)	(160,000)
Final dividend paid	16	-	-	-	-	-	-	-	-	(150,000)	(150,000)
Earmark of retained profits as regulatory reserve		-	-	-	-	-	-	-	17,000	(17,000)	-
At 31 December 2024		<u>21,030,884</u>	<u>2,316,681</u>	<u>(182)</u>	<u>1,099,523</u>	<u>312,884</u>	<u>1,388,500</u>	<u>(762,707)</u>	<u>555,000</u>	<u>13,253,503</u>	<u>39,194,086</u>

The notes on pages 74 to 214 form an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the year ended 31 December 2024

		Share capital	Additional equity instruments	Goodwill	Investment revaluation reserve	Land and building revaluation reserve	General reserve	Translation reserve	Regulatory reserve	Retained profits	Total
	Notes	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At 1 January 2023		17,030,884	5,427,996	(182)	185,073	197,136	1,388,500	(263,811)	614,000	11,403,257	35,982,853
Profit for the year		-	-	-	-	-	-	-	-	1,441,770	1,441,770
Other comprehensive income (net of tax)		-	-	-	682,420	-	-	(218,394)	-	1,927	465,953
Total comprehensive income for the year		-	-	-	682,420	-	-	(218,394)	-	1,443,697	1,907,723
Issue of share capital	30	3,000,000	-	-	-	-	-	-	-	-	3,000,000
Distribution payment for additional equity instruments		-	(307,153)	-	-	-	-	-	-	-	(307,153)
Transfer from retained profits		-	307,153	-	-	-	-	-	-	(307,153)	-
Interim dividend paid	16	-	-	-	-	-	-	-	-	(180,000)	(180,000)
Final dividend paid	16	-	-	-	-	-	-	-	-	(130,000)	(130,000)
Earmark of retained profits as regulatory reserve		-	-	-	-	-	-	-	(76,000)	76,000	-
At 31 December 2023		<u>20,030,884</u>	<u>5,427,996</u>	<u>(182)</u>	<u>867,493</u>	<u>197,136</u>	<u>1,388,500</u>	<u>(482,205)</u>	<u>538,000</u>	<u>12,305,801</u>	<u>40,273,423</u>

The retained profits of the Group included retained profits of HK\$203,792,000 (2023: retained profits of HK\$172,023,000) retained by the associates of the Group.

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

The general reserve comprises transfers from previous years' retained profits.

The notes on pages 74 to 214 form an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

for the year ended 31 December 2024

	Notes	2024 HK\$'000	2023 HK\$'000
OPERATING ACTIVITIES			
Profit before taxation		1,719,839	1,567,874
Adjustments for:			
Net interest income	9	(4,836,109)	(4,979,308)
Net impairment losses on financial assets	14	2,365,492	2,454,126
Net losses on disposal of equipment		384	2,272
Net gains on disposal of debt securities measured at FVOCI	11	(17,045)	(30,856)
Net gains on disposal of debt securities measured at amortised cost		(67)	–
Net loss on fair value adjustments on investment properties	24	33,148	5,570
Net gains on financial instruments at fair value through profit or loss		(242,559)	(182,657)
Share of (profit) losses of associates	23	(60,949)	43,003
Net gains on fair value hedge		(2,229)	(10,323)
Dividends received from investments	12	(10,158)	(18,777)
Depreciation and amortisation	13	303,321	309,551
Exchange adjustments		337,068	353,101
Operating cash flows before movements in operating assets and liabilities		(409,864)	(486,424)
(Increase) decrease in operating assets:			
Placements with banks		(3,317,438)	790,804
Financial assets at fair value through profit or loss		(404,596)	(1,295,060)
Advances to customers		(1,058,755)	1,567,511
Advances to other financial institutions		(336,762)	(1,097,040)
Other accounts		(83,844)	692,626
(Decrease) increase in operating liabilities:			
Deposits with banks		(94,146)	1,777,462
Balances with bank and other financial institutions		992,341	1,123,764
Deposits from customers		7,862,669	15,793,180
Certificates of deposit		4,707,056	387,415
Derivative financial instruments		(533,703)	(406,266)
Other accounts and accruals		201,660	223,652
Cash generated from operations		7,524,618	19,071,624
Hong Kong profits tax paid		(11,827)	(41,612)
Overseas tax paid		(6,044)	(129,415)
Interest received		10,476,390	10,458,794
Interest paid		(7,376,274)	(7,223,578)
NET CASH GENERATED FROM OPERATING ACTIVITIES		10,606,863	22,135,813

CONSOLIDATED STATEMENT OF CASH FLOWS

for the year ended 31 December 2024

		2024 HK\$'000	2023 HK\$'000
	Notes		
INVESTING ACTIVITIES			
Interest received from investments in securities		1,942,786	1,504,123
Dividends received from investments in securities	12	10,158	18,777
Dividends received from associates		29,180	21,820
Purchase of financial assets measured at amortised cost		(1,824,259)	(1,537,649)
Purchase of financial assets measured at FVOCI		(181,183,319)	(177,332,400)
Purchase of property and equipment		(47,146)	(27,143)
Purchase of intangible assets		(18)	(3,189)
Proceeds from redemption of financial assets measured at amortised cost		3,925,467	4,303,286
Proceeds from sale and redemption of financial assets measured at FVOCI		190,879,233	173,087,608
Proceeds from disposal of equipment		1,429	2,302
NET CASH GENERATED FROM INVESTING ACTIVITIES		13,733,511	37,535
FINANCING ACTIVITIES			
Net proceeds from issue of share capital	30	1,000,000	3,000,000
Net proceeds from issue of loan capital	29	2,691,500	1,606,500
Redemption of additional equity instruments		(3,123,321)	–
Interest paid on loan capital	29	(157,532)	(85,380)
Payment of lease liabilities	34	(182,539)	(181,318)
Dividends paid to ordinary shareholders		(310,000)	(310,000)
Distribution paid on additional equity instruments		(307,183)	(307,153)
NET CASH (USED IN) GENERATED FROM FINANCING ACTIVITIES		(389,075)	3,722,649
NET INCREASE IN CASH AND CASH EQUIVALENTS		23,951,299	25,895,997
CASH AND CASH EQUIVALENTS AT 1 JANUARY		64,290,694	38,394,697
CASH AND CASH EQUIVALENTS AT 31 DECEMBER		88,241,993	64,290,694
Represented by:			
Cash and balances with central bank and banks		17,005,469	13,306,567
Placements with banks			
– with original maturity within three months		71,236,524	50,984,127
		88,241,993	64,290,694

The notes on pages 74 to 214 form an integral part of these consolidated financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 31 December 2024

1. GENERAL INFORMATION

Chong Hing Bank Limited (the “Bank”) is a limited company incorporated in Hong Kong.

The Bank is engaged in the provision of banking and related financial services. The address of the registered office of the Bank is Ground Floor, Chong Hing Bank Centre, 24 Des Voeux Road Central, Hong Kong.

Details of the subsidiaries of the Bank (together collectively referred to as the “Group”) are set out in note 22 to the consolidated financial statements.

2. APPLICATION OF REVISED HONG KONG FINANCIAL REPORTING STANDARDS (“HKFRSs”)

The following revised Hong Kong Financial Reporting Standards (“HKFRSs”) are applicable for reporting periods commencing after 1 January 2024:

Amendments to HKFRS 16	<i>Lease Liability in a Sale and Leaseback</i>
Amendments to HKAS 1	<i>Classification of Liabilities as Current or Non-current*</i>
Amendments to HKAS 1	<i>Non-current Liabilities with Covenants*</i>
Amendments to HKAS 7 and HKFRS 7	<i>Supplier Finance Arrangements</i>

* As a consequence of the amendments to HKAS 1 issued in August 2020 and December 2022, Hong Kong Interpretation 5 Presentation of Financial Statements – Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause was revised to align the corresponding wording with no change in conclusion.

There were no revised amendments to standards that had a material effect on the consolidated financial statements.

3. ISSUED BUT NOT YET EFFECTIVE HKFRSs

The Group has not applied the following revised HKFRSs, that have been issued but are not yet effective. The Group intends to apply these revised HKFRSs, if applicable, when they become effective. Except as stated below, none of these is expected to have a significant effect on the consolidated financial statements of the Group.

Amendments to HKFRS 10 and HKAS 28	<i>Sale or Contribution of Assets between an Investor and its Associate or Joint Venture⁴</i>
Amendments to HKAS 21	<i>Lack of Exchangeability¹</i>
Amendments to HKFRS 9 and HKFRS 7	<i>Amendments to the Classification and Measurement of Financial Instruments²</i>
HKFRS 18	<i>Presentation and Disclosure in Financial Statements³</i>
HKFRS 19	<i>Subsidiaries without Public Accountability: Disclosures³</i>

¹ Effective for annual periods beginning on or after 1 January 2025

² Effective for annual periods beginning on or after 1 January 2026

³ Effective for annual periods beginning on or after 1 January 2027

⁴ No mandatory effective date yet determined but available for adoption

HKFRS 18 replaces HKAS 1 *Presentation of Financial Statements*. While a number of sections have been brought forward from HKAS 1 with limited changes, HKFRS 18 introduces new requirements for presentation within the income statement, including specified totals and subtotals. Entities are required to classify all income and expenses within the income statement into one of the five categories: operating, investing, financing, income taxes and discontinued operations and to present two new defined subtotals. It also requires disclosures about management-defined performance measures in a single note and introduces enhanced requirements on the grouping (aggregation and disaggregation) and the location of information in both the primary financial statements and the notes. Some requirements previously included in HKAS 1 are moved to HKAS 8 *Accounting Policies, Changes in Accounting Estimates and Errors*, which is renamed as HKAS 8 *Basis of Preparation of Financial Statements*. As a consequence of the issuance of HKFRS 18, limited, but widely applicable, amendments are made to HKAS 7 *Statement of Cash Flows*, HKAS 33 *Earnings per Share* and HKAS 34 *Interim Financial Reporting*. In addition, there are minor consequential amendments to other HKFRSs. HKFRS 18 and the consequential amendments to other HKFRSs are effective for annual periods beginning on or after 1 January 2027 with earlier application permitted. Retrospective application is required. The Group is currently analysing the new requirements and assessing the impact of HKFRS 18 on the presentation and disclosure of the Group's financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 31 December 2024

4. MATERIAL ACCOUNTING POLICIES

BASIS OF PREPARATION

The consolidated financial statements have been prepared in accordance with HKFRSs (which include all Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKASs") and Interpretations) issued by the HKICPA and the applicable disclosures required by the Hong Kong Companies Ordinance.

The consolidated financial statements have been prepared on the historical cost convention except for investment properties and certain financial instruments, which are measured at fair values, as explained in the accounting policies set out below.

The principal accounting policies are set out below. These policies have been consistently applied in all years presented. These consolidated financial statements are presented in Hong Kong dollars and all values are rounded to the nearest thousand except when otherwise indicated.

BASIS OF CONSOLIDATION

The consolidated financial statements incorporate the financial statements of the Bank and entities directly or indirectly controlled by the Bank and its subsidiaries (including structured entities). Control is achieved when the Bank:

- has power over the investee;
- is exposed, or has rights, to variable returns from its involvement with the investee; and
- has the ability to use its power to affect its returns.

Generally, there is a presumption that a majority of voting rights results in control. The Bank reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above. A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

Consolidation of a subsidiary begins when the Bank obtains control over the subsidiary and ceases when the Bank loses control of the subsidiary. Specifically, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated income statement from the date the Bank gains control until the date when the Bank ceases to control the subsidiary.

The financial statements of the subsidiaries are prepared for the same reporting period as the Bank. When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies in line with the Group's accounting policies.

All intragroup assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 31 December 2024

4. MATERIAL ACCOUNTING POLICIES *(Continued)*

FINANCIAL INSTRUMENTS

Measurement methods

Amortised cost and effective interest rate

The amortised cost is the amount at which the financial asset or financial liability is measured at initial recognition minus the principal repayments, plus or minus the cumulative amortisation using the effective interest method of any difference between that initial amount and the maturity amount and, for financial assets, adjusted for any loss allowance.

The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial asset or financial liability to the gross carrying amount of a financial asset (i.e. its amortised cost before any impairment allowance) or to the amortised cost of a financial liability. The calculation does not consider expected credit losses ("ECL") and includes transaction costs, premiums or discounts and fees and points paid or received that are integral to the effective interest rate, such as origination fees. For purchased or originated credit-impaired ("POCI") financial assets – assets that are credit-impaired at initial recognition – the Group calculates the credit-adjusted effective interest rate, which is calculated based on the amortised cost of the financial asset instead of its gross carrying amount and incorporates the impact of expected credit losses in estimated future cash flows.

When the Group revises the estimates of future cash flows, the carrying amount of the respective financial assets or financial liability is adjusted to reflect the new estimate discounted using the original effective interest rate. Any changes are recognised in profit or loss.

Interest income

Interest income is calculated by applying the effective interest rate to the gross carrying amount of financial assets, except for:

- (a) POCI financial assets, for which the original credit-adjusted effective interest rate is applied to the amortised cost of the financial asset.
- (b) Financial assets that are not POCI but have subsequently become credit-impaired (or "Stage 3"), for which interest revenue is calculated by applying the effective interest rate to their amortised cost (i.e. net of the expected credit loss allowance).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 31 December 2024

4. MATERIAL ACCOUNTING POLICIES *(Continued)*

FINANCIAL INSTRUMENTS *(Continued)*

Measurement methods *(Continued)*

Initial recognition and measurement

Financial assets and financial liabilities are recognised when the entity becomes a party to the contractual provisions of the instrument. Regular way purchases and sales of financial assets are recognised on trade-date, the date on which the Group commits to purchase or sell the asset.

At initial recognition, the Group measures a financial asset or financial liability at its fair value plus or minus, in the case of a financial asset or financial liability not at fair value through profit or loss, transaction costs that are incremental and directly attributable to the acquisition or issue of the financial asset or financial liability, such as fees and commissions. Transaction costs of financial assets and financial liabilities carried at fair value through profit or loss are expensed in profit or loss. Immediately after initial recognition, an ECL allowance is recognised for financial assets measured at amortised cost and investments in debt instruments measured at FVOCI which results in an accounting loss being recognised in profit or loss when an asset is newly originated.

When the fair value of financial assets and liabilities differs from the transaction price on initial recognition, the entity recognises the difference as follows:

- (a) When the fair value is evidenced by a quoted price in an active market for an identical asset or liability (i.e. a Level 1 input) or based on a valuation technique that uses only data from observable markets, the difference is recognised as a gain or loss.
- (b) In all other cases, the difference is deferred and the timing of recognition of deferred day one profit or loss is determined individually. It is either amortised over the life of the instrument, deferred until the instrument's fair value can be determined using market observable inputs, or realised through settlement.

Financial assets

(i) Classification and subsequent measurement

The Group classifies its financial assets in the following measurement categories:

- Fair value through profit or loss ("FVPL");
- Fair value through other comprehensive income ("FVOCI"); or
- Amortised cost.

The classification requirements for debt and equity instruments are described below:

Debt instruments

Debt instruments are those instruments that meet the definition of a financial liability from the issuer's perspective, such as loans, government and corporate bonds and trade receivables purchased from clients in factoring arrangements without recourse.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 31 December 2024

4. MATERIAL ACCOUNTING POLICIES *(Continued)*

FINANCIAL INSTRUMENTS *(Continued)*

Financial assets *(Continued)*

(i) Classification and subsequent measurement *(Continued)*

Debt instruments *(Continued)*

Classification and subsequent measurement of debt instruments depend on:

- (i) the Group's business model for managing the asset; and
- (ii) the cash flow characteristics of the asset.

Based on these factors, the Group classifies its debt instruments into one of the following three measurement categories:

- Amortised cost: Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest ("SPPI"), and that are not designated at FVPL, are measured at amortised cost. The carrying amount of these assets is adjusted by any expected credit loss allowance recognised and measured. Interest income from these financial assets is included in "Interest income" using the effective interest rate method. Gains and losses are recognised in the consolidated income statement when the asset is derecognised, modified or impaired.
- Fair value through other comprehensive income: Financial assets that are held for collection of contractual cash flows and for selling the assets, where the assets' cash flows represent solely payments of principal and interest, and that are not designated at FVPL, are measured at FVOCI. Movements in the carrying amount are taken through other comprehensive income ("OCI"), except for the recognition of impairment gains or losses, interest revenue and foreign exchange gains and losses on the instrument's amortised cost which are recognised in consolidated income statement. When the financial asset is derecognised, the cumulative gain or loss previously recognised in OCI is reclassified from OCI to profit or loss and recognised in "Net income from trading and investments". Interest income from these financial assets is included in "Interest income" using the effective interest rate method.
- Fair value through profit or loss: Assets that do not meet the criteria for amortised cost or FVOCI are measured at fair value through profit or loss. A gain or loss on a debt investment that is subsequently measured at fair value through profit or loss and is not part of a hedging relationship is recognised in profit or loss and presented in the consolidated income statement within "Net income from trading and investments" in the period in which it arises.

Business model: the business model reflects how the Group manages the assets in order to generate cash flows. That is, whether the Group's objective is solely to collect the contractual cash flows from the assets or is to collect both the contractual cash flows and cash flows arising from the sale of assets. If neither of these is applicable (e.g. financial assets are held for trading purposes), then the financial assets are classified as part of "other" business model and measured at FVPL. Factors considered by the Group in determining the business model for a group of assets include past experience on how the cash flows for these assets were collected, how the asset's performance is evaluated and reported to key management personnel, how risks are assessed and managed and how managers are compensated.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 31 December 2024

4. MATERIAL ACCOUNTING POLICIES *(Continued)*

FINANCIAL INSTRUMENTS *(Continued)*

Financial assets *(Continued)*

(i) Classification and subsequent measurement *(Continued)*

Debt instruments *(Continued)*

SPPI: Where the business model is to hold assets to collect contractual cash flows or to collect contractual cash flows and sell, the Group assesses whether the financial instruments' cash flows represent solely payments of principal and interest (the "SPPI test"). In making this assessment, the Group considers whether the contractual cash flows are consistent with a basic lending arrangement i.e. interest includes only consideration for the time value of money, credit risk, other basic lending risks and a profit margin that is consistent with a basic lending arrangement. Where the contractual terms introduce exposure to risk or volatility that are inconsistent with a basic lending arrangement (cash flow are not SPPI), the related financial asset is classified and measured at fair value through profit or loss irrespective of the business model.

All regular way purchases and sales of financial assets are recognised on the trade date, that is, the date that the Group commits to purchase or sell the asset. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the marketplace.

Financial assets with embedded derivatives are considered in their entirety when determining whether their cash flows are solely payment of principal and interest.

The Group reclassifies debt investments when and only when its business model for managing those assets changes. The reclassification takes place from the start of the first reporting period following the change. Such changes are expected to be very infrequent and none occurred during the year.

Equity instruments

Equity instruments are instruments that meet the definition of equity (under HKAS 32 "*Financial Instruments: Presentation*") from the issuer's perspective; that is, instruments that do not contain a contractual obligation to pay and that evidence a residual interest in the issuer's net assets.

The Group subsequently measures all equity investments at fair value through profit or loss, except where the Group's management has elected, at initial recognition, to irrevocably designate an equity investment at fair value through other comprehensive income. The Group's policy is to designate equity investments as FVOCI when those investments are held for purposes other than to generate investment returns. The classification is determined on an instrument-by-instrument basis. When this election is used, fair value gains and losses are recognised in OCI and are not subsequently reclassified to profit or loss, including on disposal. Dividends, when representing a return on such investments, continue to be recognised in profit or loss as other operating income when the Group's right to receive payments is established, it is probable that the economic benefits associated with the dividend will flow to the Group and the amount of the dividend can be measured reliably, except when the Group benefits from such proceeds as a recovery of part of the cost of the financial asset, in which case, such gains are recorded in OCI. Equity investments designated at fair value through other comprehensive income are not subject to impairment assessment.

Gains and losses on equity investments at FVPL are included in the "Net income from trading and investments" line in the consolidated income statement.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 31 December 2024

4. MATERIAL ACCOUNTING POLICIES *(Continued)*

FINANCIAL INSTRUMENTS *(Continued)*

Financial assets *(Continued)*

(ii) Impairment

The Group assesses on a forward-looking basis the ECL associated with its debt instrument assets carried at amortised cost and FVOCI and with the exposure arising from loan commitments and financial guarantee contracts. The Group recognises a loss allowance for such losses at each reporting date. The measurement of ECL reflects:

- 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 that is available without undue cost or effort at the reporting date about past events, current conditions and forecasts of future economic conditions.

(iii) Modification of financial assets

If the terms of a financial asset are modified, the Group evaluates whether the cash flows of the modified asset are substantially different. If the cash flows are substantially different, then the contractual rights to cash flows from the original financial asset are deemed to have expired. In this case, the original financial asset is derecognised and a new financial asset is recognised at fair value.

(iv) Derecognition other than on a modification

Financial assets, or a portion thereof, are derecognised when the contractual rights to receive the cash flows from the assets have expired, or the Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a “pass-through” arrangement; and either (i) the Group has transferred substantially all the risks and rewards of the asset, or (ii) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

The Group enters into transactions where it retains the contractual rights to receive cash flows from assets but assumes a contractual obligation to pay those cash flows to other entities and transfers substantially all of the risks and rewards. These transactions are accounted for as ‘pass through’ transfers that result in derecognition if the Group:

- (i) Has no obligation to make payments unless it collects equivalent amounts from the assets;
- (ii) Is prohibited from selling or pledging the assets; and
- (iii) Has an obligation to remit any cash it collects from the assets without material delay.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 31 December 2024

4. MATERIAL ACCOUNTING POLICIES *(Continued)*

FINANCIAL INSTRUMENTS *(Continued)*

Financial assets (Continued)

(iv) Derecognition other than on a modification (Continued)

Collateral (shares and bonds) furnished by the Group under standard repurchase agreements and securities lending and borrowing transactions are not derecognised because the Group retains substantially all the risks and rewards on the basis of the predetermined repurchase price, and the criteria for derecognition are therefore not met. This also applies to certain securitisation transactions in which the Group retains a subordinated residual interest.

When the contractual rights to receive the cash flows from the assets have been transferred, and the Group neither transfers nor retains substantially all the risks and rewards of ownership, and the Group has retained control of the transferred assets, the Group applies continuing involvement approach.

Under this approach, the Group continues to recognise the transferred asset to the extent of its continuing involvement and recognise the associated liability, to reflect the rights and obligations retained by the Group. The net carrying amount of the transferred asset and associated liability is: (a) the amortised cost of the rights and obligations retained by the Group, if the transferred asset is measured at amortised cost; or (b) equal to the fair value of the rights and obligations retained by the Group when measured on a stand-alone basis, if the transferred asset is measured at fair value.

(v) Write off policy

The Group writes off financial assets, in whole or in part, when it has exhausted all practical recovery efforts and has concluded there is no reasonable expectation of recovery. Indications that there is no reasonable expectation of recovery include (i) ceasing enforcement activity and (ii) where the Group's recovery method is foreclosing on collateral and the value of the collateral is such that there is no reasonable expectation of recovering in full.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 31 December 2024

4. MATERIAL ACCOUNTING POLICIES *(Continued)*

FINANCIAL INSTRUMENTS *(Continued)*

Financial liabilities

(i) Classification and subsequent measurement

Financial liabilities are classified as subsequently measured at amortised cost, except for:

- Financial liabilities at fair value through profit or loss: this classification is applied to derivatives, financial liabilities held for trading (e.g. short positions in the trading booking) and other financial liabilities designated as such at initial recognition. A financial liability is so designated if (1) it 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; or (2) it 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 key management. Gains or losses on financial liabilities designated at fair value through profit or loss are presented partially in other comprehensive income (the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability, which is determined as the amount that is not attributable to changes in market conditions that give rise to market risk) and partially profit or loss (the remaining amount of change in the fair value of the liability). This is unless such a presentation would create, or enlarge, an accounting mismatch, in which case the gains and losses attributable to changes in the credit risk of the liability are also presented in profit or loss;
- Financial liabilities arising from the transfer of financial assets which did not qualify for derecognition or when the continuing involvement approach applies. When the transfer of financial asset did not qualify for derecognition, a financial liability is recognised for the consideration received for the transfer. In subsequent periods, the Group recognises any expense incurred on the financial liability; when continuing involvement approach applies (see Note 4(iv) under financial assets); and
- Financial guarantee contracts and loan commitments.

For financial liabilities measured at amortised cost, after initial recognition, interest-bearing financial liabilities are subsequently measured at amortised cost, using the effective interest rate method unless the effect of discounting would be immaterial, in which case they are stated at cost. Gains and losses are recognised in the income statement when the liabilities are derecognised as well as through the effective interest rate amortisation process.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate. The effective interest rate amortisation is included in interest expenses in the consolidated income statement.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 31 December 2024

4. MATERIAL ACCOUNTING POLICIES *(Continued)*

FINANCIAL INSTRUMENTS *(Continued)*

Financial liabilities (Continued)

(ii) Derecognition

Financial liabilities are derecognised when they are extinguished (i.e. when the obligation specified in the contract is discharged, cancelled or expires).

The exchange between the Group and its original lenders of debt instruments with substantially different terms, as well as substantial modifications of the terms of existing financial liabilities, are accounted for as an extinguishment of the original financial liability and the recognition of a new financial liability. The terms are substantially different if the discounted present value of the cash flows under the new terms, including any fees paid net of any fees received and discounted using the original effective interest rate, is at least 10% different from the discounted present value of the remaining cash flows of the original financial liability. In addition, other qualitative factors, such as the currency that the instrument is denominated in, changes in the type of interest rate, new conversion features attached to the instrument and change in covenants are also taken into consideration. If an exchange of debt instruments or modification of terms is accounted for as an extinguishment, any costs or fees incurred are recognised as part of the gain or loss on the extinguishment. If the exchange or modification is not accounted for as an extinguishment, any costs or fees incurred adjust the carrying amount of the liability and are amortised over the remaining term of the modified liability.

(iii) Offsetting financial instruments

Financial assets and financial liabilities are offset and the net amount reported in the consolidated statement of financial position 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 financial asset and settle the financial liability simultaneously. The legal enforceable right must not be contingent on future events and must be enforceable in the normal course of business and in the event of default, insolvency or bankruptcy of the Bank or the counterparty.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 31 December 2024

4. MATERIAL ACCOUNTING POLICIES *(Continued)*

FINANCIAL GUARANTEE CONTRACTS AND 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 debt instrument. Such financial guarantees are given to banks, financial institutions and others on behalf of customers to secure loans, overdrafts and other banking facilities.

Financial guarantee contracts are initially measured at fair value and subsequently measured at the higher of:

- The amount of the loss allowance; and
- The premium received on initial recognition less income recognised in accordance with the principles of HKFRS 15.

Loan commitments provided by the Group are measured as the amount of the loss allowance. The Group has not provided any commitment to provide loans at a below-market interest rate, or that can be settled net in cash or by delivering or issuing another financial instrument.

For loan commitments and financial guarantee contracts, the loss allowance is recognised as a provision. However, for contracts that include both a loan and an undrawn commitment and the Group cannot separately identify the expected credit losses on the undrawn commitment component from those on the loan component, the expected credit losses on the undrawn commitment are recognised together with the impairment allowance for the loan. To the extent that the combined expected credit losses exceed the gross carrying amount of the loan, the expected credit losses are recognised as a provision.

DERIVATIVES AND HEDGING ACTIVITIES

The Group has elected to continue to apply the hedge accounting requirements of HKAS 39 on adoption of HKFRS 9.

Derivatives are initially recognised at fair value on the date on which the derivative contract is entered into and are subsequently remeasured at fair value. All derivatives are carried as assets when fair value is positive and as liabilities when fair value is negative.

Any gains or losses arising from changes in fair value of derivatives are taken directly to the consolidated income statement, except for the effective portion of cash flow hedges, which is recognised in other comprehensive income and later reclassified to profit or loss when the hedged item affects profit or loss.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 31 December 2024

4. MATERIAL ACCOUNTING POLICIES *(Continued)*

DERIVATIVES AND HEDGING ACTIVITIES *(Continued)*

Otherwise, the embedded derivatives are treated as separate derivatives when:

- (i) Their economic characteristics and risks are not closely related to those of the host contract;
- (ii) A separate instrument with the same terms would meet the definition of a derivative; and
- (iii) The hybrid contract is not measured at fair value through profit or loss.

These embedded derivatives are separately accounted for at fair value, with changes in fair value recognised in the income statement unless the Group chooses to designate the hybrid contracts at fair value through profit or loss.

For the purpose of hedge accounting, hedges are classified as:

- fair value hedges when hedging the exposure to changes in the fair value of a recognised asset or liability or an unrecognised firm commitment; or
- cash flow hedges when hedging the exposure to variability in cash flows that is either attributable to a particular risk associated with a recognised asset or liability or a highly probable forecast transaction, or a foreign currency risk in an unrecognised firm commitment; or
- hedges of a net investment in a foreign operation.

At the inception of a hedge relationship, the Group formally designates and documents the hedge relationship to which the Group wishes to apply hedge accounting, the risk management objective and its strategy for undertaking the hedge.

The documentation includes identification of the hedging instrument, the hedged item or transaction, the nature of the risk being hedged and how the Group will assess the hedging instrument's effectiveness of changes in the hedging instrument's fair value in offsetting the exposure to changes in the hedged item's fair value or cash flows attributable to the hedged risk. Such hedges are expected to be highly effective in achieving offsetting changes in fair value or cash flows and are assessed on an ongoing basis to determine that they actually have been highly effective throughout the financial reporting periods for which they were designated.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 31 December 2024

4. MATERIAL ACCOUNTING POLICIES *(Continued)*

DERIVATIVES AND HEDGING ACTIVITIES *(Continued)*

Hedges which meet all the qualifying criteria for hedge accounting are accounted for as follows:

Fair value hedges

The change in the fair value of a hedging instrument is recognised in the consolidated income statement as net income from trading and investments. The change in the fair value of the hedged item attributable to the risk hedged is recorded as a part of the carrying amount of the hedged item and is also recognised in the consolidated income statement as net income from trading and investments.

For fair value hedges relating to items carried at amortised cost, the adjustment to carrying value is amortised through the consolidated income statement over the remaining term of the hedge using the effective interest rate method. Effective interest rate amortisation may begin as soon as an adjustment exists and shall begin no later than when the hedged item ceases to be adjusted for changes in its fair value attributable to the risk being hedged. If the hedged item is derecognised, the unamortised fair value is recognised immediately in the consolidated income statement.

When an unrecognised firm commitment is designated as a hedged item, the subsequent cumulative change in the fair value of the firm commitment attributable to the hedged risk is recognised as an asset or liability with a corresponding gain or loss recognised in the consolidated income statement. The changes in the fair value of the hedging instrument are also recognised in the consolidated income statement.

REPURCHASE AND REVERSE REPURCHASE TRANSACTIONS

Securities sold subject to a simultaneous agreement to repurchase these securities at a certain later date at a fixed price ("repurchase agreements" or "repos") are retained in the financial statements and measured in accordance with their original measurement principles. The proceeds from the sale received from repos are reported as balance with banks and other financial institutions, and are carried in the consolidated statement of financial position at amortised cost.

Securities purchased under agreements to resell ("reverse repos") are reported not as purchases of the securities and not recognised on the consolidated statement of financial position, but the consideration paid is recorded under advances and other accounts, and are carried in the consolidated statement of financial position at amortised cost.

Interest earned on reverse repurchase agreements and interest incurred on repurchase agreements are recognised as interest income and interest expense respectively, over the life of each agreement, using the effective interest rate method.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 31 December 2024

4. MATERIAL ACCOUNTING POLICIES *(Continued)*

INVESTMENTS IN SUBSIDIARIES

Investments in subsidiaries are stated in the Bank's statement of financial position at cost less provision for impairment losses. The results of subsidiaries are accounted for by the Bank on the basis of dividends received or receivable.

Impairment testing of the investments in subsidiaries is required upon receiving a dividend from these investments if the dividend exceeds the total comprehensive income of the subsidiary in the period the dividend is declared or if the carrying amount of the investment in the separate financial statements exceeds the carrying amount in the consolidated financial statements of the investee's net assets including goodwill.

INTANGIBLE ASSETS

Goodwill

Goodwill arising on an acquisition of a business represents the excess of the cost of acquisition over the Group's interest in the fair value of the identifiable assets, liabilities and contingent liabilities of the relevant business at the date of acquisition. Goodwill is initially measured at cost, and measured at cost less any accumulated impairment losses after initial recognition.

Capitalised goodwill arising on an acquisition of a business is presented separately in the consolidated statement of financial position.

Goodwill is tested for impairment annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units, or groups of cash-generating units, that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the Group are assigned to those units or groups of units.

Impairment is determined by assessing the recoverable amount of the cash-generating unit (group of cash-generating units) to which the goodwill relates. Where the recoverable amount of the cash-generating unit (group of cash-generating units) is less than the carrying amount, an impairment loss is recognised. An impairment loss recognised for goodwill is not reversed in a subsequent period.

Where goodwill has been allocated to a cash-generating unit (or group of cash-generating units) and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on the disposal. Goodwill disposed of in these circumstances is measured based on the relative value of the operation disposed of and the portion of the cash-generating unit retained.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 31 December 2024

4. MATERIAL ACCOUNTING POLICIES *(Continued)*

INTANGIBLE ASSETS *(Continued)*

Computer software and internally developed software

Costs associated with maintaining computer software and internally developed software are recognised as an expense as incurred. Development costs that are directly attributable to the design and testing of identifiable and unique software products controlled by the Group are recognised as intangible assets when the following criteria are met:

- It is technically feasible to complete the software product so that it will be available for use;
- Management intends to complete the software product and use or sell it;
- There is an ability to use or sell the software product;
- It can be demonstrated how the software product will generate probable future economic benefits;
- Adequate technical, financial and other resources to complete the development and to use or sell the software product are available; and
- The expenditure attributable to the software product during its development can be reliably measured.

Direct attributable costs that are capitalised as part of the software product include the software development employee costs and an appropriate portion of relevant overheads.

Development costs recognised as assets are amortised over their estimated useful lives, which does not exceed fifteen years.

Other development expenditures that do not meet these criteria are recognised as an expense as incurred. Development costs previously recognised as an expense are not recognised as an asset in a subsequent period.

INTERESTS IN ASSOCIATES

An associate is an entity over which the Group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies.

The results and assets and liabilities of associates are incorporated in the consolidated financial statements using the equity method of accounting, less any impairment losses. Under the equity method, investments in associates are initially recognised in the consolidated statement of financial position at cost and adjusted thereafter to recognise the Group's share of the post-acquisition results and other comprehensive income of the associates in the consolidated income statement and consolidated statement of other comprehensive income, respectively. When the Group's share of losses of an associate exceeds the Group's interest in that associate (which includes any long-term interests that, in substance, form part of the Group's net investment in the associate), the Group discontinues recognising its share of further losses. Additional losses are recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the associate.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 31 December 2024

4. MATERIAL ACCOUNTING POLICIES *(Continued)*

INTERESTS IN ASSOCIATES *(Continued)*

The financial statements of associates used for equity accounting purposes are prepared using uniform accounting policies as those of the Group for like transactions and events in similar circumstances.

