



PUBLIC BANK (HONG KONG) LIMITED
大眾銀行（香港）有限公司

ANNUAL REPORT 2024

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Corporate Information

Board of Directors

Non-Executive Chairman

Lai Wan

Executive Director

Chong Yam Kiang

Non-Executive Directors

Tan Sri Dato' Sri Dr. Tay Ah Lek

Dato' Chang Kat Kiam

Independent Non-Executive Directors

Lee Chin Guan

Lim Chao Li

Phe Kheng Peng

Company Secretary

Chan Sau Kuen

Registered Office and Head Office

2/F, Public Bank Centre

120 Des Voeux Road Central

Central, Hong Kong

Telephone : (852) 2541 9222

Facsimile : (852) 2541 0009

Website : www.publicbank.com.hk

Auditors

Ernst & Young

Certified Public Accountants

Legal Advisers

Charles Yeung Clement Lam Liu & Yip

Deacons

Siao, Wen and Leung

Principal Bankers

China Construction Bank (Asia) Corporation Limited

CIMB Bank Berhad

Oversea-Chinese Banking Corporation Limited

Public Bank Berhad

Public Bank (L) Ltd

The Bank of East Asia, Limited

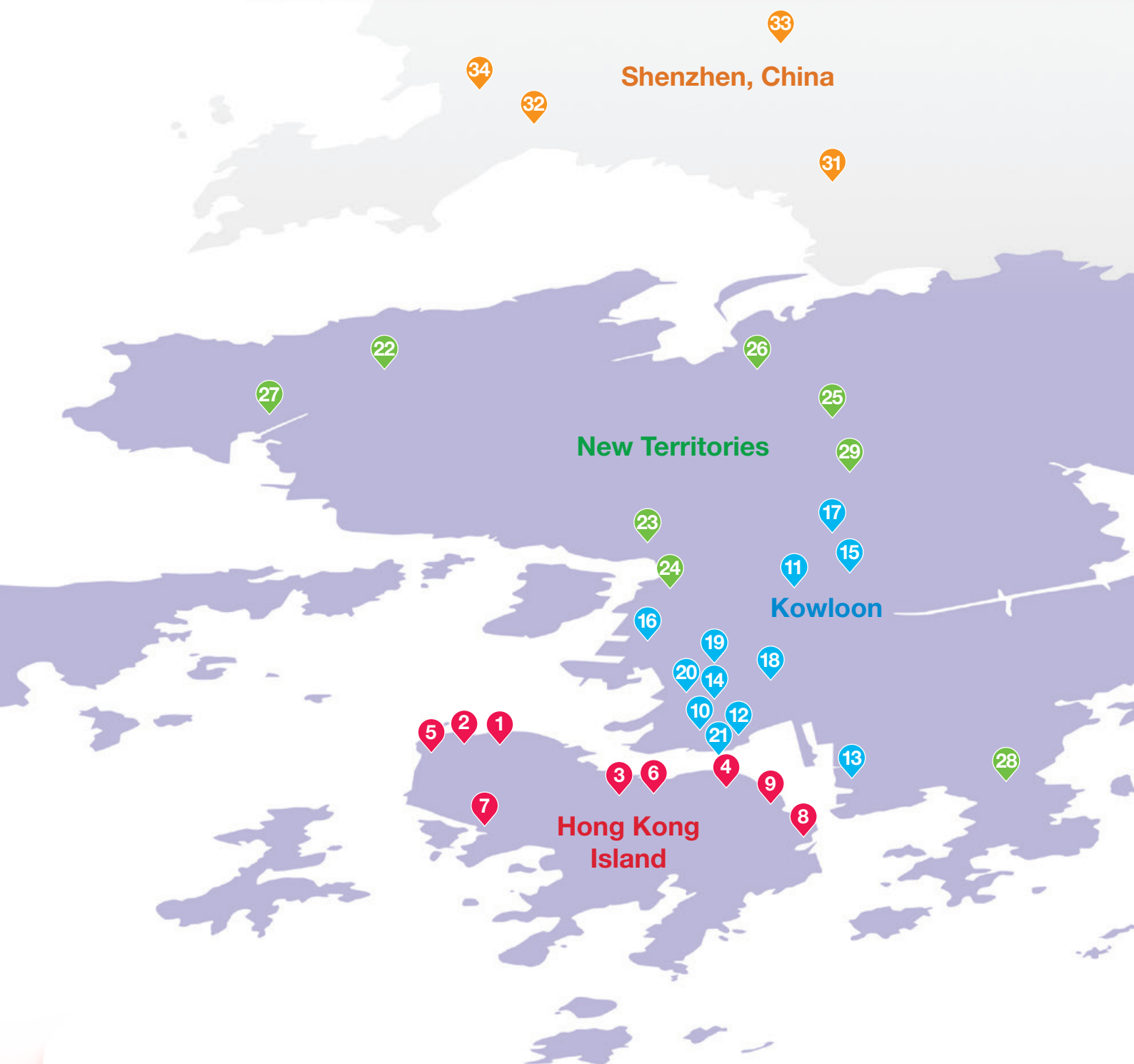
The Hongkong and Shanghai Banking Corporation
Limited



CONTENTS

Branch Network	2
Chairman's Statement	4
Our Corporate Family	6
Report of the Directors	10
Independent Auditor's Report	13
Consolidated Income Statement	16
Consolidated Statement of Comprehensive Income	17
Consolidated Statement of Financial Position	18
Consolidated Statement of Changes in Equity	20
Consolidated Statement of Cash Flows	21
Notes to Financial Statements	25
Supplementary Financial Information	125

Public Bank (Hong Kong) Limited Branch Network (As at 25 March 2025)



HEAD OFFICE AND BRANCHES

Head Office

2/F, Public Bank Centre, 120 Des Voeux Road Central, Central
 Tel : 2541 9222 Telex : 73085 CBHK HKHH
 P.O. Box : G.P.O. Box 824 Fax : 2541 0009
 Website : www.publicbank.com.hk

HONG KONG ISLAND

- | | | |
|--|--|---|
| 1 Main Branch
G/F, Public Bank Centre
120 Des Voeux Road Central, Central
Tel: 2541 9222 Fax: 2545 2866
Manager: Lee Wai Kwan, Luceta | 4 North Point Branch
Shop 2, G/F, Two Chinachem Exchange Square
338 King's Road, North Point
Tel: 2568 5141 Fax: 2567 0655
Manager: Chow Yuet Kei, Mary | 7 Aberdeen Branch
Shop B, G/F, Kong Kai Building
184 Aberdeen Main Road, Aberdeen
Tel: 2871 0928 Fax: 2871 0383
Manager: Wong Chun Hoi |
| 2 Western Branch
Shop 2-3, G/F, Kam Kwan Building
163-173 Des Voeux Road West, Sai Ying Pun
Tel: 2858 2220 Fax: 2858 2638
Manager: Li Siu Ying, Alice | 5 Shek Tong Tsui Branch
Shop B1, G/F, Hong Kong Plaza
188 Connaught Road West, Sai Wan
Tel: 2546 2055 Fax: 2559 7962
Manager: Chan Shiu Man | 8 Shau Kei Wan Branch
Shop C, G/F, Island Walk,
163 Shau Kei Wan Road, Shau Kei Wan
Tel: 2884 3993 Fax: 2885 9283
Manager: Chan Chi Ho, Eric |
| 3 Wanchai Commercial Centre
9/F, Tower 188,
Nos. 188-190 Hennessy Road, Wanchai
Tel: 2381 1678 Fax: 2395 1012
Manager: Lau Cheuk Kit | 6 Causeway Bay Branch
G/F and M/F
447 Hennessy Road, Causeway Bay
Tel: 2572 2363 Fax: 2572 3033
Manager: Chong Mei Kuen | 9 Quarry Bay Branch
Shop 8, G/F, Oceanic Mansion
1010-1026 King's Road, Quarry Bay
Tel: 2856 3880 Fax: 2856 0833
Manager: Yeung Yuk Shan |

KOWLOON

- | | | |
|---|---|---|
| 10 Yaumatei Branch
G/F, Ek Nam Building
486 Nathan Road, Yaumatei
Tel: 2382 0147 Fax: 2718 4281
Manager: Ngan Pui Shan | 14 Mongkok Branch
G/F, JCG Building
16 Mongkok Road, Mongkok
Tel: 2391 8393 Fax: 2391 6909
Manager: Choy Mei Ki, Maggie | 18 To Kwa Wan Branch
Shop Nos. 109 & 120, G/F,
Block B, I-Feng Mansions
No. 237A To Kwa Wan Road, To Kwa Wan
Tel: 2362 0238 Fax: 2362 3999
Manager: Leung Siu Ying |
| 11 Kowloon City Branch
G/F, 15 Nga Tsin Wai Road, Kowloon City
Tel: 2382 0147 Fax: 2718 4281
Manager: Choi Kam Yee | 15 San Po Kong Branch
Shop B, G/F, Perfect Industrial Building
31 Tai Yau Street, San Po Kong
Tel: 2326 8318 Fax: 2326 9180
Manager: Wong Lik Kin, Lorry | 19 Prince Edward Branch
G/F, 751 Nathan Road, Prince Edward
Tel: 2397 3830 Fax: 2397 1006
Manager: Ting Lai May |
| 12 Hung Hom Branch
G/F, Hunghom Commercial Centre
37 Ma Tau Wai Road, Hung Hom
Tel: 2363 9213 Fax: 2363 3195
Manager: Ma Fung Ying | 16 Cheung Sha Wan Branch
Unit C2, G/F, 746 Cheung Sha Wan Road
Cheung Sha Wan
Tel: 2786 9858 Fax: 2786 9506
Manager: Leung Siu Fong | 20 Tai Kok Tsui Branch
Unit B, Shop No. 1, G/F, Tai Moon Building
Cosmopolitan Estate, Nos. 43-59 Tai Tsun Street
Tai Kok Tsui
Tel: 2392 1538 Fax: 2392 1101
Manager: Tsu Shuk Yi, Carmen |
| 13 Kwun Tong Branch
Unit 2310, Tower 1, Millennium City 1
388 Kwun Tong Road, Kwun Tong
Tel: 2389 9119 Fax: 2389 9969
Manager: Chow Yiu Hung, Howard | 17 Wong Tai Sin Branch
Shop 641-642, 6/F,
Tsz Wan Shan Shopping Centre, Wong Tai Sin
Tel: 2328 7332 Fax: 2328 7991
Manager: Leung Ho Chuen, Noel | 21 Tsim Sha Tsui Branch
Shop 141-146, 1/F, New Mandarin Plaza,
No. 14 Science Museum Road, Tsim Sha Tsui
Tel: 2721 1218 Fax: 2721 1028
Manager: Chan Wai Cheong |