An investment in an associate is accounted for using the equity method from the date on which the investee becomes an associate. On acquisition of the investment in an associate, any excess of the cost of the investment over the Group's share of the net fair value of the identifiable assets and liabilities of the investee is recognised as goodwill, which is included within the carrying amount of the investment. Any excess of the Group's share of the net fair value of the identifiable assets and liabilities over the cost of the investment, after reassessment, is recognised immediately in the income statement in the period in which the investment is acquired.

When a group entity transacts with its associate, profits and losses resulting from the transactions with the associate are recognised in the Group's consolidated financial statements only to the extent of interests in the associate that are not related to the Group.

Investments in associates are stated in the consolidated statement of financial position and Bank's statement of financial position at cost less provision for impairment losses. The results of associates are accounted for by the Bank on the basis of dividends received or receivable.

The Group assesses whether there is an objective evidence that the interest in an associate may be impaired. When any objective evidence exists, the entire carrying amount of the investment (including goodwill) is tested for impairment in accordance with HKAS 36 as a single asset by comparing its recoverable amount (higher of value in use and fair value less costs of disposal) with its carrying amount.

Any impairment loss recognised is not allocated to any asset, including goodwill that forms part of the carrying amount of the investment. Any reversal of that impairment loss is recognised in accordance with HKAS 36 to the extent that the recoverable amount of the investment subsequently increases.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 31 December 2024

4. MATERIAL ACCOUNTING POLICIES *(Continued)*

REVENUE RECOGNITION

Revenue from contracts with customers

Revenue from contracts with customers is recognised when control of goods or services is transferred to the customers at an amount that reflects the consideration to which the Group expects to be entitled in exchange for those goods or services.

When the consideration in a contract includes a variable amount, the amount of consideration is estimated to which the Group will be entitled in exchange for transferring the goods or services to the customer. The variable consideration is estimated at contract inception and constrained until it is highly probable that a significant revenue reversal in the amount of cumulative revenue recognised will not occur when the associated uncertainty with the variable consideration is subsequently resolved.

When the contract contains a financing component which provides the customer with a significant benefit of financing the transfer of goods or services to the customer for more than one year, revenue is measured at the present value of the amount receivable, discounted using the discount rate that would be reflected in a separate financing transaction between the Group and the customer at contract inception. When the contract contains a financing component which provides the Group with a significant financial benefit for more than one year, revenue recognised under the contract includes the interest expense accreted on the contract liability under the effective interest method. For a contract where the period between the payment by the customer and the transfer of the promised goods or services is one year or less, the transaction price is not adjusted for the effects of a significant financing component, using the practical expedient in HKFRS 15.

Interest income and expenses

Interest income and expense for all interest-bearing financial instruments are recognised within “interest income” and “interest expense” in the income statement using the effective interest method.

Interest income and expenses are recognised on a time-proportion basis by reference to the principal outstanding and at the effective interest rate applicable. 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, where appropriate, a shorter period to the net carrying amount of the financial asset or financial liability on initial recognition. The calculation includes significant fees and transaction costs that are an integral part of the effective interest rate, and premiums or discounts.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 31 December 2024

4. MATERIAL ACCOUNTING POLICIES *(Continued)*

REVENUE RECOGNITION *(Continued)*

Fees and commission income

Fees and commission income that are integral to the effective interest rate on a financial asset are included in the measurement of the effective interest rate.

Other fees and commission income, including account servicing fees, investment management fees, sales commission, placement fees and syndication fees, are recognised as the related services are performed.

Performance obligations satisfied over time mainly include investment management, loans, overdrafts and guarantees and other services, where the customer simultaneously receives and consumes the benefits provided by the Group's performance as the Group performs. These include services where performance obligations are satisfied over time.

Services provided where the Group's performance obligations are satisfied at a point in time are recognised once control of the services is transferred to the customer. This is typically on completion of the underlying transaction or service or, for fees or components of fees that are linked to a certain performance, after fulfilling the corresponding performance criteria. These mainly include services arising from account management, sales and placement, securities dealings, credit card, loans, overdrafts and guarantees and trade finance.

Dividend income

Dividend income from investments including financial assets at fair value through profit or loss is recognised when the shareholders' rights to receive payment have been established (provided that it is probable that the economic benefits associated with the dividend will flow to the Group and the amount of dividend can be measured reliably).

Service income

Service income (including safe deposit box rentals and other banking services income) is recognised when services are provided.

Performance obligations satisfied over time include asset management, advisory, safe deposit box rentals and other banking services, where the customer simultaneously receives and consumes the benefits provided by the Group's performance as the Group performs. These include services where performance obligations are satisfied over time.

Services provided where the Group's performance obligations are satisfied at a point in time are recognised once control of the services is transferred to the customer. This is typically on completion of the underlying transaction or service or, for fees or components of fees that are linked to a certain performance, after fulfilling the corresponding performance criteria. These mainly include services arising from remittance, settlement, account management, money exchange, autopay, direct debit and other banking services.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 31 December 2024

4. MATERIAL ACCOUNTING POLICIES *(Continued)*

REVENUE RECOGNITION *(Continued)*

Agency commission

Agency commission received or receivable is recognised when services are provided.

PROPERTY AND EQUIPMENT

Property and equipment including equipment, land and buildings, which mainly comprise of branches and offices are stated in the consolidated statement of financial position at cost less subsequent accumulated depreciation and accumulated impairment losses, if any. When an item of property and equipment is classified as held for sale or when it is part of a disposal group classified as held for sale, it is not depreciated and is accounted for in accordance with HKFRS 5. The cost of an item of property and equipment comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use.

Expenditure incurred after items of property and equipment have been put into operation, such as repairs and maintenance, is normally charged to the consolidated income statement in the period in which it is incurred. In situations where the recognition criteria are satisfied, the expenditure for a major inspection is capitalised in the carrying amount of the asset as a replacement. Where significant parts of property and equipment are required to be replaced at intervals, the Group recognises such parts as individual assets with specific useful lives and depreciates them accordingly.

Depreciation is recognised so as to write off the cost of items of property and equipment over their estimated useful lives after taking into account their estimated residual value, using the straight-line method. The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

An item of property and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gains or losses arising on the disposal or retirement of an item of property and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in the income statement.

Leasehold land commences amortisation from the time when the land interest becomes available for its intended use. Amortisation on leasehold land and depreciation on other assets is calculated using the straight-line method to allocate their cost to their residual values over their estimated useful lives.

Construction in progress represents a building under construction, which is stated at cost less any impairment losses, and is not depreciated. Cost comprises the direct costs of construction and capitalised borrowing costs on related borrowed funds during the period of construction. Construction in progress is reclassified to the appropriate category of property and equipment when completed and ready for use.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 31 December 2024

4. MATERIAL ACCOUNTING POLICIES *(Continued)*

PROPERTY AND EQUIPMENT *(Continued)*

Property and equipment will be reclassified to investment property when it is evidenced by end of owner occupation and commencement of an operating to another party.

Depreciation is calculated on a straight-line basis at the following useful lives:

Leasehold land	Over the remaining term of the lease
Buildings	Over its estimated useful life of 50 years or over the remaining term of lease of the leasehold land, whichever is the shorter
Equipment	5-15 years

INVESTMENT PROPERTIES

Investment properties are properties held to earn rentals or for capital appreciation.

Investment properties are initially measured at cost, including any directly attributable expenditure. Subsequent to initial recognition, investment properties are measured at their fair values representing open market value determined at each reporting date by external valuers. Gains or losses arising from changes in the fair value of investment property are included in the consolidated income statement for the period in which they arise.

An investment property is derecognised upon disposal or when the investment property is permanently withdrawn from use and no future economic benefits are expected from the disposals. Any gains or losses arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the income statement in the period in which the item is derecognised.

For a transfer from investment properties to owner-occupied properties, the deemed cost of a property for subsequent accounting is its fair value at the date of change in use. If a property occupied by the Group as an owner-occupied property becomes an investment property, the Group accounts for such property in accordance with the policy stated under "Property and equipment" for owned property and/or accounts for such property in accordance with the policy stated under "Leases" for property held as a right-of-use asset up to the date of change in use, and any difference at that date between the carrying amount and the fair value of the property is accounted for as a revaluation in accordance with the policy stated under "Property and equipment" above.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 31 December 2024

4. MATERIAL ACCOUNTING POLICIES *(Continued)*

FOREIGN CURRENCIES

Functional and presentation currency

In preparing the financial statements of each individual group entity, transactions in currencies other than the functional currency of that entity (foreign currencies) are recorded in the respective functional currency (i.e. the currency of the primary economic environment in which the entity operates) at the rates of exchanges prevailing on the dates of the transactions. The consolidated financial statements are presented in thousands of units of Hong Kong Dollars (HK\$'000), which is the Bank's functional currency and the Group's presentation currency.

Transactions and balances

Foreign currency transactions that are transactions denominated, or that require settlement, in a foreign currency are translated into the functional currency using the exchange rates prevailing at the dates of the transactions.

Monetary items denominated in foreign currency are translated with the closing rate as of the reporting date. Non-monetary items measured at historical cost denominated in a foreign currency are translated with the exchange rate as of the date of initial recognition; non-monetary items in a foreign currency that are measured at fair value are translated using the exchange rates at the date when the fair value was determined.

Foreign exchange gains and losses resulting from the settlement of foreign currency transactions and from the translation at exchange rates at statement of financial position dates of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement.

All foreign exchange gains and losses recognised in the income statement are presented net in the income statement within the corresponding item. Foreign exchange gains and losses on other comprehensive income items are presented in other comprehensive income within the corresponding item.

In the case of changes in the fair value of monetary assets denominated in foreign currency classified as FVOCI, a distinction is made between translation differences resulting from changes in 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 consolidated income statement, and other changes in the carrying amount, except impairment, are recognised in other comprehensive income.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was measured. The gain or loss arising on translation of a non-monetary item measured at fair value is treated in line with the recognition of the gain or loss on change in fair value of the item (i.e., translation difference on the item whose fair value gain or loss is recognised in other comprehensive income or profit or loss is also recognised in other comprehensive income or profit or loss, respectively).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 31 December 2024

4. MATERIAL ACCOUNTING POLICIES *(Continued)*

FOREIGN CURRENCIES *(Continued)*

Group companies and overseas branches

The results and financial position of all the Group's entities that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- Assets and liabilities for each statement of financial position presented are translated at the closing rate at the date of that statement of financial position;
- Income and expenses for each income statement are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the dates of the transactions); and
- All resulting exchange differences are recognised in other comprehensive income.

For the purpose of the consolidated statement of cash flows, the cash flows of overseas branches are translated into Hong Kong dollars at the exchange rates ruling at the dates of the cash flows. Frequently recurring cash flows of overseas branches which arise throughout the year are translated into Hong Kong dollars at the weighted average exchange rates for the year.

RETIREMENT BENEFIT COSTS

Payments to defined contribution retirement benefit plans are recognised as an expense when employees have rendered service entitling them to the contributions.

Defined benefit plan

For defined retirement benefit plans, the cost of providing benefits is determined using the Projected Unit Credit Method, with actuarial valuations being carried out regularly such that the amounts recognised in the financial statements do not differ materially from the amounts that would be determined at the end of reporting period.

Remeasurement, comprising actuarial gains and losses, the effect of the changes to the asset ceiling (excluding amount included in net interest on the net defined benefit liability) and the return on plan assets (excluding amount included in net interest on the net defined benefit liability), is reflected immediately in the consolidated statement of financial position with a charge or credit recognised in other comprehensive income in the period in which they occur. Remeasurement recognised in other comprehensive income is reflected immediately in retained profits and will not be reclassified to the consolidated income statement in subsequent periods. Past service costs are recognised in profit or loss 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 at the beginning of the period to the net defined benefit liability or asset. Defined benefit costs are categorised as follows:

- service cost (including current service cost, past service cost, as well as gains and losses on curtailments and non-routine settlements), recognised in the consolidated income statement;
- net interest expense or income, recognised in the consolidated income statement; and
- remeasurement, recognised in the other comprehensive income.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 31 December 2024

4. MATERIAL ACCOUNTING POLICIES *(Continued)*

RETIREMENT BENEFIT COSTS *(Continued)*

Defined benefit plan (Continued)

The net retirement benefit liability/asset recognised in the consolidated statement of financial position represents the actual deficit or surplus in the Group's defined benefit plans. Any surplus resulting from this calculation is limited to the present value of any economic benefits available in the form of refunds from the plans or reductions in future contributions to the plans.

BONUS PLANS

Liabilities for bonus plans due wholly within twelve months after the end of the reporting period are recognised when the Group has a present or constructive obligation as a result of services rendered by employees and a reliable estimate of the obligation can be made.

DIVIDENDS

Final dividends are recognised as a liability when they are approved by the shareholders in a general meeting.

Proposed final dividends are disclosed in the notes to the consolidated financial statements.

Interim dividends are simultaneously proposed and declared, because the Bank's memorandum and articles of association grant the directors the authority to declare interim dividends. Consequently, interim dividends are recognised immediately as a liability when they are proposed and declared.

TAXATION

Income tax expense represents the sum of the tax currently payable and deferred tax. Income tax relating to items recognised outside profit or loss is recognised outside profit or loss, either in other comprehensive income or directly in equity.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 31 December 2024

4. MATERIAL ACCOUNTING POLICIES *(Continued)*

TAXATION *(Continued)*

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

Deferred tax liabilities are recognised for taxable temporary differences associated with investments in subsidiaries and interest in associates, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future and when the deferred tax liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss and does not give rise to equal taxable and deductible temporary differences.

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

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset is realised, based on tax rate (and tax laws) that have been enacted or substantively enacted by the end of the reporting period. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

For the purposes of measuring deferred tax liabilities or deferred tax assets for investment properties that are measured using the fair value model, the carrying amounts of such properties are presumed to be recovered entirely through sale, unless the presumption is rebutted. The presumption is rebutted when the investment property is depreciable and is held within a business model whose objective is to consume substantially all of the economic benefits embodied in the investment property over time, rather than through sale. If the presumption is rebutted, deferred tax liabilities and deferred tax assets for such investment properties are measured in accordance with the above general principles set out in HKAS 12 (i.e. based on the expected manner as to how the properties will be recovered).

Current and deferred tax is recognised in the income statement, except when it relates to items that are recognised in other comprehensive income or directly in equity, in which case, the current and deferred tax are also recognised in other comprehensive income or directly in equity respectively. Where current tax or deferred tax arises from the initial accounting for a business combination, the tax effect is included in the accounting for the business combination.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 31 December 2024

4. MATERIAL ACCOUNTING POLICIES *(Continued)*

TAXATION *(Continued)*

Deferred tax assets and deferred tax liabilities are offset if and only if the Group has a legally enforceable right to set off current tax assets and current tax liabilities and the deferred tax assets and deferred tax liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities which intend either to settle current tax liabilities and assets on a net basis, or to realise the assets and settle the liabilities simultaneously, in each future period in which significant amounts deferred tax liabilities or assets are expected to be settled or recovered.

PROVISIONS

Provisions are recognised when the Group has a present obligation as a result of a past event, and it is probable that the Group will be required to settle that obligation, and a reliable estimate can be made of the amount of obligation. Provisions are measured at the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows (where the effect of the time value of money is material).

IMPAIRMENT OF NON-FINANCIAL ASSETS (OTHER THAN GOODWILL)

Where an indication of impairment exists, or when annual impairment testing for an asset is required, the asset's recoverable amount is estimated. An asset's recoverable amount is the higher of the asset's or cash-generating unit's value in use and its fair value less costs of disposal, and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets, in which case the recoverable amount is determined for the cash-generating unit to which the asset belongs. In testing a cash-generating unit for impairment, a portion of the carrying amount of a corporate asset is allocated to an individual cash-generating unit if it can be allocated on a reasonable and consistent basis or, otherwise, to the smallest group of cash-generating units.

An impairment loss is recognised only if the carrying amount of an asset exceeds its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. An impairment loss is charged to the consolidated income statement in the period in which it arises in those expense categories consistent with the function of the impaired asset.

An assessment is made at the end of each reporting period as to whether there is an indication that previously recognised impairment losses may no longer exist or may have decreased. If such an indication exists, the recoverable amount is estimated. A previously recognised impairment loss of an asset other than goodwill is reversed only if there has been a change in the estimates used to determine the recoverable amount of that asset, but not to an amount higher than the carrying amount that would have been determined (net of any depreciation/amortisation) had no impairment loss been recognised for the asset in prior years. A reversal of such an impairment loss is credited to the consolidated income statement in the period in which it arises.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 31 December 2024

4. MATERIAL ACCOUNTING POLICIES *(Continued)*

CASH AND CASH EQUIVALENTS

For the purposes of the consolidated statement of cash flows, cash and cash equivalents comprise balances with less than three months' maturity from the date of acquisition, including cash and balances with central bank and banks and placements with banks.

LEASES

The Group applies a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The Group recognises lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets.

The group as lessee

The Group leases various offices and retail branches. Rental contracts are typically made for fixed periods but may have extension options. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose any covenants.

Leases are recognised as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use by the Group.

Each lease payment is allocated between the liability and finance cost. The finance cost is charged to the consolidated income statement over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The right-of-use asset is depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis.

Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of the fixed payments (including in-substance fixed payments), less any lease incentives receivable, variable lease payments that depend on an index or a rate and the payments to be made under reasonably certain to exercise termination option. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payments of penalties for termination of a lease, if the lease term reflects the Group exercising the option to terminate the lease. The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be determined, the lessee's incremental borrowing rate is used, being the rate that the lessee would have to pay to borrow the funds necessary to obtain an asset of similar value in a similar economic environment with similar terms and conditions.

After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in lease payments (e.g., a change to future lease payments resulting from a change in an index or rate) or a change in assessment of an option to purchase the underlying asset.

The Group's lease liabilities are included in other accounts and accruals.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 31 December 2024

4. MATERIAL ACCOUNTING POLICIES *(Continued)*

LEASES *(Continued)*

The group as lessee (Continued)

Right-of-use assets are measured at cost comprising the amount of the initial measurement of lease liability, initial direct costs incurred, any lease payments made at or before the commencement date less any lease incentive received and also includes an estimates of costs to dismantle and remove the underlying asset or to restore the underlying asset on the site on which is located. If ownership of the leased asset transfers to the Group by the end of the lease term or the cost reflects the exercise of a purchase option, depreciation is calculated using the estimated useful life of the asset.

The right-of-use assets are presented within "Property and equipment" in the consolidated statement of financial position.

Payments associated with short-term leases and leases of low-value assets are recognised on a straight-line basis as an expense in consolidated income statement over the lease term. Short-term leases are leases with a lease term of 12 months or less from the commencement date and do not contain a purchase option. Low-value assets comprise small items of equipment.

The group as lessor

When the Group acts as a lessor, it classifies at lease inception (or when there is a lease modification) each of its leases as either an operating lease or a finance lease.

Leases in which the Group does not transfer substantially all the risks and rewards incidental to ownership of an asset are classified as operating leases. When a contract contains lease and non-lease components, the Group allocates the consideration in the contract to each component on a relative stand-alone selling price.

As a lessor, the Group leases out its investment properties as the lessor of operating leases. Rental income from operating leases is recognised in the consolidated income statement on a straight-line basis over the term of the relevant leases.

Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised over the lease term on the same basis as rental income. Contingent rents are recognised as revenue in the period in which they are earned.

Leases that transfer substantially all the risks and rewards incidental to ownership of an underlying asset to the lessee are accounted for as finance leases.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 31 December 2024

4. MATERIAL ACCOUNTING POLICIES *(Continued)*

INSURANCE CONTRACTS

HKFRS 17 sets out the requirements that the Group applies in accounting for insurance contracts it issues, reinsurance contracts it holds and investment contracts with discretionary participation features it issues.

An insurance contract is a contract under which the issuer accepts significant insurance risk from the policyholder by agreeing to compensate the policyholder if a specified uncertain future event adversely affects the policyholder.

Definition and classification

Insurance contracts are contracts under which the Group accepts significant insurance risk from a policyholder by agreeing to compensate the policyholder if a specified uncertain future event adversely affects the policyholder. In making this assessment, all substantive rights and obligations, including those arising from law or regulation, are considered on a contract-by-contract basis. The Group uses judgement to assess whether a contract transfers insurance risk (that is, if there is a scenario with commercial substance in which the Group has the possibility of a loss on a present value basis) and the whether the accepted insurance risk is significant.

In the normal course of business, the Group uses reinsurance to mitigate its risk exposures. A reinsurance contract transfers significant risk if it transfers substantially all of the insurance risk resulting from the insured portion of the underlying insurance contracts, even if it does not expose the reinsurer to the possibility of a significant loss.

All references to insurance contracts in the financial information apply to insurance contracts issued (including reinsurance contracts issued) and reinsurance contracts held, unless specifically stated otherwise.

Unit of accounts

- (i) Level of aggregation of insurance contracts
The Group manages insurance contracts issued by product lines within an operating segment, where each product line includes contracts that are subject to similar risks. All insurance contracts within a product line represent a portfolio of contracts. Each portfolio is further disaggregated into groups of contracts that are issued within a calendar year (annual cohorts) and are:
 - (a) contracts that are onerous at initial recognition;
 - (b) contracts that an initial recognition have no significant possibility of becoming onerous subsequently;
or
 - (c) a group of remaining contracts.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 31 December 2024

4. MATERIAL ACCOUNTING POLICIES *(Continued)*

INSURANCE CONTRACT *(Continued)*

Unit of accounts (Continued)

(i) Level of aggregation of insurance contracts *(Continued)*

These groups represent the level of aggregation at which insurance contracts are initially recognised and measured. Such groups are not subsequently reconsidered.

For each portfolio of contracts, the Group determines the appropriate level at which reasonable and supportable information is available, to assess whether these contracts are onerous at initial recognition and whether non-onerous contracts have a significant possibility of becoming onerous. This level of granularity determines sets of contracts. The Group uses significant judgement to determine at what level of granularity the Group has reasonable and supportable information that is sufficient to conclude that all contracts within a set are sufficiently homogeneous and will be allocated to the same group without performing an individual contract assessment.

For contracts measured using the premium allocation approach ("PAA"), the Group assumes that no such contracts are onerous at initial recognition, unless facts and circumstances indicate otherwise. If facts and circumstances indicate that some contracts are onerous, an additional assessment is performed to distinguish onerous contracts from non-onerous ones. For non-onerous contracts, the Group assesses the likelihood of changes in the applicable facts and circumstances in the subsequent periods in determining whether contracts have a significant possibility of becoming onerous.

Portfolios of reinsurance contracts held are assessed for aggregation separately from portfolios of insurance contracts issued. Applying the grouping requirements to reinsurance contracts held, the Group aggregates reinsurance contracts held concluded within a calendar year (annual cohorts) into groups of:

- (a) contracts for which there is a net gain at initial recognition, if any;
- (b) contracts for which, at initial recognition, there is no significant possibility of net gain arising subsequently; and
- (c) remaining contracts in the portfolio, if any.

Reinsurance contracts held are assessed for aggregation requirements on an individual contract basis. The Group tracks internal management information reflecting historical experiences of such contracts' performance. This information is used for setting pricing of these contracts such that they result in reinsurance contracts held in a net cost position without a significant possibility of a net gain arising subsequently.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 31 December 2024

4. MATERIAL ACCOUNTING POLICIES *(Continued)*

INSURANCE CONTRACT *(Continued)*

Unit of accounts *(Continued)*

(ii) Separation of insurance contracts

Before the Group accounts for an insurance contract based on the guidance in HKFRS 17, it analyses whether the contract contains components that should be separated. HKFRS 17 distinguishes three categories of components that have to be accounted for separately:

- (a) cash flows relating to embedded derivatives that are required to be separated;
- (b) cash flows relating to distinct investment components; and
- (c) promises to transfer distinct goods or distinct services other than insurance contract services.

The Group applies HKFRS 17 to all remaining components of the contract. The Group does not have any contracts that require further separation or combination of insurance contracts.

Recognition of insurance contracts

Groups of insurance contracts issued are initial recognised from the earliest of the following:

- (i) the beginning of the coverage period;
- (ii) the date when the first payment from the policyholder is due or actually received, if there is no due date; and
- (iii) when the Group determines that a group of contracts becomes onerous.

Groups of reinsurance contracts held are recognised as follows:

- (i) A group of reinsurance contracts held that provide proportionate coverage (quota share reinsurance) recognised at the later of:
 - (a) The beginning of the coverage period of the group; and
 - (b) The initial recognition of any underlying insurance contract;
- (ii) All other groups of reinsurance contracts held are recognised from the beginning of the coverage period of the group of insurance contract held.

Unless the Group entered into the reinsurance contract held at or before the date when an onerous group of underlying contracts recognised prior to the beginning of the coverage period of the group of reinsurance contracts held, in which case the group of reinsurance contract held recognised at the same time as the group of underlying insurance contracts recognised.

Only contracts that individually meet the recognition criteria by the end of the reporting period are included in the groups. When contracts meet the recognition criteria, subject to the annual cohorts restriction. Composition of the new groups is not reassessed in subsequent periods.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 31 December 2024

4. MATERIAL ACCOUNTING POLICIES *(Continued)*

INSURANCE CONTRACT *(Continued)*

Measurement of insurance contracts and reinsurance contracts

(i) Insurance contracts – initial measurement

The Group applies PAA to all the insurance contracts that it issues and reinsurance contracts that it holds, as:

- The coverage period of each contract in the group is one year or less, including insurance contract services arising from all premiums within the contract boundary

or

- For contracts longer than one year, the Group has modelled possible future scenarios and reasonably expects that the measurement of the liability for remaining coverage for the group containing those contracts under the PAA does not differ materially from the measurement that would be produced applying the general model. In assessing materiality, the Group has also considered qualitative factors such as the nature of the risk and types of its lines of business.

The Group does not apply the PAA if, at the inception of the group of contracts, it expects significant variability in the fulfilment cash flows that would affect the measurement of the liability for the remaining coverage during the period before a claim is incurred. Variability in the fulfilment cash flows increases with, for example:

- The extent of future cash flows related to any derivatives embedded in the contracts
- The length of the coverage period of the group of contracts

For a group of contracts that is not onerous at initial recognition, the Group measures the liability for remaining coverage as:

- The premiums, if any, received at initial recognition;
- Minus any insurance acquisition cash flows at that date, with the exception of contracts which are one year or less where this is expensed;
- Plus or minus any amount arising from the derecognition at that date of the asset recognised for insurance acquisition cash flows; and
- Any other asset or liability previously recognised for cash flows related to the group of contracts that the Group pays or receives before the group of insurance contracts is recognised.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 31 December 2024

4. MATERIAL ACCOUNTING POLICIES *(Continued)*

INSURANCE CONTRACT *(Continued)*

Measurement of insurance contracts and reinsurance contracts (Continued)

(ii) Reinsurance contracts held – initial measurement

The Group measures its reinsurance assets for a group of reinsurance contracts that it holds on the same basis as insurance contracts that it issues. However, they are adapted to reflect the features of reinsurance contracts held that differ from insurance contracts issued, for example the generation of expenses or reduction in expenses rather than revenue.

(iii) Insurance contracts – subsequent measurement

The Group measures the carrying amount of the liability for remaining coverage at the end of each reporting period as the liability for remaining coverage at the beginning of the period:

- Plus premiums received in the period
- Minus insurance acquisition cash flows, with the exception of property insurance product line for which the Group chooses to expense insurance acquisition cash flows as they occur
- Plus any amounts relating to the amortisation of the insurance acquisition cash flows recognised as an expense in the reporting period for the group
- Plus any adjustment to the financing component, where applicable
- Minus the amount recognised as insurance revenue for the services provided in the period
- Minus any investment component paid or transferred to the liability for incurred claims

The Group estimates the liability for incurred claims as the fulfilment cash flows related to incurred claims. The fulfilment cash flows incorporate, in an unbiased way, all reasonable and supportable information available without undue cost or effort about the amount, timing and uncertainty of those future cash flows, they reflect current estimates from the perspective of the Group, and include an explicit adjustment for non-financial risk (the risk adjustment). The Group does not adjust the future cash flows for the time value of money and the effect of financial risk for the measurement of liability for incurred claims that are expected to be paid within one year of being incurred.

Insurance acquisition cash flows are allocated on a straight-line basis as a portion of premium to profit or loss.

(iv) Reinsurance contracts held – subsequent measurement

The subsequent measurement of reinsurance contracts held follows the same principles as those for insurance contracts issued and has been adapted to reflect the specific features of reinsurance held.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 31 December 2024

4. MATERIAL ACCOUNTING POLICIES *(Continued)*

INSURANCE CONTRACT *(Continued)*

Measurement of insurance contracts and reinsurance contracts *(Continued)*

(v) Insurance acquisition cash flow

The Group defines acquisition cash flows as cash flows that arise from cost of selling, underwriting and starting a group of insurance contracts (issued or expected to be issued) and that are directly attributable to the portfolio of insurance contracts to which the group belongs.

Insurance acquisition cash flows are allocated to groups of insurance contracts on a systematic and rational basis. Insurance acquisition cash flows that are directly attributable to a group of insurance contracts are allocated:

- (a) to that group; and
- (b) to group that will include insurance contracts that are expected to arise from renewals of the contracts in that group.

Insurance acquisition cash flows not directly attributable to a group of contracts but directly attributable to a portfolio of contracts are allocated to groups of contracts in the portfolio or expected to be in the portfolio.

RELATED PARTIES

A party is considered to be related to the Group if:

- (a) the party is a person or a close member of that person's family and that person:
 - (i) has control or joint control over the Group;
 - (ii) has significant influence over the Group; or
 - (iii) is a member of the key management personnel of the Group or of a parent of the Group;

or

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 31 December 2024

4. MATERIAL ACCOUNTING POLICIES *(Continued)*

RELATED PARTIES *(Continued)*

- (b) the party is an entity where any of the following conditions applies:
- (i) the entity and the Group are members of the same group;
 - (ii) one entity is an associate or joint venture of the other entity (or of a parent, subsidiary or fellow subsidiary of the other entity);
 - (iii) the entity and the Group are joint ventures of the same third party;
 - (iv) one entity is a joint venture of a third entity and the other entity is an associate of the third entity;
 - (v) the entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group; (If the Group is itself such a plan) and the sponsoring employers of the post-employment benefit plan;
 - (vi) the entity is controlled or jointly controlled by a person identified in (a);
 - (vii) a person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity); and
 - (viii) the entity, or any member of a group of which it is a part, provides key management personnel services to the Group or to the parent of the Group.

EVENTS AFTER THE REPORTING PERIOD

If the Group receives information after the reporting period, but prior to the date of authorisation for issue, about conditions that existed at the end of the reporting period, it will assess whether the information affects the amounts that it recognises in its consolidated financial statements. The Group will adjust the amounts recognised in its consolidated financial statements to reflect any adjusting events after the reporting period and update the disclosures that relate to those conditions in light of the new information. For non-adjusting events after the reporting period, the Group will not change the amounts recognised in its consolidated financial statements, but will disclose the nature of the non-adjusting events and an estimate of their financial effects, or a statement that such an estimate cannot be made, if applicable.

5. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, which are described in Note 4, management is required to make judgments, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and underlying assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

The following are the critical judgments, key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 31 December 2024

5. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

(Continued)

(A) MEASUREMENT OF THE EXPECTED CREDIT LOSS ALLOWANCE

The measurement of the expected credit loss allowance for financial assets measured at amortised cost, financial assets measured at FVOCI, loan commitment and financial guarantee contracts is an area that requires the use of complex models and significant assumptions about future economic conditions and credit behaviour (e.g. the likelihood of customers defaulting and the resulting losses).

The Group establishes, through charges against profit, impairment allowances in respect of expected credit losses on financial instrument. The Group measures impairment allowances for 12-month or lifetime ECL using a 3-stage approach as follows:

Stage	Description	Impairment loss
Stage 1	Performing	12-month ECL
Stage 2	Performing but with credit risk increased significantly at reporting date since its initial recognition	Lifetime ECL
Stage 3	Non-performing	Lifetime ECL

12-month ECL are the portion of ECL that result from default events on a financial instrument that are possible within the 12 months after the reporting date.

In response to the deterioration in the property market in China since year 2022, the management of the Group exercised judgment in assessing significant increase in credit risk arising from counterparties associated with real estate industry in China, and determining the respective ECL stage with reference to the ECL model framework of the Group.

Detailed information about the judgments and estimates made by the Group is set out in Note 7.

(B) FAIR VALUE OF DERIVATIVES AND OTHER FINANCIAL INSTRUMENTS

The management of the Group uses its judgment in selecting an appropriate valuation technique for financial instruments not quoted in an active market. Valuation techniques commonly used by market practitioners are applied. For unlisted equity securities, the fair value are estimated using a market-based valuation technique and based on assumption that are not supported by observable market prices or rates. For derivative financial instruments assumptions are made based on quoted market rates adjusted for specific features of the instruments.

Details of the assumptions used are set out in Note 7.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 31 December 2024

5. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

(Continued)

(C) MEASUREMENT OF INSURANCE CONTRACTS

The Group applies the PAA to simplify the measurement of insurance contracts. When measuring liabilities for remaining coverage, the PAA is broadly similar to the Group's previous accounting treatment under HKFRS 4. However, when measuring liabilities for incurred claims, the Group now discounts cash flows that are expected to occur more than one year after the date on which the claims are incurred and includes an explicit risk adjustment for non-financial risk.

6. SEGMENT INFORMATION

(A) OPERATING SEGMENTS

The Group's operating segments, which are also the reportable segments, based on information regularly reviewed by the chief operating decision maker (Executive Committee of the Group) for the purpose of allocating resources to segments and assessing their performance on business divisions of the Group, are as follows:

The corporate and personal banking services provided by the Group are principally lending and trade finance facilities, consumer financing, overdraft facilities, mandatory provident fund services, provision of fixed deposits, current and savings accounts, credit cards and personal wealth management services. The Group also provides automated telephone and internet banking services to its customers. Other banking services offered include remittance and money exchange, safe deposit boxes, autopay and direct debit services and others services.

Financial markets activities mainly comprise inter-bank placement and deposit transactions, management of overall interest rate risk and liquidity of the Group and centralised cash management. Income from foreign exchange activities is generated from services provided to customers in the form of foreign exchange trading and forward contracts, and from the Bank's cash management activities through foreign currency funding swaps.

Securities business of the Group includes securities trading and stockbroking.

Others comprise investment holding, insurance and futures broking, insurance underwriting, other investment advisory services, property investments and central management unit.

No operating segments identified by the chief operating decision maker have been aggregated in arriving at the reportable segments of the Group.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 31 December 2024

6. SEGMENT INFORMATION *(Continued)*

(A) OPERATING SEGMENTS *(Continued)*

(i) *Operating segment information for the year ended 31 December 2024 is presented below:*

Operating segment revenues and results

	Corporate and personal banking HK\$'000	Financial markets activities HK\$'000	Securities business HK\$'000	Others HK\$'000	Eliminations HK\$'000	Consolidated HK\$'000
Interest income from external customers	8,970,494	3,689,210	4,138	8,545	-	12,672,387
Interest expense to external customers	(7,365,333)	(258,457)	(8)	(212,480)	-	(7,836,278)
Inter-segment interest income <i>(Note)</i>	2,033,795	-	25,293	1,369,482	(3,428,570)	-
Inter-segment interest expense <i>(Note)</i>	-	(3,428,570)	-	-	3,428,570	-
Net interest income	3,638,956	2,183	29,423	1,165,547	-	4,836,109
Fee and commission income	319,353	1,924	89,071	20,405	-	430,753
Fee and commission expenses	(99,284)	(99)	(281)	-	-	(99,664)
Net income from trading and investments	319,994	396,666	1	35,171	-	751,832
Other operating income	107,885	-	846	46,201	-	154,932
Total operating income						
Segment revenue	4,286,904	400,674	119,060	1,267,324	-	6,073,962
Comprising:						
- Segment revenue from external customers	2,253,109	3,829,244	93,767	(102,158)		
- Inter-segment transactions	2,033,795	(3,428,570)	25,293	1,369,482		
Operating expenses	(1,693,327)	(109,514)	(74,080)	(139,127)	-	(2,016,048)
Net impairment (losses) reversal on financial assets	(2,376,358)	10,859	-	7	-	(2,365,492)
Segment profit	217,219	302,019	44,980	1,128,204	-	1,692,422
Unallocated corporate expenses						(33,532)
Share of profit of associates						60,949
Profit before taxation						1,719,839
Taxation						(128,824)
Profit for the year						1,591,015

Note: Inter-segment pricing for funding transactions is charged with reference to prevailing market interest rates.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 31 December 2024

6. SEGMENT INFORMATION *(Continued)*(A) OPERATING SEGMENTS *(Continued)*

(i) *Operating segment information for the year ended 31 December 2024 is presented below: (Continued)*

Operating segment assets and liabilities as of 31 December 2024

	Corporate and personal banking HK\$'000	Financial markets activities HK\$'000	Securities business HK\$'000	Others HK\$'000	Consolidated HK\$'000
Assets					
Segment assets	186,774,732	132,707,494	278,003	487,216	320,247,445
Interests in associates					406,871
Unallocated corporate assets					1,209,816
Consolidated total assets					<u>321,864,132</u>
Liabilities					
Segment liabilities	255,382,900	25,003,475	214,677	105,118	280,706,170
Unallocated corporate liabilities					1,963,876
Consolidated total liabilities					<u>282,670,046</u>

Other information – amounts included in the measure of segment results and segment assets

	Corporate and personal banking HK\$'000	Financial markets activities HK\$'000	Securities business HK\$'000	Others HK\$'000	Unallocated HK\$'000	Consolidated HK\$'000
Capital expenditure during the year	19,434	123	–	5,192	22,415	47,164
Depreciation and amortisation	<u>288,286</u>	<u>12,977</u>	<u>1,528</u>	<u>530</u>	<u>–</u>	<u>303,321</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 31 December 2024

6. SEGMENT INFORMATION *(Continued)*

(A) OPERATING SEGMENTS *(Continued)*

(ii) *Operating segment information for the year ended 31 December 2023 is presented below:*

Operating segment revenues and results

	Corporate and personal banking HK\$'000	Financial markets activities HK\$'000	Securities business HK\$'000	Others HK\$'000	Eliminations HK\$'000	Consolidated HK\$'000
Interest income from external customers	9,290,389	3,253,718	5,032	26,239	–	12,575,378
Interest expense to external customers	(7,172,197)	(299,979)	(11)	(123,883)	–	(7,596,070)
Inter-segment interest income <i>(Note)</i>	1,952,633	–	22,449	1,243,579	(3,218,661)	–
Inter-segment interest expense <i>(Note)</i>	–	(3,218,661)	–	–	3,218,661	–
Net interest income	4,070,825	(264,922)	27,470	1,145,935	–	4,979,308
Fee and commission income	297,105	1,922	78,661	9,635	–	387,323
Fee and commission expenses	(97,101)	(124)	(222)	–	–	(97,447)
Net income from trading and investments	258,340	294,250	(38)	(326)	–	552,226
Other operating income	142,862	–	820	37,784	–	181,466
Total operating income						
Segment revenue	4,672,031	31,126	106,691	1,193,028	–	6,002,876
Comprising:						
– Segment revenue from external customers	2,719,398	3,249,787	84,242	(50,551)		
– Inter-segment transactions	1,952,633	(3,218,661)	22,449	1,243,579		
Operating expenses	(1,598,213)	(125,961)	(83,560)	(122,297)	–	(1,930,031)
Net impairment (losses) reversal on financial assets	(2,481,641)	27,504	7	4	–	(2,454,126)
Segment profit (losses)	592,177	(67,331)	23,138	1,070,735	–	1,618,719
Unallocated corporate expenses						(7,842)
Share of losses of associates						(43,003)
Profit before taxation						1,567,874
Taxation						(126,104)
Profit for the year						1,441,770

Note: Inter-segment pricing for funding transactions is charged with reference to prevailing market interest rates.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 31 December 2024

6. SEGMENT INFORMATION *(Continued)*(A) OPERATING SEGMENTS *(Continued)*

(ii) *Operating segment information for the year ended 31 December 2023 is presented below: (Continued)*

Operating segment assets and liabilities as of 31 December 2023

	Corporate and personal banking HK\$'000	Financial markets activities HK\$'000	Securities business HK\$'000	Others HK\$'000	Consolidated HK\$'000
Assets					
Segment assets	181,726,273	121,980,537	217,842	401,399	304,326,051
Interests in associates					372,868
Unallocated corporate assets					1,344,825
Consolidated total assets					306,043,744
Liabilities					
Segment liabilities	242,013,683	22,128,856	178,707	155,327	264,476,573
Unallocated corporate liabilities					1,293,748
Consolidated total liabilities					265,770,321

Other information – amounts included in the measure of segment results and segment assets

	Corporate and personal banking HK\$'000	Financial markets activities HK\$'000	Securities business HK\$'000	Others HK\$'000	Unallocated HK\$'000	Consolidated HK\$'000
Capital expenditure during the year	24,486	26	61	679	5,080	30,332
Depreciation and amortisation	285,522	21,885	1,728	416	-	309,551

All direct costs incurred by different segments are grouped under respective segments. Indirect costs and support functions' costs are allocated to various segments and products based on effort and time spent while segments' other operating income is allocated depending on the nature of costs incurred. Indirect costs and support functions' costs and income related to corporate activities that cannot be reasonably allocated to segments or products are grouped as unallocated corporate expenses and unallocated corporate income respectively. This is the measure reported to the chief operating decision maker for the purposes of resource allocation and assessment of performance.

There is no operating income with a single external customer amounting to or exceeding 10% of the Group's and the Bank's total operating income.

Assets and liabilities related to corporate activities that cannot be reasonably allocated to segments, products and support functions are grouped as unallocated corporate assets and liabilities. All direct segment assets and liabilities are grouped under respective segments.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 31 December 2024

6. SEGMENT INFORMATION *(Continued)*

(B) GEOGRAPHICAL INFORMATION

Geographical information (including geographical analysis of total segment revenue) is analysed by the Group based on the locations of the principal operations of the branches and subsidiaries which are responsible for reporting the results or booking the assets. Non-current assets presented below are based on the location of the entities' country of domicile which is the same as the location of the non-current assets.

Details of geographical information are set out below:

	2024						
	Total	Profit (losses)	Capital			Total	Non-current
	operating	before	expenditure			contingent	
	income	taxation	during the year	Total assets	Total liabilities	liabilities and	
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	commitments	assets
Hong Kong	5,019,324	1,285,292	30,090	222,637,141	191,733,370	49,903,622	2,112,670
Mainland China	1,031,748	471,713	17,074	95,651,151	87,584,855	23,619,411	282,206
Macau	22,890	(37,166)	-	3,575,840	3,351,821	512,478	9,386
Total	<u>6,073,962</u>	<u>1,719,839</u>	<u>47,164</u>	<u>321,864,132</u>	<u>282,670,046</u>	<u>74,035,511</u>	<u>2,404,262</u>

	2023						
	Total	Profit (losses)	Capital			Total	Non-current
	operating	before	expenditure			contingent	
	income	taxation	during the year	Total assets	Total liabilities	liabilities and	
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	commitments	assets
Hong Kong	4,786,959	1,067,676	7,759	209,610,931	177,140,094	49,936,491	2,156,043
Mainland China	1,177,931	631,742	22,573	92,210,295	84,603,910	25,715,562	325,621
Macau	37,986	(131,544)	-	4,222,518	4,026,317	486,509	7,796
Total	<u>6,002,876</u>	<u>1,567,874</u>	<u>30,332</u>	<u>306,043,744</u>	<u>265,770,321</u>	<u>76,138,562</u>	<u>2,489,460</u>

Note: Total operating income consists of net interest income, net fee and commission income, net income from trading and investments and other operating income.

Non-current assets consist of interests in associates, investment properties, property and equipment, deferred tax assets and intangible assets.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 31 December 2024

7. FINANCIAL RISK MANAGEMENT

The Group's activities expose it to variety of financial risks and the activities involve analysis, evaluation, acceptance and management of some degree of risk or a combination of risks. The Group's aim is therefore to achieve an appropriate balance between risk and return, and to minimise potential adverse effects on the Group's financial performance. The material risk types associated with the Bank are credit risk, market risk (including currency risk, interest rate risk and price risk) and liquidity risk.

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

CATEGORIES OF FINANCIAL INSTRUMENTS

	2024 HK\$'000	2023 HK\$'000
Financial assets		
Financial assets measured at fair value through profit or loss	6,173,866	4,799,177
Financial assets measured at FVOCI (<i>Note 1</i>)	52,388,788	64,835,586
Financial assets measured at amortised cost (including cash and cash equivalents) (<i>Note 2</i>)	260,844,110	233,789,402
Financial liabilities		
Financial liabilities measured at fair value through profit or loss	2,262,137	945,029
Financial liabilities measured at amortised cost	279,962,482	264,469,102

Note 1: Amount included trade bills measured at FVOCI of HK\$430,993,000 (2023: HK\$2,707,761,000) under advances and other accounts in the consolidated statement of financial position.

Note 2: Amount included amortised cost debt securities amounting HK\$546,665,000 (2023: HK\$936,996,000) that are subject to fair value hedge.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 31 December 2024

7. FINANCIAL RISK MANAGEMENT *(Continued)*

CREDIT RISK

Credit risk is the risk of suffering financial loss, should any of the Group's customers, clients or market counterparties fail to fulfill their contractual obligations to the Group. Credit risk arises mainly from interbank, commercial and consumer loans and advances, and loan commitments arising from such lending activities, but can also arise from financial guarantees, letters of credit and acceptances.

The Group is also exposed to other credit risks arising from investments in debt securities and other exposures arising from its trading activities ("trading exposures") including non-equity trading portfolio assets and derivatives as well as settlement balances with market counterparties.

Credit risk is the largest risk for the Group's business; management therefore carefully manages its exposure to credit risk. The credit risk management and control are centralised in a credit risk management team which reports regularly to the Board and head of each business unit.

Management of credit risk

The Group's lending policies have been formulated on the basis of its own experience, the Hong Kong Banking Ordinance, the Hong Kong Monetary Authority guidelines and other statutory requirements (in the case of subsidiaries and branches outside Hong Kong).

The Group has delegated selected individuals with the credit approval authority. These individuals consist of Chief Risk Officer and experienced credit risk officers of the Group. The Chief Risk Officer has the overall responsibility for the management of credit risk through formulating credit policies, overseeing the credit quality of the Group's loan portfolio, ensuring an independent and objective assessment of credit risk, controlling exposure to selected industries, counterparties, countries and portfolio types etc. and providing advice and guidance to business units on various credit-related issues.

Credit risk officers perform independent reviews and approvals of credit applications by ensuring that a credit proposal meets underwriting standards of the Group and complies with relevant rules and regulations. Approval from the senior executive approvers, comprising senior executives of the Group, is required as and when the requested amount of a credit application exceeds the highest delegated authority of a credit risk officer.

The Group structures the levels of credit risk it undertakes by placing limits on the amount of risk accepted in relation to one borrower, or groups of borrowers, and to geographical and industry segments. Such risks are typically monitored on a revolving basis and are subject to periodic reviews. Limits on the level of credit risk by product, industry sector and by country are approved annually by the management.

Exposure to credit risk is managed through regular reviews of the ability of borrowers and potential borrowers to meet interest and capital repayment obligations and by changing these lending limits where appropriate. Exposure to credit risk is also managed in part by obtaining collateral and corporate and personal guarantees.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 31 December 2024

7. FINANCIAL RISK MANAGEMENT *(Continued)*

CREDIT RISK *(Continued)*

Credit risk rating

The Group uses internal credit risk rating that reflects its assessment of the likelihood of individual counterparties being default. Borrower and loan specific information, both quantitative and qualitative, such as profitability ratio and industry type for corporate banking customers, are fed into the rating model to estimate the default risk. The internal credit risk rating is applied on corporate and corporate top tier segments only.

Expected credit loss measurement

HKFRS 9 outlines a “three-stage” model for impairment based on changes in credit quality since initial recognition.

A financial instrument that has not had a significant changes in credit risk (“SICR”) since initial recognition or that has low credit risk at the reporting date is classified in “Stage 1” and has its credit risk continuously monitored by the Group.

If a SICR since initial recognition is identified, the financial instrument is moved to “Stage 2” but is not yet deemed to be credit-impaired.

Financial instruments in Stage 1 have their ECL measured at an amount equal to the portion of lifetime expected credit losses that result from default events possible within the next 12 months. Instruments in Stages 2 or 3 have their ECL measured based on expected credit losses on a lifetime basis.

Measuring ECL in accordance with HKFRS 9 requires consideration of forward-looking information.

Further explanation is also provided of how the Group determines appropriate groupings when ECL is measured on a collective basis.

The key judgments and assumptions adopted by the Group in addressing the requirements of the standard are discussed below:

Establishing groups of similar financial assets for the purpose of measuring ECL

For ECL allowance provisions modelled on a collective basis, a grouping of exposures is performed on the basis of shared risk characteristics, such that risk exposures within a group are homogeneous. In performing this grouping, there must be sufficient information for the group to be statistically credible. Where sufficient information is not available internally, the Group has considered the product nature and geographic location, and benchmarked external data to determine groupings. The characteristics and supplementary data used to determine the groupings are outlined below:

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 31 December 2024

7. FINANCIAL RISK MANAGEMENT *(Continued)*

CREDIT RISK *(Continued)*

Personal banking

For personal banking portfolios, the grouping is based on product nature. The products are segmented into mortgage, credit card, overdraft, personal loan and etc.

Corporate banking

For corporate banking portfolios, loans are grouped according to geographical location and loan purpose, such as lending to corporate entities, financial institutions and etc. Credit limit is also considered to further classify the corporate loans into Corporate Top Tier and Corporate.

Treasury

The treasury exposures are grouped based on the issuer type – bank, corporate and sovereign.

Others

For exposures from subsidiaries and overseas branches and sub-branches, they are grouped based on the business type of the subsidiaries and geographic location of the overseas branches and sub-branches.

Determining criteria for SICR

The Group assesses whether there is a significant increase in risk of a credit exposure since origination at reporting date. While determining the significant increase in credit risk, the Group considers all reasonable and supportable information that is available without undue cost or effort and that is relevant for an individual financial instrument, a portfolio, sub-group of a portfolio and groups of portfolios. The Group's internal lending policy and other credit risk management procedures are referenced and as well as benchmarking with industry practice.

The Group adopts "Policy & Procedures for Loan Classification" based on the HKMA guidelines. It is required to classify loans and advances to five classification categories, namely "Pass", "Special Mention", "Substandard", "Doubtful" and "Loss". The decision to classify loans into the above five categories is based on the borrower's repayment ability and the likelihood of individual counterparties being default.

The Group also maintains an Early Warning ("EW") list, which includes borrowers who exhibit risks or potential weaknesses of material nature requiring closer monitoring, supervision, or attention by management. The EW accounts are classified into three categories, namely Low Risk, Medium Risk and High Risk.

A credit exposure is considered as experiencing significant increase in credit risk if one or more of the following criteria have been met (applied to Personal banking, Corporate banking and Treasury portfolios):

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 31 December 2024

7. FINANCIAL RISK MANAGEMENT *(Continued)*

CREDIT RISK *(Continued)*

Determining criteria for SICR (Continued)

- Contractual payments are equal to or more than 30 days and less than 90 days past due;
- Loan is classified as Special Mention according to the "Policy & Procedures for Loan Classification";
- Significant change in external credit rating, i.e. migrating from investment grade to speculative grade if the initial external credit rating at trade date is "investment grade", or external credit rating downgraded by two or more notches compared with the initial rating at trade date subject to agreement by early warning review for such transfer to Stage 2, applicable to debt securities only;
- Any Medium or High risk borrower in the EW List. High risk EW borrowers present an imminent credit concern that may exhibit higher possibility of default and/or rapid material deterioration in credit quality, while medium risk EW borrowers exhibit medium to low possibility of default and emerging signs of deterioration in credit quality. Low risk borrowers are not included in SICR since these accounts do not present any imminent credit concern. There is no evidence of a fundamental deterioration of its creditworthiness and it is placed on early warning solely for precautionary purpose, elevated attention and closer monitoring; and
- Any facility with current credit risk rating downgraded by two or more notches compared with the credit risk rating at origination, (applicable to Corporate and Corporate Top Tier segments only).

The criteria used to identify SICR are monitored and reviewed periodically for appropriateness by the independent Credit Risk team.

Determining definition of default and credit-impaired assets

The Group defines a financial instrument as in default, which is aligned with definition of credit impaired, when it meets one or more of following criteria:

- A loan is classified as Substandard, Doubtful or Loss according to the "Policy & Procedures for Loan Classification";
- A financial asset is 90 days past due or more than 90 days past due on the contractual payments;
- Loan is identified as restructured; and
- Loan is identified as forbearance.

The criteria above have been applied to all financial instruments held by the Group and are consistent with the definition of default used for the internal credit risk management purpose.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 31 December 2024

7. FINANCIAL RISK MANAGEMENT *(Continued)*

CREDIT RISK *(Continued)*

Determining appropriate models and assumption of the measurement of ECL

The ECL is measured on either a 12-month ("12M") or Lifetime basis depending on whether a significant increase in credit risk has occurred since origination or whether an asset is considered to be credit-impaired. Expected credit losses are the discounted product of the Probability of Default ("PD"), Exposure at Default ("EAD"), and Loss Given Default ("LGD"). PD, EAD and LGD are defined as follows:

- The PD represents the likelihood of a borrower defaulting on its financial obligation, either over the next 12 months ("12M PD"), or over the remaining lifetime ("Lifetime PD") of the obligation.
- EAD is based on the amounts the Group expects to be owed at the time of default, over the next 12 months ("12M EAD") or over the remaining lifetime ("Lifetime EAD").
- LGD represents the Group's expectation of the extent of loss on a defaulted exposure. LGD varies by type of counterparty, type and seniority of claim and availability of collateral or other credit support. LGD is expressed as a percentage loss per unit of exposure at the time of default.

The ECL is determined by projecting the PD, LGD and EAD for 12-month or lifetime and for each individual exposure or collective segment. These three components are multiplied together. This effectively calculates the ECL for 12-month or lifetime, which is then discounted back to the reporting date and summed. The discount rate used in the ECL calculation is the effective interest rate or an approximation thereof.

PD is driven by internal credit risk rating, observed historical data and macroeconomic variables. The relationship between PD and macroeconomic variables is developed by the statistical regression model and the lifetime PD is derived by input of forward-looking macroeconomic variables.

The 12-month and lifetime EADs are determined based on the expected payment profile and portfolios, which varies by product type.

Loans and advances

- For non-revolving products, this is based on the outstanding balance owed by the borrower over a 12-month or lifetime basis.
- For revolving products, the exposure at default is predicted by taking current drawn balance and adding an "adjustment factor" which allows for the expected drawdown of the remaining limit by the time of default. These assumptions vary by product type and current limit utilisation band, based on analysis of the Group's recent default data.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 31 December 2024

7. FINANCIAL RISK MANAGEMENT *(Continued)*

CREDIT RISK *(Continued)*

Treasury

For treasury portfolios, the 12-month and lifetime EADs are calculated depending on the product type and booking type.

Measurement of LGD

The 12-month and lifetime LGDs are determined based on the factors which impact the recoveries made post default. These vary by product type.

- For secured products, this is primarily based on collateral type and projected collateral values, historical discounts to market/book values due to forced sales and time to recovery observed.
- For unsecured products, LGD are typically set at product level due to the limited differentiation in recoveries achieved across different borrowers. These LGD are influenced by collection strategies. Historical data and Basel model requirement are analysed to derive the LGD.
- For Stage 3 account, other expected future cash flow may also take into consideration if any repayment schedule is confirmed.

The assumptions underlying the ECL calculation are monitored and reviewed regularly. If nature of a credit portfolio is changing, the monitoring and review will be performed more frequently.

Incorporating forward-looking information into the ECL models

The calculation of ECL incorporates forward-looking information. The Group has performed historical analysis and identified a set of key economic variables impacting credit risk and expected credit loss for each portfolio. The forward-looking element is reflected through the impact on PD and LGD models.

The economic variables and their associated impact on PD and LGD vary by financial instruments. Regression analysis was applied to select the most significant economic factors impacting the PD and LGD for each portfolio and to determine their associated impact on PD and LGD. This process involved experts' judgments.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 31 December 2024

7. FINANCIAL RISK MANAGEMENT *(Continued)*

CREDIT RISK *(Continued)*

Incorporating forward-looking information into the ECL models (Continued)

The forward-looking element is reflected by applying the forecasts of the economic variables included in the PD and LGD models. Forecasts of these economic variables are sourced from a leading economic forecasting provider.

According to the HKFRS 9, expected credit loss is expected to be assessed over a range of economic scenarios and is an unbiased and probability weighted amount. The Group applied three macroeconomic scenarios, namely the Good scenario, the Base scenario and the Bad scenario at the end of 2024.

Good, Base and Bad Scenarios

The Good scenario reflects the optimistic view of the future performance of the economy, while the Base scenario reflects the average performance of the economy in future. The Bad scenario assumes the potential economy downturn in future. In this scenario setting process, the Group considered the current economic environment, market forecasts in coming year and management's views on economic outlook.

For Base Scenario, it is set to reflect the current economic environment with consideration of the market forecast on domestic Real GDP YoY Growth Rate would maintain at the similar level in coming years. For Bad Scenario, it was assumed that the economy entered a downturn. Under Bad Scenario, domestic GDP YoY Growth Rate was considered to drop to the extent with negative growth resulting from the high interest rate and external challenges like US-China trade tensions. For Good scenario, it featured stronger economic activity in the near term as the entire economy has bottomed out during the late stage of local epidemic.

The weighting of each scenario is determined by management judgments with consideration of geographic sectors, macroeconomic environment of Hong Kong and Mainland China and the trend of global economy. The ECL for each scenario is calculated and the overall weighted-average ECL is derived by applying the weighing to the ECL of each corresponding scenario.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 31 December 2024

7. FINANCIAL RISK MANAGEMENT *(Continued)*

CREDIT RISK *(Continued)*

Economic variable assumptions

The Group has included various economic forecast variables in the forward-looking models to estimate the ECL for different portfolios. When assessing the significance of assumptions for the ECL estimate, the Group has considered the extent of the usage of the economic variables and the ECL impact of the corresponding portfolio.

Corporate and Treasury portfolios account for the majority of ECL. Key economic factors as significant to ECL are summarised as follows:

- Hong Kong economic variables – GDP YoY Change %, Property Price QoQ Change % and Hong Kong Unemployment Rate
- Mainland China's economic variables – GDP QoQ Change % and China Unemployment Rate

GDP (YoY/QoQ) Change %

GDP Change % is one of key economic variables reflecting the economic environment. It has significant impact on companies' performance. The domestic GDP of Hong Kong and Mainland China impacts their PD estimation respectively.

Unemployment Rate

Same as GDP, the Unemployment Rate of Hong Kong and Mainland China impacts their PD estimation respectively. It has significant relationship with customers' repayment ability.

Property Price QoQ Change %

Property Price is another key economic variable reflects the economic environment. It impacts both PD and LGD estimations. Collateral value would be inflated when property market is positive and hence lowers the LGD.

The trends of the economic variables are critical to ECL estimate, therefore, assumptions are presented individually for years of 2024, 2025 and 2026.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 31 December 2024

7. FINANCIAL RISK MANAGEMENT *(Continued)*

CREDIT RISK *(Continued)*

Economic variable assumptions (Continued)

The most significant period-end assumptions used for ECL are set out below, in which annual average refers to the average of four quarter-end forecasts for the macroeconomic values.

	Scenario	2024 (Annual average)	2025 (Annual average)	2026 (Annual average)
Hong Kong Forecast Factors				
GDP YoY Change %	Base	2.52%	3.04%	2.85%
	Good	2.52%	7.42%	5.82%
	Bad	2.52%	-5.50%	-2.95%
Unemployment rate	Base	3.00%	2.93%	2.90%
	Good	3.00%	2.31%	2.12%
	Bad	3.00%	4.59%	5.06%
Property price QoQ Change %	Base	-1.89%	2.59%	1.45%
	Good	-1.89%	3.84%	2.63%
	Bad	-1.89%	-0.10%	-0.57%
Mainland China Forecast Factors				
GDP QoQ Change %	Base	1.21%	1.03%	1.05%
	Good	1.21%	2.25%	1.40%
	Bad	1.21%	-1.53%	0.26%
Unemployment rate	Base	4.16%	4.09%	4.04%
	Good	4.16%	3.73%	3.47%
	Bad	4.16%	4.71%	5.49%

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 31 December 2024

7. FINANCIAL RISK MANAGEMENT *(Continued)*CREDIT RISK *(Continued)*Economic variable assumptions *(Continued)*

As of 31 December 2024, the ECL estimate of Stage 1 and Stage 2 was HK\$916 million (2023: HK\$929 million) with the probability weighting assigned as shown in the table below.

	Scenario	2023 Weighting	2024 Weighting
Hong Kong portfolio Scenario Weighting	Base	80%	80%
	Good	10%	10%
	Bad	10%	10%
Mainland China portfolio Scenario Weighting	Base	80%	80%
	Good	10%	10%
	Bad	10%	10%

- By assuming 5% scenario weight shift between Base scenario and Bad scenario, there would be an increase/decrease in expected credit loss by approximately HK\$19.1 million as of 31 December 2024 (2023: HK\$18.0 million).

As of 31 December 2024, the most significant assumptions used for the ECL estimate were set out below:

	Scenario	Average (2024–2026)
Hong Kong Forecast Factor		
GDP YoY Change %	Base	2.80%
	Good	5.25%
	Bad	–1.98%
Mainland China Forecast Factor		
GDP QoQ Change %	Base	1.10%
	Good	1.62%
	Bad	–0.02%

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 31 December 2024

7. FINANCIAL RISK MANAGEMENT *(Continued)*

CREDIT RISK *(Continued)*

Economic variable assumptions *(Continued)*

Other forward-looking considerations not otherwise incorporated within the above scenarios, such as the impact of any regulatory, legislative or political changes, have also been considered, but are not deemed to have a material impact and therefore no adjustment has been made to the ECL for such factors. This is reviewed and monitored for appropriateness on an annual basis.

Management judgment and overlay

As of 31 December 2024 and 2023, the Group makes a post-model overlay for its Mainland China portfolio to factor in the latest default experience of its China real estate sectors as the models might not be robust enough to capture the unprecedented challenges in China real estate sectors amid limited historical default data.

Credit risk exposure

Maximum exposure to credit risk – Financial instruments subject to impairment

The following table contains an analysis of the credit risk exposure of financial instruments. For advances to customers and loan commitments and financial guarantee contracts, credit rating from “Guideline on loan classification system” issued by Hong Kong Monetary Authority is adopted. For debt securities, balances and placements with banks, credit rating from Moody’s, or equivalent, is adopted. Debt securities not rated by Moody’s, or equivalent, are treated as unrated ones. The gross carrying amount of financial assets below also represents the Group’s maximum exposure to credit risk on these assets.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 31 December 2024

7. FINANCIAL RISK MANAGEMENT *(Continued)*CREDIT RISK *(Continued)*Credit risk exposure *(Continued)*Maximum exposure to credit risk – Financial instruments subject to impairment *(Continued)*

Advances to customers

	2024			
	Stage 1	Stage 2	Stage 3	Total
	12-month ECL HK\$'000	Lifetime ECL HK\$'000	Lifetime ECL HK\$'000	HK\$'000
Internal credit grading				
Pass	149,690,936	5,487,142	–	155,178,078
Special mention	–	953,240	493,231	1,446,471
Substandard	–	–	1,150,239	1,150,239
Doubtful	–	–	3,461,890	3,461,890
Loss	–	–	13,712	13,712
Gross carrying amount at 31 December	149,690,936	6,440,382	5,119,072	161,250,390
Impairment allowance	538,403	200,033	1,889,043	2,627,479
Carrying amount at 31 December	149,152,533	6,240,349	3,230,029	158,622,911

	2023			
	Stage 1	Stage 2	Stage 3	Total
	12-month ECL HK\$'000	Lifetime ECL HK\$'000	Lifetime ECL HK\$'000	HK\$'000
Internal credit grading				
Pass	148,411,467	6,792,361	–	155,203,828
Special mention	–	2,294,247	99,950	2,394,197
Substandard	–	–	2,586,362	2,586,362
Doubtful	–	–	1,980,288	1,980,288
Loss	–	–	946	946
Gross carrying amount at 31 December	148,411,467	9,086,608	4,667,546	162,165,621
Impairment allowance	528,717	238,665	1,547,488	2,314,870
Carrying amount at 31 December	147,882,750	8,847,943	3,120,058	159,850,751

The impairment allowances of trade bills measured at FVOCI under advances and other accounts are not recognised in the consolidated statement of financial position as the carrying amount of such item is their fair value. As of 31 December 2024, the impairment allowances of trade bills measured at FVOCI under advances and other accounts amounted to HK\$2,556,000 (2023: HK\$17,468,000).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 31 December 2024

7. FINANCIAL RISK MANAGEMENT *(Continued)*

CREDIT RISK *(Continued)*

Credit risk exposure *(Continued)*

Maximum exposure to credit risk – Financial instruments subject to impairment *(Continued)*

Debt securities

	2024			Total HK\$'000
	Stage 1 12-month ECL HK\$'000	Stage 2 Lifetime ECL HK\$'000	Stage 3 Lifetime ECL HK\$'000	
External credit rating				
Aaa	1,784,744	–	–	1,784,744
Aa1 to Aa3	12,418,202	–	–	12,418,202
A1 to A3	29,597,825	–	–	29,597,825
Lower than A3	7,055,566	358,001	–	7,413,567
Unrated	1,444,278	–	–	1,444,278
Gross carrying amount at 31 December	52,300,615	358,001	–	52,658,616
Impairment allowance				
– for debt securities at amortised cost	1,729	–	–	1,729
– for debt securities at FVOCI	36,756	16,304	–	53,060
Carrying amount at 31 December	52,298,886	358,001	–	52,656,887

	2023			Total HK\$'000
	Stage 1 12-month ECL HK\$'000	Stage 2 Lifetime ECL HK\$'000	Stage 3 Lifetime ECL HK\$'000	
External credit rating				
Aaa	2,005,578	–	–	2,005,578
Aa1 to Aa3	17,190,670	–	–	17,190,670
A1 to A3	36,879,058	–	–	36,879,058
Lower than A3	6,722,083	328,245	–	7,050,328
Unrated	1,957,716	–	–	1,957,716
Gross carrying amount at 31 December	64,755,105	328,245	–	65,083,350
Impairment allowance				
– for debt securities at amortised cost	6,293	–	–	6,293
– for debt securities at FVOCI	49,078	19,486	–	68,564
Carrying amount at 31 December	64,748,812	328,245	–	65,077,057

The impairment allowances of debt securities at FVOCI are not recognised in the consolidated statement of financial position as the carrying amount of debt securities at FVOCI is their fair value.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 31 December 2024

7. FINANCIAL RISK MANAGEMENT *(Continued)***CREDIT RISK** *(Continued)***Credit risk exposure** *(Continued)**Maximum exposure to credit risk – Financial instruments subject to impairment (Continued)***Loan commitments and financial guarantee contracts**

	2024			
	Stage 1	Stage 2	Stage 3	Total
	12-month ECL HK\$'000	Lifetime ECL HK\$'000	Lifetime ECL HK\$'000	HK\$'000
Internal credit grading				
Pass	12,723,994	549,629	–	13,273,623
Special mention	–	–	–	–
Substandard	–	–	122,100	122,100
Doubtful	–	–	–	–
Loss	–	–	–	–
At 31 December	<u>12,723,994</u>	<u>549,629</u>	<u>122,100</u>	<u>13,395,723</u>
Impairment allowance	<u>35,954</u>	<u>39,060</u>	<u>37,682</u>	<u>112,696</u>

	2023			
	Stage 1	Stage 2	Stage 3	Total
	12-month ECL HK\$'000	Lifetime ECL HK\$'000	Lifetime ECL HK\$'000	HK\$'000
Internal credit grading				
Pass	13,640,413	615,525	–	14,255,938
Special mention	–	–	–	–
Substandard	–	–	–	–
Doubtful	–	–	–	–
Loss	–	–	–	–
At 31 December	<u>13,640,413</u>	<u>615,525</u>	<u>–</u>	<u>14,255,938</u>
Impairment allowance	<u>25,761</u>	<u>3,742</u>	<u>–</u>	<u>29,503</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 31 December 2024

7. FINANCIAL RISK MANAGEMENT *(Continued)*

CREDIT RISK *(Continued)*

Credit risk exposure *(Continued)*

Maximum exposure to credit risk – Financial instruments subject to impairment *(Continued)*

Other financial assets

Other financial assets mainly include balances and placements with banks and other receivables. The Group held balances and placements with banks of HK\$92,356,212,000 as of 31 December 2024 (2023: HK\$65,005,319,000), which are rated at investment grade based on Moody's or equivalent ratings. The placements with banks is neither past due nor impaired and unsecured.

The following table contains an analysis of the maximum credit risk exposure from financial assets not subject to impairment (i.e. FVPL):

	2024 HK\$'000	2023 HK\$'000
Financial assets at fair value through profit or loss		
– Debt securities	1,278,428	2,072,530
– Other securities	2,762,451	1,321,193
– Derivatives	1,901,446	1,034,438
Hedging derivatives	<u>231,541</u>	<u>371,016</u>

Collateral and other credit enhancements

The Group employs a range of policies and practices to mitigate credit risk. The most common of these is accepting collateral for funds advanced. The Group has internal policies on the acceptability of specific classes of collateral or credit risk mitigation.