NEW TERRITORIES

- | | | |
|---|---|---|
| 22 Yuen Long Branch
Shop 5, G/F, Fu Ho Building
3-7 Kau Yuk Road, Yuen Long
Tel: 2479 4265 Fax: 2473 3934
Manager: Chan Sau Ping | 25 Tai Po Branch
Eastmost Shop on G/F,
Nos. 37/39 Po Yick Street, Tai Po
Tel: 2657 2861 Fax: 2657 7389
Manager: Kee Ka Wai | 28 Tseung Kwan O Branch
Shop 106, 1/F, Savannah Place,
No. 3 Chi Shin Street, Tseung Kwan O
Tel: 2701 7688 Fax: 2701 7628
Manager: Lam Kwok Sing |
| 23 Tsuen Wan Branch
G/F, Victory Court,
185-187 Castle Peak Road, Tsuen Wan
Tel: 2490 4191 Fax: 2490 4811
Manager: Kao Chi Wang | 26 Sheung Shui Branch
G/F, 137 San Shing Avenue, Sheung Shui
Tel: 2639 0307 Fax: 3124 0091
Manager: Kan Wai Man | 29 Shatin Branch
Shop 4-6B,
Lucky Plaza Commercial Centre, Shatin
Tel: 2601 6308 Fax: 2601 3686
Manager: Chow Wing Hung, Desmond |
| 24 Kwai Chung Branch
Shop 102, 1/F, Wealthy Garden,
No. 208 Hing Fong Road, Kwai Chung
Tel: 2480 0002 Fax: 2401 2367
Manager: Tsung Yuen Man | 27 Tuen Mun Branch
Shop J on G/F, Mai Kei Building
Nos. 124-148 Ho Pong Street, Tuen Mun
Tel: 2440 1298 Fax: 2440 1398
Manager: Lau Man Lung | |

MAINLAND CHINA

- | | | |
|--|--|---|
| 30 Shenzhen Branch
No. 3060 Chunfeng Road, Nanhu Street,
Luohu District, Shenzhen
People's Republic of China
Tel : (86-755) 2518 2822
Fax : (86-755) 2518 2327
Manager : Hui Lee Ming | 33 Longhua Sub-branch
No. 110, Block 1, Laimeng Spring Garden
(Land No.: A818-0449), Minzhi Office, Longhua
New District, Shenzhen, People's Republic of China
Tel : (86-755) 2377 7601
Fax : (86-755) 2377 6919
Manager : Wu Yan Wen | Shenyang Representative Office
Unit 2907B, No. 262 Shifu Road, Shenhe District
Shenyang, Liaoning Province
People's Republic of China
Tel : (86-24) 2279 1368
Fax : (86-24) 2279 1369
Representative : Li Yu Jie |
| 31 Futian Sub-branch
1-3 Jinrun Mansion, No. 6019 Shennan Avenue
Futian District, Shenzhen
People's Republic of China
Tel : (86-755) 8280 0026
Fax : (86-755) 8280 0016
Manager : Zheng Shu Fen | 34 Qianhai Sub-branch
Shop No. 0933, Block 9 & 12, Phase 2
Zhongzhou Huatu, Xin'an Street, Bao'an District
Shenzhen, People's Republic of China
Tel : (86-755) 2557 8838
Fax : (86-755) 8228 3559
Manager : Wei Xiao Feng | Shanghai Representative Office
Room 1 J, 24/F, Jin Sui Mansion
No. 379 South Pu Dong Road, Shanghai
People's Republic of China
Tel : (86-21) 5887 8851
Fax : (86-21) 5887 9951
Representative : Yang Min |
| 32 Shekou Sub-branch
Shop No. 155-156, Coastal Building (East Block)
Hai De San Road, Nanshan District, Shenzhen
People's Republic of China
Tel : (86-755) 8627 1388
Fax : (86-755) 8627 0699
Manager : Qi Han Qiao | | |

Chairman's Statement

On behalf of the Board, I wish to report the financial results of Public Bank (Hong Kong) Limited (the "Bank") and its subsidiaries (the "Group") for the financial year ended 31 December 2024.

Mr. Lai Wan
Chairman



FINANCIAL HIGHLIGHTS

The Group recorded a loss after tax of HK\$116.9 million for the year ended 31 December 2024 as compared with a profit after tax of HK\$70.9 million for the year ended 31 December 2023.

For the year under review, the Group's interest income increased by HK\$92.9 million or 4.8% to HK\$2.02 billion mainly due to higher interest yield from investment in debt securities and more placements maintained with banks, whilst interest expense increased by HK\$112.8 million or 12.9% to HK\$986.1 million mainly driven by the higher interest cost on time deposits coupled with the migration of lower cost savings and demand deposits to time deposits under the high interest rate environment. Consequently, the Group's net interest income decreased by HK\$19.9 million or 1.9% to HK\$1.03 billion from HK\$1.05 billion in the previous year. Non-interest income of the Group increased by HK\$18.5 million or 8.3% to HK\$242.3 million, mainly due to higher fees and commission income from wealth management services, stockbroking and securities management benefited by a higher turnover in Hong Kong stock market. The Group's operating expenses (excluding changes in fair value of investment properties) increased by HK\$48.1 million or 5.6% to HK\$899.2 million, mainly due to higher staff costs incurred as part of talent retention strategy in the year under review.

Revaluation loss arising from investment properties increased by HK\$10.0 million to HK\$19.0 million during the year under review as compared with the previous year. Credit loss expenses increased by HK\$170.1 million or 52.7% to HK\$492.8 million mainly attributable to hire purchase loans amidst a considerable decline in the value of public vehicle licences, increased delinquencies and bankruptcies from personal lending borrowers, and additional impairment provision for a few corporate borrowers.

The Board of Directors (the "Board") had declared a special dividend of HK\$6.750 (2023: Nil) per share in February 2024 and an interim dividend of HK\$0.261 (2023: HK\$4.072) per share in July 2024. The Board did not recommend the payment of a final dividend (2023: Nil) for the year, making a total dividend of HK\$7.011 (2023: HK\$4.072) per share for year 2024. The total dividend declared for the year 2024 amounted to HK\$103.9 million (2023: HK\$60.3 million).

Chairman's Statement

LOANS AND CUSTOMER DEPOSITS

Total loans and advances (including trade bills) of the Group increased by HK\$232.1 million or 1.0% to HK\$24.00 billion as at 31 December 2024 from HK\$23.77 billion as at 31 December 2023. The increase in loans and advances was mainly attributable to property mortgage loan portfolio driven by the full upliftment of property market cooling measures by the Hong Kong Government and relaxation on prudential measures on property mortgage loans. Customer deposits of the Group increased by HK\$2.66 billion or 9.0% to HK\$32.21 billion as at 31 December 2024 from HK\$29.55 billion as at 31 December 2023. The increase in customer deposits was due to the strong deposit-holding by customers as investment sentiment continued to be cautious with escalated market volatilities and uncertainties; and the Group had been managing deposit costs in alignment with the downward interest rate environment.

The Bank recorded an increase in total loans and advances (including trade bills) of HK\$126.0 million or 0.7% to HK\$18.81 billion as at 31 December 2024, as well as an increase in customer deposits (excluding deposits from a subsidiary) of HK\$2.76 billion or 11.0% to HK\$27.94 billion as at 31 December 2024.

Public Finance Limited ("Public Finance"), a wholly-owned subsidiary of the Bank, recorded a growth in total loans and advances of HK\$106.1 million or 2.1% to HK\$5.19 billion as at 31 December 2024, but a decline in customer deposits of HK\$129.6 million or 2.9% to HK\$4.28 billion as at 31 December 2024.

The Group will continue expanding its retail and commercial banking and consumer financing businesses, as well as its wealth management services, stockbroking and securities management fee-based businesses through the extensive branch network of the Group, offering competitive products whilst providing premium customer service. Moving forward, the Group will also allocate more resources to drive the digitalisation process of its financial services and business growth via electronic channels to be in line with its fintech development plan; whilst continue optimising its resources and streamlining its operating process to achieve higher operational efficiency and cost saving synergy amongst group companies. The Group will integrate sustainable development into its business initiatives and expand green financing business. The Group will also continue adopting prudent and flexible business strategies and adjusting to market and environmental changes accordingly in the expansion of its customer base and business.

BRANCH NETWORK

As at 31 December 2024, the Bank had a network of 30 branches in Hong Kong and 5 branches in Shenzhen in the People's Republic of China ("PRC"), and it continued focusing on providing a broad range of commercial and retail banking services to its targeted market segments. Public Finance had a network of 40 branches in Hong Kong, and it continued focusing on its core business in personal lending. The Group had a combined network of 70 branches in Hong Kong and 5 branches in the PRC. The Group also undertook securities trading business through the Bank.

ACKNOWLEDGEMENT

On behalf of the Board, I wish to take this opportunity to express our appreciation to the management and staff of the Group for their commitment, dedication and perseverance, and sincere gratitude to our customers for their invaluable patronage. I would also like to express our appreciation and gratitude to the Hong Kong Monetary Authority ("HKMA"), the Securities and Futures Commission ("SFC") and other relevant authorities for their invaluable advice, guidance and support.

Lai Wan
Chairman

Our Corporate Family

Corporate Events & Recreational Activities

The champions of the workshop “Building a Winning Team” held during the Business Forum 2024.



Group photo of the Bank's staff at Business Forum 2024.



Representatives from Public Finance, the Bank and Winton Financial Limited receiving the “Caring Company” Logo awarded by The Hong Kong Council of Social Service.



Representative from the PFHL Group receiving the ESG Special Recognition Award - with Merit from Award presenters of Television Broadcasts Limited.



Staff volunteers packed 100 care packages for delivery to the elderly for celebration of Mid-Autumn Festival.



Staff and their family members visiting the Hong Kong Seeing Eye Dog Training School to understand the needs of people with visual impairments and how guide dogs assist them in their daily lives.



Collaborating with St. Barnabas Society and Home to organise a Mid-Autumn Festival activity "Lantern Making and Care Packages Distribution", staff volunteers and their family members show care to the elderly they served.



Staff participating in coral exploration tour at Hoi Ha Wan organised by the World Wildlife Fund-Hong Kong to understand the importance of marine life protection.



Facilitated by the workshop mentor from Epworth Village Methodist Church, staff creating their handmade aroma candles in a mental health awareness workshop.

Our Corporate Family Marketing & Promotions

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生意周轉 更輕鬆

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PUBLIC FINANCE LIMITED

Report of the Directors

The Directors have pleasure in presenting their report and the audited financial statements for the year ended 31 December 2024.

PRINCIPAL ACTIVITIES

The principal activities of the Group consisted of the provision of a comprehensive range of banking and financial services.

Details of the principal activities of the Bank's subsidiaries are set out in Note 1 to the financial statements.

RESULTS AND DIVIDENDS

The Group's loss for the year ended 31 December 2024 and the Group's financial position as at that date are set out in the financial statements on pages 16 to 124.

Interim dividend of HK\$0.261 (2023: HK\$4.072) and special dividend of HK\$6.750 (2023: Nil) per ordinary share were declared and paid during the year. The Directors did not recommend the payment of a final dividend for the year (2023: Nil).

BUSINESS REVIEW

No business review is prepared as the Bank is exempted under Section 388(3)(b) of the Hong Kong Companies Ordinance for being a wholly owned subsidiary of Public Financial Holdings Limited ("PFHL") for the year ended 31 December 2024.

PROPERTY AND EQUIPMENT, LAND HELD UNDER FINANCE LEASES AND INVESTMENT PROPERTIES

Details of movements in the property and equipment, land held under finance leases and investment properties of the Group during the year are set out in Notes 24, 25 and 26 to the financial statements, respectively.