The Group prepares a valuation of the collateral obtained as part of the loan origination process. This assessment is reviewed periodically. The principal collateral types for loans and advances are:

- Mortgages over residential properties;
- Margin agreement for derivatives, for which the Group has also entered into master netting agreements;
- Charges over business premises; and
- Charges over financial instruments such as debt securities and equities.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 31 December 2024

7. FINANCIAL RISK MANAGEMENT *(Continued)*

CREDIT RISK *(Continued)*

Collateral and other credit enhancements (Continued)

Collateral held as securities for financial assets other than loans and advances depends on the nature of the instrument. Debt securities, treasury and other eligible bills are generally unsecured. Derivatives under International Swap and Derivatives Association ("ISDA") credit support annex, such as Credit Support Annex ("CSA"), Credit Support Annex for Variation Margin ("VMCSA") and etc, are also collateralised.

As of 31 December 2024, the fair value of collateral accepted by the Group that was permitted to sell or re-pledge in the absence of default by the borrower amounted to HK\$1,702,328,000 (2023: HK\$1,498,346,000). As of 31 December 2024, the Group had not sold or re-pledged such collateral (2023: Nil). These transactions are conducted under terms that are usual and customary to reverse repurchase agreements.

The Group's policies regarding obtaining collateral have not significantly changed during the reporting period and there has been no significant change in the overall quality of the collateral held by the Group since the prior period.

The Group closely monitors collateral held for financial assets considered to be credit-impaired, as it becomes more likely that the Group will take possession of collateral to mitigate potential credit losses. Financial assets that are credit-impaired and related collateral held in order to mitigate potential losses are shown below:

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 31 December 2024

7. FINANCIAL RISK MANAGEMENT *(Continued)*

CREDIT RISK *(Continued)*

Collateral and other credit enhancements (Continued)

Credit-impaired assets

	2024				
	Gross exposure	Stage 3 ECL allowance	Carrying amount	Fair value of collateral held	Gross exposure covered by collateral held
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000 Note
Loans and advances to customers					
Overdrafts	9,779	(7,972)	1,807	2,555	2,555
Instalment loans	204,034	(16,003)	188,031	472,155	203,799
Term loans	930,244	(351,891)	578,353	258,890	222,800
Syndication loans	3,942,395	(1,487,085)	2,455,310	1,274,075	1,222,167
Trade finance	31,687	(25,521)	6,166	8,357	8,357
Personal loans and tax loans	641	(279)	362	654	532
Other	292	(292)	–	–	–
Total credit-impaired assets	5,119,072	(1,889,043)	3,230,029	2,016,686	1,660,210

	2023				
	Gross exposure	Stage 3 ECL allowance	Carrying amount	Fair value of collateral held	Gross exposure covered by collateral held
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000 Note
Loans and advances to customers					
Overdrafts	25,075	(15,077)	9,998	11,191	11,179
Instalment loans	191,563	(3,293)	188,270	393,865	189,094
Term loans	983,945	(427,363)	556,582	39,439	39,439
Syndication loans	3,406,617	(1,067,265)	2,339,352	511,534	511,534
Trade finance	59,054	(33,797)	25,257	28,071	28,026
Personal loans and tax loans	803	(204)	599	1,343	639
Other	489	(489)	–	–	–
Total credit-impaired assets	4,667,546	(1,547,488)	3,120,058	985,443	779,911

Note: Loans and advances secured by collateral are determined as the lower of the market value of collateral or outstanding loan principal.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 31 December 2024

7. FINANCIAL RISK MANAGEMENT *(Continued)*CREDIT RISK *(Continued)*

Loss allowance

The following tables explain the changes in gross exposure and the impairment allowance between the beginning and the end of the annual period due to these factors:

Advances to customers

	2024							
	Stage 1 12-month ECL		Stage 2 Lifetime ECL		Stage 3 Lifetime ECL		Total	
	Gross exposure HK\$'000	Impairment allowance HK\$'000	Gross exposure HK\$'000	Impairment allowance HK\$'000	Gross exposure HK\$'000	Impairment allowance HK\$'000	Gross exposure HK\$'000	Impairment allowance HK\$'000
Balance at 1 January	148,411,467	546,185	9,086,608	238,665	4,667,546	1,547,488	162,165,621	2,332,338
Transfers:								
Transfer from Stage 1 to Stage 2	(1,696,609)	(3,111)	1,696,609	80,803	-	-	-	77,692
Transfer from Stage 2 to Stage 1	2,756,220	5,608	(2,756,220)	(18,093)	-	-	-	(12,485)
Transfer to Stage 3	(1,253,495)	(10,334)	(1,227,295)	(91,202)	2,480,790	996,748	-	895,212
Transfer from Stage 3	12,905	6	13,317	43	(26,222)	(298)	-	(249)
Net new financial assets originated (asset derecognised)	6,664,906	63,983	(406,378)	(4,366)	(356,521)	-	5,902,007	59,617
Changes in PDs/LGDs/EADs	(1,400,038)	(81,387)	179,737	5,118	411,003	1,389,652	(809,298)	1,313,383
Changes in model assumption and methodologies	-	39,152	-	(7,980)	-	-	-	31,172
Amounts written off	-	-	-	-	(2,052,062)	(2,052,062)	(2,052,062)	(2,052,062)
Other movements	(3,804,420)	(19,143)	(145,996)	(2,955)	(5,462)	7,515	(3,955,878)	(14,583)
Balance at 31 December	<u>149,690,936</u>	<u>540,959</u>	<u>6,440,382</u>	<u>200,033</u>	<u>5,119,072</u>	<u>1,889,043</u>	<u>161,250,390</u>	<u>2,630,035</u>
							Total	HK\$'000
Change in ECL in income statement charge for the year								2,364,342
Add: Recoveries								(17,441)
Add: Others								(45,059)
Total ECL charge for the year								<u>2,301,842</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 31 December 2024

7. FINANCIAL RISK MANAGEMENT *(Continued)*

CREDIT RISK *(Continued)*

Loss allowance *(Continued)*

Advances to customers *(Continued)*

	2023							
	Stage 1 12-month ECL		Stage 2 Lifetime ECL		Stage 3 Lifetime ECL		Total	
	Gross exposure HK\$'000	Impairment allowance HK\$'000	Gross exposure HK\$'000	Impairment allowance HK\$'000	Gross exposure HK\$'000	Impairment allowance HK\$'000	Gross exposure HK\$'000	Impairment allowance HK\$'000
Balance at 1 January	156,659,000	575,759	5,566,569	210,812	4,478,564	2,068,076	166,704,133	2,854,647
Transfers:								
Transfer from Stage 1 to Stage 2	(3,329,927)	(9,958)	3,329,927	125,393	-	-	-	115,435
Transfer from Stage 2 to Stage 1	122,889	75	(122,889)	(1,193)	-	-	-	(1,118)
Transfer to Stage 3	(2,571,300)	(11,150)	(750,083)	(139,676)	3,321,383	1,529,391	-	1,378,565
Transfer from Stage 3	6,895	2	4,818	10	(11,713)	(37)	-	(25)
Net new financial assets originated (asset derecognised)	10,962,581	41,436	1,614,666	48,916	(42,906)	(169,552)	12,534,341	(79,200)
Changes in PDs/LGDs/EADs	(11,925,085)	(82,112)	(549,847)	(3,058)	(5,458)	1,191,934	(12,480,390)	1,106,764
Changes in model assumption and methodologies	-	40,134	-	(1,334)	-	-	-	38,800
Amounts written off	-	-	-	-	(3,072,324)	(3,072,324)	(3,072,324)	(3,072,324)
Other movements	(1,513,586)	(8,001)	(6,553)	(1,205)	-	-	(1,520,139)	(9,206)
Balance at 31 December	<u>148,411,467</u>	<u>546,185</u>	<u>9,086,608</u>	<u>238,665</u>	<u>4,667,546</u>	<u>1,547,488</u>	<u>162,165,621</u>	<u>2,332,338</u>
							Total	HK\$'000
Change in ECL in income statement charge for the year								2,559,221
Add: Recoveries								(59,871)
Add: Others								446
Total ECL charge for the year								<u>2,499,796</u>

The impairment allowances of trade bills measured at FVOCI under advances and other accounts are not recognised in the statement of financial position as the carrying amount of such item is their fair value. As of 31 December 2024, the impairment allowances of trade bills measured at FVOCI under advances and other accounts amounted to HK\$2,556,000 (2023: HK\$17,468,000).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 31 December 2024

7. FINANCIAL RISK MANAGEMENT *(Continued)*CREDIT RISK *(Continued)*Loss allowance *(Continued)*

Debt securities

	2024			
	Stage 1	Stage 2	Stage 3	Total
	12-month ECL	Lifetime ECL	Lifetime ECL	
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Balance at 1 January	55,371	19,486	–	74,857
Transfers:				
Transfer from Stage 1 to Stage 2	(106)	1,399	–	1,293
Transfer from Stage 2 to Stage 1	–	–	–	–
Transfer to Stage 3	–	–	–	–
Transfer from Stage 3	–	–	–	–
Net purchase (redemption) of debt securities	(16,272)	(263)	–	(16,535)
Changes in PDs/LGDs/EADs	897	(4,127)	–	(3,230)
Changes in model assumption and methodologies	–	–	–	–
Other movements	(1,405)	(191)	–	(1,596)
Balance at 31 December	38,485	16,304	–	54,789
Of which:				
For debt securities at amortised cost	1,729	–	–	1,729
For debt securities at FVOCI	36,756	16,304	–	53,060
	38,485	16,304	–	54,789

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for the year ended 31 December 2024

7. FINANCIAL RISK MANAGEMENT *(Continued)*

CREDIT RISK *(Continued)*

Loss allowance *(Continued)*

Debt securities *(Continued)*

	2023			
	Stage 1 12-month ECL HK\$'000	Stage 2 Lifetime ECL HK\$'000	Stage 3 Lifetime ECL HK\$'000	Total HK\$'000
Balance at 1 January	104,935	1,130	–	106,065
Transfers:				
Transfer from Stage 1 to Stage 2	(679)	11,470	–	10,791
Transfer from Stage 2 to Stage 1	–	–	–	–
Transfer to Stage 3	–	–	–	–
Transfer from Stage 3	–	–	–	–
Net purchase (redemption) of debt securities	14,256	5,946	–	20,202
Changes in PDs/LGDs/EADs	(62,907)	948	–	(61,959)
Changes in model assumption and methodologies	–	–	–	–
Other movements	(234)	(8)	–	(242)
Balance at 31 December	<u>55,371</u>	<u>19,486</u>	<u>–</u>	<u>74,857</u>
Of which:				
For debt securities at amortised cost	6,293	–	–	6,293
For debt securities at FVOCI	<u>49,078</u>	<u>19,486</u>	<u>–</u>	<u>68,564</u>
	<u>55,371</u>	<u>19,486</u>	<u>–</u>	<u>74,857</u>

The impairment allowances of debt securities at FVOCI are not recognised in the consolidated statement of financial position as the carrying amount of debt securities at FVOCI is their fair value.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 31 December 2024

7. FINANCIAL RISK MANAGEMENT *(Continued)*CREDIT RISK *(Continued)*Loss allowance *(Continued)*

Loan commitments and financial guarantee contracts

	2024			
	Stage 1	Stage 2	Stage 3	Total
	12-month ECL	Lifetime ECL	Lifetime ECL	
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Balance at 1 January	25,761	3,742	–	29,503
Transfers:				
Transfer from Stage 1 to Stage 2	(780)	44,182	–	43,402
Transfer from Stage 2 to Stage 1	5	(584)	–	(579)
Transfer to Stage 3	(1,220)	–	1,220	–
Transfer from Stage 3	–	–	–	–
Changes in PDs/LGDs/EADs	3,852	(6,722)	36,462	33,592
Changes in model assumption and methodologies	2,720	(1,554)	–	1,166
Other movements	5,616	(4)	–	5,612
Balance at 31 December	<u>35,954</u>	<u>39,060</u>	<u>37,682</u>	<u>112,696</u>

	2023			
	Stage 1	Stage 2	Stage 3	Total
	12-month ECL	Lifetime ECL	Lifetime ECL	
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Balance at 1 January	32,962	5,890	–	38,852
Transfers:				
Transfer from Stage 1 to Stage 2	(259)	332	–	73
Transfer from Stage 2 to Stage 1	3	(414)	–	(411)
Transfer to Stage 3	–	–	–	–
Transfer from Stage 3	–	–	–	–
Changes in PDs/LGDs/EADs	(2,092)	(2,008)	–	(4,100)
Changes in model assumption and methodologies	(4,422)	(33)	–	(4,455)
Other movements	(431)	(25)	–	(456)
Balance at 31 December	<u>25,761</u>	<u>3,742</u>	<u>–</u>	<u>29,503</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 31 December 2024

7. FINANCIAL RISK MANAGEMENT *(Continued)*

CREDIT RISK *(Continued)*

Loss allowance *(Continued)*

Other financial assets

	2024			
	Stage 1	Stage 2	Stage 3	Total
	12-month ECL	Lifetime ECL	Lifetime ECL	
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Balance at 1 January	39,533	-	-	39,533
Transfers:				
Transfer from Stage 1 to Stage 2	-	-	-	-
Transfer from Stage 2 to Stage 1	-	-	-	-
Transfer to Stage 3	-	-	-	-
Transfer from Stage 3	-	-	-	-
Changes in PDs/LGDs/EADs	4,541	-	-	4,541
Changes in model assumption and methodologies	-	-	-	-
Other movements	227	-	-	227
Balance at 31 December	<u>44,301</u>	<u>-</u>	<u>-</u>	<u>44,301</u>

	2023			
	Stage 1	Stage 2	Stage 3	Total
	12-month ECL	Lifetime ECL	Lifetime ECL	
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Balance at 1 January	44,732	-	-	44,732
Transfers:				
Transfer from Stage 1 to Stage 2	-	-	-	-
Transfer from Stage 2 to Stage 1	-	-	-	-
Transfer to Stage 3	-	-	-	-
Transfer from Stage 3	-	-	-	-
Changes in PDs/LGDs/EADs	(5,811)	-	-	(5,811)
Changes in model assumption and methodologies	-	-	-	-
Other movements	612	-	-	612
Balance at 31 December	<u>39,533</u>	<u>-</u>	<u>-</u>	<u>39,533</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 31 December 2024

7. FINANCIAL RISK MANAGEMENT *(Continued)*CREDIT RISK *(Continued)*Loss allowance *(Continued)*

The Group's gross advances to customers (including advances booked in branches outside Hong Kong and subsidiaries) are analysed and reported by industry sectors according to the usage of the loans or business activities of the borrowers as follows:

	31 December 2024				
	Gross loans and advances	Stage 1 & Stage 2 impairment allowances	Stage 3 impairment allowances	Loans and advances secured by collateral	Gross impaired advances
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000 <i>(Note 1)</i>
Loans for use in Hong Kong					
Industrial, commercial and financial					
– Property development	4,540,240	25,999	176,570	1,387,845	795,023
– Property investment	5,252,736	14,130	44	4,290,719	3,197
– Financial concerns	16,187,126	2,973	–	101,671	–
– Stockbrokers	2,255,203	607	–	9,229	–
– Wholesale and retail trade	5,748,205	21,332	6,466	2,831,720	8,144
– Manufacturing	1,728,521	7,634	–	393,517	–
– Transport and transport equipment	3,611,383	8,056	15	270,456	71
– Information technology	2,789,394	10,527	–	–	–
– Others <i>(Note 2)</i>	14,360,855	80,606	200,563	7,778,783	595,731
Individuals					
– Loans for the purchase of flats in the Home Ownership Scheme, Private Sector Participation Scheme and Tenants Purchase Scheme	252,865	190	109	250,557	5,049
– Loans for the purchase of other residential properties	10,488,944	7,070	1,586	10,386,760	38,139
– Credit card advances	59,073	77	348	–	369
– Others <i>(Note 3)</i>	5,233,580	12,254	2,499	4,481,467	79,187
	72,508,125	191,455	388,200	32,182,724	1,524,910
Trade finance	2,505,549	9,092	25,521	183,583	31,687
Loans for use outside Hong Kong	86,236,716	540,445	1,475,322	24,380,633	3,562,475
	161,250,390	740,992	1,889,043	56,746,940	5,119,072

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 31 December 2024

7. FINANCIAL RISK MANAGEMENT *(Continued)*

CREDIT RISK *(Continued)*

Loss allowance *(Continued)*

	31 December 2023				
	Gross loans and advances HK\$'000	Stage 1 & Stage 2 impairment allowances HK\$'000	Stage 3 impairment allowances HK\$'000	Loans and advances secured by collateral HK\$'000	Gross impaired advances HK\$'000 <i>(Note 1)</i>
Loans for use in Hong Kong					
Industrial, commercial and financial					
– Property development	4,736,383	33,243	6,411	2,575,257	11,443
– Property investment	4,922,367	16,395	–	3,591,533	2,037
– Financial concerns	13,052,347	2,215	–	333,298	–
– Stockbrokers	1,742,202	603	–	1,226,676	–
– Wholesale and retail trade	5,664,090	15,858	56,908	2,845,889	66,012
– Manufacturing	2,273,619	6,674	–	709,283	–
– Transport and transport equipment	3,790,413	5,527	–	311,718	167
– Information technology	2,033,596	2,328	–	978,848	2,893
– Others <i>(Note 2)</i>	12,973,443	60,909	75,661	6,221,212	75,665
Individuals					
– Loans for the purchase of flats in the Home Ownership Scheme, Private Sector Participation Scheme and Tenants Purchase Scheme	281,352	144	–	281,354	4,252
– Loans for the purchase of other residential properties	7,679,706	3,729	2,822	7,670,875	34,312
– Credit card advances	61,794	57	578	–	578
– Others <i>(Note 3)</i>	4,927,791	7,617	3,264	2,815,755	86,509
	64,139,103	155,299	145,644	29,561,698	283,868
Trade finance	1,755,900	6,293	29,637	255,306	65,622
Loans for use outside Hong Kong	96,270,618	623,258	1,372,207	22,343,128	4,318,056
	162,165,621	784,850	1,547,488	52,160,132	4,667,546

The impairment allowances of trade bills measured at FVOCI under advances and other accounts are not recognised in the statement of financial position as the carrying amount of such item is their fair value. As of 31 December 2024, the impairment allowances of trade bills measured at FVOCI under advances and other accounts amounted to HK\$2,556,000 (2023: HK\$17,468,000).

- Notes:*
- Loans and advances secured by collateral are determined as the lower of the market value of collateral or outstanding loan principal.
 - Major items mainly included loans to businesses in electricity and gas, hotels, catering, margin lending and other business purposes.
 - Major items mainly included loans to professionals and other individuals for various private purposes.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 31 December 2024

7. FINANCIAL RISK MANAGEMENT *(Continued)***CREDIT RISK** *(Continued)***Write-off**

The Group may write off financial assets that are still subject to enforcement activity. The outstanding contractual amounts of such assets written off during the year ended 31 December 2024 were HK\$2,052,062,000 (2023: HK\$3,072,324,000).

The Group still seeks to recover amounts it is legally owed in full, but which have been fully written off due to no reasonable expectation of full recovery.

Modification of financial assets

The Group sometimes modifies the terms of loans provided to customers due to commercial renegotiations, or for distressed loans, with a view to maximising recovery.

The risk of default of such assets after modification is assessed at the reporting date and compared with the risk under the original terms at initial recognition, when the modification is not substantial and so does not result in derecognition of the original asset. The Group monitors the subsequent performance of modified assets. The gross carrying amount of such assets held as of 31 December 2024 was HK\$897,034,000 (2023: HK\$777,869,000).

The Group continues to monitor if there is a subsequent significant increase in credit risk in relation to such assets through the use of individual credit assessment.

The following table includes summary information for financial assets with lifetime ECL whose cash flows were modified during the year and their respective effect on the Group's financial performance is considered immaterial.

	2024 HK\$'000	2023 HK\$'000
Advance to customers		
Amortised cost before modification	305,376	691,245

Concentration of risks of financial assets with credit risk exposure

Concentration of credit risk exists when changes in geographical or industry factors similarly affect counterparties whose aggregate credit exposure is material in relation to the Group's total exposures.

An analysis of geographical and industry sector concentration of the Group's financial assets that best represent the maximum exposure to credit risk is disclosed on the next page.

The geographical locations of the financial assets are determined by the locations of the counterparties with the ultimate credit exposures.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 31 December 2024

7. FINANCIAL RISK MANAGEMENT *(Continued)*

CREDIT RISK *(Continued)*

Concentration of risks of financial assets with credit risk exposure *(Continued)*

Geographical locations

	Hong Kong HK\$'000	Asia Pacific excluding Hong Kong HK\$'000 <i>(Note 1)</i>	Others HK\$'000 <i>(Note 2)</i>	Total HK\$'000
At 31 December 2024				
Balances and placements with banks	26,038,353	58,234,904	8,044,972	92,318,229
Derivative financial instruments	615,780	244,510	1,272,697	2,132,987
Investment in securities	9,793,923	44,685,903	2,217,940	56,697,766
Advances and other accounts	104,879,500	59,999,711	1,949,004	166,828,215
	<u>141,327,556</u>	<u>163,165,028</u>	<u>13,484,613</u>	<u>317,977,197</u>
At 31 December 2023				
Balances and placements with banks	10,056,973	45,381,605	9,537,573	64,976,151
Derivative financial instruments	122,011	231,955	1,051,488	1,405,454
Investment in securities	14,361,026	46,348,923	7,760,831	68,470,780
Advances and other accounts	105,677,242	60,429,094	1,111,848	167,218,184
	<u>130,217,252</u>	<u>152,391,577</u>	<u>19,461,740</u>	<u>302,070,569</u>

- Notes:
1. The countries reported in "Asia Pacific excluding Hong Kong" mainly included the Mainland China, Japan, Australia and other Asian countries.
 2. The countries reported in "Others" mainly included Canada, United States and other European countries.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 31 December 2024

7. FINANCIAL RISK MANAGEMENT (Continued)

CREDIT RISK (Continued)

Concentration of risks of financial assets with credit risk exposure (Continued)

Industry sectors

	Banks and other financial institutions HK\$'000	Central governments and central banks HK\$'000	Public sector entities HK\$'000	Corporate entities HK\$'000	Others HK\$'000	Total HK\$'000
At 31 December 2024						
Balances and placements with banks	88,968,457	3,349,772	-	-	-	92,318,229
Derivative financial instruments	2,095,606	-	-	37,381	-	2,132,987
Investment in securities	22,372,593	24,108,724	75,479	10,140,970	-	56,697,766
Advances and other accounts	15,055,883	3,089,975	1,070,683	130,416,183	17,195,491	166,828,215
	<u>128,492,539</u>	<u>30,548,471</u>	<u>1,146,162</u>	<u>140,594,534</u>	<u>17,195,491</u>	<u>317,977,197</u>
At 31 December 2023						
Balances and placements with banks	59,310,783	5,665,368	-	-	-	64,976,151
Derivative financial instruments	1,145,190	-	-	260,264	-	1,405,454
Investment in securities	31,762,068	26,606,698	-	10,102,014	-	68,470,780
Advances and other accounts	14,967,414	3,075,825	201,786	134,883,714	14,089,445	167,218,184
	<u>107,185,455</u>	<u>35,347,891</u>	<u>201,786</u>	<u>145,245,992</u>	<u>14,089,445</u>	<u>302,070,569</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 31 December 2024

7. FINANCIAL RISK MANAGEMENT *(Continued)*

CREDIT RISK *(Continued)*

Concentration of risks of financial assets with credit risk exposure (Continued)

Financial investments by rating agency designation

The following tables present analysis of financial securities, other than loans and advances, held by the Group by rating agency designation at the end of the reporting period, based on Moody's or equivalent ratings. Financial securities not rated by Moody's, or equivalent, are treated as unrated ones.

	Financial assets at fair value through profit or loss HK\$'000	Financial assets at FVOCI HK\$'000	Financial assets at amortised cost HK\$'000	Total HK\$'000
At 31 December 2024				
Aaa	–	1,784,744	–	1,784,744
Aa1 to Aa3	–	12,009,167	409,035	12,418,202
A1 to A3	3,501,064	28,506,854	1,089,242	33,097,160
Lower than A3	444,592	7,316,669	96,898	7,858,159
Unrated	95,223	1,442,278	2,000	1,539,501
Total	4,040,879	51,059,712	1,597,175	56,697,766
At 31 December 2023				
Aaa	–	2,005,578	–	2,005,578
Aa1 to Aa3	–	16,602,368	588,036	17,190,404
A1 to A3	2,863,892	34,189,231	2,685,111	39,738,234
Lower than A3	495,300	6,553,970	495,201	7,544,471
Unrated	34,531	1,955,562	2,000	1,992,093
Total	3,393,723	61,306,709	3,770,348	68,470,780

Reposessed collateral

Reposessed assets held by the Group as of 31 December 2024 was HK\$3,700,000 (2023: HK\$38,000,000).

Reposessed assets are sold as soon as practicable with the proceeds used to reduce the outstanding indebtedness.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 31 December 2024

7. FINANCIAL RISK MANAGEMENT *(Continued)*

MARKET RISK

Market risk is the risk of losses in assets, liabilities and off-balance sheet positions arising from movements in market rates and prices, including foreign exchange rates, interest rates, commodity prices, and equity prices etc.

Market risk exposures are separated into trading and non-trading portfolios. Trading portfolios comprise positions arising from proprietary trading position, market-making and warehousing of customer derived positions. Market risk arising from trading portfolios is at acceptable level, as the Group maintains controllable positions of financial instruments leading to foreign exchange and interest rate risk exposures.

Non-trading portfolios comprise positions that primarily arise from the interest rate management of our retail and commercial banking assets and liabilities, financial investments designated as FVOCI and amortised cost, and exposures arising from our daily risk management operations.

From time to time, the Group may use derivatives to mitigate market risk exposure driven by price fluctuation in interest rate and foreign exchange rate affecting trading and non-trading portfolios.

GOVERNANCE COMMITTEE OVERSIGHT

The Board Risk Committee oversees the effective management of market risk. The Board delegates responsibilities to the Risk Management Committee ("RMC") to act as the primary risk governance party for market risk. RMC approves the Market Risk Management Policy to ensure the market risk management framework and controls are effectively implemented to govern the market risk profile of the Bank. The Policy, together with limits and underlying assumptions therein, is subject to be regularly reviewed and approved by the RMC at least once a year.

ROLES AND RESPONSIBILITIES

Market risk management operates under the three lines of defense model. The business constitutes the first line of defense and is responsible for managing risks within approved limits. The risk management function serves as the second line control function, providing independent monitoring and oversight. The audit function acts as the third line of defense assessing and verifying the implementation of controls and measures in accordance with regulatory requirements.

MARKET RISK MANAGEMENT FRAMEWORK

The primary categories of market risk for the group are as follows:

- Interest rate risk: arising from changes in yield curves
- Foreign exchange rate risk: arising from changes in currency exchange rates and implied volatilities on foreign exchange options
- Credit spread risk: arising from changes in credit spreads

Market risk limits are classified into Risk Appetite Statements limits (approved by the Risk Committee), Risk Appetite Controls and the lower operating level limits (approved by the RMC).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 31 December 2024

7. FINANCIAL RISK MANAGEMENT *(Continued)*

MARKET RISK MANAGEMENT FRAMEWORK *(Continued)*

Risk Appetite Statements limits – VaR

A historical VaR model is used to estimate potential losses on risk positions in the trading portfolio as a result of movements of various risk factors over a specified time horizon (3 years) and to a given level of confidence (99%). The Group has maintains a controllable of market risk exposure for both trading and customer order fulfillment managed by the Treasury and Markets Division within approved limits in day-to-day business. VaR is calculated as at the close of business to reflect the expected movements over one business day and to a confidence level of 99% for day-to-day risk management.

Risk Appetite Controls and Operating Limits

Various lower level limits, such as stop loss, currency position limit, interest rate risk DV01, credit spread risk CS01, greeks and etc, are set to monitor different types nature of risks. These limits are allocated to different business lines. Daily risk monitoring is carried out independently by Market Risk Management Department, ensuring that all dealing activities are conducted in a proper manner and within approved limits.

The Bank adopts a scenario-based approach in stress-testing. Stress tests are performed regularly to assess potential losses under extreme market conditions. The results of stress test are reviewed by the Board, Risk Committee and senior management on a regular basis.

Excess Reporting

A limit excess is denoted as a risk exposure exceed the respective risk limit. Excesses are classified as active, passive and technical. In the case of active and passive excesses, the RMC and the respective head of division are immediately notified, and corrective actions must be taken within the same trading day or the very next trading day. Excess cases will be tabled in the upcoming RMC meetings for discussion and notation. Technical excess, resulting from system and data errors, case will be investigated and reported to the RMC for notation.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 31 December 2024

7. FINANCIAL RISK MANAGEMENT *(Continued)*MARKET RISK *(Continued)*

Currency risk

The assets and liabilities of the Group are mainly denominated in major currencies, particularly United States dollars ("USD"), Renminbi ("RMB") and Hong Kong dollars ("HKD"). To ensure the currency risk exposure of the Group is kept to an acceptable level, risk limits (e.g. Position and VaR limit) are used to serve as a monitoring tool. The Group seeks to minimise the gap between assets and liabilities in the same currency. Foreign exchange contracts are used to manage currency risk associate 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 HKMA return of foreign currency position.

The Group's foreign currency exposures arising from non-structural position which constitute 10% or more of the total net non-structural position in all foreign currencies are as follows:

	2024	
	USD	RMB
	HK\$'000	HK\$'000
Spot assets	65,871,167	108,348,395
Spot liabilities	(48,850,934)	(111,129,079)
Forward purchases	198,795,208	46,189,367
Forward sales	(207,406,247)	(40,295,099)
Net options position	823,639	(176,542)
Net long position	9,232,833	2,937,042

	2023	
	USD	RMB
	HK\$'000	HK\$'000
Spot assets	67,077,959	95,913,359
Spot liabilities	(48,159,916)	(94,421,850)
Forward purchases	128,470,822	17,542,632
Forward sales	(140,388,393)	(16,980,559)
Net options position	1,791,541	2,174
Net long position	8,792,013	2,055,756

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 31 December 2024

7. FINANCIAL RISK MANAGEMENT *(Continued)*

MARKET RISK *(Continued)*

Currency risk *(Continued)*

The net options position is calculated in the basis of the delta-weighted position of option contracts.

The Group's foreign currency exposures arising from structural position which constitute 10% or more of the total net structural position in all foreign currencies are as follows:

	2024		2023	
	USD HK\$'000	RMB HK\$'000	USD HK\$'000	RMB HK\$'000
Net structural position	455,330	3,700,900	459,778	4,042,453

Interest rate risk

Interest rate risk is referred to the risk to the Bank's financial condition resulting from adverse movements in interest rates. This consists of gap risk, basis risk and option risk. Interest margins may increase as a result of such changes in favor of the Bank, but also result negative impacts in the event that unexpected or adverse movement arises.

Interest rate risk comprises those originating from both trading and non-trading portfolios, and the Group's interest rate risk exposure is mainly contributed by non-trading portfolio. In non-trading portfolio, the management of Group's interest rate risk in banking book ("IRRBB") is governed by the Interest Rate Risk Management Policy which is reviewed and endorsed by the ALCO and approved by the Executive Committee ("EXCO"). The Group also manages its IRRBB within the IRRBB limits approved by ALCO and under monitoring of Market Risk Management Department independently, which regularly report to both ALCO and RMC for senior management oversight.

The Group manages the positions under IRRBB arising from investments in approved financial instruments that are gauged by the internal guideline and relevant risk limits. Hedging for these interest rate positions would be executed through interest rate derivatives whenever deemed necessary.

Interest rate risk in banking book

IRRBB refers to the risk against the Bank's capital and earnings due to adverse movements in interest rates. Banking book positions refer to assets and liabilities such as loans, deposits and financial instruments that evolve with normal banking businesses and are not for trading. When interest rates change, the future cash flows attached with these non-trading assets and liabilities change.

The Group manages its IRRBB exposures using economic value as well as earnings based measures.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 31 December 2024

7. FINANCIAL RISK MANAGEMENT *(Continued)*

MARKET RISK *(Continued)*

Interest rate risk *(Continued)*

Interest rate risk in banking book *(Continued)*

The economic value is measured from present values of its expected net cash flows of assets, liabilities and off-balance sheet positions held with the Bank, discounted to reflect market rates impact. Thereby the Group measures the change in Economic Value of Equity ("EVE") as the maximum decrease of the banking book economic value under the six standard scenarios defined by the HKMA's Supervisory Policy Manual.

Earnings-based measures the impact of changes in interest rates on accruing or reported earnings. Reduced earnings or outright losses can threaten the financial stability by undermining its capital adequacy and by reducing market confidence to the Bank. The Group measures the change in net interest income as the maximum reduction in net interest income over a period of 12 months.

The calculation of the IRRBB gapping is processed through an automatic system on daily basis. Market Risk Management Department monitors the IRRBB gapping results against the approved risk limits. Cash flows arising from interest rate sensitive assets, liabilities and off-balance sheet positions are slotted; with embedded optional adjustments based on various models, including prepayment model, early-redemption model and behavioural models for non-maturity deposits ("NMDs").

The Group manages the interest rate risk exposure for its NMDs through co-integration Model for deposit volume on core deposit ratio and decay rate approach on behavioural maturity. For the core deposit ratio, the Group followed regulatory guidelines by first estimating stable deposit ratio using the Group's deposit balance data over the past 10 years, and then developing statistical models to estimate the core deposit ratio. In estimating the core deposit ratio, the Group aimed to measure the percentage of stable deposits that would remain with the bank even under significant interest rate changes. In estimating behavioural maturity, the Group followed the run-off approach, which estimates the decay rate of the deposit balance. The behavioural maturity was obtained based on the decay-rate estimation.

In the retail loan and term deposit products, the Group takes into accounts of early prepayment/withdrawal behaviour of its customers. The parameters are based on historical observations and statistical analyses. Furthermore, the Group generally calculates IRRBB related metrics in contractual currencies and aggregates the resulting metrics for reporting purposes.

Stress tests on IRRBB are conducted regularly. Coverage of stress scenarios are comprehensive with forward-looking, and they are composed of risk factors that can significantly affect the Bank.

The Group conducts periodic reviews of the risk management process for IRRBB in order to ensure its integrity, accuracy and reasonableness in response to changing market condition.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 31 December 2024

7. FINANCIAL RISK MANAGEMENT *(Continued)*

MARKET RISK *(Continued)*

Interest rate risk *(Continued)*

Interest rate sensitivity

The framework adopted by the Group to measure interest rate risk exposure arising from its banking book positions is consistent with the guidelines set out by the HKMA in its Supervisory Policy Manual ("SPM") on Interest Rate Risk in the Banking Book. Sensitivities of earnings or economic value of equity ("EVE") to interest rate changes by specific size of interest rate parallel shocks, which the most adverse of the six interest rate scenarios with regard to delta EVE was the "Parallel up" scenario, and key assumptions as required by SPM are summarised below:

	2024				
	HKD HK\$'000	USD HK\$'000	CNY HK\$'000	AUD HK\$'000	CNH HK\$'000
Size of interest rate parallel shocks (bps)	200	200	250	250	300
Impact on earnings over the next 12 months (parallel up)	(745,000)	(94,000)	(20,000)	4,000	5,000
Impact on EVE (parallel up)	<u>-</u>	<u>3,000</u>	<u>1,076,000</u>	<u>3,000</u>	<u>-</u>

	2023		
	HKD HK\$'000	USD HK\$'000	CNY HK\$'000
Size of interest rate parallel shocks (bps)	200	200	250
Impact on earnings over the next 12 months (parallel up)	(91,000)	(871,000)	189,000
Impact on EVE (parallel up)	<u>-</u>	<u>-</u>	<u>1,684,000</u>

Note: Major currencies of the Group for the year 2024 are HKD, USD, Chinese Yuan Renminbi ("CNY"), Australian dollar ("AUD"), Chinese Yuan Renminbi Offshore ("CNH") whereas major currencies of the Group for the year 2023 are HKD, USD and CNY. Positive impact means unfavorable to the Group.

The key assumptions are as follows:

- exclusion of spread components in the cash flows used in the computation or discount rate either for Δ EVE;
- Determination of behavioural modelling in accordance with the Group's business regions;
- Estimation of the prepayment rates of customer loans and the early withdrawal rates for time deposits, the Group adopted the model derived at the account level with using logistic regression with clustered standard errors. The fixed-rate retail loan and retail term deposit portfolios were assumed to follow a run-off mode, with no new originations or auto-renewal in the forecast; and
- Estimation of behavioural maturity of HKD non-maturity deposits ("NMDs"), the Group adopted the run-off approach, which estimates the decay rate of the current and saving deposit respectively.

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for the year ended 31 December 2024

7. FINANCIAL RISK MANAGEMENT *(Continued)*MARKET RISK *(Continued)*

Price risk

The Group is exposed to price risk arising from the investments in listed equity securities. Except for those classified as FVPL, the Group does not actively trade these investments. The sensitivity analysis below is determined based on 10% changes in the price of the underlying investments.

Price sensitivity

	2024		2023	
	Change in price		Change in price	
	+10%	-10%	+10%	-10%
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Profit after tax	-	-	-	-
Other comprehensive income	2,247	(2,247)	3,054	(3,054)

LIQUIDITY RISK

Liquidity risk is the risk that the Group may not be able to fund increases in assets or meet obligations as they fall due, without incurring unacceptable losses. Liquidity problems can have an adverse impact to the Group's earnings and capital and, in extreme circumstances, may even lead to the collapse of the Group which is otherwise solvent.

Management of liquidity risk

Principal objective

The principal objective of the Group's liquidity risk management framework is to maintain a conservative level of liquid funds on a daily basis so that the Group has sufficient cash flows to meet its current obligations when they fall due in the ordinary course of business, to make new loans and investments as opportunities arise and to satisfy statutory liquidity requirements. The Group conducts cash flow analysis to ensure that the Group has adequate liquidity and funding capacity to meet its normal business operations and to withstand a prolonged period of liquidity stress in accordance with the requirements set out in the Supervisory Policy Manual LM-2 "Sound Systems and Controls for Liquidity Risk Management" ("SPM LM-2"). This also provides a foundation to other risk management tools including stress-testing and contingency funding plan.

Governance of liquidity risk management

The Group adopts a robust liquidity risk appetite/tolerance including statutory liquidity ratios and key liquidity metrics to reasonably balance the levels of risk and earnings based on the Bank's own strategies, financial strength and market position, to ensure its ability to provide stable, reliable and sufficient sources of funds under normal or stressed scenarios, so as to satisfy liquidity requirements.

The Group adopts a liquidity risk management model that incorporates both centralised and decentralised elements based on thorough consideration of the organisational structure and major business characteristics of the Group as well as regulatory policies. The Head Office is ultimately responsible for managing the Group's overall liquidity risk, while the branches in Macau and Mainland China manage their own liquidity risk pursuant to the Head Office's policies within authorised scope through submission of monthly management accounts and daily cash flow positions to Head Office.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 31 December 2024

7. FINANCIAL RISK MANAGEMENT *(Continued)*

LIQUIDITY RISK *(Continued)*

Management of liquidity risk (Continued)

The management of the Group's liquidity risk is governed by the Liquidity Risk Management Policy which is reviewed by the ALCO and designated committees and approved by the Board at least annually. Key features of liquidity position and management strategies, risk appetite as well as, appropriate limits and triggers are set in the Liquidity Risk Management Policy. The Board has the ultimate responsibility for liquidity risk management. The EXCO is delegated by the Board to oversee liquidity risk management. The ALCO is further delegated by the EXCO to oversee the Group's day-to-day liquidity risk management, responsible for monitoring and controlling of the Group's liquidity position through on-going and periodic review of different liquidity metrics, including but not limited to the statutory Liquidity Maintenance Ratio and Core Funding Ratio, the maturity mismatch of assets and liabilities, loan-to-deposit ratios, normal and stressed cash flow projections and inter-bank/intragroup transactions. The Group uses various management information systems developed in-house to prepare and compile regular management reports to facilitate the liquidity risk management duties.

Treasury Division is responsible for the Group's intraday and day-to-day management of cash flow and liquidity positions while Finance and Capital Management Division is responsible for the identification, measurement and monitoring of liquidity risk exposures, conducting liquidity cost analysis and stress-testing, handling regulatory reporting in relation to liquidity risk and coordinating the regular forecast of loans and deposits, Liquidity Maintenance Ratio, liquidity and funding statements.

The liquidity risk metrics are closely monitored and regularly reported to the ALCO and other designated committees. Depending on the level of severity, any breach in policies will be reported by these units to the ALCO and/or other designated committees, whilst seeking their advices or instructions on mitigating measures.

With the changing environment, market factors, balance sheet movement and liquidity situation, liquidity risk strategies are discussed in the ALCO meetings and communicated with the business lines, of which the heads are the ALCO members.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 31 December 2024

7. FINANCIAL RISK MANAGEMENT (Continued)

LIQUIDITY RISK (Continued)

Management of liquidity risk (Continued)

The following tables detail the Group's remaining contractual maturity for its non-derivative financial liabilities. They have been drawn up based on the contractual maturities of the undiscounted financial liabilities including interest that will accrue, with reference to their respective contractual interest rate, and for those variable rate instruments, by using the appropriate prevailing market rates as of the end of the reporting period as stated in their contracts. The maturity dates are based on the agreed repayment dates.

	Repayable on demand HK\$'000	Repayable within 1 month HK\$'000	Repayable after 1 month but within 3 months HK\$'000	Repayable after 3 months but within 1 year HK\$'000	Repayable after 1 year but within 5 years HK\$'000	Repayable after 5 years HK\$'000	Undated HK\$'000	Total HK\$'000
Liabilities adjusted with interest payable At 31 December 2024								
Deposits and balances with banks and other financial institutions	23,818	14,144,002	2,827,392	528,828	-	-	-	17,524,040
Deposits from customers	65,502,194	53,627,861	80,972,330	26,960,101	20,711,672	-	-	247,774,158
Certificate of deposits	-	932,627	1,665,290	2,553,448	-	-	-	5,151,365
Loan capital	-	-	-	229,336	917,342	6,782,951	-	7,929,629
Other financial liabilities	1,596,544	483,962	956,461	941,300	998,505	17,302	425,366	5,419,440
Total undiscounted financial liabilities	67,122,556	69,188,452	86,421,473	31,213,013	22,627,519	6,800,253	425,366	283,798,632
Liabilities adjusted with interest payable At 31 December 2023								
Deposits and balances with banks and other financial institutions	791	8,527,360	6,028,565	2,093,195	-	-	-	16,649,911
Deposits from customers	71,367,629	56,106,319	74,696,245	26,937,792	12,207,675	-	-	241,315,660
Certificate of deposits	-	338,676	50,000	-	-	-	-	388,676
Loan capital	-	-	-	154,761	619,044	4,027,505	-	4,801,310
Other financial liabilities	1,308,643	798,498	1,827,098	491,759	407,596	48,591	296,321	5,178,506
Total undiscounted financial liabilities	72,677,063	65,770,853	82,601,908	29,677,507	13,234,315	4,076,096	296,321	268,334,063

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 31 December 2024

7. FINANCIAL RISK MANAGEMENT *(Continued)*

LIQUIDITY RISK *(Continued)*

Management of liquidity risk *(Continued)*

The following tables detail the Group's maturity analysis of undiscounted cash flows of its derivative financial instruments based on the remaining contracted maturity. They have been drawn up based on the undiscounted net cash inflows (outflows) on the derivative financial instruments that are settled on a net basis and the undiscounted gross inflows (outflows) on those derivatives financial instruments that are settled on a gross basis. When the amount of cash inflows or outflows are not fixed or certain, the amount of expected cash flows has been determined with reference to the prevailing market rates and conditions which exist at the end of the reporting period.

	Less than 1 month HK\$'000	1 to 3 months HK\$'000	3 months to 1 year HK\$'000	1 to 5 years HK\$'000	Over 5 years HK\$'000	Total HK\$'000
At 31 December 2024						
Derivatives settled net						
Interest rate contracts						
– Inflows (outflows)	<u>26,275</u>	<u>3,830</u>	<u>89,174</u>	<u>87,764</u>	<u>(547)</u>	<u>206,496</u>
Derivatives settled gross						
Exchange rate contracts						
– Inflows	155,631,411	90,142,420	136,679,464	24,157,751	–	406,611,046
– Outflows	(155,168,785)	(89,970,092)	(136,621,356)	(24,152,930)	–	(405,913,163)
Foreign currency options						
– Inflows	5,612	8,719	633	790	–	15,754
– Outflows	(2,757)	(2,517)	(60)	–	–	(5,334)
	<u>465,481</u>	<u>178,530</u>	<u>58,681</u>	<u>5,611</u>	<u>–</u>	<u>708,303</u>
At 31 December 2023						
Derivatives settled net						
Interest rate contracts						
– Inflows	<u>34,172</u>	<u>28,099</u>	<u>113,795</u>	<u>98,357</u>	<u>180</u>	<u>274,603</u>
Derivatives settled gross						
Exchange rate contracts						
– Inflows	127,439,746	58,239,726	76,827,416	7,713,723	–	270,220,611
– Outflows	(127,462,150)	(58,088,813)	(76,833,752)	(7,689,393)	–	(270,074,108)
Foreign currency options						
– Inflows	706	4,237	7,539	2,028	–	14,510
– Outflows	(688)	(2,470)	(6,358)	(1,388)	–	(10,904)
	<u>(22,386)</u>	<u>152,680</u>	<u>(5,155)</u>	<u>24,970</u>	<u>–</u>	<u>150,109</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 31 December 2024

7. FINANCIAL RISK MANAGEMENT *(Continued)*LIQUIDITY RISK *(Continued)**Management of liquidity risk (Continued)*

The contractual amounts of the Group's commitments and contingencies unrecorded in the consolidated statement of financial position that commit them to extending credit to customers and other facilities and financial guarantees are set out in note 35 to the consolidated financial statements and summarised in the table below:

	As at 31 December 2024 HK\$'000	As at 31 December 2023 HK\$'000
Direct credit substitutes	3,034,108	1,385,947
Trade-related contingencies	790,795	1,445,144
Undrawn formal standby facilities, credit lines and other commitments excluding those that are unconditionally cancellable without prior notice	8,584,233	10,540,998
	<u>12,409,136</u>	<u>13,372,089</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 31 December 2024

7. FINANCIAL RISK MANAGEMENT *(Continued)*

LIQUIDITY RISK *(Continued)*

Sources of liquidity risk

Liquidity risk can arise from both sides of the on-balance sheet and the off-balance sheet transactions. The major sources of liquidity risk include the maturity mismatches between the Group's assets and liabilities, withdrawal of customers' deposits and drawing of loans by customers. The Group manages liquidity risk by conducting cash flow analysis arising from on- and off-balance sheet items over an appropriate set of time horizons under normal business conditions and stress scenarios on a daily and monthly basis respectively to identify liquidity needs.

The Group's liquidity risk management process also includes the use of liquidity metrics against which statutory and internal limits are set and observed, the design and implementation of early warning indicators ("EWIs") of which excesses should be reported, and the allocation of liquidity costs. The last line of defense is to ensure that the Group has funding capacity supported by good reputation and liquidity cushion.

The Group also measures and manages liquidity risk arising from off-balance sheet exposures and contingent funding obligations such as loan commitments, derivatives and contingent liabilities. Such exposures are subject to the limits set and are also factored into the Group's stress-testing. The Group does not engage in any transactions which give rise to the need of providing liquidity support.

Funding strategies

The Group has a strong capital base and stable customer deposits which form its main funding sources. Funding diversification is achieved internally through surveillance on large depositors and externally by maintaining its access to the interbank market, issuance of certificates of deposit, repurchase agreements and swap markets. The Bank takes into account the maturity profile of funding. The funding strategy is formulated by the ALCO and delivered to Treasury Division and different business lines to execute. All of these are parts of the Group's funding strategy. To manage the funding diversification, a set of concentration indicators and EWIs is in place.

The Group's branches outside Hong Kong are mainly self-funded through acquiring customer deposits and maintaining its access to the local interbank market. Nevertheless, it is the Group's policy that the Head Office is to support their liquidity needs when necessary. The funding to branches outside Hong Kong is subject to pre-set limits so as to encourage them to source their own funding in the local markets.

Liquidity risk mitigation techniques

In order to address and mitigate market liquidity risk, the Group maintains a sufficient portfolio of liquidity cushion which can be sold or used as collateral to provide liquidity even under periods of stress. The Group deploys funds in good credit quality debt securities with deep and liquid markets to ensure short term funding requirements can be covered within prudent limits. The Group periodically obtains liquidity from a proportion of the liquidity cushion through secured borrowing to test the usability of these assets. Liquidity sources and contingency funding plan are maintained to identify early warning indicators of stress conditions, provide strategic liquidity to meet unexpected and material cash outflows and to describe remedial actions to be taken under crisis scenarios.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 31 December 2024

7. FINANCIAL RISK MANAGEMENT *(Continued)***LIQUIDITY RISK** *(Continued)***Liquidity risk mitigation techniques** *(Continued)*

The eligible assets as liquidity cushion are mainly debt securities which are unencumbered, low risk, simple structure and traded in active and sizable market with low volatility. Structured products and concentrated positions are not allowed in order to ensure the ease and certainty of valuation. For the liquidity cushion as a whole, there is an appropriate mix of eligible assets to ensure a high degree of diversification by limiting the exposure to each single credit. The liquidity cushion also contains a significant proportion of government issued debt securities with 0% risk-weight for credit risk to minimise risks.

The size of the liquidity cushion should be sufficient for the Group to meet its intraday payment obligations and to cover the day-to-day liquidity needs under both normal and stress market conditions. The Group is not subject to particular collateral arrangements or requirements in contracts if there is a credit rating downgrade of entities within the Group.

The table below shows the estimated value (nominal amount before assumed haircuts) of the liquid assets used for the purposes of liquidity cushion.

Internal Categorisation	Basic Criteria	At 31 December 2024 HK\$'000	At 31 December 2023 HK\$'000
Tier 1	Debt Securities issued by sovereigns or central banks with 0% risk-weight	10,106,041	12,151,282
Tier 2	Other investment grade debt securities	12,214,125	16,584,863

The Group's liquidity framework defines the liquidity cushion that can be assessed locally as high quality and realisable within one month. The ALCO reviews the size and composition of the liquidity cushion in accordance with the Liquidity Risk Management Policy.

Stress-testing

The Group supplements the analysis of various types of risks with stress-testing. Stress-testing is a risk management tool for estimating risk exposures under stress conditions arising from extreme but plausible market or macroeconomic movements. Finance and Capital Management Division performs stress-testing on a monthly basis in accordance with the principles stated in the Supervisory Policy Manual ("SPM") LM-2 and IC-5, and when necessary, may carry out special stress-testing in accordance with regulatory requirements and changes in the external operating environment. The stress-test results are regularly reviewed by the ALCO, the RMC and the EXCO, and approved by the RC.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 31 December 2024

7. FINANCIAL RISK MANAGEMENT *(Continued)*

LIQUIDITY RISK *(Continued)*

Stress-testing (Continued)

In performing the stress-testing on liquidity risk, the Group adopts the cash flow analysis which has taken into consideration of various macroscopic and microscopic factors in line with the characteristics and complexity of the Group's businesses. Both on- and off-balance sheet items with applicable hypothetical, historical and behavioural assumptions are considered to address both funding and market liquidity risks. Three stress scenarios, namely the institution-specific crisis, the general market crisis and the combined crisis are adopted with minimum survival periods defined according to SPM LM-2. With reference to the stress-testing results, the Group identifies potential vulnerabilities on its liquidity position under stress market conditions and formulates the contingency funding plan that sets out remedial actions for dealing with liquidity problems (e.g. conducting repo transactions or liquidation of assets held for liquidity risk management purpose).

The Group also performs reverse stress-testing in accordance with SPM IC-5. Reverse stress-testing is an iterative process assisting the Group to identify and assess extreme stress scenarios that can cause business failures (e.g. breaches of regulatory capital ratios, illiquidity and severe negative profitability). It is a process of working backwards from the event causing business failures and involves a mix of qualitative and quantitative analyses. The Group uses results of reverse stress-testing to strengthen resilience to liquidity stress and serve as early-warning triggers for the formulation of management actions and contingency funding plan to mitigate potential stresses and vulnerabilities which the Group might face.

Contingency funding plan

The Group distinguishes between different stages of a liquidity crisis that the Group may face, namely: Funding Stress, Liquidity Drain and Bank Run. The escalation is to reflect the worsening liquidity conditions. This includes the liquidity shortfalls estimated from stress-testing performed.

The Group's Contingency Funding Plan, details the Group's immediate action in order to react to emergency. It covers three major components: (1) Predefined conditions to activate the plan; (2) The Group's strategy and potential funding options to deal with different crisis scenarios; and (3) Practical action plans and procedures with clear responsibilities of management and its supporting teams. The ALCO would take charge during liquidity crisis to ensure business continuity of the Group.

The Contingency Funding Plan is reviewed and updated at least annually to cope with required changes and improvements.

To ensure the Contingency Funding Plan remains practical and effective, drill test is conducted by the Group on an annual basis.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 31 December 2024

7. FINANCIAL RISK MANAGEMENT (Continued)

LIQUIDITY RISK (Continued)

Analysis of assets and liabilities by remaining maturity

The maturity analysis of assets and liabilities shown on the consolidated statement of financial position, based on the remaining period at the end of the reporting period to the contractual maturity date is shown below:

	Repayable on demand HK\$'000	Repayable within 1 month HK\$'000	Repayable after 1 month but within 3 months HK\$'000	Repayable after 3 months but within 1 year HK\$'000	Repayable after 1 year but within 5 years HK\$'000	Repayable after 5 years HK\$'000	Undated HK\$'000	Total HK\$'000
At 31 December 2024								
Assets								
Cash and balances and placements with banks	14,339,077	64,130,640	12,730,132	1,649,864	-	-	-	92,849,713
Derivative financial instruments	-	794,539	428,022	628,133	271,326	10,967	-	2,132,987
Financial assets at fair value through profit or loss	-	2,299,671	317,442	1,012,289	393,733	17,166	578	4,040,879
Financial assets measured at FVOCI	-	9,528,187	3,727,117	15,198,904	21,071,812	1,533,692	898,083	51,957,795
Financial assets measured at amortised cost	-	62,989	285,653	1,000,891	245,642	2,000	-	1,597,175
Advances and other accounts	4,723,772	14,075,398	15,733,166	52,428,720	51,615,366	25,089,255	3,162,538	166,828,215
Total financial assets	19,062,849	90,891,424	33,221,532	71,918,801	73,597,879	26,653,080	4,061,199	319,406,764
Non-financial assets	-	-	-	-	-	-	2,457,368	2,457,368
Total assets	19,062,849	90,891,424	33,221,532	71,918,801	73,597,879	26,653,080	6,518,567	321,864,132
Liabilities								
Deposits and balances with banks and other financial institutions	23,818	14,082,557	2,809,096	528,700	-	-	-	17,444,171
Deposits from customers	65,501,963	53,355,931	80,717,147	26,876,744	20,692,291	-	-	247,144,076
Certificates of deposit	-	931,564	1,655,220	2,507,687	-	-	-	5,094,471
Derivative financial instruments	-	344,564	251,000	524,595	102,178	9,924	-	1,232,261
Loan capital	-	-	-	-	-	5,958,446	-	5,958,446
Lease liabilities	-	13,092	24,998	102,334	304,366	16,802	-	461,592
Other financial liabilities	1,596,544	469,719	929,286	829,164	639,023	500	425,366	4,889,602
Total financial liabilities	67,122,325	69,197,427	86,386,747	31,369,224	21,737,858	5,985,672	425,366	282,224,619
Non-financial liabilities	-	-	-	-	-	-	445,427	445,427
Total liabilities	67,122,325	69,197,427	86,386,747	31,369,224	21,737,858	5,985,672	870,793	282,670,046
Net position – total financial assets and liabilities	(48,059,476)	21,693,997	(53,165,215)	40,549,577	51,860,021	20,667,408	3,635,833	37,182,145
of which debt securities included in:								
FVOCI	-	9,528,187	3,727,117	15,198,904	21,071,812	1,533,692	-	51,059,712
Amortised cost	-	62,989	285,653	1,000,891	245,642	2,000	-	1,597,175
	-	9,591,176	4,012,770	16,199,795	21,317,454	1,535,692	-	52,656,887

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 31 December 2024

7. FINANCIAL RISK MANAGEMENT *(Continued)*

LIQUIDITY RISK *(Continued)*

Analysis of assets and liabilities by remaining maturity *(Continued)*

	Repayable on demand HK\$'000	Repayable within 1 month HK\$'000	Repayable after 1 month but within 3 months HK\$'000	Repayable after 3 months but within 1 year HK\$'000	Repayable after 1 year but within 5 years HK\$'000	Repayable after 5 years HK\$'000	Undated HK\$'000	Total HK\$'000
At 31 December 2023								
Assets								
Cash and balances and placements with banks	9,565,199	47,050,589	8,560,466	332,377	-	-	-	65,508,631
Derivative financial instruments	47,076	352,537	234,973	331,987	403,397	35,484	-	1,405,454
Financial assets at fair value through profit or loss	-	1,690,608	-	88,459	1,614,656	-	-	3,393,723
Financial assets measured at FVOCI	-	11,741,148	12,296,678	17,306,661	18,805,769	1,156,453	821,116	62,127,825
Financial assets measured at amortised cost	-	477,693	363,528	1,745,165	1,181,962	2,000	-	3,770,348
Advances and other accounts	2,661,254	8,835,660	16,213,051	44,241,154	58,464,006	33,503,989	3,299,070	167,218,184
Total financial assets	12,273,529	70,148,235	37,668,696	64,045,803	80,469,790	34,697,926	4,120,186	303,424,165
Non-financial assets	-	-	-	-	-	-	2,619,579	2,619,579
Total assets	12,273,529	70,148,235	37,668,696	64,045,803	80,469,790	34,697,926	6,739,765	306,043,744
Liabilities								
Deposits and balances with banks and other financial institutions	791	8,482,672	6,309,073	1,753,440	-	-	-	16,545,976
Deposits from customers	71,368,754	55,613,810	73,221,429	26,886,026	12,191,388	-	-	239,281,407
Certificates of deposit	-	336,202	51,213	-	-	-	-	387,415
Derivative financial instruments	-	372,670	118,884	268,174	147,219	12,958	-	919,905
Loan capital	-	-	-	-	-	3,384,753	-	3,384,753
Lease liabilities	-	14,920	26,495	111,081	384,229	22,103	-	558,828
Other financial liabilities	929,597	788,078	1,809,276	421,446	114,275	27,292	245,883	4,335,847
Total financial liabilities	72,299,142	65,608,352	81,536,370	29,440,167	12,837,111	3,447,106	245,883	265,414,131
Non-financial liabilities	-	-	-	-	-	-	356,190	356,190
Total liabilities	72,299,142	65,608,352	81,536,370	29,440,167	12,837,111	3,447,106	602,073	265,770,321
Net position – total financial assets and financial liabilities	(60,025,613)	4,539,883	(43,867,674)	34,605,636	67,632,679	31,250,820	3,874,303	38,010,034
of which debt securities included in:								
FVOCI	-	11,741,148	12,296,678	17,306,661	18,805,769	1,156,453	-	61,306,709
Amortised cost	-	477,693	363,528	1,745,165	1,181,962	2,000	-	3,770,348
	-	12,218,841	12,660,206	19,051,826	19,987,731	1,158,453	-	65,077,057

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7. FINANCIAL RISK MANAGEMENT *(Continued)*

FAIR VALUE OF FINANCIAL ASSETS AND FINANCIAL LIABILITIES

Except as detailed in the following tables, the directors of the Group consider that the carrying amounts of financial assets and financial liabilities recorded at amortised cost in the consolidated financial statements approximate their fair values.

	Carrying amount		Fair value	
	2024 HK\$'000	2023 HK\$'000	2024 HK\$'000	2023 HK\$'000
Financial assets				
Investments in securities	<u>1,597,175</u>	<u>3,770,348</u>	<u>1,612,620</u>	<u>3,789,412</u>
Financial liabilities				
Loan capital	<u>5,958,446</u>	<u>3,384,753</u>	<u>6,116,646</u>	<u>3,422,635</u>

The following tables give information about financial assets and financial liabilities which are not measured at fair values at the end of each reporting period, but for which the fair values are disclosed.

	Level 1 HK\$'000	Level 2 HK\$'000	Level 3 HK\$'000	Total HK\$'000
At 31 December 2024				
Investments in securities	1,612,620	–	–	1,612,620
Loan capital	–	6,116,646	–	6,116,646
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
At 31 December 2023				
Investments in securities	3,789,412	–	–	3,789,412
Loan capital	–	3,422,635	–	3,422,635
	<u> </u>	<u> </u>	<u> </u>	<u> </u>

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for the year ended 31 December 2024

7. FINANCIAL RISK MANAGEMENT *(Continued)*

FAIR VALUE OF FINANCIAL ASSETS AND FINANCIAL LIABILITIES *(Continued)*

Please refer to next section for the definition of fair value hierarchy.

The fair values of listed equity securities are determined with reference to quoted market bid prices from relevant stock exchanges.

The fair values of unlisted equity securities have been estimated using a market-based valuation technique based on assumptions that are not supported by observable market prices or rates. The valuation requires the management to determine comparable listed companies and to calculate appropriate price multiples. These multiples include i) the average of enterprise value to earnings before interest, taxes, depreciation and amortisation ("EV/EBITDA") multiple, ii) the average price to earnings ("P/E") multiple and iii) the average price to book ("P/B") multiple. The multiples are calculated by dividing the enterprise value of the comparable company by the relevant measures. The multiples are then discounted for considerations such as illiquidity based on company-specific facts and circumstances. The discounted multiple are applied to the corresponding measures of the unlisted equity investments to measure their fair values.

The fair values of other securities are measured with reference to quoted market prices of the underlying fund investments, which are observable at the end of the reporting period.

The fair values of debt securities and loan capital are determined based on prices obtained from pricing service providers. In addition, the Group makes comparison with the prices from other pricing service or indicative prices provided by dealers or brokers and with the values calculated using valuation models such as discounted cash flows method to the indicative prices of the debt securities. The key inputs used in the valuation models are the interest rate data, which are observable at the end of the reporting period. The objective of valuation models is to arrive at a fair value estimation that reflects the price of the financial instrument at the reporting date, which would have been determined by market participants acting at arm's length.

The fair values of trade bills classified as FVOCI are measured by the present value of future cash flows estimated and discounted based on the applicable yield curves derived from quoted interest rates, which are observable at the end of the reporting period.

The fair values of foreign currency forward contracts are measured by comparing the contracted forward rates and the quoted forward exchange rates, which are observable at the end of the reporting period.

The fair values of interest rate swaps and cross-currency interest rate swaps are measured by the present value of future cash flows estimated and discounted based on the applicable yield curves derived from quoted interest rates, which are observable at the end of the reporting period.

The fair values of foreign currency option contracts are measured by option pricing model with reference to the contractual exercise rates, the quoted forward exchange rates and the market volatilities, which are observable at the end of the reporting period.

The Group uses valuation techniques 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. There were no changes in the Group's valuation techniques during the year.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 31 December 2024

7. FINANCIAL RISK MANAGEMENT *(Continued)*

FAIR VALUE MEASUREMENTS RECOGNISED IN THE CONSOLIDATED STATEMENT OF FINANCIAL POSITION

The Group measures its investment properties, derivative financial instruments and Investment in securities (other than those measured at amortised cost) 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 at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either in the principal market for the asset or liability, or in the absence of a principal market, in the most advantageous market for the asset or liability. The principal or the most advantageous market must be accessible by the Group. 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.

All assets and liabilities for which fair value is measured or disclosed in the consolidated financial statements are categorised within the fair value hierarchy, described as follows, 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
- 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
- Level 3 – based on valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

For assets and liabilities that are recognised in the consolidated 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 31 December 2024

7. FINANCIAL RISK MANAGEMENT *(Continued)*

FAIR VALUE MEASUREMENTS RECOGNISED IN THE CONSOLIDATED STATEMENT OF FINANCIAL POSITION *(Continued)*

The following tables give information about the fair value hierarchy of the Group's financial assets and financial liabilities at the end of each reporting periods.

	Fair value hierarchy			
	Level 1 HK\$'000	Level 2 HK\$'000	Level 3 HK\$'000	Total HK\$'000
At 31 December 2024				
Financial assets measured at fair value through profit or loss				
Debt securities	1,278,428	–	–	1,278,428
Other securities	–	2,762,451	–	2,762,451
Financial assets measured at FVOCI				
Equity securities	22,469	–	875,614	898,083
Debt securities	48,384,176	2,675,536	–	51,059,712
Trade bills	–	430,993	–	430,993
Deposits with banks measured at fair value through profit or loss	–	(1,029,876)	–	(1,029,876)
Derivative financial assets not used for hedging	–	1,901,446	–	1,901,446
Derivative financial assets used for hedging	–	231,541	–	231,541
Derivative financial liabilities not used for hedging	–	(1,210,279)	–	(1,210,279)
Derivative financial liabilities used for hedging	–	(21,982)	–	(21,982)
Total	49,685,073	5,739,830	875,614	56,300,517
At 31 December 2023				
Financial assets measured at fair value through profit or loss				
Debt securities	2,072,530	–	–	2,072,530
Other securities	–	1,321,193	–	1,321,193
Financial assets measured at FVOCI				
Equity securities	30,538	–	790,578	821,116
Debt securities	49,531,217	11,775,492	–	61,306,709
Trade bills	–	2,707,761	–	2,707,761
Derivative financial assets not used for hedging	–	1,034,438	–	1,034,438
Derivative financial assets used for hedging	–	371,016	–	371,016
Derivative financial liabilities not used for hedging	–	(890,002)	–	(890,002)
Derivative financial liabilities used for hedging	–	(29,903)	–	(29,903)
Net assets attributable to holders of non-controlling interests in consolidated investment funds included in other accounts and accruals	–	(25,124)	–	(25,124)
Total	51,634,285	16,264,871	790,578	68,689,734

There were no transfers between Levels 1, 2 and 3 during 2024 and 2023.

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for the year ended 31 December 2024

7. FINANCIAL RISK MANAGEMENT *(Continued)*FAIR VALUE MEASUREMENTS RECOGNISED IN THE CONSOLIDATED STATEMENT OF FINANCIAL POSITION *(Continued)*

Reconciliation of Level 3 fair value measurements of financial assets

	Financial assets measured at FVOCI HK\$'000
Balance at 1 January 2023	176,303
Net fair value gain recognised in other comprehensive income	618,277
Exchange difference	(4,002)
Balance at 31 December 2023 and 1 January 2024	790,578
Net fair value gain recognised in other comprehensive income	111,383
Exchange difference	(26,347)
Balance at 31 December 2024	875,614

The majority of the Group's investments are valued based on quoted market information or observable market data.

The significant unobservable inputs and their range applied in the fair values measurement of the Group's Level 3 financial assets measured at FVOCI include price/earnings ratios of the appropriate comparables of 7.16x – 34.93x (2023: 6.55x – 37.83x), price/book values ratios of the appropriate comparables of 0.35x – 2.12x (2023: 0.39x – 4.11x), enterprise multiples of appropriate comparables of 3.00x – 5.90x (2023: 3.90x – 6.28x) and liquidity discount of 30%. The fair value is positively correlated to the price/earnings ratios, price/book values ratios and enterprise multiples of appropriate comparables and is negatively correlated to the liquidity discount used in the average of price/earnings ratios, price/book values ratios and enterprise multiples of comparables.

Had the significant unobservable inputs applied on the valuation techniques favourably changed/unfavourably changed by 5% (2023: 5%), the Group's other comprehensive income would have increased by HK\$63,193,000 and decreased by HK\$61,326,000 respectively (2023: increased by HK\$56,381,000 and decreased by HK\$54,751,000 respectively).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 31 December 2024

8. FINANCIAL ASSETS AND FINANCIAL LIABILITIES SUBJECT TO OFFSETTING, ENFORCEABLE MASTER NETTING ARRANGEMENTS AND SIMILAR AGREEMENTS

The disclosures set out in the tables below include financial assets and financial liabilities that:

- are offset in the Group's statements of financial position; or
- are subject to an enforceable master netting arrangement or similar agreement that covers similar financial instruments, irrespective of whether they are offset in the consolidated statement of financial position.

The Group entered into ISDA Master Agreements and Global Master Repurchase Agreements ("GMRA") for derivatives and sale and repurchase agreements.

The Group's derivative transactions that are not transacted on an exchange are entered into under ISDA Master Agreements. The Group's sale and repurchase transactions are covered by GMRA with netting terms similar to those of ISDA Master Agreements. The ISDA Master Agreements and GMRA do not meet the criteria for offsetting in the consolidated statement of financial position. However, they create a right of set off of different contracts that is enforceable only following an event of default, insolvency and bankruptcy of the Group or the counterparties. In such circumstances, all outstanding contracts under the agreements are terminated, the termination value is assessed and only a single net amount is due or payable in settlement of all contracts.

In addition, the Group received and pledged collateral in the form of cash in respect of its derivative transactions and sale and repurchase agreements. Such collateral is subject to the standard industry terms of ISDA Credit Support Annex or GMRA. Collateral received or pledged must be returned on maturity of the transactions.

Under the agreement of Continuous Net Settlement made between the Group and Hong Kong Securities Clearing Company Limited ("HKSCC"), money obligations receivable and payable with HKSCC on the same settlement date are settled on net basis.