SHARE CAPITAL

There was no movement in the Bank's issued share capital during the year.

RESERVES

Details of movements in the reserves of the Group and of the Bank during the year are set out in the consolidated statement of changes in equity and Note 37(c) to the financial statements, respectively.

DIRECTORS

The Directors of the Bank during the year and up to the date of this report were as follows:

Non-Executive Directors:

Lai Wan, Chairman
Tan Sri Dato' Sri Dr. Tay Ah Lek
Cheah Kim Ling (Resigned on 1 January 2024)
Dato' Chang Kat Kiam

Independent Non-Executive Directors:

Lee Chin Guan
Lim Chao Li
Phe Kheng Peng

Executive Directors:

Tan Yoke Kong (Resigned on 1 January 2024)
Chong Yam Kiang (Re-designated from Non-Executive Director to Executive Director on 1 January 2024)

Report of the Directors

DIRECTORS (Continued)

In accordance with Articles 109 and 110 of the Articles of Association of the Bank, Mr. Chong Yam Kiang, Mr. Lee Chin Guan and Mr. Lim Chao Li shall retire by rotation and, being eligible, will offer themselves for re-election at the forthcoming annual general meeting ("AGM").

The Directors of the subsidiaries of the Bank during the year and up to the date of this report were as follows:

Lai Wan
 Tang Wing Chew
 Dato' Chang Kat Kiam
 Quah Poh Keat
 Cheah Kim Ling (Resigned on 1 January 2024)
 Lee Chin Guan
 Lim Chao Li
 Phe Kheng Peng
 Tan Yoke Kong (Resigned on 1 January 2024)
 Chong Yam Kiang
 Lee Huat Oon (Appointed on 1 January 2024)
 Ng Chee Khuen
 Chiu Chik Shang (Resigned on 1 January 2025)
 Chan Sau Kuen
 Kwok Ka Leung (Resigned on 2 July 2024)
 Or Pui Sing
 Cheung Hin Sing (Appointed on 1 January 2025)

MANAGEMENT CONTRACTS

Save for employment contracts, no other contracts relating to the management and/or administration of the whole or any substantial part of the business of the Bank were entered into or subsisted during the year.

DIRECTORS' RIGHTS TO ACQUIRE SHARES AND DEBENTURES

At no time during the year or at the end of the year has been/was the Bank or any of its holding companies, subsidiaries or fellow subsidiaries a party to any arrangement to enable the Bank's Directors 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 agreement that will or may result in the Bank issuing shares or that requires the Bank to enter into any agreements that will or may result in the Bank issuing shares was entered into by the Bank during the year or subsisted at the end of the year.

Report of the Directors

DIRECTORS' INTERESTS IN TRANSACTIONS, ARRANGEMENTS OR CONTRACTS

Except as detailed in Note 33 to the financial statements, there has been no transaction, arrangement or contract of significance in relation to the Bank's business to which the Bank or any of its holding companies, subsidiaries or fellow subsidiaries was a party and in which a Director of the Bank or an entity connected with the Director is or was materially interested, either directly or indirectly, subsisting during or at the end of the year.

PERMITTED INDEMNITY PROVISION

Pursuant to Article 156 of the Bank's Articles of Association and subject to the provisions of the statutes, every Director, secretary or officer of the Bank shall be indemnified out of the funds of the Bank against all liability incurred by him as such Director, secretary or officer of the Bank in or about the execution or holding of his office or otherwise in relation thereto. The liability insurance of Directors, secretary and officers for the Bank was/is in force during the year and as at the date on which this Report of the Directors is approved in accordance with section 391 of the Hong Kong Companies Ordinance.

COMPLIANCE WITH SUPERVISORY POLICY MANUAL

The Bank has complied with the Supervisory Policy Manual ("SPM") Module CG-1 "Corporate Governance of Locally Incorporated Authorised Institutions" issued by the HKMA.

The Bank has also complied with the Banking (Disclosure) Rules issued by the HKMA, and the capital requirements related to capital base and capital adequacy ratio stipulated by the HKMA.

DONATIONS

During the year, the Group made charitable donations totaling HK\$21,450 (2023: HK\$12,120).

AUDITORS

Messrs. Ernst & Young retire and a resolution for their re-appointment as auditors of the Bank will be proposed at the forthcoming AGM.

ON BEHALF OF THE BOARD

Lai Wan

Director

Chong Yam Kiang

Director

16 January 2025

Independent Auditor's Report



Ernst & Young
27/F, One Taikoo Place
979 King's Road
Quarry Bay, Hong Kong

安永會計師事務所
香港鰂魚涌英皇道979號
太古坊一座27樓

Tel 電話: +852 2846 9888
Fax 傳真: +852 2868 4432
ey.com

To the members of Public Bank (Hong Kong) Limited
(Incorporated in Hong Kong with limited liability)

OPINION

We have audited the consolidated financial statements of Public Bank (Hong Kong) Limited (the "Bank") and its subsidiaries (the "Group") set out on pages 16 to 124, 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.

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.

Independent Auditor's Report

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.

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.

Independent Auditor's Report

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

- 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.

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.

Ernst & Young
Certified Public Accountants
Hong Kong
16 January 2025

Consolidated Income Statement

For the year ended 31 December 2024

	Notes	2024 HK\$'000	2023 HK\$'000
Interest income	8	2,019,857	1,926,958
Interest expense	8	(986,105)	(873,283)
NET INTEREST INCOME		1,033,752	1,053,675
Fees and commission income	9	219,356	198,578
Fees and commission expenses	9	(1,968)	(2,059)
Net fees and commission income		217,388	196,519
Other operating income	10	24,874	27,210
OPERATING INCOME		1,276,014	1,277,404
Operating expenses	11	(899,231)	(851,158)
Changes in fair value of investment properties		(18,978)	(9,010)
OPERATING PROFIT BEFORE CREDIT LOSS EXPENSES		357,805	417,236
Credit loss expenses	12	(492,787)	(322,684)
(LOSS)/PROFIT BEFORE TAX		(134,982)	94,552
Tax	14	18,073	(23,622)
(LOSS)/PROFIT FOR THE YEAR		(116,909)	70,930
(LOSS)/PROFIT ATTRIBUTABLE TO:			
Owners of the Bank		(116,909)	70,930

Consolidated Statement of Comprehensive Income

For the year ended 31 December 2024

	2024 HK\$'000	2023 HK\$'000
(LOSS)/PROFIT FOR THE YEAR	(116,909)	70,930
OTHER COMPREHENSIVE (LOSS)/INCOME FOR THE YEAR		
Other comprehensive loss that may be reclassified to profit or loss in subsequent periods:		
Net losses on debt securities investment measured at fair value through other comprehensive income ("FVOCI"), net of tax	(1,206)	—
Exchange differences on translating foreign operations, net of tax	(34,507)	(22,180)
	(35,713)	(22,180)
Other comprehensive income that will not be reclassified to profit or loss in subsequent periods:		
Surplus on revaluation of properties	2,520	—
OTHER COMPREHENSIVE LOSS FOR THE YEAR, NET OF TAX	(33,193)	(22,180)
TOTAL COMPREHENSIVE (LOSS)/INCOME FOR THE YEAR	(150,102)	48,750
TOTAL COMPREHENSIVE (LOSS)/INCOME ATTRIBUTABLE TO:		
Owners of the Bank	(150,102)	48,750

Consolidated Statement of Financial Position

31 December 2024

	Notes	2024 HK\$'000	2023 HK\$'000
ASSETS			
Cash and short term placements	16	5,951,207	3,717,914
Placements with banks and financial institutions maturing after one month but not more than twelve months	17	1,905,999	977,141
Derivative financial instruments		4,561	10,743
Loans and advances and receivables	18	23,734,267	23,543,135
Equity investments at fair value through other comprehensive income	19	6,804	6,804
Debt securities investment	20	6,624,576	7,639,528
Investment properties	26	217,577	160,507
Property and equipment	24	190,789	171,099
Land held under finance leases	25	218,387	225,254
Right-of-use assets	21	94,972	130,717
Deferred tax assets	29	87,824	48,868
Tax recoverable		16,208	40,116
Goodwill	27	242,342	242,342
Intangible assets	23	232	232
Other assets	22	554,077	341,167
TOTAL ASSETS		39,849,822	37,255,567

Consolidated Statement of Financial Position

31 December 2024

	Notes	2024 HK\$'000	2023 HK\$'000
EQUITY AND LIABILITIES			
LIABILITIES			
Deposits and balances of banks and other financial institutions at amortised cost		521,314	467,547
Derivative financial instruments		14,589	40
Customer deposits at amortised cost	28	32,207,400	29,546,138
Lease liabilities	21	104,390	139,245
Current tax payable		3,872	1,728
Deferred tax liabilities	29	30,579	27,822
Other liabilities	22	649,565	500,957
TOTAL LIABILITIES		33,531,709	30,683,477
EQUITY ATTRIBUTABLE TO OWNERS OF THE BANK			
Share capital	30	2,854,045	2,854,045
Reserves		3,464,068	3,718,045
TOTAL EQUITY		6,318,113	6,572,090
TOTAL EQUITY AND LIABILITIES		39,849,822	37,255,567

Lai Wan
Director

Chong Yam Kiang
Director

Dato' Chang Kat Kiam
Director

Consolidated Statement of Changes in Equity

For the year ended 31 December 2024

	Note	Share capital HK\$'000	Group reconstruction reserve HK\$'000	Property revaluation reserve HK\$'000	Capital reserve HK\$'000	Debt securities revaluation reserve HK\$'000	Regulatory reserve [#] HK\$'000	Retained profits HK\$'000	Translation reserve HK\$'000	Total HK\$'000
As at 1 January 2024		2,854,045	3,065	-	17,660	-	34,316	3,682,613	(19,609)	6,572,090
Loss for the year		-	-	-	-	-	-	(116,909)	-	(116,909)
Other comprehensive income/(loss)		-	-	2,520	-	(1,206)	-	-	(34,507)	(33,193)
Transfer from regulatory reserve to retained profits		-	-	-	-	-	(34,316)	34,316	-	-
Dividends paid in respect of previous year	15	-	-	-	-	-	-	-	-	-
Dividends paid in respect of current year	15	-	-	-	-	-	-	(103,875)	-	(103,875)
As at 31 December 2024		2,854,045	3,065	2,520	17,660	(1,206)	-	3,496,145	(54,116)	6,318,113

	Note	Share capital HK\$'000	Group reconstruction reserve HK\$'000	Property revaluation reserve HK\$'000	Capital reserve HK\$'000	Debt securities revaluation reserve HK\$'000	Regulatory reserve [#] HK\$'000	Retained profits HK\$'000	Translation reserve HK\$'000	Total HK\$'000
As at 1 January 2023		2,854,045	3,065	-	17,660	-	46,153	3,735,842	2,571	6,659,336
Profit for the year		-	-	-	-	-	-	70,930	-	70,930
Other comprehensive loss		-	-	-	-	-	-	-	(22,180)	(22,180)
Transfer from regulatory reserve to retained profits		-	-	-	-	-	(11,837)	11,837	-	-
Dividends paid in respect of previous year	15	-	-	-	-	-	-	(75,665)	-	(75,665)
Dividends paid in respect of current year	15	-	-	-	-	-	-	(60,331)	-	(60,331)
As at 31 December 2023		2,854,045	3,065	-	17,660	-	34,316	3,682,613	(19,609)	6,572,090

[#] The regulatory reserve is maintained to satisfy the provisions of the Hong Kong Banking Ordinance for prudential supervision purpose. It is held as a buffer of capital to absorb potential financial losses, in case the expected credit loss ("ECL") provisions under accounting standards' requirement is below a target level set by the HKMA.