The Group has a legally enforceable right to set off the trades receivable and payable with brokerage clients that are due to be settled on the same date and the Group intends to settle these balances on a net basis.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 31 December 2024

8. FINANCIAL ASSETS AND FINANCIAL LIABILITIES SUBJECT TO OFFSETTING, ENFORCEABLE MASTER NETTING ARRANGEMENTS AND SIMILAR AGREEMENTS *(Continued)*

	Gross amounts of recognised financial liabilities offset in the consolidated statement of financial position		Net amounts of financial assets presented in the consolidated statement of financial position	Related amounts not offset in the consolidated statement of financial position		
Types of financial assets	Gross amounts of recognised financial assets HK\$'000	consolidated statement of financial position HK\$'000	consolidated statement of financial position HK\$'000	Financial instruments HK\$'000	Cash collateral received HK\$'000 (Note)	Net amounts HK\$'000
At 31 December 2024						
Derivative financial instruments	2,091,566	-	2,091,566	(747,568)	(870,558)	473,440
Advances to other financial institutions	1,603,018	-	1,603,018	(1,603,018)	-	-
Amounts due from HKSCC and brokerage clients	471,629	(225,832)	245,797	-	-	245,797
Total	4,166,213	(225,832)	3,940,381	(2,350,586)	(870,558)	719,237

	Gross amounts of recognised financial assets offset in the consolidated statement of financial position		Net amounts of financial liabilities presented in the consolidated statement of financial position	Related amounts not offset in the consolidated statement of financial position		
Types of financial liabilities	Gross amounts of recognised financial liabilities HK\$'000	consolidated statement of financial position HK\$'000	consolidated statement of financial position HK\$'000	Financial instruments HK\$'000	Cash collateral pledged HK\$'000 (Note)	Net amounts HK\$'000
At 31 December 2024						
Derivative financial instruments	1,131,399	-	1,131,399	(747,568)	(272,497)	111,334
Balances with banks and other financial institutions	6,620,718	-	6,620,718	(6,620,718)	-	-
Amounts due to HKSCC and brokerage clients	397,675	(225,832)	171,843	-	-	171,843
Total	8,149,792	(225,832)	7,923,960	(7,368,286)	(272,497)	283,177

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for the year ended 31 December 2024

8. FINANCIAL ASSETS AND FINANCIAL LIABILITIES SUBJECT TO OFFSETTING, ENFORCEABLE MASTER NETTING ARRANGEMENTS AND SIMILAR AGREEMENTS *(Continued)*

Types of financial assets	Gross amounts of recognised financial liabilities offset in the consolidated statement of financial position	Gross amounts of recognised financial assets offset in the consolidated statement of financial position	Net amounts of financial assets presented in the consolidated statement of financial position	Related amounts not offset in the consolidated statement of financial position		Net amounts
	Financial instruments	Cash collateral received				
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000 (Note)	
At 31 December 2023						
Derivative financial instruments	1,395,124	-	1,395,124	(550,462)	(424,517)	420,145
Advances to other financial institutions	1,266,256	-	1,266,256	(1,266,256)	-	-
Amounts due from HKSCC and brokerage clients	284,913	(97,438)	187,475	-	-	187,475
Total	2,946,293	(97,438)	2,848,855	(1,816,718)	(424,517)	607,620

Types of financial liabilities	Gross amounts of recognised financial assets offset in the consolidated statement of financial position	Gross amounts of recognised financial liabilities offset in the consolidated statement of financial position	Net amounts of financial liabilities presented in the consolidated statement of financial position	Related amounts not offset in the consolidated statement of financial position		Net amounts
	Financial instruments	Cash collateral pledged				
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000 (Note)	
At 31 December 2023						
Derivative financial instruments	836,412	-	836,412	(550,462)	(189,188)	96,762
Balances with banks and other financial institutions	5,291,052	-	5,291,052	(5,291,052)	-	-
Amounts due to HKSCC and brokerage clients	215,835	(97,438)	118,397	-	-	118,397
Total	6,343,299	(97,438)	6,245,861	(5,841,514)	(189,188)	215,159

Note: The cash collateral received/pledged as of 31 December 2024 and 31 December 2023 represent its fair value.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 31 December 2024

8. FINANCIAL ASSETS AND FINANCIAL LIABILITIES SUBJECT TO OFFSETTING, ENFORCEABLE MASTER NETTING ARRANGEMENTS AND SIMILAR AGREEMENTS *(Continued)*

The gross amounts of financial assets and financial liabilities and their net amounts as presented in the consolidated statement of financial position that are disclosed in the above tables are measured on the following basis:

- derivative financial instruments – fair value;
- advances to other financial institutions – amortised cost;
- balances with banks and other financial institutions – amortised cost; and
- amounts due from or due to HKSCC and brokerage clients – amortised cost.

The amounts which have been offset against the related recognised financial assets and financial liabilities in the Group's statements of financial position or subject to enforceable master netting arrangements or similar agreements are measured on the same basis as the recognised financial assets and financial liabilities.

The tables below reconcile the net amounts of financial assets and financial liabilities presented in the Group's statements of financial position, as set out above, to the line items presented in the Group's statements of financial position.

Types of financial assets	2024 HK\$'000	2023 HK\$'000
Derivative financial instruments as stated above	2,091,566	1,395,124
Derivative financial instruments not in scope of offsetting disclosures	41,421	10,330
Total derivative financial instruments stated in note 18	2,132,987	1,405,454
Advances to other financial institutions as stated above	1,603,018	1,266,256
Total advances to other financial institutions stated in note 21	1,603,018	1,266,256
Amount due from HKSCC and brokerage clients as stated above	245,797	187,475
Other accounts not in scope of offsetting disclosures	4,064,779	4,019,440
Total other accounts stated in note 21	4,310,576	4,206,915

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 31 December 2024

8. FINANCIAL ASSETS AND FINANCIAL LIABILITIES SUBJECT TO OFFSETTING, ENFORCEABLE MASTER NETTING ARRANGEMENTS AND SIMILAR AGREEMENTS *(Continued)*

Types of financial liabilities	2024 HK\$'000	2023 HK\$'000
Derivative financial instruments as stated above	1,131,399	836,412
Derivative financial instruments not in scope of offsetting disclosures	100,862	83,493
Total derivative financial instruments stated in note 18	1,232,261	919,905
Balances with banks and other financial institutions as stated above	6,620,718	5,291,052
Balances with banks and other financial institutions not in scope of offsetting disclosures	–	337,325
Total balances with banks and other financial institutions stated in note 26	6,620,718	5,628,377
Amounts due to HKSCC and brokerage clients as stated above and included in other accounts	171,843	118,397
Other accounts and accruals not in scope of offsetting disclosures	5,448,462	5,036,294
Total other accounts and accruals as stated in note 34	5,620,305	5,154,691

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 31 December 2024

9. NET INTEREST INCOME

	2024 HK\$'000	2023 HK\$'000
Interest income		
Balances and placements with banks and advances to other financial institutions	2,664,191	1,771,734
Investments in securities	1,910,896	2,250,140
Loans and advances	8,097,300	8,553,504
	<u>12,672,387</u>	<u>12,575,378</u>
Interest expense		
Deposits and balances with banks and other financial institutions	(298,626)	(415,747)
Deposits from customers	(7,256,471)	(6,997,754)
Certificates of deposit	(54,786)	(49,540)
Loan capital	(199,820)	(104,755)
Lease liabilities	(24,487)	(22,815)
Other (Note)	(2,088)	(5,459)
	<u>(7,836,278)</u>	<u>(7,596,070)</u>
Net interest income	<u>4,836,109</u>	<u>4,979,308</u>
Included within interest income		
Interest income on impaired loans and advances	<u>239,817</u>	<u>169,959</u>

Included within interest income and interest expense are HK\$12,672,387,000 (2023: HK\$12,575,378,000) and HK\$7,836,278,000 (2023: HK\$7,596,070,000) earned and incurred from financial assets and financial liabilities that are not recognised at fair value through profit or loss, respectively.

Included within interest income is HK\$1,910,896,000 (2023: HK\$2,250,140,000) earned from investments in debt securities that are measured at amortised cost or at fair value through other comprehensive income.

Note: Details of other are as follows:

	2024 HK\$'000	2023 HK\$'000
Insurance finance expenses for insurance contracts held	(2,453)	(6,536)
Reinsurance finance income for reinsurance contracts held	365	1,077
Net insurance financial result	<u>(2,088)</u>	<u>(5,459)</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 31 December 2024

10. NET FEE AND COMMISSION INCOME

	2024 HK\$'000	2023 HK\$'000
Fee and commission income		
Securities dealings and futures broking	90,100	79,795
Loans, overdrafts and guarantees	97,729	109,448
Trade finance	11,029	7,925
Credit card services	96,919	102,427
Agency services	109,784	73,438
Others	25,192	14,290
Total fee and commission income	430,753	387,323
Less: fee and commission expenses	(99,664)	(97,447)
Net fee and commission income	331,089	289,876
of which:		
Net fee and commission income, (other than amounts included in determining the effective interest rate), arising from financial assets and financial liabilities that are not at fair value through profit or loss		
– Fee income	116,224	122,031
– Fee expenses	(3,911)	(1,245)
	112,313	120,786

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 31 December 2024

11. NET INCOME FROM TRADING AND INVESTMENTS

	2024 HK\$'000	2023 HK\$'000
Foreign exchange gains, net	489,999	407,111
Net gains on financial instruments mandatory classified at fair value through profit or loss	172,889	103,918
Net gains on financial instruments designated at fair value through profit or loss	69,670	18
Net gains (losses) on fair value hedge:		
– Net gains on hedged items attributable to the hedged risk	120,754	240,745
– Net (losses) on hedging instruments	(118,525)	(230,422)
Net gains on disposal of FVOCI debt securities	17,045	30,856
	<u>751,832</u>	<u>552,226</u>

“Foreign exchange gains, net” includes net gains and losses from translation of foreign currency monetary assets and liabilities amounting to losses of HK\$1,233,650,000 (2023: losses of HK\$623,446,000).

The Group entered into foreign exchange swaps for its liquidity management and funding activities. It involves swapping a currency (“original currency”) into another currency (“swap currency”) at the spot exchange rate for short-term placement and simultaneously entering into a forward contract to convert the funds back to the original currency on maturity of the placement. The exchange difference between the spot and forward contracts as well as the corresponding interest differential between the funds in the original currency and swap currency are recognised as “Foreign exchange gains, net”.

Net gains on disposal of the FVOCI debt securities were included in the net income from trading and investments of the Group which form part of the business operation.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 31 December 2024

12. OTHER OPERATING INCOME

	2024 HK\$'000	2023 HK\$'000
Dividend income		
– Listed investments	1,986	2,044
– Unlisted investments	8,172	16,733
	10,158	18,777
Gross rents from investment properties	7,865	7,625
Less: Outgoings	(107)	(430)
Net rental income	7,758	7,195
Net gain on disposal of financial instruments measured at amortised cost	67	–
Safe deposit box rentals	54,867	54,816
Insurance service result (<i>Note</i>)	20,556	21,493
Other banking services income	59,392	75,970
Others	2,134	3,215
	<u>154,932</u>	<u>181,466</u>

Note: Details of insurance service result are as follows:

	2024 HK\$'000	2023 HK\$'000
Insurance revenue	42,516	42,020
Insurance service expenses	(12,789)	(10,352)
Net expenses from reinsurance contracts held	(9,171)	(10,175)
Insurance service result	<u>20,556</u>	<u>21,493</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 31 December 2024

13. OPERATING EXPENSES

	2024 HK\$'000	2023 HK\$'000
Auditor's remuneration		
– Audit services	7,652	8,093
– Non-audit services	373	344
Total auditor's remuneration	8,025	8,437
Staff costs (including directors' emoluments)		
– Salaries and other costs	1,202,205	1,169,713
– Retirement benefits scheme contributions	77,927	74,215
Total staff costs	1,280,132	1,243,928
Depreciation		
– Property and equipment	81,931	85,466
– Right-of-use assets	152,881	166,410
	234,812	251,876
Amortisation of intangible assets	68,509	57,675
Premises and equipment expenses, excluding depreciation		
– Government rent and rates for premises	6,492	7,826
– Expenses relating to short-term leases	49	49
– Expenses relating to leases of low-value assets	71	71
– Others	7,359	6,859
	13,971	14,805
Other operating expenses	410,599	353,310
	<u>2,016,048</u>	<u>1,930,031</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 31 December 2024

14. NET IMPAIRMENT LOSSES ON FINANCIAL ASSETS

	2024 HK\$'000	2023 HK\$'000
Loans and advances to customers	2,301,842	2,499,796
Investments in securities	(18,472)	(30,966)
Loan commitments and financial guarantee contracts	77,581	(8,893)
Other financial assets	4,541	(5,811)
	<u>2,365,492</u>	<u>2,454,126</u>

Other financial assets include balances and placements with banks and other receivables.

15. TAXATION

	2024 HK\$'000	2023 HK\$'000
The tax charge comprises:		
Hong Kong profits tax		
– Current year	123,331	91,311
– Under (over) provision in prior years	7,154	(13,971)
Overseas tax		
– Current year	35,177	115,903
– Under (over) provision in prior years	9,414	(9,020)
Deferred tax (<i>Note 32</i>)		
– Current year	(46,252)	(58,119)
	<u>128,824</u>	<u>126,104</u>

Hong Kong profits tax is calculated at 16.5% (2023: 16.5%) of the estimated assessable profit for the year.

Taxation arising in other jurisdictions is calculated at the rates prevailing in the relevant jurisdictions.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 31 December 2024

15. TAXATION *(Continued)*

The tax charge for the year can be reconciled to the Group's profit before taxation in the consolidated income statement as follows:

	2024 HK\$'000	2023 HK\$'000
Profit before taxation	1,719,839	1,567,874
Tax at the domestic income tax rate of 16.5% (2023: 16.5%)	283,773	258,699
Tax effect of share of (profit) losses of associates	(10,057)	7,095
Tax effect of expenses not deductible	41,939	53,163
Tax effect of income not taxable	(157,921)	(136,923)
Adjustment in respect of distribution paid on additional equity instruments	(50,685)	(50,681)
Under (over) provision in prior years	16,568	(22,991)
Effect of different tax rates of subsidiaries and branches operating in other jurisdictions	8,193	25,818
Utilisation of tax loss previously not recognised	(2,986)	(8,076)
Tax charge for the year	128,824	126,104
Effective tax rate	7.49%	8.04%

Since the Pillar Two legislation was not effective at the reporting date in the jurisdiction which the Bank is incorporated, the Group has no related current tax exposure or applied exception to recognising and disclosing information about deferred tax assets and liabilities related to Pillar Two income taxes. The Group is in the process of assessing its exposure to the Pillar Two legislation for when it comes into effect.

16. DIVIDENDS

	2024 HK\$'000	2023 HK\$'000
Dividends recognised as distribution to ordinary shareholders during the year:		
Interim	160,000	180,000
Final	150,000	130,000
	310,000	310,000

Subsequent to the end of the reporting period, final dividend of HK\$210,000,000, in respect of the current financial year (2023: HK\$150,000,000) has been recommended by the Board.

At the Board meeting on 2 September 2024, the Board declared a total amount of interim dividend of HK\$160,000,000 (2023: HK\$180,000,000). The interim dividend was paid on 18 December 2024.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 31 December 2024

17. CASH AND BALANCES AND PLACEMENTS WITH BANKS

	2024 HK\$'000	2023 HK\$'000
Cash and balances with central bank and banks	17,012,425	13,327,885
Placements with banks		
– With original maturity within three months	71,265,666	51,006,753
– With original maturity over three months	4,609,605	1,203,161
	75,875,271	52,209,914
Less: Impairment allowances under stage 1	(37,983)	(29,168)
	92,849,713	65,508,631

Included in the “Cash and balances with central bank and banks” are surplus reserve deposits placed with the People’s Bank of China by the Mainland branches of HK\$461,572,000 (2023: HK\$2,321,896,000).

Placements with banks as of 31 December 2024 and 31 December 2023 are maturing between one and twelve months.

As of 31 December 2024, the gross carrying amount, including accrued interest, of placements with banks amounted to HK\$76,098,492,000 (2023: HK\$52,367,045,000).

18. DERIVATIVE FINANCIAL INSTRUMENTS

	2024			2023		
	Notional amount HK\$'000	Fair value Assets HK\$'000	Liabilities HK\$'000	Notional amount HK\$'000	Fair value Assets HK\$'000	Liabilities HK\$'000
Derivatives held for trading						
– Foreign currency forward contracts and swaps	413,744,727	1,757,637	1,069,191	275,605,285	787,330	667,033
– Foreign currency options	244,381,363	18,893	10,693	544,981,551	47,077	39,725
– Interest rate swaps	152,692,507	123,938	130,386	100,683,122	200,031	183,244
– Futures	1,087,562	978	9	–	–	–
Derivatives designated as hedging instruments						
– Interest rate swaps	8,917,623	231,541	21,982	12,625,914	371,016	29,903
		2,132,987	1,232,261		1,405,454	919,905

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18. DERIVATIVE FINANCIAL INSTRUMENTS *(Continued)*

As of 31 December 2024, all foreign currency forward contracts and swaps have settlement dates within 4 years (2023: 5 years) from the end of the reporting period.

The remaining maturity of foreign currency options have settlement dates within 2 years (2023: 2 year) from the end of the reporting period.

The remaining maturity of interest rate swaps held for trading is within 7 years (2023: within 8 years).

FAIR VALUE HEDGE OF FIXED-RATE BONDS

The Group designates certain interest rate swaps to hedge against fair value change of FVOCI and amortised cost debt securities with carrying amount of HK\$6,305,282,000 (2023: HK\$9,598,817,000) and HK\$546,665,000 (2023: HK\$936,996,000) as of 31 December 2024 respectively. The purpose is to minimise its exposure to fair value changes of its fixed-rate bonds by swapping these fixed-rate bonds from fixed rates to floating rates. The interest rate swaps and the corresponding fixed-rate bonds have the same terms. The management of the Group considers that the interest rate swaps are highly effective hedging instruments. The remaining maturity of these interest rate swaps and debt securities ranged from 2 months to 6 years (2023: 1 month to 7 years).

During the year ended 31 December 2024, the above fair value hedges were effective in hedging the fair value exposures to interest rate movements and as a result, both the gains in fair value of the bonds of HK\$120,754,000 (2023: gains of HK\$240,745,000) and losses in fair value of the interest rate swaps of HK\$118,525,000 (2023: losses of HK\$230,422,000) were included in the consolidated income statement.

HEDGE INEFFECTIVENESS

In hedge of interest income of fixed rate bond, ineffectiveness may arise if the timing of cash flows of hedged items and hedging instruments are different, or if the interest rate curves applied to discount the hedged items and hedging instruments are different, or if there are changes in the counterparties' credit risk on the fair values of hedging instruments or hedged items.

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19. INVESTMENTS IN SECURITIES

	Financial assets mandatorily measured at fair value through profit or loss HK\$'000	Financial assets at FVOCI HK\$'000	Financial assets at amortised cost HK\$'000	Total HK\$'000
2024				
Equity securities:				
Listed in Hong Kong	-	22,469	-	22,469
Unlisted	-	875,614	-	875,614
	<u>-</u>	<u>898,083</u>	<u>-</u>	<u>898,083</u>
Debt securities:				
Certificates of deposits	-	7,098,563	-	7,098,563
Other debt securities	1,278,428	43,961,149	1,597,175	46,836,752
	<u>1,278,428</u>	<u>51,059,712</u>	<u>1,597,175</u>	<u>53,935,315</u>
Other securities:				
Unlisted	2,762,451	-	-	2,762,451
	<u>2,762,451</u>	<u>-</u>	<u>-</u>	<u>2,762,451</u>
Total:				
Listed in Hong Kong	-	5,352,939	9,653	5,362,592
Listed overseas	1,106,080	32,531,393	1,587,251	35,224,724
Unlisted	2,934,799	14,073,463	271	17,008,533
	<u>4,040,879</u>	<u>51,957,795</u>	<u>1,597,175</u>	<u>57,595,849</u>

As of 31 December 2024, the gross carrying amount, including accrued interest, of investment in securities measured at amortised cost amounted to HK\$1,604,769,000 (2023: HK\$3,798,095,000).

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19. INVESTMENTS IN SECURITIES *(Continued)*

	Financial assets mandatorily measured at fair value through profit or loss HK\$'000	Financial assets at FVOCI HK\$'000	Financial assets at amortised cost HK\$'000	Total HK\$'000
2023				
Equity securities:				
Listed in Hong Kong	–	28,406	–	28,406
Listed overseas	–	2,132	–	2,132
Unlisted	–	790,578	–	790,578
	<u>–</u>	<u>821,116</u>	<u>–</u>	<u>821,116</u>
Debt securities:				
Certificates of deposits	–	7,321,343	–	7,321,343
Other debt securities	2,072,530	53,985,366	3,770,348	59,828,244
	<u>2,072,530</u>	<u>61,306,709</u>	<u>3,770,348</u>	<u>67,149,587</u>
Other securities:				
Unlisted	1,321,193	–	–	1,321,193
	<u>1,321,193</u>	<u>–</u>	<u>–</u>	<u>1,321,193</u>
Total:				
Listed in Hong Kong	–	4,807,949	721,452	5,529,401
Listed overseas	2,072,530	31,440,655	2,309,254	35,822,439
Unlisted	1,321,193	25,879,221	739,642	27,940,056
	<u>3,393,723</u>	<u>62,127,825</u>	<u>3,770,348</u>	<u>69,291,896</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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19. INVESTMENTS IN SECURITIES *(Continued)*

INVESTMENTS IN EQUITY INSTRUMENTS DESIGNATED AT FVOCI

The Group has designated at FVOCI investments in a portfolio of equity securities as follows:

	Instruments held as of 31 December 2024		Instruments disposed during the year ended 31 December 2024		
	Fair value	Dividend	Fair value	Cumulative	Dividend
	HK\$'000	recognised HK\$'000	on date of disposal HK\$'000	gains on disposal HK\$'000	recognised HK\$'000
Type of equity instrument					
– business facilitation	875,614	8,172	–	–	–
– other	22,469	1,986	6,588	2,926	284
	<u>898,083</u>	<u>10,158</u>	<u>6,588</u>	<u>2,926</u>	<u>284</u>

	Instruments held as of 31 December 2023		Instruments disposed during the year ended 31 December 2023		
	Fair value	Dividend	Fair value	Cumulative	Dividend
	HK\$'000	recognised HK\$'000	on date of disposal HK\$'000	gains on disposal HK\$'000	recognised HK\$'000
Type of equity instrument					
– business facilitation	790,578	16,733	–	–	–
– other	30,538	2,044	–	–	–
	<u>821,116</u>	<u>18,777</u>	<u>–</u>	<u>–</u>	<u>–</u>

The Group chose this presentation alternative because the investments were made for strategic purposes rather than with a view to profit on a subsequent sale, and there are no plans to dispose of these investments in the short or medium term.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 31 December 2024

20. TRANSFER OF FINANCIAL ASSETS

The following were the Group's financial assets classified as FVOCI as of 31 December 2024 and 31 December 2023 that were transferred to an entity with terms to repurchase these financial assets at agreed dates and prices. As the Group has retained substantially all the risks and rewards relating to these financial assets, the full carrying amount of these financial assets continued to be recognised. The cash received on the transfer was reported as liabilities under "Deposits and balances with banks and other financial institutions" (see note 26). The transferred financial assets serve as collateral to secure these liabilities. During the covered period, the legal titles of the financial assets are transferred to the counterparty entity and there is no restriction for the counterparty entity to sell or repledge the collateral. These financial assets are measured at fair value in the consolidated statement of financial position.

	2024		2023	
	Carrying amount of transferred assets measured at FVOCI HK\$'000	Carrying amount of associated liabilities HK\$'000	Carrying amount of transferred assets measured at FVOCI HK\$'000	Carrying amount of associated liabilities HK\$'000
Repurchase agreements	<u>3,189,045</u>	<u>3,028,730</u>	<u>3,117,803</u>	<u>2,934,731</u>

Other than amounts stated in above, balances with banks and other financial institutions amounted to HK\$3,591,988,000 (2023: HK\$2,693,646,000) are pledged by securities and trade bills of HK\$3,882,702,000 (2023: HK\$2,624,577,000).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 31 December 2024

21. ADVANCES AND OTHER ACCOUNTS

	2024 HK\$'000	2023 HK\$'000
Advances to customers	160,308,817	159,185,531
Trade bills measured at		
– amortised cost	510,580	272,329
– FVOCI	430,993	2,707,761
	941,573	2,980,090
	161,250,390	162,165,621
Advances to other financial institutions (<i>Note 1</i>)	1,603,018	1,266,256
Interest receivable	2,330,944	1,926,831
Impairment allowances		
– Stage 1	(538,403)	(528,717)
– Stage 2	(200,033)	(238,665)
– Stage 3	(1,889,043)	(1,547,488)
	(2,627,479)	(2,314,870)
	162,556,873	163,043,838
Other accounts		
– Deposit placed as mandatory reserve fund (<i>Note 2</i>)	3,089,527	3,075,825
– Initial and variation margin (<i>Note 3</i>)	630,591	564,246
– Others (<i>Note 4</i>)	590,458	566,844
	4,310,576	4,206,915
	166,867,449	167,250,753

Note 1: Details and fair value of collateral accepted as securities are set out in Note 7 to the consolidated financial statements.

Note 2: Balance mainly represented mandatory reserve deposits placed by Mainland Branches with the People's Bank of China which is not available for the Group's daily operation.

Note 3: Balance mainly represented deposits placed in banks as initial and variation margin for certain interest margin, foreign currency forward contracts and repurchase agreements.

Note 4: As of 31 December 2024, balance included reinsurance contract assets of HK\$9,652,000 (2023: HK\$9,078,000).

As of 31 December 2024, the gross carrying amount, including accrued interest, of advances to customers and advances to other financial institutions amounted to HK\$161,651,562,000 and HK\$1,603,574,000 (2023: HK\$162,698,089,000 and HK\$1,266,836,000) respectively.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 31 December 2024

21. ADVANCES AND OTHER ACCOUNTS *(Continued)*

Details of the impaired loans are as follows:

	2024 HK\$'000	2023 HK\$'000
Gross impaired loans	5,119,072	4,667,546
Less: Impairment allowances	(1,889,043)	(1,547,488)
Net impaired loans	3,230,029	3,120,058
Gross impaired loans as a percentage of gross advances	3.14%	2.86%
Market value of collateral pledged	2,016,686	985,443

Details of the non-performing loans are as follows:

	2024 HK\$'000	2023 HK\$'000
Gross non-performing loans <i>(Note)</i>	4,625,841	4,567,596
Less: Impairment allowances	(1,789,072)	(1,547,488)
Net non-performing loans	2,836,769	3,020,108
Gross non-performing loans as a percentage of gross advances	2.84%	2.79%
Market value of collateral pledged	1,372,063	715,571

Note: Non-performing loans represent advances which are either classified as "substandard", "doubtful" or "loss" under the Group's loan classification.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 31 December 2024

22. SUBSIDIARIES

Name of company	Place of incorporation and kind of legal entity	Issued share capital	Percentage of issued share capital held by the Group	Principal activities and place of operation
Chong Hing Commodities and Futures Limited	Hong Kong, limited liability company	HK\$5,000,000	100%	Investment holding and commodities and futures broking in Hong Kong
Chong Hing Finance Limited	Hong Kong, limited liability company	HK\$25,000,000	100%	Deposit-taking and lending in Hong Kong
Chong Hing Information Technology Limited	Hong Kong, limited liability company	HK\$100,000	100%	Provision of electronic data processing services in Hong Kong
Chong Hing Insurance Brokers Limited	Hong Kong, limited liability company	HK\$4,000,000	100%	Insurance broking in Hong Kong
Chong Hing Insurance Company Limited	Hong Kong, limited liability company	HK\$85,000,000	100%	Insurance underwriting in Hong Kong
Chong Hing (Nominees) Limited	Hong Kong, limited liability company	HK\$100,000	100%	Provision of nominee services in Hong Kong
Chong Hing Securities Limited	Hong Kong, limited liability company	HK\$10,000,000	100%	Stockbroking in Hong Kong
Gallbraith Limited	Hong Kong, limited liability company	HK\$16,550,000	100%	Property investment in Mainland China
Hero Marker Limited	Hong Kong, limited liability company	HK\$100,000	100%	Property investment in Hong Kong
Top Benefit Enterprise Limited	Hong Kong, limited liability company	HK\$4,100,000	100%	Property investment in Hong Kong

None of the subsidiaries had any debt securities subsisting at the end of the year or at any time during the year.

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23. INTERESTS IN ASSOCIATES

	2024 HK\$'000	2023 HK\$'000
Share of post-acquisition profit and other comprehensive income net of dividends received	406,871	372,868

The directors consider the Group has significant influence over these entities.

As of 31 December 2024 and 31 December 2023, the Group had interests in the following associates:

	Place of incorporation and operation	Class of share held	Ownership interest	Proportion of voting power	Nature of business
Bank Consortium Holding Limited	Hong Kong	Ordinary	13.3%	14.3%	Investment holding and provision of trustee, administration and custodian services for retirement schemes
BC Reinsurance Limited	Hong Kong	Ordinary	21.0%	21.0%	Reinsurance
Hong Kong Life Insurance Limited	Hong Kong	Ordinary	16.7%	16.7%	Life insurance underwriting

The Group is able to exercise significant influence over all of these entities because it has the power to appoint one out of six to one out of eight directors of these companies.

All of these associates are accounted for using the equity method in these consolidated financial statements.

The summarised financial information below represent the aggregate amount of the Group's share of its interests in associates which are not individually material:

	2024 HK\$'000	2023 HK\$'000
Other comprehensive income	2,234	–
Profit (losses) after tax	60,949	(43,003)
Total comprehensive income	63,183	(43,003)

There are no significant restrictions on the ability of the associates to transfer funds to the Group in the form of cash dividends, except for Hong Kong Life Insurance Limited ("HKLI") and BC Reinsurance Limited ("BC Re"). Effective from 1 July 2024, HKLI and BC Re have to maintain a capital base of not less than the prescribed capital amount which is determined in accordance with the Hong Kong Insurance Ordinance Insurance (Valuation and Capital) Rules. These regulatory requirements may trigger restrictions on fund transfer of HKLI and BC Re.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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24. INVESTMENT PROPERTIES

	2024 HK\$'000	2023 HK\$'000
At 1 January	312,436	319,764
Transfer from land and buildings	134,410	–
Net losses on fair value recognised in the profit or loss	(33,148)	(5,570)
Exchange adjustments	(2,074)	(1,758)
At 31 December	411,624	312,436

All of the Group's property interests held under operating leases to earn rentals and/or for capital appreciation purposes are measured using the fair value model and are classified and accounted for as investment properties.

Investment properties owned by the Group were revalued at 31 December 2024 and 31 December 2023 by Vigers Appraisal and Consulting Limited, independent professional qualified valuer. The fair value of investment properties is determined by adopting the direct comparison approach and income approach. Under direct comparison approach, the fair value is determined by reference to actual sales transactions of comparable properties with similar character and location. Under income approach, the fair value is determined by reference to the value of income, cash flow or cost savings generated by the assets.

The fair value of investment properties is estimated based on assumptions that there would be no forced sale situation in any manner for these investment properties and the structure of these investment properties were in a reasonable condition at the end of the reporting period.

In estimating the fair value of the properties, the highest and best use of the properties is their current use.

Investment properties are classified as Level 3 under fair value hierarchy as of 31 December 2024 and 31 December 2023. There were no transfers into or out of Level 3 during the years ended 31 December 2024 and 2023.

The significant unobservable inputs and their range used for the fair value measurement of the Group's investment properties classified as Level 3 are market yield of 3.3%-4.0% (2023: 2.6%-2.7%) and property unit selling rate of HK\$2,901-HK\$47,290 per square feet (2023: HK\$3,329-HK\$49,180 per square feet). The higher the property unit selling rate and the lower the market yield, the higher the fair value.

During the year, the Group transferred lands and buildings amounting HK\$134,410,000 to investment properties.

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24. INVESTMENT PROPERTIES *(Continued)*

The carrying amount of investment properties of the Group comprises:

	2024 HK\$'000	2023 HK\$'000
Leasehold properties		
Held in Hong Kong on long-term lease (over 50 years unexpired)	161,690	165,710
Held in Hong Kong on medium-term lease (10–50 years unexpired)	193,680	86,890
Held outside Hong Kong on medium-term lease (10–50 years unexpired)	56,254	59,836
	<u>411,624</u>	<u>312,436</u>

LEASING ARRANGEMENTS

The Group leases out investment property under operating leases. Lease payments are usually increased after the end of current leases to reflect market rentals.

Undiscounted minimum lease payments receivable on leases of properties are as follows:

	2024 HK\$'000	2023 HK\$'000
Within 1 year	6,269	5,053
After 1 year but within 2 years	5,096	2,622
After 2 years but within 5 years	2,702	2,816
Over 5 years	–	633
	<u>14,067</u>	<u>11,124</u>

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25. PROPERTY AND EQUIPMENT

	Leasehold land HK\$'000	Buildings HK\$'000	Right-of- use assets HK\$'000	Equipment HK\$'000	Total HK\$'000
COST					
At 1 January 2024	345,020	133,140	1,207,519	1,001,261	2,686,940
Additions	–	–	66,439	47,146	113,585
Disposals	–	–	(64,365)	(7,706)	(72,071)
Transfer to investment properties	(24,928)	(7,499)	–	–	(32,427)
Exchange adjustments	–	(1,068)	(10,875)	(10,234)	(22,177)
At 31 December 2024	320,092	124,573	1,198,718	1,030,467	2,673,850
ACCUMULATED DEPRECIATION					
At 1 January 2024	130,162	50,254	665,637	796,093	1,642,146
Depreciation	7,832	3,412	152,881	70,687	234,812
Eliminated on disposals	–	–	(63,060)	(7,198)	(70,258)
Transfer to investment properties	(9,991)	(3,774)	–	–	(13,765)
Exchange adjustments	–	(169)	(4,916)	(7,404)	(12,489)
At 31 December 2024	128,003	49,723	750,542	852,178	1,780,446
CARRYING AMOUNTS					
At 31 December 2024	192,089	74,850	448,176	178,289	893,404
At 1 January 2024	214,858	82,886	541,882	205,168	1,044,794

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25. PROPERTY AND EQUIPMENT *(Continued)*

	Leasehold land HK\$'000	Buildings HK\$'000	Right-of- use assets HK\$'000	Equipment HK\$'000	Total HK\$'000
COST					
At 1 January 2023	345,020	134,076	946,008	1,003,300	2,428,404
Additions	–	–	300,682	27,143	327,825
Disposals	–	–	(30,926)	(21,150)	(52,076)
Exchange adjustments	–	(936)	(8,245)	(8,032)	(17,213)
At 31 December 2023	345,020	133,140	1,207,519	1,001,261	2,686,940
ACCUMULATED DEPRECIATION					
At 1 January 2023	122,330	46,960	530,417	746,015	1,445,722
Depreciation	7,832	3,430	166,410	74,204	251,876
Eliminated on disposals	–	–	(28,715)	(18,787)	(47,502)
Exchange adjustments	–	(136)	(2,475)	(5,339)	(7,950)
At 31 December 2023	130,162	50,254	665,637	796,093	1,642,146
CARRYING AMOUNTS					
At 31 December 2023	214,858	82,886	541,882	205,168	1,044,794
At 1 January 2023	222,690	87,116	415,591	257,285	982,682

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25. PROPERTY AND EQUIPMENT *(Continued)*

The carrying amounts of leasehold land shown above comprise:

	2024 HK\$'000	2023 HK\$'000
Leasehold land in Hong Kong:		
Held on long-term lease (over 50 years unexpired)	23,743	26,127
Held on medium-term lease (10–50 years unexpired)	167,687	188,044
Leasehold land outside Hong Kong:		
Held on medium-term lease (10–50 years unexpired)	659	687
	<u>192,089</u>	<u>214,858</u>

The carrying amounts of buildings shown above comprise:

	2024 HK\$'000	2023 HK\$'000
Held in Hong Kong on long-term lease (over 50 years unexpired)	3,828	4,069
Held in Hong Kong on medium-term lease (10–50 years unexpired)	47,834	53,885
Held outside Hong Kong on medium-term lease (10–50 years unexpired)	23,188	24,932
	<u>74,850</u>	<u>82,886</u>

For both years, the Group leases various offices and branches for its operations.