Consolidated Statement of Cash Flows

For the year ended 31 December 2024

	Notes	2024 HK\$'000	2023 HK\$'000
CASH FLOWS FROM OPERATING ACTIVITIES			
(Loss)/profit before tax		(134,982)	94,552
Adjustments for:			
Dividend income from listed investments	10	(258)	(243)
Dividend income from unlisted investments	10	(150)	(35)
Depreciation of property and equipment and land held under finance leases	11	43,501	40,467
Depreciation of right-of-use assets	21	85,524	92,517
Other interest expenses	8	5,185	3,281
Gain on termination of leases	10	(58)	(58)
Payment of dismantling costs		(265)	(678)
Net losses on disposal of property and equipment	10	21	418
Increase in credit loss expenses for loans and advances and receivables		3,085	136,921
Increase/(decrease) in credit loss expenses for debt securities investment and bank placements		212	(38)
Impairment of intangible assets	23	–	486
Decrease in fair value of investment properties	26	18,978	9,010
Exchange differences		(36,534)	(24,624)
Profits tax refunded/(paid)		10,311	(95,937)
Operating (loss)/profit before changes in operating assets and liabilities		(5,430)	256,039
Decrease in operating assets:			
(Increase)/decrease in placements with banks and financial institutions		(246,659)	166,297
Decrease/(increase) in derivative financial instruments		6,182	(10,400)
(Increase)/decrease in loans and advances and receivables		(194,217)	609,688
Decrease in debt securities investment		3,654,152	42,066
Increase in other assets		(212,910)	(28,078)
		3,006,548	779,573
Increase/(decrease) in operating liabilities:			
Increase/(decrease) in deposits and balances of banks and other financial institutions at amortised cost		53,767	(29,610)
Increase/(decrease) in customer deposits at amortised cost		2,661,262	(918,201)
Increase/(decrease) in derivative financial instruments		14,549	(1,962)
Increase in other liabilities		148,483	67,685
		2,878,061	(882,088)
Net cash inflow from operating activities		5,879,179	153,524

Consolidated Statement of Cash Flows

For the year ended 31 December 2024

	Notes	2024 HK\$'000	2023 HK\$'000
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchases of property and equipment	24	(56,365)	(54,207)
Purchases of investment properties	26	(73,508)	–
Dividends received from listed investments	10	258	243
Dividends received from unlisted investments	10	150	35
Net cash outflow from investing activities		(129,465)	(53,929)
CASH FLOWS FROM FINANCING ACTIVITIES			
Dividends paid on shares		(103,875)	(135,996)
Repayment of lease liabilities	21	(89,491)	(90,513)
Net cash outflow from financing activities		(193,366)	(226,509)
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		5,556,348	(126,914)
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR		4,174,426	4,301,340
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR		9,730,774	4,174,426
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS			
Cash and short term placements repayable on demand	35	672,155	801,630
Money at call and short notice with an original maturity within three months		4,923,541	2,745,961
Placements with banks and financial institutions with an original maturity within three months		1,057,270	189,568
Debt securities investment with an original maturity within three months		3,077,808	437,267
		9,730,774	4,174,426
OPERATIONAL CASH FLOWS FROM INTEREST			
Interest paid		(1,021,079)	(766,723)
Interest received		2,056,961	1,864,774

Consolidated Statement of Cash Flows

For the year ended 31 December 2024

RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES

The table below details changes in the Group's liabilities from financing activities, including both cash and non-cash changes. Liabilities arising from financing activities are liabilities for which cash flows were, or future cash flow will be, classified in the Group's consolidated statement of cash flows as cash flows from financing activities.

	Dividends payable HK\$'000	Lease liabilities HK\$'000	Total liabilities from financing activities HK\$'000
As at 1 January 2024	–	139,245	139,245
Changes from financing cash flows:			
Dividends paid on ordinary shares	(103,875)	–	(103,875)
Repayment of lease liabilities	–	(89,491)	(89,491)
Total changes from financing cash flows	(103,875)	(89,491)	(193,366)
Other changes:			
Dividends declared on ordinary shares	103,875	–	103,875
Additions to lease liabilities	–	56,656	56,656
Interest expense on lease liabilities	–	5,074	5,074
Reassessment on lease liabilities	–	(6,994)	(6,994)
Termination of lease contracts	–	–	–
Exchange difference on lease liabilities	–	(100)	(100)
Total other changes	103,875	54,636	158,511
As at 31 December 2024	–	104,390	104,390

Consolidated Statement of Cash Flows

For the year ended 31 December 2024

RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES (Continued)

	Dividends payable HK\$'000	Lease liabilities HK\$'000	Total liabilities from financing activities HK\$'000
As at 1 January 2023	–	119,239	119,239
Changes from financing cash flows:			
Dividends paid on ordinary shares	(135,996)	–	(135,996)
Repayment of lease liabilities	–	(90,513)	(90,513)
Total changes from financing cash flows	(135,996)	(90,513)	(226,509)
Other changes:			
Dividends declared on ordinary shares	135,996	–	135,996
Additions to lease liabilities	–	108,602	108,602
Interest expense on lease liabilities	–	3,170	3,170
Reassessment on lease liabilities	–	448	448
Termination of lease contracts	–	(1,446)	(1,446)
Exchange difference on lease liabilities	–	(255)	(255)
Total other changes	135,996	110,519	246,515
As at 31 December 2023	–	139,245	139,245

Notes to Financial Statements

1. CORPORATE AND GROUP INFORMATION

The Bank is a limited liability company and its registered office is located at 2/F, Public Bank Centre, 120 Des Voeux Road Central, Central, Hong Kong. During the year, the Group's principal activities were the provision of a comprehensive range of banking and financial services.

The Bank is a wholly-owned subsidiary of PFHL. In the opinion of the Directors, the ultimate holding company of the Bank is Public Bank Berhad, which is incorporated in Malaysia.

Particulars of the Bank's subsidiaries, which are incorporated and operate in Hong Kong, are as follows:

Name	Issued ordinary share capital HK\$	Percentage of equity attributable to the Bank		Principal activities
		Direct %	Indirect %	
Public Financial Securities Limited	148,000,000	100	–	Securities brokerage
Public Bank (Nominees) Limited	100,000	100	–	Provision of nominee services
Public Futures Limited	2	100	–	Dormant
Public Finance Limited	671,038,340	100	–	Deposit-taking and financing
Public Financial Limited	10,100,000	–	100	Investment holding
Public Securities Limited	10,000,000	–	100	Dormant
Public Securities (Nominees) Limited	10,000	–	100	Dormant

Notes to Financial Statements

2. BASIS OF PREPARATION

These financial statements have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards (“HKFRSs”) (which include all applicable individual HKFRSs, Hong Kong Accounting Standards (“HKASs”) and Interpretations (“Int”)) issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”), and the provisions of the Hong Kong Companies Ordinance. They have also complied with the Banking (Disclosure) Rules issued by the HKMA.

These financial statements have been prepared under the historical cost convention, as modified for the revaluation of investment properties, financial assets and financial liabilities (including derivative financial instruments) at fair value through profit or loss (“FVPL”), debt securities investments at FVOCI and equity investments at FVOCI.

3. BASIS OF CONSOLIDATION

The consolidated financial statements include the financial statements of the Bank and its subsidiaries for the year ended 31 December 2024.

A subsidiary is an entity (including a structured entity), directly or indirectly, controlled by the Bank. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee (i.e. existing rights that give the Group the current ability to direct the relevant activities of the investee).

When the Bank has, directly or indirectly, less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- (a) the contractual arrangement with the other vote holders of the investee;
- (b) rights arising from other contractual arrangements; and
- (c) the Group's voting rights and potential voting rights.

The financial statements of the subsidiaries are prepared for the same reporting period as the Bank, using consistent accounting policies. The results of subsidiaries are consolidated from the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases.

Profit or loss and each component of other comprehensive income (“OCI”) are attributed to the owners of the parent of the Group. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

The Group 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 described above. A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

If the Group loses control over a subsidiary, it derecognises the related assets (including goodwill), liabilities, any non-controlling interest and translation reserve; and recognises the fair value of any investment retained and any resulting surplus or deficit in profit or loss. The Group's share of components previously recognised in OCI is reclassified to profit or loss or retained profits, as appropriate, on the same basis as would be required if the Group had directly disposed of the related assets or liabilities.

Notes to Financial Statements

3. BASIS OF CONSOLIDATION (Continued)

The subsidiaries consolidated for accounting purpose are as follows:

Name	31 December 2024		31 December 2023		Principal activities
	Total assets HK\$	Total equity HK\$	Total assets HK\$	Total equity HK\$	
Public Financial Securities Limited	466,338,942	157,099,274	230,095,342	149,123,875	Securities brokerage
Public Bank (Nominees) Limited	100,000	100,000	100,000	100,000	Provision of nominee services
Public Futures Limited	1	1	1	1	Dormant
Public Finance Limited*	5,891,149,009	1,464,815,399	6,029,182,165	1,455,721,712	Deposit-taking and financing
Public Financial Limited	10,101,217	10,101,217	10,101,242	10,101,242	Investment holding
Public Securities Limited	12,384,287	11,964,297	44,278,595	40,861,659	Dormant
Public Securities (Nominees) Limited	1,127,337	1,124,337	1,120,264	1,120,264	Dormant

* The financial entity specified by the HKMA to form the basis of consolidation for regulatory reporting purpose in respect of common equity tier 1 ("CET1") capital ratio, tier 1 capital ratio, total capital ratio, capital conservation buffer ("CCB") ratio, countercyclical capital buffer ("CCyB") ratio, leverage ratio, liquidity maintenance ratio and core funding ratio.

4. BASIS OF CAPITAL DISCLOSURES

The Group has complied with the capital requirements during the reporting period related to capital base and capital adequacy ratios as stipulated by the HKMA, and has also complied with the Banking (Disclosure) Rules.

Should the Group have not complied with the externally imposed capital requirements of the HKMA, capital management plans should be submitted to the HKMA for restoration of capital to the minimum required level as soon as possible.

The computation of the consolidated total capital ratio and other regulatory capital ratios of the Group is based on the consolidation of the Bank and Public Finance for regulatory reporting purposes.

There are no major restrictions or impediments on the transfer of capital or funds among the members of the Bank's consolidation group except that liquidity, capital and other performance indicators of Public Financial Securities Limited should satisfy the minimum requirements of the Securities and Futures (Financial Resources) Rules issued by the SFC.

Regulatory reserve, if any, set aside pursuant to the HKMA's capital requirements is non-distributable.

Notes to Financial Statements

4. BASIS OF CAPITAL DISCLOSURES (Continued)

The Group has adopted the provisions of the Banking Ordinance relating to the Basel III capital standards and the Banking (Capital) Rules (the “Capital Rules”). The Capital Rules outline the general requirements on regulatory capital ratios, the components of eligible regulatory capital as well as the levels of those ratios at which banking institutions are required to operate. The Capital Rules have been developed based on internationally-agreed standards on capital adequacy promulgated by the Basel Committee on Banking Supervision. Under the Capital Rules, the required CCB ratio for 2023 and 2024 is 2.5%, whilst the required CCyB ratio for 2023 and 2024 is 1.0% and 0.5% respectively.

5. ACCOUNTING POLICIES

Changes in accounting policies and disclosures

The Group has adopted the following revised HKFRSs for the first time for the current year’s financial statements:

- | | |
|------------------------------------|--|
| • 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> |
| | <i>(the “2020 Amendments”)</i> |
| • Amendments to HKAS 1 | <i>Non-current Liabilities with Covenants</i> |
| | <i>(the “2022 Amendments”)</i> |
| • Amendments to HKAS 7 and HKFRS 7 | <i>Supplier Finance Arrangements</i> |

The nature and impact of the revised HKFRSs that are applicable to the Group are described below:

Amendments to HKFRS 16 – *Lease Liability in a Sale and Leaseback*

Amendments to HKFRS 16 specify the requirements that a seller-lessee uses in measuring the lease liability arising in a sale and leaseback transaction to ensure the seller-lessee does not recognise any amount of the gain or loss that relates to the right of use it retains. Since the Group has no sale and leaseback transaction with variable lease payments that do not depend on an index or a rate occurring from the date of initial application of HKFRS 16, the amendments did not have any impact on the financial position or performance of the Group.

Amendments to HKAS 1 – *Classification of Liabilities as Current or Non-current (the “2020 Amendments”)* and Amendments to HKAS 1 – *Non-current Liabilities with Covenants (the “2022 Amendments”)*

The 2020 Amendments clarify the requirements for classifying liabilities as current or non-current, including what is meant by a right to defer settlement and that a right to defer must exist at the end of the reporting period. Classification of a liability is unaffected by the likelihood that the entity will exercise its right to defer settlement. The amendments also clarify that a liability can be settled in its own equity instruments, and that only if a conversion option in a convertible liability is itself accounted for as an equity instrument would the terms of a liability not impact its classification. The 2022 Amendments further clarify that, among covenants of a liability arising from a loan arrangement, only those with which an entity must comply on or before the reporting date affect the classification of that liability as current or non-current. Additional disclosures are required for non-current liabilities that are subject to the entity complying with future covenants within 12 months after the reporting period.

The Group has reassessed the terms and conditions of its liabilities as at 1 January 2023 and 1 January 2024 and concluded that the classification of its liabilities as current or non-current remained unchanged upon initial application of the amendments. Accordingly, the amendments did not have any impact on the financial position or performance of the Group.

Notes to Financial Statements

5. ACCOUNTING POLICIES (Continued) Changes in accounting policies and disclosures (Continued)

Amendments to HKAS 7 and HKFRS 7 – *Supplier Finance Arrangements*

Amendments to HKAS 7 and HKFRS 7 clarify the characteristics of supplier finance arrangements and require additional disclosure of such arrangements. The disclosure requirements in the amendments are intended to assist users of financial statements in understanding the effects of supplier finance arrangements on an entity's liabilities, cash flows and exposure to liquidity risk. As the Group does not have supplier finance arrangements, the amendments did not have any impact on the consolidated financial information of the Group.

Issued but not yet effective HKFRSs

The Group has not applied the following new and revised HKFRSs, that are expected to be relevant to the Group and have been issued but are not yet effective, in these financial statements. The Group intends to apply these new and revised HKFRSs, if applicable, when they become effective.

- | | |
|---|--|
| • HKFRS 18 | <i>Presentation and Disclosure in Financial Statements³</i> |
| • HKFRS 19 | <i>Subsidiaries without Public Accountability: Disclosures³</i> |
| • Amendments to HKFRS 9 and HKFRS 7 | <i>Amendments to the Classification and Measurement of Financial Instruments²</i> |
| • 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> |
| • Annual Improvements to HKFRS Accounting Standards – Volume 11 | <i>Amendments to HKFRS 1, HKFRS 7, HKFRS 9, HKFRS 10 and HKAS 7²</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/reporting periods beginning on or after 1 January 2027

⁴ No mandatory effective date yet determined but available for adoption

Notes to Financial Statements

5. ACCOUNTING POLICIES (Continued) Issued but not yet effective HKFRSs (Continued)

Further information about those HKFRSs that are expected to be applicable to the Group is described below.

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 statement of profit or loss, including specified totals and subtotals. Entities are required to classify all income and expenses within the statement of profit or loss 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 will be 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.

HKFRS 19 allows eligible entities to elect to apply reduced disclosure requirements while still applying the recognition, measurement and presentation requirements in other HKFRSs. To be eligible, at the end of the reporting period, an entity must be a subsidiary as defined in HKFRS 10 *Consolidated Financial Statements*, cannot have public accountability and must have a parent (ultimate or intermediate) that prepares consolidated financial statements available for public use in compliance with HKFRSs. Earlier application is permitted. The Group is currently considering the application of HKFRS 19 in the financial statements.

Amendments to HKFRS 9 and HKFRS 7 clarify the date on which a financial asset or financial liability is derecognised and introduce an accounting policy option to derecognise a financial liability that is settled through an electronic payment system before the settlement date if specified criteria are met. The amendments clarify how to assess the contractual cash flow characteristics of financial assets with environmental, social and governance ("ESG") and other similar contingent features. Moreover, the amendments clarify the requirements for classifying financial assets with non-recourse features and contractually linked instruments. The amendments also include additional disclosure requirements for investments in equity instruments designated at FVOCI and financial instruments with contingent features. The amendments shall be applied retrospectively with an adjustment to opening retained profits (or other component of equity) at the initial application date. Prior periods are not required to be restated and can only be restated without the use of hindsight. Earlier application of either all the amendments at the same time or only the amendments related to the classification of financial assets is permitted. The amendments are not expected to have any significant impact on the Group's financial statements.

Notes to Financial Statements

5. ACCOUNTING POLICIES (Continued) Issued but not yet effective HKFRSs (Continued)

Amendments to HKFRS 10 and HKAS 28 address an inconsistency between the requirements in HKFRS 10 and in HKAS 28 in dealing with the sale or contribution of assets between an investor and its associate or joint venture. The amendments require a full recognition of a gain or loss resulting from a downstream transaction when the sale or contribution of assets constitutes a business. For a transaction involving assets that do not constitute a business, a gain or loss resulting from the transaction is recognised in the investor's profit or loss only to the extent of the unrelated investor's interest in that associate or joint venture. The amendments are to be applied prospectively. The previous mandatory effective date of amendments to HKFRS 10 and HKAS 28 was removed by the HKICPA. However, the amendments are available for adoption now. The amendments are not expected to have any significant impact on the Group's financial statements.

Amendments to HKAS 21 specify how an entity shall assess whether a currency is exchangeable into another currency and how it shall estimate a spot exchange rate at a measurement date when exchangeability is lacking. The amendments require disclosures of information that enable users of financial statements to understand the impact of a currency not being exchangeable. Earlier application is permitted. When applying the amendments, an entity cannot restate comparative information. Any cumulative effect of initially applying the amendments shall be recognised as an adjustment to the opening balance of retained profits or to the cumulative amount of translation differences accumulated in a separate component of equity, where appropriate, at the date of initial application. The amendments are not expected to have any significant impact on the Group's financial statements.

Annual Improvements to HKFRS Accounting Standards – Volume 11 set out amendments to HKFRS 1, HKFRS 7 (and the accompanying Guidance on implementing HKFRS 7), HKFRS 9, HKFRS 10 and HKAS 7.

Details of the amendments that are expected to be applicable to the Group are as follows:

- **HKFRS 7 *Financial Instruments: Disclosures*:** The amendments have updated certain wordings in paragraph B38 of HKFRS 7 and paragraphs IG1, IG14 and IG20B of the Guidance on implementing HKFRS 7 for the purpose of simplification or achieving consistency with other paragraphs in the standard and/or with the concepts and terminology used in other standards. In addition, the amendments clarify that the Guidance on implementing HKFRS 7 does not necessarily illustrate all the requirements in the referenced paragraphs of HKFRS 7 nor does it create additional requirements. Earlier application is permitted. The amendments are not expected to have any significant impact on the Group's financial statements.
- **HKFRS 9 *Financial Instruments*:** The amendments clarify that when a lessee has determined that a lease liability has been extinguished in accordance with HKFRS 9, the lessee is required to apply paragraph 3.3.3 of HKFRS 9 and recognise any resulting gain or loss in profit or loss. In addition, the amendments have updated certain wordings in paragraph 5.1.3 of HKFRS 9 and Appendix A of HKFRS 9 to remove potential confusion. Earlier application is permitted. The amendments are not expected to have any significant impact on the Group's financial statements.
- **HKFRS 10 *Consolidated Financial Statements*:** The amendments clarify that the relationship described in paragraph B74 of HKFRS 10 is just one example of various relationships that might exist between the investor and other parties acting as de facto agents of the investor, which removes the inconsistency with the requirement in paragraph B73 of HKFRS 10. Earlier application is permitted. The amendments are not expected to have any significant impact on the Group's financial statements.
- **HKAS 7 *Statement of Cash Flows*:** The amendments replace the term "cost method" with "at cost" in paragraph 37 of HKAS 7 following the prior deletion of the definition of "cost method". Earlier application is permitted. The amendments are not expected to have any impact on the Group's financial statements.

Notes to Financial Statements

5. ACCOUNTING POLICIES (Continued)

Material accounting policies

The principal accounting policies applied in the preparation of these consolidated financial statements are set out below:

(1) Foreign currency translation

These financial statements are presented in Hong Kong dollars ("HKD"), which is the Bank's functional currency. Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency.

(i) Transactions and balances

Transactions in foreign currencies are initially recorded in the functional currency rates prevailing at the dates of the transactions.

Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency rates of exchange ruling at the end of the reporting period. Differences arising on settlement or translation of monetary items are recognised in "Other operating income" or "Other operating expenses" in the consolidated income statement with the exception of differences on foreign currency borrowings that provide an effective hedge against a net investment in a foreign entity which is taken directly to equity until the disposal of the net investment, at which time they are recognised in the consolidated income statement. Tax charges and credits attributable to exchange differences on those borrowings are also recorded in OCI.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as 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 OCI or profit or loss is also recognised in OCI or profit or loss, respectively).

Any goodwill arising on the acquisition of a foreign operation and any fair value adjustments to the carrying amounts of assets and liabilities arising on the acquisition are treated as assets and liabilities of the foreign operation and translated at the closing rate.

(ii) Group companies

As at the reporting date, the assets and liabilities of subsidiaries and overseas branches and offices are translated into the Group's presentation currency at the rates of exchange ruling at the end of the reporting period, and their statements of comprehensive income are translated at the weighted average exchange rates for the year. Exchange differences arising on translation are taken directly to a separate component of equity. On disposal of a foreign entity, the deferred cumulative amount recognised in equity relating to that particular foreign operation is recognised in the consolidated income statement as part of gains or losses on disposal.