The lease agreements do not impose any covenants other than the security interests in the leased assets that are held by the lessor.

Lease contracts are entered into for fixed term of 2 to 5 years (2023: 2 to 6 years), but may have extension options of 1 to 5 years (2023: 1 to 5 years) for 3 lease contracts (2023: 4). Lease terms are negotiated on an individual basis and contain different terms and conditions. In determining the lease term and assessing the length of the non-cancellable period, the Group applies the definition of a contract and determines the period for which the contract is enforceable.

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26. DEPOSITS AND BALANCES WITH BANKS AND OTHER FINANCIAL INSTITUTIONS

	2024			2023		
	Measured at amortised cost HK\$'000	Measured at fair value through profit or loss HK\$'000	Total HK\$'000	Measured at amortised cost HK\$'000	Measured at fair value through profit or loss HK\$'000	Total HK\$'000
Deposits with banks (<i>note 1</i>)	9,793,577	1,029,876	10,823,453	10,917,599	-	10,917,599
Balances with banks and other financial institutions	3,591,988	-	3,591,988	2,693,646	-	2,693,646
Repurchase agreements (<i>note 2</i>)	3,028,730	-	3,028,730	2,934,731	-	2,934,731
	6,620,718	-	6,620,718	5,628,377	-	5,628,377
	<u>16,414,295</u>	<u>1,029,876</u>	<u>17,444,171</u>	<u>16,545,976</u>	<u>-</u>	<u>16,545,976</u>

As of 31 December 2024, the gross carrying amount, including accrued interest, of deposits with banks, balances with banks and other financial institutions and repurchase agreements amounted to HK\$9,840,960,000 and HK\$6,639,525,000 respectively (2023: HK\$10,967,390,000 and HK\$5,646,165,000 respectively).

Note 1: Included in deposits with banks are financial liabilities designated at fair value through profit or loss of HK\$1,029,876,000 (2023: HK\$Nil) in order to eliminate or significantly reduce an accounting mismatch. As of 31 December 2024, the difference between the carrying amount of financial liabilities designated at fair value through profit or loss and the amount that the Group would be contractually required to pay at maturity to the holders was not significant.

Note 2: For details of assets transferred, please refer to note 20.

27. DEPOSITS FROM CUSTOMERS

	2024 HK\$'000	2023 HK\$'000
Deposits from customers		
– Demand deposits and current accounts	16,241,621	15,959,805
– Saving deposits	42,987,622	46,740,490
– Time, call and notice deposits	187,914,833	176,581,112
	<u>247,144,076</u>	<u>239,281,407</u>

As of 31 December 2024, the gross carrying amount, including accrued interest, of deposits from customers amounted to HK\$248,777,612,000 (2023: HK\$241,279,164,000).

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28. CERTIFICATES OF DEPOSIT

	2024 HK\$'000	2023 HK\$'000
Certificates of deposit, measured at amortised cost	5,094,471	387,415

As of 31 December 2024, the gross carrying amount, including accrued interest, of certificates of deposit amounted to HK\$5,102,285,000 (2023: HK\$387,657,000).

29. LOAN CAPITAL

	2024 HK\$'000	2023 HK\$'000
Subordinated notes, at amortised cost US\$224 million fixed rate subordinated note due 2032 (<i>Notes (a) & (d)</i>)	1,738,237	1,746,559
Subordinated notes, at amortised cost RMB1.5 billion fixed rate subordinated note due 2033 (<i>Notes (b) & (d)</i>)	1,581,369	1,638,194
Subordinated notes, at amortised cost RMB2.5 billion fixed rate subordinated note due 2034 (<i>Notes (c) & (d)</i>)	2,638,840	–
	5,958,446	3,384,753

As of 31 December 2024, the gross carrying amount, including accrued interest, of loan capital amounted to HK\$5,994,964,000 (2023: HK\$3,421,655,000).

Notes:

- (a) This represented the subordinated notes qualifying as Tier 2 capital under Basel III accord with face value of US\$224,000,000 issued on 27 July 2022 (the "Existing Notes"). The Existing Notes are 10-year non-call 5-year fixed rate notes, with a fixed coupon rate of 4.900% per annum, payable semi-annually for the first five years; the interest rate will be reset on 27 July 2027.
- (b) This represented the subordinated notes qualifying as Tier 2 capital under Basel III accord with face value of RMB1,500,000,000 issued on 28 September 2023 (the "New Notes"). The New Notes are 10-year non-call 5-year fixed rate notes, with a fixed coupon rate of 4.20% per annum, payable annually.
- (c) This represented the subordinated notes qualifying as Tier 2 capital under Basel III accord with face value of RMB2,500,000,000 issued on 11 June 2024. The notes are 10-year non-call 5-year fixed rate, with a fixed coupon rate of 2.93% per annum, payable annually.
- (d) The subordinated notes issued are not secured by any collateral.

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29. LOAN CAPITAL *(Continued)*

ANALYSIS OF CHANGES IN FINANCING CASH FLOW OF LOAN CAPITAL DURING THE YEAR

	2024 HK\$'000	2023 HK\$'000
At 1 January	3,384,753	1,746,101
Changes from financing cash flows:		
Net proceeds from issue of loan capital	2,691,500	1,606,500
Interest paid on loan capital	(157,532)	(85,380)
	5,918,721	3,267,221
Exchange adjustments	(117,807)	12,777
Other changes		
Interest expense	199,820	104,755
Other non-cash movements	(42,288)	–
Total other changes	157,532	104,755
At 31 December	5,958,446	3,384,753

30. SHARE CAPITAL

	2024		2023	
	Number of shares	Share capital HK\$'000	Number of shares	Share capital HK\$'000
Ordinary shares, issued and fully paid:				
At 1 January	972,862,225	20,030,884	972,862,222	17,030,884
Share issued as a result of capital injection <i>(Note (a))</i>	1	1,000,000	3	3,000,000
At 31 December	972,862,226	21,030,884	972,862,225	20,030,884

Note:

- (a) The Bank issued 1 ordinary share on 26 June 2024 to the immediate holding company of the Bank at the subscription price of HK\$1,000,000,000, as a result of capital injection. Such share is fully paid.

The Bank issued 1 ordinary share each on 28 June 2023, 27 September 2023 and 15 December 2023 to the immediate holding company of the Bank at the subscription price of HK\$1,000,000,000 each, as a result of capital injection. Such shares are fully paid.

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31. ADDITIONAL EQUITY INSTRUMENTS

	2024 HK\$'000	2023 HK\$'000
Additional Tier 1 Capital Securities		
US\$400 million undated non-cumulative subordinated capital securities (<i>Note (a)</i>)	–	3,111,315
US\$300 million undated non-cumulative subordinated capital securities (<i>Note (b)</i>)	2,316,681	2,316,681
	2,316,681	5,427,996

Notes:

- (a) On 15 July 2019, the Bank issued undated non-cumulative subordinated Additional Tier 1 Capital Securities with a face value of US\$400 million (equivalent to HK\$3,115,315,000 net of related issuance costs). The Additional Tier 1 Capital Securities are undated and bear a 5.700% coupon until the first call date on 15 July 2024. The coupon will be reset every five years if the Additional Tier 1 Capital Securities are not redeemed to a fixed rate equivalent to the then-prevailing five-year US Treasury rate plus 3.858% per annum.

The coupon is payable semi-annually. The Bank has the right to cancel coupon payment (subject to the requirement as set out in the terms and conditions of the Additional Tier 1 Capital Securities) 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 Tier 1 Capital Securities will be written off up to the amount as directed or agreed with the HKMA if the HKMA notifies the Bank that in the opinion of the HKMA, the Bank would become non-viable if there is no written off of the principal.

The Bank redeemed the Additional Tier 1 Capital Securities in full on 12 July 2024. Upon completion of the redemption, the Additional Tier 1 Capital Securities were cancelled.

- (b) On 3 August 2020, the Bank issued undated non-cumulative subordinated Additional Tier 1 Capital Securities with a face value of US\$300 million (equivalent to HK\$2,316,681,000 net of related issuance costs). The Additional Tier 1 Capital Securities are undated and bear a 5.500% coupon until the first call date on 3 August 2025. The coupon will be reset every five years if the Additional Tier 1 Capital Securities are not redeemed to a fixed rate equivalent to the then-prevailing five-year US Treasury rate plus 5.237% per annum.

The coupon is payable semi-annually. The Bank has the right to cancel coupon payment (subject to the requirement as set out in the terms and conditions of the Additional Tier 1 Capital Securities) 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 Tier 1 Capital Securities will be written off up to the amount as directed or agreed with the HKMA if the HKMA notifies the Bank that in the opinion of the HKMA, the Bank would become non-viable if there is no written off of the principal.

32. DEFERRED TAXATION

For the purpose of presentation in the consolidated statement of financial position, certain deferred tax assets and liabilities have been offset. The following is the analysis of the deferred tax balances for financial reporting purposes:

	2024 HK\$'000	2023 HK\$'000
Deferred tax assets	5,028	1,714
Deferred tax liabilities	(96,886)	(76,279)
	(91,858)	(74,565)

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32. DEFERRED TAXATION *(Continued)*

The following are the major deferred tax assets (liabilities) recognised and movements thereon during the current and prior reporting years:

	Accelerated tax depreciation HK\$'000	Impairment allowances HK\$'000	Investment properties HK\$'000	Revaluation of FVOCI securities HK\$'000	Remeasurement of retirement benefits HK\$'000	Total HK\$'000
At 1 January 2024	(125,295)	112,200	(24,481)	(30,499)	(6,490)	(74,565)
Credit (charge) to income statement for the year (<i>Note 15</i>)	45,838	273	141	-	-	46,252
Charge to other comprehensive income for the year	-	(6,343)	-	(58,057)	-	(64,400)
Exchange adjustments	-	-	855	-	-	855
At 31 December 2024	<u>(79,457)</u>	<u>106,130</u>	<u>(23,485)</u>	<u>(88,556)</u>	<u>(6,490)</u>	<u>(91,858)</u>
At 1 January 2023	(161,668)	104,136	(25,201)	26,583	(6,110)	(62,260)
Credit (charge) to income statement for the year (<i>Note 15</i>)	36,373	23,304	(1,558)	-	-	58,119
Charge to other comprehensive income for the year	-	(15,240)	-	(57,082)	(380)	(72,702)
Exchange adjustments	-	-	2,278	-	-	2,278
At 31 December 2023	<u>(125,295)</u>	<u>112,200</u>	<u>(24,481)</u>	<u>(30,499)</u>	<u>(6,490)</u>	<u>(74,565)</u>

As at 31 December 2024, the Group has unused tax losses arising in Hong Kong of approximately HK\$6,873,000 (2023: HK\$6,215,000) available indefinitely for offsetting against future taxable profits of the companies in which the losses arose. The Group also has unused tax losses arising in Macau of HK\$44,995,000 (2023: HK\$70,784,000), that will expire in one to three years for offsetting against future taxable profits. No deferred tax asset has been recognised due to the unpredictability of future profit streams.

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33. INTANGIBLE ASSETS

	Club Membership HK\$'000	Goodwill HK\$'000	Software HK\$'000	Internally developed software HK\$'000	Total HK\$'000
COST					
At 1 January 2024	14,090	110,606	17,572	862,786	1,005,054
Addition	–	–	18	–	18
Exchange adjustment	–	–	(618)	(2,484)	(3,102)
At 31 December 2024	<u>14,090</u>	<u>110,606</u>	<u>16,972</u>	<u>860,302</u>	<u>1,001,970</u>
ACCUMULATED AMORTISATION					
At 1 January 2024	–	–	5,897	170,509	176,406
Amortisation	–	–	1,470	67,039	68,509
Exchange adjustment	–	–	(465)	(815)	(1,280)
At 31 December 2024	<u>–</u>	<u>–</u>	<u>6,902</u>	<u>236,733</u>	<u>243,635</u>
ACCUMULATED IMPAIRMENT					
At 1 January and 31 December 2024	<u>–</u>	<u>71,000</u>	<u>–</u>	<u>–</u>	<u>71,000</u>
CARRYING AMOUNTS					
At 31 December 2024	<u>14,090</u>	<u>39,606</u>	<u>10,070</u>	<u>623,569</u>	<u>687,335</u>
At 1 January 2024	<u>14,090</u>	<u>39,606</u>	<u>11,675</u>	<u>692,277</u>	<u>757,648</u>
COST					
At 1 January 2023	14,090	110,606	14,825	865,157	1,004,678
Addition	–	–	3,189	–	3,189
Exchange adjustment	–	–	(442)	(2,371)	(2,813)
At 31 December 2023	<u>14,090</u>	<u>110,606</u>	<u>17,572</u>	<u>862,786</u>	<u>1,005,054</u>
ACCUMULATED AMORTISATION					
At 1 January 2023	–	–	4,912	114,503	119,415
Amortisation	–	–	1,132	56,543	57,675
Exchange adjustment	–	–	(147)	(537)	(684)
At 31 December 2023	<u>–</u>	<u>–</u>	<u>5,897</u>	<u>170,509</u>	<u>176,406</u>
ACCUMULATED IMPAIRMENT					
At 1 January and 31 December 2023	<u>–</u>	<u>71,000</u>	<u>–</u>	<u>–</u>	<u>71,000</u>
CARRYING AMOUNTS					
At 31 December 2023	<u>14,090</u>	<u>39,606</u>	<u>11,675</u>	<u>692,277</u>	<u>757,648</u>
At 1 January 2023	<u>14,090</u>	<u>39,606</u>	<u>9,913</u>	<u>750,654</u>	<u>814,263</u>

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for the year ended 31 December 2024

33. INTANGIBLE ASSETS *(Continued)*

The Group acquired 100% of issued share capital of Chong Hing Insurance Company Limited ("CHI"). The amount of goodwill arising as a result of acquisition was HK\$110,606,000.

For the year ended 31 December 2024, the management has reviewed goodwill for impairment testing purpose. The review comprised a comparison of the carrying amount and value in use of the acquired subsidiary (the smallest cash-generating unit) to which the goodwill has been allocated. The acquired subsidiary is involved in insurance business. Value in use is derived by discounting the expected future cash flows at 12% discount rate (2023: 12%). These calculations use cash flow projections based on financial budgets approved by management covering a three-year period with assumptions on an overall growth in gross written premium of 4% per annum during the fourth and fifth years (2023: 2% per annum during the first 5 years) and terminal growth rate on overall net profit of 2% (2023: 2%).

No impairment loss has been recognised in respect of goodwill for the year ended 31 December 2024 (2023: Nil), as the value in use exceeds the carrying amount.

The club membership represents the eligibility rights to certain clubs and have no foreseeable limit to the period over which the Group can use. As a result, the club membership is considered by the management of the Group as having an indefinite useful life. The club membership will not be amortised until its useful life are determined to be finite. Instead, they will be tested for impairment annually. No impairment is considered necessary as of 31 December 2024 and 31 December 2023.

34. OTHER ACCOUNTS AND ACCRUALS

	2024 HK\$'000	2023 HK\$'000
Accrued interest	2,660,522	2,667,437
Lease liabilities (<i>Note 1</i>)	461,592	558,828
Others (<i>Note 2</i>)	2,498,191	1,928,426
	<u>5,620,305</u>	<u>5,154,691</u>

Note 1:

TOTAL CASH OUTFLOW FOR LEASES

Amounts included in the consolidated statement of cash flows for leases comprises the following which could be presented in operating and financing cash flows:

	2024 HK\$'000	2023 HK\$'000
Payment of lease liabilities:		
Principal	159,179	158,503
Interest	23,360	22,815
Expenses relating to short-term leases	49	49
Expenses relating to leases of low-value assets	71	71
	<u>182,659</u>	<u>181,438</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 31 December 2024

34. OTHER ACCOUNTS AND ACCRUALS *(Continued)*

Note 2:

Other accounts and accruals include insurance contract liabilities with details as follows:

	2024 HK\$'000	2023 HK\$'000
At 1 January	82,594	101,203
Benefit paid	(13,335)	(17,753)
Claims incurred and movement in liabilities	7,750	(1,260)
At 31 December	77,009	82,190

35. CONTINGENT LIABILITIES AND COMMITMENTS

	2024 HK\$'000	2023 HK\$'000
Contingent liabilities and commitments – contractual amounts		
Direct credit substitutes	3,034,108	1,385,947
Transaction-related contingencies	948,905	883,849
Trade-related contingencies	790,795	1,445,144
Forward asset purchases	10,864	12,572
Forward forward deposits placed	–	780,870
Undrawn formal standby facilities, credit lines and other commitments		
Which are unconditionally cancellable without prior notice	60,666,430	61,089,018
With an original maturity of one year and under	611,200	506,972
With an original maturity of over one year	7,973,033	10,034,026
Lease commitments	176	164
	74,035,511	76,138,562

The credit risk-weighted amount of contingent liabilities and commitments is HK\$5,850,397,000 (2023: HK\$6,558,978,000).

The credit risk-weighted amount is calculated based on “standardised approach”. The risk-weights used in the computation of credit risk-weighted amounts range from 0% to 150% (2023: 0% to 150%) which is assessed in accordance with the Banking (Capital) Rules.

Direct credit substitutes include financial guarantees given by the Group.

Most of the contingent liabilities and commitments are denominated in Hong Kong dollars.

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for the year ended 31 December 2024

35. CONTINGENT LIABILITIES AND COMMITMENTS *(Continued)*

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

	2024 HK\$'000	2023 HK\$'000
Within one year	135	88
In the second to fifth years, inclusive	41	76
	<u>176</u>	<u>164</u>

Operating lease payments represent short-term and low-value lease payable by the Group for certain of its office properties.

Capital commitments outstanding at the end of the reporting period are as follows:

	2024 HK\$'000	2023 HK\$'000
Capital expenditure contracted for but not provided in the consolidated financial statements in respect of property and equipment	<u>10,864</u>	<u>12,572</u>

36. RETIREMENT BENEFITS SCHEME

At the beginning of the reporting period, the Group had two retirement schemes in operation including a defined benefit scheme (the "ORSO Scheme"), which was registered under the Occupational Retirement Scheme Ordinance in 1995, and a Mandatory Provident Fund Scheme (the "MPF Scheme") established under the Mandatory Provident Fund Ordinance in December 2000. Employees who were members of the ORSO Scheme in defined contribution segment prior to the establishment of the MPF Scheme could stay within the ORSO Scheme or switch to the MPF Scheme, whereas all new employees joining the Group on or after December 2000 are required to join the MPF Scheme. Most of the employees enrolled in the MPF Scheme in replacement of the ORSO Scheme (the "participating members"). The assets of the schemes are held separately from those of the Group, in funds under the control of trustees. Under the MPF Scheme, the employee contributes 5% of the relevant payroll to the MPF Scheme while the Group contributes from 5% to 10% of the relevant payroll to the MPF Scheme depending on the years of service completed.

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36. RETIREMENT BENEFITS SCHEME *(Continued)*

The Group operates the ORSO Scheme for qualifying employees. Under the ORSO Scheme, the employees are entitled to retirement benefits varying between 0 and 100 percent of total contributions on attainment of a retirement age of 60. Upon retirement, the employees are entitled to monthly pension until death varying between 0 and 100 percent of final salary depending on years of service completed at the time of retirement.

The trustees of the ORSO Scheme have resolved to terminate the ORSO Scheme on 20 March 2019. The ORSO Scheme has ceased operations and on the same date transferred all assets to Chong Hing Bank Limited – New Staff Retirement Benefits Scheme (the “New Scheme”) on 30 August 2019 with a new trustee appointed. The New Scheme mirrors the benefit provisions of the ORSO Scheme.

The most recent actuarial valuation of the defined benefit segment of the ORSO Scheme was carried out as of 31 December 2023 by the qualified actuaries of Towers Watson Hong Kong Limited. The actuarial valuation is carried out periodically, but at least triennially. The present value of the defined benefit obligation and the current service cost have been measured using the Projected Unit Credit method. At the date of the latest formal independent actuarial valuation made on 31 December 2023, the net retirement asset of the defined benefit segment was HK\$42,220,000 and included under advances and other accounts in the consolidated statement of financial position.

	2023 HK\$'000
Amounts recognised in the consolidated income statement in respect of the defined benefit plans are as follow:	
Interest cost on benefit obligation	(562)
Interest income on plan assets	2,060
Net interest income	1,498
Amount recognised in other comprehensive income in respect of the defined benefit plans is as follow:	
Difference between actual return on plan assets and interest, and actuarial losses	2,307

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for the year ended 31 December 2024

36. RETIREMENT BENEFITS SCHEME *(Continued)*

The amount included in the consolidated statement of financial position arising from the Group's defined benefit retirement benefit plan is as follows:

	2023 HK\$'000
Present value of defined benefit obligation	(9,337)
Fair value of plan assets	51,557
	42,220

Changes in the present value of the defined benefit obligation are as follow:

	2023 HK\$'000
Opening defined benefit obligation	15,036
Interest cost	562
Actuarial gain	(5,139)
Benefits paid	(1,122)
Closing defined benefit obligation	9,337

Changes in fair value of plan assets are as follow:

	2023 HK\$'000
Opening fair value of plan assets	53,451
Interest income	2,060
Return on plan assets	(2,832)
Benefits paid	(1,122)
Closing fair value of plan assets	51,557

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36. RETIREMENT BENEFITS SCHEME *(Continued)*

The major categories of plan assets as a percentage of the fair value of total plan assets are as follow:

	2023 %
Cash	5
Guaranteed fund	95

The fair value of the plan assets as of 31 December 2023 for each category, are as follow:

	2023 HK\$'000
Cash	3,140
Guaranteed fund	59,657
	<u>62,797</u>

The ORSO Scheme's defined benefit segment exposes the Group to the interest rate risk, longevity risk and price risk as of 31 December 2023.

INTEREST RATE RISK

The present value of the defined benefit plan liability is calculated using a discount rate determined by reference to the yields of the Hong Kong Government Exchange Fund Notes. A decrease in the discount rate would increase the plan liability.

LONGEVITY RISK

The present value of the defined benefit plan liability is calculated by reference to the best estimate of the mortality of qualifying employees both during and after their employment. An increase in the life expectancy of the qualifying employees will increase the plan's liability.

PRICE RISK

As stated above, 95% of the assets were invested into guaranteed fund as of 31 December 2023. Such high concentration may expose to the Group to price risk when the equity prices fluctuate.

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36. RETIREMENT BENEFITS SCHEME *(Continued)*PRICE RISK *(Continued)*

The significant assumptions used in determining the defined benefit obligations are shown below:

	2023 %
Discount rate (per annum)	0.8
Expected rate of pension increase (per annum)	0.0

The table below indicates the potential effect of change of the significant assumptions on the defined benefit obligation:

	2023 Change in assumption	
	+0.25% HK\$'000	-0.25% HK\$'000
Discount rate	175	182
	Age +1 year HK\$'000	Age -1 year HK\$'000
Pensioner mortality	(419)	419

As of 31 December 2023, the weighted average duration of the defined benefit obligation is approximately 7.7 years.

The costs for providing benefits to the members of the ORSO Scheme's defined benefit segment are funded by the Group. The contributions required by the Group to fund the costs are determined by periodic funding valuations in accordance with the Occupational Retirement Scheme Ordinance.

As of 31 December 2023, the Group is not required to contribute to the ORSO Scheme's defined benefit segment with respect to the members of the ORSO Scheme's defined benefit segment according to the results of the last statutory funding valuation of the ORSO Scheme's defined benefit segment as of 31 December 2023. The Group's contribution rate may be subject to change when the results of the next statutory funding valuation of the ORSO Scheme's defined benefit segment in every three years become available.

The Group is obligated to make long service payment to qualifying employees in Hong Kong with a minimum of five years' employment period upon retirement or termination of employment under certain circumstances, in accordance with the Hong Kong Employment Ordinance (the "Employment Ordinance"). Long service payment is calculated based on the last monthly salary of the employee and the number of employees' long service payment provisions under the Employment Ordinance permitting employers to offset employees' long service payment against the accrued benefits attributable to employer's contributions to the MPF Scheme. In 2022, the Employment and Retirement Schemes Legislation (Offsetting Arrangement) (Amendment) Bill 2022 (the "Amendment Bill") was enacted, such that the Group can no longer use accrued benefits arising from MPF mandatory employer contributions to offset employees' long service payment accrued as from the transition date (i.e., 1 May 2025). The enactment of the Amendment Bill is treated as a plan amendment. Except for the statutory right to offset as described above, the long service payment benefits are unfunded.

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37. RELATED PARTY TRANSACTIONS

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

	Interest, commission and rental income		Interest, rental and other operating expenses	
	2024 HK\$'000	2023 HK\$'000	2024 HK\$'000	2023 HK\$'000
Ultimate holding company	14	14	81,300	15,867
Intermediate holding company	32,277	7,919	59,281	25,862
Fellow subsidiaries	202,744	39,092	141,648	116,443
Associates	27,954	29,505	26,801	29,231
Key management personnel (<i>Note 1</i>)	1,229	428	3,722	3,171

During the year 2024, the Group had net trading income with intermediate holding company and fellow subsidiary of losses of HK\$26,008,000 (2023: gains of HK\$3,725,000).

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

	Amounts due from related parties		Amounts due to related parties	
	2024 HK\$'000	2023 HK\$'000	2024 HK\$'000	2023 HK\$'000
Ultimate holding company	–	–	1,592,881	–
Intermediate holding company	410,000	150,000	3,127,015	156,009
Fellow subsidiaries	6,960,562	2,717,379	6,234,838	8,678,849
Associates	–	–	145,989	69,796
Key management personnel (<i>Note 1</i>)	354,211	26,587	317,968	82,303

Note 1: Includes key management personnel, close family members of key management personnel and entities that are controlled or jointly controlled, directly or indirectly, by key management personnel.

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37. RELATED PARTY TRANSACTIONS *(Continued)*

The above outstanding balances bear interest at rates similar to those made available to non-related parties. A portion of the loans to related parties are secured with properties, securities and fixed deposits.

As of 31 December 2024, the Group held financial assets at FVOCI issued by fellow subsidiaries of HK\$1,098,125,000 (2023: HK\$241,874,000).

Amounts due from related parties are included under advances and other accounts in the consolidated statement of financial position.

Amounts due to related parties are included under deposits from customers in the consolidated statement of financial position.

COMPENSATION OF KEY MANAGEMENT PERSONNEL

The remuneration of directors and other members of the key management during the year was as follows:

	2024 HK\$'000	2023 HK\$'000
Short-term benefits	223,012	223,598
Post employment benefits	17,944	17,118
	<u>240,956</u>	<u>240,716</u>

The remuneration of directors and key management is reviewed by the Nomination and Remuneration Committee having regard to the performance of individuals and market trends.

As of 31 December 2024, the Group accrued a bonus for the Group's senior management and employees. The bonus pool was approved by the Nomination and Remuneration Committee on 10 March 2025. The Group has not completed the allocation of the bonus to individual senior management. The allocation of accrued bonus included under short-term benefits above represents the best estimate of management for the bonus to be distributed to key management personnel as of the date of approval of the financial statements.

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38. CAPITAL MANAGEMENT

The Group's policy is to maintain a strong capital base to support the development of the Group's business and to ensure compliance with the statutory capital adequacy ratio requirement, a requirement used to assess the capital adequacy of banks. Capital is allocated to the various activities of the Group depending on the risk taken by each business division. Where the subsidiaries or branches are directly regulated by other regulators, they are required to maintain capital according to the rules of those regulators.

The Group's objectives when managing capital are:

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

Capital adequacy and the use of regulatory capital are monitored regularly by the Group's management, employing techniques based on the Banking (Capital) Rules of the Hong Kong Banking Ordinance. The required information is filed with the HKMA on a quarterly basis.

The HKMA requires each bank or banking group to maintain a ratio of total regulatory capital to the risk-weighted asset (the capital adequacy ratio) at or above the minimum as stipulated in the Banking (Capital) Rules. In addition, branches outside Hong Kong of the Bank are also directly regulated and supervised by their local banking supervisors, which may differ from country to country. Subsidiaries of the Group are also subject to statutory capital requirements from other regulatory authorities, such as the Securities and Futures Commission and the Insurance Authority.

The capital adequacy ratios are computed on the consolidated basis, which includes the Bank and certain of its subsidiaries as specified by the HKMA for its regulatory purposes, and are in accordance with the Banking (Capital) Rules of the Hong Kong Banking Ordinance.

Throughout the years ended 31 December 2024 and 2023, the Bank has complied with the capital requirements imported by the HKMA. Additional information is disclosed in the Bank's Regulatory Disclosure.

The Group has established a capital planning process to assess the adequacy of its capital to support current and future activities and to set the Group's capital adequacy goals in relation to risk, taking into account its strategic focus and business plan. Key factors to consider in this process including additional capital required for future expansion, results of the stress test programme regularly conducted, dividend policy, income recognition and provisioning policies.

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39. STATEMENT OF FINANCIAL POSITION AND RESERVE MOVEMENT OF THE BANK

	2024 HK\$'000	2023 HK\$'000
Assets		
Cash and balances and placements with banks	92,846,165	65,501,080
Derivative financial instruments	2,132,987	1,405,454
Investments in securities	57,564,003	69,245,490
Advances and other accounts	166,592,237	167,024,988
Tax recoverables	13,571	93,428
Investments in subsidiaries	238,326	254,984
Amounts due from subsidiaries	176,823	180,436
Interests in associates	20,000	20,000
Investment properties	355,370	252,600
Property and equipment	737,796	883,012
Deferred tax assets	5,028	1,714
Intangible assets	647,729	718,042
Total assets	321,330,035	305,581,228
Liabilities		
Deposits and balances with banks and other financial institutions	17,444,171	16,545,976
Deposits from customers	247,260,317	239,392,549
Amounts due to subsidiaries	1,021,043	933,769
Derivative financial instruments	1,232,261	919,905
Other accounts and accruals	5,350,479	4,898,929
Current tax liabilities	77,161	19,498
Certificates of deposit	5,094,471	387,415
Loan capital	5,958,446	3,384,753
Deferred tax liabilities	76,752	53,793
Total liabilities	283,515,101	266,536,587
Equity attributable to owners of the Bank		
Share capital	21,030,884	20,030,884
Additional equity instruments	2,316,681	5,427,996
Reserves (Note (a))	14,467,369	13,585,761
Total equity	37,814,934	39,044,641
Total liabilities and equity	321,330,035	305,581,228

Approved and authorised for issue by the Board of Directors on 18 March 2025 and signed on its behalf by:

Li Feng
Chairman

Zong Jianxin
Executive Director, Deputy Chairman and Chief Executive

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 31 December 2024

39. STATEMENT OF FINANCIAL POSITION AND RESERVE MOVEMENT OF THE BANK *(Continued)*

Note [a]:

	Investment revaluation reserve HK\$'000	Land and building revaluation reserve HK\$'000	General reserve HK\$'000	Translation reserve HK\$'000	Regulatory reserve HK\$'000	Retained profits HK\$'000	Total HK\$'000
THE BANK							
At 1 January 2024	843,602	197,136	1,378,500	(482,826)	538,000	11,111,349	13,585,761
Profit for the year	-	-	-	-	-	1,441,155	1,441,155
Exchange differences arising on translation	-	-	-	(278,871)	-	-	(278,871)
Surplus on transfer of land and buildings to investments properties	-	115,748	-	-	-	-	115,748
Net gains on investments in equity instruments measured at FVOCI	84,101	-	-	-	-	-	84,101
Net gains on investments in debt instruments measured at FVOCI	232,113	-	-	-	-	-	232,113
Amount reclassified to the profit or loss upon disposal of FVOCI debt securities	(17,045)	-	-	-	-	-	(17,045)
Income tax effect relating to disposal of financial assets measured at FVOCI	2,561	-	-	-	-	-	2,561
Income tax effect relating to fair value change of financial assets measured at FVOCI	(68,965)	-	-	-	-	-	(68,965)
Other comprehensive income (net of tax)	232,765	115,748	-	(278,871)	-	-	69,642
Total comprehensive income for the year	232,765	115,748	-	(278,871)	-	1,441,155	1,510,797
Transfer of gain on disposal of equity instruments at FVOCI to retained earnings	(2,876)	-	-	-	-	2,876	-
Redemption of additional equity instruments	-	-	-	-	-	(12,006)	(12,006)
Distribution payment for additional equity instruments	-	-	-	-	-	(307,183)	(307,183)
Interim dividend paid	-	-	-	-	-	(160,000)	(160,000)
Final dividend paid	-	-	-	-	-	(150,000)	(150,000)
Earmark of retained profits as regulatory reserve	-	-	-	-	17,000	(17,000)	-
At 31 December 2024	<u>1,073,491</u>	<u>312,884</u>	<u>1,378,500</u>	<u>(761,697)</u>	<u>555,000</u>	<u>11,909,191</u>	<u>14,467,369</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 31 December 2024

39. STATEMENT OF FINANCIAL POSITION AND RESERVE MOVEMENT OF THE BANK *(Continued)*Note (a): *(Continued)*

	Investment revaluation reserve HK\$'000	Land and building revaluation reserve HK\$'000	General reserve HK\$'000	Translation reserve HK\$'000	Regulatory reserve HK\$'000	Retained profits HK\$'000	Total HK\$'000
THE BANK							
At 1 January 2023	158,139	197,136	1,378,500	(265,772)	614,000	10,221,900	12,303,903
Profit for the year	-	-	-	-	-	1,428,675	1,428,675
Exchange differences arising on translation	-	-	-	(217,054)	-	-	(217,054)
Remeasurement of retirement benefit	-	-	-	-	-	2,307	2,307
Income tax effect relating to retirement benefit	-	-	-	-	-	(380)	(380)
Net gains on investments in equity instruments measured at FVOCI	615,884	-	-	-	-	-	615,884
Net gains on investments in debt instruments measured at FVOCI	148,083	-	-	-	-	-	148,083
Amount reclassified to the profit or loss upon disposal of FVOCI debt securities	(30,856)	-	-	-	-	-	(30,856)
Income tax effect relating to disposal of financial assets measured at FVOCI	5,091	-	-	-	-	-	5,091
Income tax effect relating to fair value change of financial assets measured at FVOCI	(52,739)	-	-	-	-	-	(52,739)
Other comprehensive income (net of tax)	685,463	-	-	(217,054)	-	1,927	470,336
Total comprehensive income for the year	685,463	-	-	(217,054)	-	1,430,602	1,899,011
Distribution payment for additional equity instruments	-	-	-	-	-	(307,153)	(307,153)
Interim dividend paid	-	-	-	-	-	(180,000)	(180,000)
Final dividend paid	-	-	-	-	-	(130,000)	(130,000)
Earmark of retained profits as regulatory reserve	-	-	-	-	(76,000)	76,000	-
At 31 December 2023	<u>843,602</u>	<u>197,136</u>	<u>1,378,500</u>	<u>(482,826)</u>	<u>538,000</u>	<u>11,111,349</u>	<u>13,585,761</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 31 December 2024

39. STATEMENT OF FINANCIAL POSITION AND RESERVE MOVEMENT OF THE BANK *(Continued)*

Note (a): (Continued)

The regulatory reserve is set up in compliance with the HKMA's requirements and is distributable to owners of the Bank subject to consultation with the HKMA.