Notes to Financial Statements

5. ACCOUNTING POLICIES (Continued) Material accounting policies (Continued)

(2) Financial instruments – initial recognition and subsequent measurement

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

(i) *Financial assets*

Initial recognition and measurement

Financial assets are classified at initial recognition and subsequently measured at amortised cost, FVOCI, and FVPL.

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Group's business model for managing them. With the exception of receivables that do not contain a significant financing component or for which the Group has applied the practical expedient, the Group initially measures a financial asset at its fair value plus, in the case of a financial asset not at FVPL, transaction costs. Receivables that do not contain a significant financing component or for which the Group has applied the practical expedient are measured at the transaction price determined under HKFRS 15.

In order for a financial asset to be classified and measured at amortised cost or FVOCI, it needs to give rise to cash flows that are solely payments of principal and interest on the principal amount outstanding. This assessment is referred to as the solely payments of principal and interest test and is performed at an instrument level.

The Group's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both.

Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the market place (regular way trades) are recognised on the trade date, i.e. the date that the Group commits to purchase or sell the asset.

Subsequent measurement

For purposes of subsequent measurement, financial assets are classified into four categories:

- Financial assets at amortised cost (debt instruments)
- Financial assets at FVOCI with recycling of cumulative gains and losses (debt instruments)
- Financial assets designated at FVOCI with no recycling of cumulative gains and losses upon derecognition (equity investments)
- Financial assets at FVPL

Notes to Financial Statements

5. ACCOUNTING POLICIES (Continued) Material accounting policies (Continued)

(2) Financial instruments – initial recognition and subsequent measurement (Continued)

(i) *Financial assets (Continued)*

Financial assets at amortised cost (debt instruments)

The Group measures financial assets at amortised cost if both of the following conditions are met:

- The financial asset is held within a business model with the objective to hold the financial assets in order to collect contractual cash flows; and
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial assets at amortised cost are subsequently measured using the effective interest method and are subject to impairment. Gains and losses are recognised in profit or loss when the asset is derecognised, modified or impaired.

The Group's financial assets at amortised cost include cash and short term placements, placements with banks and financial institutions, loans and advances and receivables, and debt securities investment.

Financial assets at FVOCI (debt instruments)

The Group measures financial assets at FVOCI if both of the following conditions are met:

- The financial asset is held within a business model with the objective of both holding to collect contractual cash flows and selling; and
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

For financial assets at FVOCI, interest income, foreign exchange revaluation and impairment losses or reversals are recognised in the consolidated income statement and computed in the same manner as for financial assets measured at amortised cost. The remaining fair value changes are recognised in OCI. Upon derecognition, the cumulative fair value change recognised in OCI is recycled to profit or loss.

Financial assets designated at FVOCI (equity investments)

Upon initial recognition, the Group can elect to classify irrevocably its equity investments as financial assets designated at FVOCI when they meet the definition of equity under HKAS 32 *Financial Instruments: Presentation* and are not held for trading. The classification is determined on an instrument-by-instrument basis.

Gains and losses on these financial assets are never recycled to profit or loss. Dividends are recognised as other income in the consolidated income statement when the right of payment has been established, 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 FVOCI are not subject to impairment assessment.

The Group elected to classify irrevocably its non-listed equity investments under this category.

Notes to Financial Statements

5. ACCOUNTING POLICIES (Continued) Material accounting policies (Continued)

(2) Financial instruments – initial recognition and subsequent measurement (Continued)

(i) *Financial assets (Continued)*

Financial assets at FVPL

Financial assets at FVPL include financial assets held for trading, financial assets designated upon initial recognition at FVPL, or financial assets mandatorily required to be measured at fair value. Financial assets are classified as held for trading if they are acquired for the purpose of selling or repurchasing in the near term. Derivatives, including separated embedded derivatives, are also classified as held for trading unless they are designated as effective hedging instruments. Financial assets with cash flows that are not solely payments of principal and interest are classified and measured at FVPL, irrespective of the business model. Notwithstanding the criteria for debt instruments to be classified at amortised cost or at FVOCI, as described above, debt instruments may be designated at FVPL on initial recognition if doing so eliminates, or significantly reduces, an accounting mismatch.

Financial assets at FVPL are carried in the statement of financial position at fair value with net changes in fair value recognised in the consolidated income statement.

This category includes derivative instruments and listed equity investments which the Group had not irrevocably elected to classify at FVOCI. Dividends on listed equity investments are also recognised as “Other operating income” in the consolidated income statement when the right of payment has been established.

A derivative embedded in a hybrid contract, with a financial liability or non-financial asset host, is separated from the host and accounted for as a separate derivative if: the economic characteristics and risks are not closely related to the host; a separate instrument with the same terms as the embedded derivative would meet the definition of a derivative; and the hybrid contract is not measured at FVPL. Embedded derivatives are measured at fair value with changes in fair value recognised in profit or loss. Reassessment only occurs if there is either a change in the terms of the contract that significantly modifies the cash flows that would otherwise be required or a reclassification of a financial asset out of the FVPL category.

A derivative embedded within a hybrid contract containing a financial asset host is not accounted for separately. The financial asset host together with the embedded derivative is required to be classified in its entirety as a financial asset at FVPL.

(ii) *Financial liabilities*

Initial recognition and measurement

Financial liabilities are classified, at initial recognition, as financial liabilities at FVPL, lease liabilities, loans and borrowings, payables, or as derivatives designated as hedging instruments in an effective hedge, as appropriate.

All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs.

The Group’s financial liabilities include deposits and balances of banks and other financial institutions at amortised cost, customer deposits at amortised cost, certificates of deposit issued at amortised cost, unsecured bank loans at amortised cost, other liabilities and foreign exchange contracts.

Notes to Financial Statements

5. ACCOUNTING POLICIES (Continued) Material accounting policies (Continued)

(2) Financial instruments – initial recognition and subsequent measurement (Continued)

(ii) *Financial liabilities (Continued)* Subsequent measurement

The measurement of financial liabilities depends on their classification, as described below:

Financial liabilities at FVPL

Financial liabilities at FVPL include financial liabilities held for trading and financial liabilities designated upon initial recognition as at FVPL.

Financial liabilities are classified as held for trading if they are incurred for the purpose of repurchasing in the near term. This category also includes derivative financial instruments entered into by the Group that are not designated as hedging instruments in hedge relationships as defined by HKFRS 9. Separated embedded derivatives are also classified as held for trading unless they are designated as effective hedging instruments.

Gains or losses on liabilities held for trading are recognised in the consolidated income statement.

Financial liabilities designated upon initial recognition at FVPL are designated at the initial date of recognition, and only if the criteria in HKFRS 9 are satisfied. The Group has not designated any financial liability as at FVPL.

Loans and borrowings

This is the category most relevant to the Group. After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost using the effective interest rate method. Gains and losses are recognised in profit or loss 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 as finance costs in the consolidated income statement.

This category generally applies to customer deposits at amortised cost and unsecured bank loans at amortised cost.

(3) Financial guarantees

In the ordinary course of business, the Group gives financial guarantees, consisting of letters of credit, guarantees and acceptances. Financial guarantees are initially recognised in the financial statements in “Other liabilities” at fair value less transaction costs that are directly attributable to the acquisition or issue of the financial guarantee contract, except when such contract is recognised at FVPL. Subsequent to initial recognition, the Group measures the financial guarantee contract at the higher of the amortised premium and the best estimate of expenditure required to settle any financial obligation arising as a result of the guarantee.

Any increase in the liability relating to financial guarantees is taken to the consolidated income statement. The premium received is recognised in the consolidated income statement in “Net fees and commission income” on a straight-line basis over the life of the guarantee.

Notes to Financial Statements

5. ACCOUNTING POLICIES (Continued) Material accounting policies (Continued)

(4) Derecognition of financial assets and financial liabilities

(i) *Financial assets*

A financial asset (or where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognised (i.e. removed from the Group's consolidated statement of financial position) when:

- the rights to receive cash flows from the asset 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 (a) the Group has transferred substantially all the risks and rewards of the asset, or (b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Group has transferred its rights to receive cash flows from an asset or has entered into a "pass-through" arrangement, it evaluates if and to what extent it has retained the risks and rewards of ownership of the asset. When it has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the Group continues to recognise the transferred asset to the extent of the Group's continuing involvement. In that case, the Group also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

(ii) *Financial liabilities*

A financial liability is derecognised when the obligation under the liability is discharged or cancelled, or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognised in the consolidated income statement.

(iii) *Offsetting of financial instruments*

Financial assets and financial liabilities are offset and the net amount is reported in the statement of financial position if there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

Notes to Financial Statements

5. ACCOUNTING POLICIES (Continued) Material accounting policies (Continued)

(5) Fair value measurement

The Group measures its investment properties and derivative financial instruments at fair value at the end of each reporting period. Fair value is the price that will be received from selling 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.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that will use the asset in its highest and best use.

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.

All assets and liabilities for which fair value is measured or disclosed in the 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 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 Financial Statements

5. ACCOUNTING POLICIES (Continued) Material accounting policies (Continued)

(6) Impairment of financial assets

The Group recognises an allowance for ECLs for all debt instruments not held at FVPL. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

ECLs are recognised in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12 months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL). For revolving facilities that include both the loan and undrawn commitments, financial guarantees and letters of credit, ECLs are calculated and presented together with the loan.

For accounts receivable from contracts with customers, the Group applies a simplified approach in calculating ECLs. Therefore, the Group does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date. The Group has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the borrowers and the economic conditions.

For loans and advances, trade bills, accrued interests, loan commitments, financial guarantee contracts and letters of credit, the ECL is based on the 12-month ECL. The 12-month ECL is the portion of lifetime ECLs that results from default events on a financial instrument that are possible within 12 months after the reporting date. However, when there has been a significant increase in credit risk since origination, the allowances will be based on the lifetime ECL.

The Group considers that there has been a significant increase in credit risk (i.e. Stage 2 for ECL calculations) in all cases when contractual payments are more than 30 days past due. The Group considers a financial asset in default (i.e. Stage 3 (credit-impaired) for ECL calculations) in all cases when contractual payments are 90 days past due. However, in certain cases, the Group may also consider a financial asset to be in default when internal or external information indicates that the Group is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Group. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

Notes to Financial Statements

5. ACCOUNTING POLICIES (Continued) Material accounting policies (Continued)

(6) Impairment of financial assets (Continued)

As a part of a qualitative assessment of whether a customer is in default, the Group also considers a variety of instances that may indicate unlikeliness to pay. When such events occur, the Group carefully considers whether the event should result in treating the customer as defaulted and therefore assessed as Stage 3 for ECL calculations or whether Stage 2 is appropriate. Such events include:

- Internal rating of the borrower indicating default or near-default
- The borrower requesting emergency funding from the Group
- The borrower having past due liabilities to public creditors or employees
- The borrower is deceased
- A material decrease in the underlying collateral value where the recovery of the loan is expected from the sale of the collateral
- A material decrease in the borrower's turnover or the loss of a major customer
- A covenant breach not waived by the Group
- The borrower (or any legal entity within the borrower's group) filing for bankruptcy application/protection
- Borrower's listed debt or equity suspended at the primary exchange because of rumours or facts about financial difficulties

The Group provides relief measures, including principal moratorium or extension of due dates, to relieve financial burden of loan borrowers affected by the COVID-19 pandemic. Borrowers with a significant increase in credit risk (e.g. contractual payments being more than 30 days past due) are not eligible for application of the aforesaid relief scheme. In determining the loan stage of loans under relief measures, the Group considers both the delinquent period and qualitative information on the loan repayment ability as mentioned above.

It is the Group's policy to consider a financial instrument as "cured" and therefore reclassified out of Stage 3 when none of the default criteria have been present for at least 6 consecutive months. The decision whether to classify an asset as Stage 2 or Stage 1 once cured depends on the updated credit grade at the time of the cure, and whether this indicates there has been a significant increase in credit risk compared to initial recognition.

Over 90% (31 December 2023: over 90%) of debt securities investment were rated with a grading of A3 or above based on the credit rating of Moody's Investors Service ("Moody's"), an external credit agency. Over 90% (31 December 2023: over 90%) of the placements were deposited with banks and financial institutions rated with a grading of Baa2 or above based on the credit rating of Moody's. Therefore, they are considered to be low credit risk investments. It is the Group's policy to measure ECLs on such instruments on a 12-month basis. However, when there has been a significant increase in credit risk since origination, the allowance will be based on the lifetime ECL. The Group uses the ratings from the Moody's to determine whether the debt instrument has a significant increase in credit risk and to estimate ECLs.

Notes to Financial Statements

5. ACCOUNTING POLICIES (Continued) Material accounting policies (Continued)

(7) Leases

The Group assesses at contract inception whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

Group as a lessee

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.

Right-of-use assets

The Group recognises right-of-use assets at the commencement date of the lease (i.e. the date which the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. The right-of-use assets are also subject to impairment. Right-of-use assets are depreciated on a straight-line basis, as follows:

Land and buildings	Over the lease terms plus the extension option period
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Land held under finance leases

The right-of-use of leasehold land is classified as “Land held under finance leases”. Lump sum payments were made upfront to acquire the leasehold land from the owners with medium-term or long-term, and no ongoing payments will be made under the terms of these land leases. Medium-term leases are leases with remaining lease periods of more than 10 years to 50 years. Long-term leases are leases with remaining lease periods of more than 50 years. It is stated at cost less accumulated depreciation and any impairment, and is depreciated over the remaining lease terms on a straight-line basis to the consolidated income statement.

Lease liabilities

Lease liabilities are recognised at the commencement date of the lease at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. 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 variable lease payments that do not depend on an index or a rate are recognised as an expense in the period in which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Group uses its incremental borrowing rate at the lease commencement date because the interest rate implicit in the lease is not readily determinable. 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 (i.e. a change in the lease terms, a change in the lease payments (e.g. a change to future lease payments resulting from a change in an index or a rate) or a change in the assessment of an option to purchase the underlying asset).

Notes to Financial Statements

5. ACCOUNTING POLICIES (Continued) Material accounting policies (Continued)

(7) Leases (Continued)

Short-term leases and leases of low-value assets

The Group applies the short-term lease recognition exemption to its short-term leases (i.e. those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). It also applies the lease of low-value assets recognition exemption to leases of office equipment that are considered to be low value. Lease payments on short-term leases and leases of low-value assets are recognised as expense on a straight-line basis over the lease term.

Group as a 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. Rental income is accounted for on a straight-line basis over the lease terms and is included in "Other operating income" in the consolidated income statement. 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.

(8) Interest income and expense, fee and commission income and other operating income

(i) Interest income and expense

For all financial instruments measured at amortised cost and interest-bearing financial instruments, interest income or expense is recorded at the effective interest rate, which is the rate that exactly discounts estimated future cash payments or receipts over the expected life of the financial instrument or a shorter period, where appropriate, to the net carrying amount of the financial asset or financial liability. The calculation takes into account all contractual terms of the financial instrument (for example, prepayment options) and includes any fees or incremental costs that are directly attributable to the instrument and are an integral part of the effective interest rate, but not future credit losses. The carrying amount of the financial asset or financial liability is adjusted if the Group revises its estimates of payments or receipts. The adjusted carrying amount is calculated based on the original effective interest rate and the change in the carrying amount is recorded as interest income or expense.

Once the value of a financial asset or a group of similar financial assets had been reduced due to an impairment loss, interest income continues to be recognised using the original effective interest rate applied to the new carrying amount.

Notes to Financial Statements

5. ACCOUNTING POLICIES (Continued) Material accounting policies (Continued)

(8) Interest income and expense, fee and commission income and other operating income (Continued)

(ii) *Fee and commission income*

The Group earns fee and commission income from a diverse range of services it provides to its customers. Fee income can be divided into the following two categories:

- (a) Fee income earned from services that are provided over a certain period of time
Fees earned from the provision of services over a period of time are accrued over that period. These fees include commission income and asset management, custody and other management and advisory fees. Loan commitment fees for loans that are likely to be drawn down and other credit related fees are deferred (together with any incremental costs) and recognised as an adjustment to the effective interest rate on the loan.
- (b) Fee income from providing transaction services
Fees arising from negotiating or participating in the negotiation of a transaction for a third party, such as the arrangement of the acquisition of shares or other securities or the purchase or sale of businesses, are recognised on completion of the underlying transaction.

(iii) *Dividend income*

Dividend income is recognised when the shareholders' right to receive payment has been 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.

(iv) *Net trading income*

Net trading income arising from trading activities includes all gains and losses from changes in fair value for financial assets and financial liabilities held for trading. Gains and losses on foreign exchange trading and other transactions are also reported as "Net trading income" except for those gains and losses on translation of foreign currencies recognised in the translation reserve.

(v) *Rental income*

Rental income arising on investment properties is accounted for on a straight-line basis over the lease terms on ongoing leases and is recorded in the consolidated income statement as "Other operating income".

(9) Cash and cash equivalents

Cash and cash equivalents in the consolidated statement of financial position comprise cash on hand, amounts due from banks on demand or with original maturity of generally within three months and debt securities investment with original maturity of generally within three months that are readily convertible into known amounts of cash, subject to an insignificant risk of changes in value and held for the purpose of meeting short-term cash commitments.

For the purpose of the consolidated statement of cash flows, cash and cash equivalents comprise cash on hand and at banks, and short-term deposits as defined above, less bank overdrafts which are repayable on demand and form an integral part of the Group's cash management.

Notes to Financial Statements

5. ACCOUNTING POLICIES (Continued) Material accounting policies (Continued)

(10) Business combinations and goodwill

Business combinations are accounted for using the acquisition method. The consideration transferred is measured at the acquisition date fair value which is the sum of the acquisition date fair values of assets transferred by the Group, liabilities assumed by the Group to the former owners of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree. For each business combination, the Group elects whether to measure the non-controlling interests in the acquiree that are present ownership interests and entitle their holders to a proportionate share of net assets in the event of liquidation at fair value or at the proportionate share of the acquiree's identifiable net assets. All other components of non-controlling interests are measured at fair value. Acquisition-related costs are expensed as incurred.

The Group determines that it has acquired a business when the acquired set of activities and assets includes an input and a substantive process that together significantly contribute to the ability to create outputs.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts of the acquiree.

If the business combination is achieved in stages, the previously held equity interest is re-measured at its acquisition date fair value and any resulting gain or loss is recognised in profit or loss or other comprehensive income, as appropriate.

Any contingent consideration to be transferred by the acquirer is recognised at fair value at the acquisition date. Contingent consideration classified as an asset or a liability is measured at fair value with changes in fair value recognised in profit or loss. Contingent consideration that is classified as equity is not re-measured and subsequent settlement is accounted for within equity.

Goodwill is initially measured at cost, being the excess of the aggregate of the consideration transferred, the amount recognised for non-controlling interests and any fair value of the Group's previously held equity interests in the acquiree over the identifiable net assets acquired and liabilities assumed. If the sum of this consideration and other items is lower than the fair value of the net assets of the subsidiary acquired, the difference is, after reassessment, recognised in the consolidated income statement as a gain on bargain purchase.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. Goodwill is tested for impairment annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired. The Group performs its annual impairment test of goodwill as at 31 December. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to the cash-generating unit ("CGU") of the Group, that is expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the Group are assigned to this unit.

Impairment is determined by assessing the recoverable amount of the CGU to which the goodwill relates. Where the recoverable amount of the CGU is less than the carrying amount, an impairment loss is recognised. An impairment loss recognised for goodwill is not reversed in a subsequent period.

Notes to Financial Statements

5. ACCOUNTING POLICIES (Continued) Material accounting policies (Continued)

(10) Business combinations and goodwill (Continued)

Where goodwill has been allocated to a CGU 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 values of the operation disposed of and the portion of the CGU retained.

(11) 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

- (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;
 - (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.

Notes to Financial Statements

5. ACCOUNTING POLICIES (Continued) Material accounting policies (Continued)

(12) Property and equipment, and depreciation

Property and equipment are stated at cost, except for certain buildings transferred from investment properties which are stated at deemed cost at the date of transfer, less accumulated depreciation and impairment. The cost of an asset 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 it can be clearly demonstrated that the expenditure has resulted in an increase in the future economic benefits expected to be obtained from the use of an item of property and equipment, and where the cost of the item can be measured reliably, the expenditure is capitalised as an additional cost of that asset or as a replacement.

Depreciation is calculated on a straight-line basis to write off the cost of each item of property and equipment to its residual value over its estimated useful life. The estimated useful lives are as follows:

- Buildings Over the shorter of the remaining lease terms and 50 years
- Leasehold improvements:
 - Own leasehold buildings 3 to 5 years
 - Others Over the shorter of the remaining lease terms and 7 years
- Furniture, fixtures, equipment and motor vehicles 3 to 10 years

Where parts of an item of property and equipment have different useful lives, the cost of that item is allocated on a reasonable basis among the parts and each part is depreciated separately.

Residual values, useful lives and the depreciation method are reviewed, and adjusted if appropriate, at the end of each reporting period.

An item of property and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss on disposal or retirement recognised in the consolidated income statement in the year the asset is derecognised is the difference between the net sales proceeds and the carrying amount of the relevant asset.

(13) Investment properties

Investment properties are interests in land and buildings held to earn rental income and/or for capital appreciation. Such properties are measured initially at cost, including transaction costs. Subsequent to initial recognition, investment properties are stated at fair value, which reflects market conditions at the end of the reporting period. Gains or losses arising from changes in the fair values of investment properties are included in the consolidated income statement in the year in which they arise.

Any gains or losses on the retirement or disposal of an investment property are recognised in the consolidated income statement in the year of retirement or disposal.

Notes to Financial Statements

5. ACCOUNTING POLICIES (Continued) Material accounting policies (Continued)

(13) Investment properties (Continued)

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, and depreciation” 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, and depreciation” above.