The general reserve is comprised of transfers from previous years' retained profits.

The investment revaluation reserve represents cumulative gains and losses arising on the revaluation of FVOCI investments that have been recognised in other comprehensive income, net of amounts reclassified to the income statement when those FVOCI debt securities are disposed of.

The land and building revaluation reserve represents difference between fair value and carrying value of the properties transferred from owner-occupied properties to investment properties.

Exchange differences relating to the translation of the net assets of the Bank's foreign operations from their functional currencies to the Bank's presentation currency (i.e. Hong Kong dollars) are recognised directly in other comprehensive income and accumulated in the translation reserve. Such exchange differences accumulated in the translation reserve are reclassified to the income statement on the disposal of the foreign operations.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 31 December 2024

40. BENEFITS AND INTERESTS OF DIRECTORS

(DISCLOSURES REQUIRED BY SECTION 383 OF THE HONG KONG COMPANIES ORDINANCE (CAP 622) AND COMPANIES (DISCLOSURE OF INFORMATION ABOUT BENEFITS OF DIRECTORS) REGULATION (CAP 622G))

(A) *Directors' emoluments*

The emoluments of the Directors of the Bank were as follows:

	2024 HK\$'000	2023 HK\$'000
Directors' fee	3,319	4,748
Salaries, bonuses, allowances and benefits in kind	22,200	18,406
Retirement benefits scheme contributions	1,642	1,453
	<u>27,161</u>	<u>24,607</u>

No transactions, arrangements and contracts of significance in relation to the Group's business to which the Bank or any of its holding companies, its subsidiaries or its fellow subsidiaries was a party and in which a Director of the Bank or an entity connected with a Director (within the meaning of section 486 of the Companies Ordinance) had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 31 December 2024

40. BENEFITS AND INTERESTS OF DIRECTORS *(Continued)*

(DISCLOSURES REQUIRED BY SECTION 383 OF THE HONG KONG COMPANIES ORDINANCE (CAP 622) AND COMPANIES (DISCLOSURE OF INFORMATION ABOUT BENEFITS OF DIRECTORS) REGULATION (CAP 622G)) *(Continued)*

(B) Information about loans, quasi-loans and other dealings in favour of directors, controlled bodies corporate by and connected entities with such directors

The information about loans, quasi-loans and other dealings entered into by the company or subsidiary undertaking of the company, where applicable, in favour of directors is as follows:

	Aggregate balance of all relevant loans outstanding		Maximum aggregate balance of relevant loans during the year
	at January 1 HK\$'000	at December 31 HK\$'000	HK\$'000
2024	<u>2,287</u>	<u>11</u>	<u>3,152</u>
2023	<u>50</u>	<u>2,287</u>	<u>3,829</u>

As of 31 December 2024, the loans bear interest at rates ranging from 0% to prime rate plus 10% (2023: 0% to prime rate plus 10%). As of 31 December 2024, loans to officers amounted to HK\$0 were unsecured (2023: loans to officers amounted to HK\$1,900,000 were unsecured).

41. IMMEDIATE AND ULTIMATE HOLDING COMPANIES

As of 31 December 2024 and 31 December 2023, the immediate holding company of the Bank was Yuexiu Financial Holdings Limited, which is incorporated in Hong Kong. Its ultimate holding company was 廣州越秀集團股份有限公司 (Guangzhou Yue Xiu Holdings Limited*), which is incorporated in the People's Republic of China.

* for identification purpose only

42. COMPARATIVES

Certain comparative figures have been re-presented to conform with the presentation and disclosures in current year.

UNAUDITED SUPPLEMENTARY FINANCIAL INFORMATION

for the year ended 31 December 2024

The following information is disclosed as part of the accompanying information to the financial statements and does not form part of the audited financial statements.

The preparation of supplementary financial information is in accordance with the Banking (Disclosure) Rules and consolidated supervision arrangement approved by the HKMA.

1. MAJOR SPECIALISED COMMITTEES

The Board is constituted in accordance with the Bank's Articles of Association and is ultimately responsible for the sustainable performance of the Group. The Board has established the following specialised committees and delegated its authorities and power to enable them to operate under defined Terms of Reference. The Board reviews and updates the committees' Terms of Reference on a regular basis.

These specialised committees are:

- (i) Audit Committee**
- (ii) Connected Party Transactions Committee**
- (iii) Executive Committee**
- (iv) Digitalization Strategy Committee**
- (v) Nomination and Remuneration Committee**
- (vi) Risk Committee**
- (vii) Strategic and Sustainable Development Committee**

Major duties under the Terms of Reference and the composition of each of the above committees are set out in the "Corporate Governance Report" of this Annual Report.

The Executive Committee has established the Asset and Liability Management Committee (the "ALCO") and the Risk Management Committee (the "RMC"). The roles and functions of these committees are as follows:

(VIII) ALCO

Members of the ALCO are appointed by the Executive Committee, comprising senior executives of the Bank.

The ALCO is established to facilitate the oversight of the Board in the management of the assets liabilities and capital of the Group from the perspective of containing the pertinent capital funding and 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 consolidated statement of financial position, and the formulation of the corresponding strategies and plans also come under other key functions of the ALCO.

(IX) RMC

Members of the RMC are appointed by the Executive Committee. It comprises the Chief Risk Officer with other senior executives who are responsible for risk management, compliance issues and daily operations of the Bank.

The RMC is responsible for the oversight of risk management of the Group, within the framework of the Group's policies, its Terms of Reference and such other directives as the Executive Committee may determine from time to time.

UNAUDITED SUPPLEMENTARY FINANCIAL INFORMATION

for the year ended 31 December 2024

2. MANAGEMENT OF RISKS

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, divisions and departments of the Group and are regularly reviewed by the 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 guidance of the Asset and Liability Management Committee (the "ALCO"). The ALCO holds meetings every two weeks, and more frequent meetings when required, to review and direct the relevant policies, the business strategies and to monitor the bank-wide positions. The day-to-day management of the credit, operational, liquidity, foreign exchange, interest rate and other market risks, and the compliance with the Bank's policies that are monitored by the Finance & Capital Management Division, the Treasury and Markets, the Credit Risk Management Division, the Legal and Compliance Division, the Operational & IT Risk Management Department, the Financial Crime Compliance Department and the Market Risk Management Department, with the assistance of various qualitative and quantitative analyses, and supervised by the ALCO and the Risk Management Committee (the "RMC"). The Board level Risk Committee ("RC") exercises further oversight of the Bank's risk management.

Complementing with the ALCO in its management of assets and liabilities, the RMC also oversees the implementation of the policies and procedures established for managing the Group's credit, strategic, operational, legal, and reputation risks and compliance requirements.

(I) OPERATIONAL AND LEGAL RISK

Operational risk is the risk of unexpected losses attributable to human error, systems failures, frauds, or inadequate internal controls and procedures. Identification, assessment, mitigation, monitoring and reporting of operational risk are to be done for the Bank, through its operational risk event handling and reporting mechanism.

Executive Directors, division heads, department heads, in-house legal counsels, and internal auditors collaborate to manage operational and legal risks through proper human resources policies, delegation of authorities, segregation of duties, and timely and accurate management information. Senior management and the Audit Committee are accountable to the Board for maintaining a strong and disciplined control environment to provide reasonable assurance that the operational and legal risks are prudently managed.

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

(II) REPUTATION RISK

Reputation risk is the risk that the Group's reputation is damaged by one or more than one reputation events that results in negative publicity about the Group's business practices, conduct or financial condition.

Reputation risk is managed by every member of staff, and proper and adequate communications and public relations efforts are required to foster the reputation of the Group. A reputation risk management policy guided by the Board has been established to manage including, without limitation, media exposure, handling of customers' and other stakeholders' complaints and suggestions, and to ensure that the Group's business activities, and agents and/or bodies acting on the Group's behalf do not jeopardise its reputation.

Details of the Group's capital management, credit risk, liquidity risk, market risk, foreign exchange risk, interest rate risk management policies and measures are set out in note 7 to the consolidated financial statements.

UNAUDITED SUPPLEMENTARY FINANCIAL INFORMATION

for the year ended 31 December 2024

2. MANAGEMENT OF RISKS (CONTINUED)

(III) CLIMATE-RELATED RISKS

Climate risk has gradually become a significant factor impacting the stability of the global financial system and has profoundly influenced the development landscape of the banking sector. With the increasing frequency of extreme weather events caused by climate change, the banking industry is facing challenges such as deteriorating asset quality and heightened credit risks. On one hand, climate risk exacerbates loan and investment risks for banks in areas like environmental protection and energy efficiency, potentially leading to defaults on related loans and investments. On the other hand, climate risk also impacts banks' capital adequacy ratios and liquidity positions, thereby affecting the operational stability of the banking industry.

To build climate resilience and mitigate the potential adverse impacts of climate change, we have established a robust and comprehensive climate risk governance framework supported by strong accountability mechanisms. The Board of Directors oversees the overall management of climate-related risks within the Bank, while the Executive Committee and Risk Committee work in conjunction with the operational levels to ensure effective management of climate-related risks.

The Bank has developed a comprehensive sustainability strategy, detailed in our Sustainable Strategic Statement, which outlines commitments and objectives spanning multiple timelines. This strategy incorporates climate-related risk considerations into both operational and strategic frameworks, with the dual goals of reducing the Bank's environmental footprint and supporting our clients in their transition to a low-carbon economy. In light of escalating climate challenges, the Bank regularly reviews and refines its relevant policies to ensure alignment with the latest regulatory developments, industry standards, and market trends.

Chong Hing Bank has strengthened its risk management framework to effectively identify, assess, and mitigate environmental and climate-related risks, acknowledging the critical interplay between these risks and financial stability. The Bank has established policies such as the Sustainable Lending Policy and the Sustainable Investment Policy to proactively manage climate-related risks within the investment portfolio. Committed to the HKMA regulations on green and sustainable finance, we have participated in the 2023-2024 Climate Risk Stress Test ("CRST"), guided by the Guidelines for Banking Sector Climate Risk Stress Test and the HKMA Supervisory Policy Manual GS-1: Climate Risk Management.

The Bank has established targets for energy conservation and emissions reduction, actively exploring innovative operational and business metrics to enhance our climate-related risk management strategy. In alignment with the Task Force on Climate-Related Financial Disclosures ("TCFD") framework, we have disclosed information across the four key pillars of governance, strategy, risk management, and metrics and targets. We continually work to strengthen the quality of our climate-related risk management disclosures, ensuring greater comprehensiveness and transparency in our reporting to build stakeholder confidence.

For more information on the Bank's climate-related risks management, please refer to our 2024 ESG Report (www.chbank.com/en/personal/footer/about-ch-bank/investor-relations/esg-reports/index.shtml).

UNAUDITED SUPPLEMENTARY FINANCIAL INFORMATION

for the year ended 31 December 2024

3. CAPITAL ADEQUACY RATIOS, LEVERAGE RATIO AND LIQUIDITY RATIOS

	2024 %	2023 %
Total capital ratio	20.40	19.64
Tier 1 capital ratio	16.90	17.38
Common Equity Tier 1 ("CET 1") capital ratio	15.82	14.87
	31 December 2024 %	31 December 2023 %
Capital buffers (as a percentage of risk-weighted assets)		
Capital conservation buffer ratio	2.500	2.500
Countercyclical capital buffer ratio	0.306	0.610
	2.806	3.110
	2024 %	2023 %
Leverage ratio	10.86	11.70
	2024 %	2023 %
Average liquidity maintenance ratio for the year	66.52	59.64

UNAUDITED SUPPLEMENTARY FINANCIAL INFORMATION

for the year ended 31 December 2024

3. CAPITAL ADEQUACY RATIOS, LEVERAGE RATIO AND LIQUIDITY RATIOS (CONTINUED)

Capital adequacy ratios are compiled in accordance with the Banking (Capital) Rules under Hong Kong Banking Ordinance for the implementation of the “Basel III” capital accord, which became effective on 1 January 2013. In accordance with the Banking (Capital) Rules, the Bank has adopted the “standardised approach” for the calculation of the risk-weighted assets for credit risk, “standardised (market risk) approach” for the calculation of market risk and “basic indicator approach” for the calculation of operational risk. The capital adequacy ratio is consolidated, under the Banking (Capital) Rules, with reference to the financial information of the Bank, Chong Hing Finance Limited, Gallbraith Limited, Chong Hing Information Technology Limited, Top Benefit Enterprise Limited and Hero Marker Limited.

Leverage ratio is disclosed in accordance with the Banking (Disclosure) Rules under Hong Kong Banking Ordinance. The leverage ratio is consolidated with reference to the financial information of the Bank, Chong Hing Finance Limited, Gallbraith Limited, Chong Hing Information Technology Limited, Top Benefit Enterprise Limited and Hero Marker Limited.

Liquidity maintenance ratio (“LMR”) is compiled in accordance with the Banking (Liquidity) Rules under Hong Kong Banking Ordinance, which became effective on 1 January 2015. The LMR is calculated on an unconsolidated basis. The average liquidity maintenance ratio is calculated based on the arithmetic mean of the average value of the LMR of the Bank reported in the liquidity position return of the Bank for each month during the reporting period.

4. OTHER FINANCIAL INFORMATION

The Bank has set up a “Regulatory Disclosure” section on its website to house all of information relating to the disclosure of regulatory capital to comply with the Banking (Disclosure) Rules.

The “Regulatory Disclosure” will be available on the Bank’s website (www.chbank.com/en/personal/footer/about-ch-bank/regulatory-disclosures/index.shtml) in the “Regulatory Disclosure” section in accordance with the Banking (Disclosure) Rules.

5. SEGMENTAL INFORMATION

The Group’s information concerning geographical analysis has been classified by the location of the principal operations of the branches and subsidiary companies responsible for reporting the results or booking the assets. Details are set out in note 6 to the consolidated financial statements.

UNAUDITED SUPPLEMENTARY FINANCIAL INFORMATION

for the year ended 31 December 2024

6. ADVANCES TO CUSTOMERS – BY INDUSTRY SECTORS

The Group's gross advances (including advances booked in branches outside Hong Kong and subsidiaries), other than advances to banks, are analysed and reported by industry sectors according to the usage of the loans or business activities of the borrowers. Details are set out in note 7 (credit risk) to the consolidated financial statements.

The Group's advances to customers overdue for over three months, and new impairment allowances and advances written off during the years ended 31 December 2024 and 2023 in respect of industry sectors which constitute not less than 10 per cent of gross advances to customers are analysed as follows:

	2024		
	Advances overdue for over three months as of 31 December HK\$'000	New impairment allowances during the year HK\$'000	Advances written-off during the year HK\$'000
Loans for use outside Hong Kong	<u>3,482,419</u>	<u>1,168,133</u>	<u>1,986,056</u>

	2023		
	Advances overdue for over three months as of 31 December HK\$'000	New impairment allowances during the year HK\$'000	Advances written-off during the year HK\$'000
Loans for use outside Hong Kong	<u>1,808,847</u>	<u>1,141,219</u>	<u>2,337,892</u>

UNAUDITED SUPPLEMENTARY FINANCIAL INFORMATION

for the year ended 31 December 2024

7. ADVANCES TO CUSTOMERS – BY GEOGRAPHICAL AREAS

The Group's gross advances to customers by countries or geographical areas after taking into account any risk transfers are as follows:

	2024				
	Total advances HK\$'000	Advances overdue for over three months HK\$'000	Impaired advances HK\$'000	Stage 3 impairment allowance HK\$'000	Stage 1 & stage 2 impairment allowance HK\$'000
Hong Kong	96,870,086	3,219,802	3,379,434	1,335,562	307,270
Mainland China	58,691,070	1,664,034	1,739,638	553,481	420,892
Macau	4,022,982	–	–	–	5,498
Others	1,666,252	–	–	–	7,332
	<u>161,250,390</u>	<u>4,883,836</u>	<u>5,119,072</u>	<u>1,889,043</u>	<u>740,992</u>

	2023				
	Total advances HK\$'000	Advances overdue for over three months HK\$'000	Impaired advances HK\$'000	Stage 3 impairment allowance HK\$'000	Stage 1 & stage 2 impairment allowance HK\$'000
Hong Kong	93,608,244	2,649,729	4,664,887	1,398,934	396,080
Mainland China	53,695,416	–	–	41,185	383,723
Macau	4,514,234	–	2,659	107,369	5,047
Others	10,347,727	–	–	–	–
	<u>162,165,621</u>	<u>2,649,729</u>	<u>4,667,546</u>	<u>1,547,488</u>	<u>784,850</u>

UNAUDITED SUPPLEMENTARY FINANCIAL INFORMATION

for the year ended 31 December 2024

8. INTERNATIONAL CLAIMS

The Group's international claims by countries or geographical areas which constitute 10% or more of the relevant disclosure items after taking into account any risk transfers are as follows:

	At 31 December 2024				
	Non-bank private sector				Total HK\$'000
	Banks HK\$'000	Official sector HK\$'000	Non-bank financial institutions HK\$'000	Non-financial private sector HK\$'000	
Offshore centres	8,954,164	2,110	14,354,169	19,037,095	42,347,538
of which					
– Hong Kong	4,596,841	1,927	6,985,177	13,549,451	25,133,396
Developing Asia-Pacific	38,767,125	481,344	684,013	12,496,734	52,429,216
of which					
– Mainland China	8,145,225	481,272	654,597	12,121,956	21,403,050
– Taiwan	23,839,931	72	–	2,016	23,842,019
Developed countries	<u>27,331,506</u>	<u>1,757,946</u>	<u>1,501,270</u>	<u>10,422</u>	<u>30,601,144</u>

	At 31 December 2023				
	Non-bank private sector				Total HK\$'000
	Banks HK\$'000	Official sector HK\$'000	Non-bank financial institutions HK\$'000	Non-financial private sector HK\$'000	
Offshore centres	9,769,741	6,509	5,947,430	24,711,922	40,435,602
of which					
– Hong Kong	5,854,690	6,096	4,902,476	12,328,961	23,092,223
Developing Asia-Pacific	30,685,710	259,935	4,606,741	11,589,731	47,142,117
of which					
– Mainland China	17,491,474	259,790	4,606,741	11,587,456	33,945,461
Developed countries	<u>16,518,785</u>	<u>1,984,117</u>	<u>953,538</u>	<u>969,015</u>	<u>20,425,455</u>

UNAUDITED SUPPLEMENTARY FINANCIAL INFORMATION

for the year ended 31 December 2024

9. CURRENCY RISK

The Group's foreign currency exposures have been analysed from the perspective of non-structural position and structural position. Details are set out in note 7 to the consolidated financial statements.

10. OVERDUE AND RESCHEDULED ASSETS

	2024		2023	
	Gross amount of advances HK\$'000	Percentage to total advances %	Gross amount of advances HK\$'000	Percentage to total advances %
Advances overdue for				
– 6 months or less but over 3 months	1,284,215	0.8	596,547	0.4
– 1 year or less but over 6 months	1,452,340	0.9	1,071,341	0.7
– Over 1 year	2,147,281	1.3	981,841	0.6
Advances overdue for over 3 months	<u>4,883,836</u>	<u>3.0</u>	<u>2,649,729</u>	<u>1.7</u>
Rescheduled advances, net of amounts included in "Advances overdue for over 3 months"	<u>75,665</u>	<u>0.0</u>	<u>158,664</u>	<u>0.1</u>
Impairment allowances under stage 3 made in respect of overdue loans and advances	<u>1,846,395</u>		<u>520,342</u>	
Covered portion of overdue loans and advances	1,638,564		762,595	
Uncovered portion of overdue loans and advances	<u>3,245,272</u>		<u>1,887,134</u>	
	<u>4,883,836</u>		<u>2,649,729</u>	
Market value of collateral held against covered portion of overdue loans and advances	<u>1,990,173</u>		<u>963,490</u>	

There were no advances to banks and other assets which were overdue for over three months as of 31 December 2024 and 31 December 2023, nor were there any rescheduled advances to banks and other financial institutions.

There are no overdue debt securities and trade bills as of 31 December 2024 and 31 December 2023.

UNAUDITED SUPPLEMENTARY FINANCIAL INFORMATION

for the year ended 31 December 2024

11. MAINLAND ACTIVITIES EXPOSURES

The table below summaries the non-bank Mainland China exposures of the Bank's Hong Kong banking operations and the Bank's Mainland branches and sub-branches categorised by types of counterparties:

	31 December 2024		
	On-balance sheet exposure HK\$'000	Off-balance sheet exposure HK\$'000	Total HK\$'000
Type by counterparties			
1 Central government, central government-owned entities and their subsidiaries and joint ventures	40,818,609	809,380	41,627,989
2 Local government, local government-owned entities and their subsidiaries and JVs	20,343,150	1,057,330	21,400,480
3 Mainland China nationals residing in Mainland China or other entities incorporated in Mainland China and their subsidiaries and JVs	35,719,326	2,320,161	38,039,487
4 Other entities of central government not reported in item 1 above	3,999,374	514,485	4,513,859
5 Other entities of local government not reported in item 2 above	671,883	–	671,883
6 Mainland China nationals residing outside Mainland China or entities incorporated outside Mainland China where the credit is granted for use in Mainland China	13,268,480	755,116	14,023,596
7 Other counterparties where the exposures are considered by the reporting institution to be non-bank Mainland China exposures	1,109,869	702,330	1,812,199
Total	<u>115,930,691</u>	<u>6,158,802</u>	<u>122,089,493</u>
Total assets after provision (Note)	<u>319,890,714</u>		
On-balance sheet exposures as percentage of total assets (Note)	<u>36.24%</u>		

UNAUDITED SUPPLEMENTARY FINANCIAL INFORMATION

for the year ended 31 December 2024

11. MAINLAND ACTIVITIES EXPOSURES (CONTINUED)

		31 December 2023		
		On-balance sheet exposure HK\$'000	Off-balance sheet exposure HK\$'000	Total HK\$'000
Type by counterparties				
1	Central government, central government-owned entities and their subsidiaries and joint ventures	45,049,555	1,073,654	46,123,209
2	Local government, local government-owned entities and their subsidiaries and JVs	18,579,763	821,308	19,401,071
3	Mainland China nationals residing in Mainland China or other entities incorporated in Mainland China and their subsidiaries and JVs	40,572,211	2,539,324	43,111,535
4	Other entities of central government not reported in item 1 above	5,305,148	17,527	5,322,675
5	Other entities of local government not reported in item 2 above	681,318	–	681,318
6	Mainland China nationals residing outside Mainland China or entities incorporated outside Mainland China where the credit is granted for use in Mainland China	12,001,191	553,225	12,554,416
7	Other counterparties where the exposures are considered by the reporting institution to be non-bank Mainland China exposures	3,306,585	118,618	3,425,203
Total		<u>125,495,771</u>	<u>5,123,656</u>	<u>130,619,427</u>
Total assets after provision (Note)		<u>284,978,932</u>		
On-balance sheet exposures as percentage of total assets (Note)		<u>44.04%</u>		

The categories of non-bank counterparties and type of direct exposures are disclosed in accordance with Banking (Disclosure) Rules with reference to the Return of Mainland Activities of the HKMA.

Note: Include total assets after provisions of the Bank's Hong Kong banking operations and the Bank's Mainland branches and sub-branches.

UNAUDITED SUPPLEMENTARY FINANCIAL INFORMATION

for the year ended 31 December 2024

12. BASIS OF CONSOLIDATION

The consolidated financial statements cover the consolidated financial information of the Bank and all its subsidiaries and include the attributable share of interest in the Group's associates.

In preparing the capital adequacy ratio and liquidity ratio of the Group, they are prepared according to the basis of consolidation determined by the Hong Kong Monetary Authority for regulatory purposes. The main difference between the consolidation basis for accounting and regulatory purposes is that the former includes the Bank, all its subsidiaries and the attributable share of interests in the Group's associates whereas the latter includes the Bank and only some of the Group's subsidiaries which mainly conduct banking business or other business incidental to banking business. The LMR is prepared on an unconsolidated basis which includes the Bank only.

Subsidiaries that are included within the accounting scope of consolidation but are not included within the regulatory scope of consolidation are as follows:

Name of company	Principal activities	Total assets		Total equity	
		2024 HK\$'000	2023 HK\$'000	2024 HK\$'000	2023 HK\$'000
Chong Hing (Nominees) Limited	Provision of nominee services	100	100	100	100
Chong Hing Securities Limited	Stockbroking	1,070,794	910,852	815,180	755,475
Chong Hing Commodities and Futures Limited	Commodities and futures broking	68,329	67,234	67,227	65,744
Chong Hing Insurance Company Limited	Insurance underwriting	468,082	449,163	377,885	354,169
Chong Hing Insurance Brokers Limited	Insurance broking	17,931	5,453	17,085	4,007

HEAD OFFICE, BRANCHES, SUB-BRANCHES, PRINCIPAL SUBSIDIARIES AND ASSOCIATES

as of 18 March 2025

		Telephone
HONG KONG MAIN BRANCH	Chong Hing Bank Centre, 24 Des Voeux Road Central, H.K.	3768 1111
HONG KONG ISLAND BRANCHES		
Aberdeen	166-168 Aberdeen Main Road, Aberdeen, H.K.	3768 6210
Causeway Bay	488 Jaffe Road, Causeway Bay, H.K.	3768 6290
North Point	376 King's Road, North Point, H.K.	3768 6200
Shau Kei Wan	203-205 Shau Kei Wan Road, H.K.	3768 6330
Sheung Wan	163 Wing Lok Street, Sheung Wan, H.K.	3768 6220
Wan Chai	265-267 Hennessy Road, Wanchai, H.K.	3768 6350
Western	347-349 Des Voeux Road West, H.K.	3768 6280
KOWLOON BRANCHES		
Castle Peak Road	285-287 Castle Peak Road, Cheung Sha Wan, Kowloon	3768 6320
Kowloon Bay	Shop Unit 8, G/F, Chevalier Commercial Centre, No. 8 Wang Hoi Road, Kowloon Bay, Kowloon	3768 6740
Kowloon City	31-33 Nga Tsin Wai Road, Kowloon City, Kowloon	3768 6300
Kwun Tong	31-33 Mut Wah Street, Kwun Tong, Kowloon	3768 6410
Lei Yue Mun	Shop 123, 1/F, Domain, 38 Ko Chiu Road, Yau Tong, Kowloon	3768 6530
Mongkok	Shop No. 2 of G/F & Whole of Upper Ground Floor, Ginza Square, No. 567 Nathan Road, Kowloon	3768 0001
San Po Kong	55-57 Yin Hing Street, San Po Kong, Kowloon	3768 6360
Sham Shui Po	144-148 Tai Po Road, Sham Shui Po, Kowloon	3768 6310
Shun Lee Estate	Lee Yat House, Shun Lee Estate, Kowloon	3768 6420
Tak Tin Estate	No. 207, Tak Tin Plaza, Tak Tin Estate, Lam Tin, Kowloon	3768 6470
To Kwa Wan	34-34A Tam Kung Road, To Kwa Wan, Kowloon	3768 6370
Tsim Sha Tsui	16 Granville Road, Tsim Sha Tsui, Kowloon	3768 6240
Tsz Wan Shan	60-64 Sheung Fung Street, Tsz Wan Shan, Kowloon	3768 6390

HEAD OFFICE, BRANCHES, SUB-BRANCHES, PRINCIPAL SUBSIDIARIES AND ASSOCIATES

as of 18 March 2025

		Telephone
NEW TERRITORIES BRANCHES		
Cheung Fat Estate	Shop 206A, 2/F, Cheung Fat Plaza, Cheung Fat Estate, Tsing Yi, N.T.	3768 6560
Glorious Garden	Shop No. 82, Glorious Garden, 45 Lung Mun Road, Tuen Mun, N.T.	3768 6520
Ma On Shan	Shop 2701-14, L2, MOSTown, No. 628 Sai Sha Road, Ma On Shan, Shatin, N.T.	3768 6450
Shatin	Shop 1A, Ground Floor, Lucky Plaza, Shatin, N.T.	3768 6400
Sheung Shui	71 San Fung Avenue, Sheung Shui, N.T.	3768 6270
Sheung Tak Estate	Shop No. 237, TKO Spot, Sheung Tak Estate, Tseung Kwan O, N.T.	3768 6510
Tai Wo Plaza	Shop No. 101 I, Level 1, Tai Wo Plaza, No. 12 Tai Wo Road, Tai Po, N.T.	3768 6900
Tin Chak Estate	Shop No. 218, 2/F, Tin Chak Shopping Centre, Tin Chak Estate, Tin Shui Wai, N.T.	3768 6570
Tsuen Wan	298 Sha Tsui Road, Tsuen Wan, N.T.	3768 6440
Tuen Mun Hong Lai Garden	G/F, Hong Lai Garden, 117 Heung Sze Wui Road, Tuen Mun, N.T.	3768 6580
Yat Tung Estate	Shop Nos. 1 & 2, G/F, Yat Tung Shopping Centre, Yat Tung Estate, Tung Chung, N.T.	3768 6710
Yuen Long	99-109 Castle Peak Road, Yuen Long, N.T.	3768 6230

HEAD OFFICE, BRANCHES, SUB-BRANCHES, PRINCIPAL SUBSIDIARIES AND ASSOCIATES

as of 18 March 2025

		Telephone
BEIJING BRANCH		
Beijing	Unit 1001, 1003, 1005, 1007, 1009, 1010, 1011, 1015, 1017 & 1019 of 10th Floor, No. 23 Financial Street, Xicheng District, Beijing, China	(86-10) 6314 5100
GUANGZHOU BRANCH		
Guangzhou	Room 102 with self-edited Unit 01, Room 201, Room 301, Room 5001 & Room 5401 with self-edited Unit 07, Unit 08 & Unit 10, Yuexiu Financial Tower, No. 28 Zhujiang East Road, Tianhe District, Guangzhou, Guangdong, China	(86-20) 2213 7988
SHENZHEN BRANCH		
Shenzhen	Unit 01-Unit 08, 22nd Floor, China Resources Tower, No. 2666 Keyuan South Road, Yuehai Sub-District, Nanshan District, Shenzhen, China	(86-755) 3352 9099
SHANGHAI BRANCH		
Shanghai	28th Floor, Yue Xiu Tower, No. 388 Fushan Road, Pudong, Shanghai, China	(86-21) 6085 3000
SHANTOU BRANCH		
Shantou	Room 601, 602, 603, 604, 605, 606 & 607, Tai An Tang Building, No. 18 Songshan Road South, Shantou, Guangdong, China	(86-754) 8890 3224
SHENZHEN NANSHAN SUB-BRANCH		
Shenzhen Nanshan	Unit 17, 18 & 19 of 1st Floor, Unit 39 of 2nd Floor, T2 Tower, Ali Center, No. 3331 Keyuan South Road (Shenzhen Bay), Yuehai Sub-District, Nanshan District, Shenzhen, China	(86-755) 3352 7685

HEAD OFFICE, BRANCHES, SUB-BRANCHES, PRINCIPAL SUBSIDIARIES AND ASSOCIATES

as of 18 March 2025

Telephone**SHENZHEN QIANHAI SUB-BRANCH**

Shenzhen Qianhai	Room 201, 202, 203, 204, 205, 206 & 207, Tower C, Minsheng Internet Building, No. 5073 Menghai Avenue, Guiwan Community, Nanshan District, Shenzhen, China	(86-755) 3327 8900
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DONGGUAN SUB-BRANCH

Dongguan	Unit 105, Nanfeng Center, No. 106 Hongfu Road, Nancheng District, Dongguan, Guangdong, China	(86-769) 8608 5888
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GUANGZHOU HAIZHU SUB-BRANCH

Guangzhou Haizhu	Unit 106, No. 1236 Xingang East Road, Haizhu District, Guangzhou, Guangdong, China	(86-20) 2213 7988
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GUANGZHOU PANYU SUB-BRANCH

Guangzhou Panyu	Room 110 and 111, Block Two, No. 103 Wanhui Second Road, Nancun Town, Panyu District, Guangzhou, Guangdong, China	(86-20) 2868 6520
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**GUANGDONG PILOT FREE TRADE ZONE
NANSHA SUB-BRANCH**

Guangzhou Nansha	Room 801-805, Building No. 1, No. 106 Fengze Road East, Nansha District, Guangzhou, Guangdong, China	(86-20) 3226 0620
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FOSHAN SUB-BRANCH

Foshan	Unit B107 & B205-2, Level 1 and Level 2, Mall 1, Yuexiu Xing Hui Yun Jin Plaza, No. 84 North Nanhai Da Dao, Guicheng Jie Dao, Nanhai District, Foshan, Guangdong, China	(86-757) 6352 2888
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SHUNDE SUB-BRANCH

Shunde	Unit 105-106, Block 8, Poly Zhongyue Garden Zone A, No. 6 Guotai South Road, Dehe Residents Committee, Daliang Street, Shunde District, Foshan, Guangdong, China	(86-757) 6352 2838
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HEAD OFFICE, BRANCHES, SUB-BRANCHES, PRINCIPAL SUBSIDIARIES AND ASSOCIATES

as of 18 March 2025

Telephone

GUANGDONG-MACAO IN-DEPTH COOPERATION ZONE IN HENGQIN SUB-BRANCH

Zhuhai Hengqin

Area B, Block 10,
Hengqin Financial Industry Service Base,
Shizimen Central Business District,
Hengqin New Area, Zhuhai,
Guangdong, China

(86-756) 3833 039

ZHONGSHAN SUB-BRANCH

Zhongshan

Room 4-5, First Floor, Tower 2,
Shangfeng Financial Business Center,
No. 88 Zhongshan Fourth Road,
East District, Zhongshan,
Guangdong, China

(86-760) 2385 2388

SHANGHAI HONGQIAO SUB-BRANCH

Shanghai Hongqiao

Unit 101, No. 6, Lane 988,
Shenchang Road, Minhang District,
Shanghai, China

(86-21) 6085 3085

MACAU BRANCH

Macau

No. 693, Avenida da Praia Grande,
Edificio Tai Wah, R/C,
Macau

(853) 2833 9982

HEAD OFFICE, BRANCHES, SUB-BRANCHES, PRINCIPAL SUBSIDIARIES AND ASSOCIATES

as of 18 March 2025

PRINCIPAL SUBSIDIARIES

Chong Hing Commodities and Futures Limited
Chong Hing Finance Limited
Chong Hing Information Technology Limited
Chong Hing Insurance Brokers Limited
Chong Hing Insurance Company Limited
Chong Hing (Nominees) Limited
Chong Hing Securities Limited
Gallbraith Limited
Hero Marker Limited
Top Benefit Enterprise Limited

ASSOCIATES

Bank Consortium Holding Limited
BC Reinsurance Limited
Hong Kong Life Insurance Limited