(14) Intangible assets (other than goodwill)

Intangible assets, representing eligibility rights to trade on or through Hong Kong Exchanges and Clearing Limited, are stated at cost less impairment. The useful lives are assessed to be indefinite and they are reviewed annually to determine whether the indefinite life assessment continues to be supportable. If not, the change in the useful life assessment from indefinite to finite is accounted for on a prospective basis. The carrying amount of intangible assets is subject to an annual impairment test, and impairment, if any, is charged to the consolidated income statement.

(15) Impairment of non-financial assets

The Group assesses at each reporting date or more frequently if events or changes in circumstances indicate that the carrying value may be impaired, whether there is an indication that a non-financial asset may be impaired. If any such indication exists, or when annual impairment testing for an asset is required, the Group will make an estimate of the asset's recoverable amount. An asset's recoverable amount is the higher of the asset's (or a CGU'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 CGU to which the asset belongs. In testing a CGU for impairment, a portion of the carrying amount of a corporate asset (e.g. a headquarters building) is allocated to an individual CGU if it can be allocated on a reasonable and consistent basis or, otherwise, to the smallest group of CGU. Where the carrying amount of an asset (or a CGU) exceeds its recoverable amount, the asset (or the CGU) that the Group considered impaired is written down to its recoverable amount.

For assets excluding goodwill and deferred tax assets, an assessment is made at each reporting date as to determine 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 is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount but not to an amount higher than the carrying amount that would have been determined (net of any depreciation/amortisation) had no impairment 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 it arises.

Notes to Financial Statements

5. ACCOUNTING POLICIES (Continued) Material accounting policies (Continued)

(16) Repossessed assets and valuation of collateral

Collateral assets for loans and advances and receivables are repossessed by the Group when the borrowers are unable to service their repayments, and would be realised in satisfaction of outstanding debts. Advances with repossessed collateral assets will continue to be accounted for as customer advances, except for those where the Group has taken the legal title and control of the repossessed collateral assets, in which cases the repossessed assets are recognised under separate accounts with a corresponding reduction in the carrying amount of related advances. Individual impairment allowance is made on the shortfall between the expected net realisable value of the repossessed assets and the outstanding advances.

Repossessed assets are recognised at the lower of the carrying amount of the related loans and advances and receivables and fair value less costs to sell.

(17) Provisions

A provision is recognised when a present obligation (legal or constructive) has arisen as a result of a past event and it is probable that a future outflow of resources will be required to settle the obligation, provided that a reliable estimate can be made of the amount of the obligation.

When the Group expects some or all of a provision to be reimbursed, for example, under an insurance contract, the reimbursement is recognised as a separate asset, but only when the reimbursement is virtually certain. The expense relating to a provision is presented in the statement of profit or loss net of any reimbursement.

When the effect of discounting is material, the amount recognised for a provision is the present value at the end of the reporting period of the future expenditures expected to be required to settle the obligation. The increase in the discounted present value amount arising from the passage of time is included in "Operating expenses" in the consolidated income statement.

(18) Income tax

Income tax comprises current and deferred tax. Income tax is recognised in the consolidated income statement, or in equity if it relates to items that are recognised in the same or a different period directly in equity.

Current tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities.

Deferred tax is provided, using the liability method, on all temporary differences at the end of the reporting period between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognised for all taxable temporary differences, except:

- when the deferred tax liability arises from the initial recognition of an asset or a 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
- in respect of taxable temporary differences associated with investments in subsidiaries and joint ventures, when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Notes to Financial Statements

5. ACCOUNTING POLICIES (Continued) Material accounting policies (Continued)

(18) Income tax (Continued)

Deferred tax assets are recognised for all deductible temporary differences, the carryforward of unused tax credit and any unused tax losses. Deferred tax assets are recognised, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carryforward of unused tax credit and unused tax losses can be utilised, except:

- when the deferred tax asset relating to the deductible temporary differences arises from the initial recognition of an asset or a 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; and
- in respect of deductible temporary differences associated with investments in subsidiaries and joint ventures, deferred tax assets are only recognised to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

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

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

Deferred tax assets and deferred tax liabilities are offset if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

(19) Employee benefits

(i) Retirement benefit schemes

The Group participates in two defined contribution retirement benefit schemes for those employees who are eligible to participate. The assets of the schemes are held separately from those of the Group in independently administered funds.

Contribution for Mandatory Provident Fund (MPF) Scheme is made based on a percentage of the participating employees' relevant monthly income from the Group while contribution for Occupational Retirement Schemes Ordinance (ORSO) Scheme is made based on the participating employees' basic salary, and the contributions are charged to the consolidated income statement as they become payable in accordance with the rules of the respective schemes. When an employee leaves the Group prior to his/her interest in the Group's employer non-mandatory contributions vesting with the employee, the ongoing contributions payable by the Group may be reduced by the relevant amount of forfeited contributions. The Group's mandatory contributions vest fully with the employee.

(ii) Employee leave entitlements

The cost of accumulating compensated absences is recognised as an expense and measured based on the additional amount that the Group expects to pay as a result of the unused entitlement that has accumulated as at the end of the reporting period.

Notes to Financial Statements

5. ACCOUNTING POLICIES (Continued) Material accounting policies (Continued)

(20) Dividends

Final dividends proposed by the Directors will remain in retained profits within reserves in the consolidated statement of financial position, until they have been approved by the shareholders in a general meeting. Final dividends are recognised as a liability when they are approved by the shareholders in a general meeting.

Interim dividends and special dividends are simultaneously proposed and declared by the Directors. Consequently, interim dividends and special dividends are recognised directly as a liability when they are proposed and declared.

(21) Government grants

Government grants are recognised at their fair value where there is reasonable assurance that the grant will be received and all attaching conditions will be complied with. When the grant relates to an expense item, it is recognised as income on a systematic basis over the periods that the costs, for which it is intended to compensate, are expensed.

6. SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGEMENTS Estimation uncertainty

The 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, are described below.

Impairment allowances on loans and advances and receivables

The measurement of impairment losses under HKFRS 9 across all categories of financial assets requires judgement, in particular, the estimation of the amount and timing of future cash flows and collateral values when determining impairment losses and the assessment of a significant increase in credit risk. These estimates are driven by a number of factors, changes in which can result in different levels of allowances.

The Group's ECL calculations are outputs of complex models with a number of underlying assumptions regarding the choice of variable inputs and their interdependencies. Elements of the ECL models that are considered accounting judgements and estimates include:

- The Group's internal credit grading model, which assigns probabilities of default to the individual grades
- The Group's criteria for assessing if there has been a significant increase in credit risk and so allowances for financial assets should be measured on a lifetime ECL basis and the qualitative assessment
- The segmentation of financial assets based on risk characteristics of the customers and by product types when their ECL is assessed on a collective basis
- Development of ECL models, including the various formulas and the choice of inputs over determination of the period over which the entity is exposed to credit risk based on the behavioural life of the credit exposures, loss given default and collateral recovery of the credit exposures
- Determination of associations between macroeconomic scenarios and economic inputs, such as unemployment levels and collateral values, and the effect on probabilities of default, exposures at default and losses given default
- Selection of forward-looking macroeconomic scenarios and their probability weightings, to derive the economic inputs into the ECL models

Notes to Financial Statements

6. SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGEMENTS (Continued)

Estimation uncertainty (Continued)

Impairment allowances on loans and advances and receivables (Continued)

It has been the Group's policy to regularly review its models in the context of actual loss experience and adjust when necessary.

Impairment of goodwill

The Group determines whether goodwill is impaired at least on an annual basis. This requires an estimation of the value-in-use of the CGU to which the goodwill is allocated. Estimating the value-in-use requires the Group to make an estimate of the expected future cash flows from the CGU and also to choose a suitable discount rate in order to calculate the present value of those cash flows. The carrying amount of goodwill as at 31 December 2024 and 31 December 2023 was HK\$242,342,000. Further details are set out in Note 27 to the financial statements.

Leases – Estimating the incremental borrowing rate

The Group cannot readily determine the interest rate implicit in the lease, therefore, it uses its incremental borrowing rate ("IBR") to measure lease liabilities. The IBR is the rate of interest that the Group would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment. The IBR therefore reflects what the Group "would have to pay", which requires estimation when no observable rates are available (such as for subsidiaries that do not enter into financing transactions) or when they need to be adjusted to reflect the terms and conditions of the lease (for example, when leases are not in the subsidiary's functional currency). The Group estimates the IBR using observable inputs (such as market interest rates) when available and is required to make certain entity-specific estimates.

Judgements

In the process of applying the Group's accounting policies, management has made the following judgements, which have the most significant effect on the amounts recognised in the consolidated financial statements:

Determining the lease term of contracts with renewal and termination options – Group as lessee

The Group determines the lease term as a non-cancellable term of the lease, together with any periods covered by an option to extend the lease if it is reasonably certain to be exercised, or any periods covered by an option to terminate the lease if it is reasonably certain not to be exercised.

The Group has the option, under some of its leases, to lease the assets for additional terms of two to three years. The Group applies judgement in evaluating whether it is reasonably certain to exercise the option to renew. That is, it considers all relevant factors that create an economic incentive for it to exercise the renewal option. After the commencement date, the Group reassesses the lease term if there is a significant event or change in circumstances that is beyond its control and affects its ability to exercise (or not to exercise) the option to renew (e.g. a change in business strategy).

Deferred tax assets

Deferred tax assets are recognised for unused tax losses to the extent that it is probable that taxable profit will be available against which the losses can be utilised. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and the level of future taxable profits, together with future tax planning strategies.

Notes to Financial Statements

7. SEGMENT INFORMATION

Operating segment information

In accordance with the Group's internal financial reporting, the Group has identified operating segments based on similar economic characteristics, products and services and delivery methods. The operating segments are identified by Senior Management who is designated as the "Chief Operating Decision Maker" to make decisions about resources allocation to the segments and assess their performance that is measured net of associated direct expenses. A summary of the operating segments is as follows:

- retail and commercial banking businesses segment mainly comprises the provision of deposit account services, the extension of mortgages and consumer lending, hire purchase and leasing, provision of financing to purchasers of licensed public vehicles such as taxis and public light buses, provision of services and financing activities for customers in trading, manufacturing and various business sectors, foreign exchange activities, centralised cash management for deposit-taking and lending, interest rate risk management and the overall funding management of the Group;
- wealth management services, stockbroking and securities management segment comprises management of investments in debt securities and equities, securities dealing and receipt of commission income and the provision of authorised wealth management products and services; and
- other businesses segment comprises mainly the letting of investment properties.

The following table discloses the revenue and profit information for operating segments for the years ended 31 December 2024 and 31 December 2023.

	2024	2023	2024	2023	2024	2023	2024	2023
	Retail and commercial banking businesses		Wealth management services, stockbroking and securities management		Other businesses		Total	
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Segment revenue								
External:								
Net interest income/(expense)	1,033,574	1,055,635	178	(1,960)	-	-	1,033,752	1,053,675
Net fees and commission income	122,167	118,538	95,221	77,981	-	-	217,388	196,519
Other operating income/(expense)	14,206	16,517	-	(203)	10,668	10,896	24,874	27,210
Operating income	1,169,947	1,190,690	95,399	75,818	10,668	10,896	1,276,014	1,277,404
Operating (loss)/profit after credit loss expenses before tax	(166,320)	94,801	45,238	2,933	(13,900)	(3,182)	(134,982)	94,552
Tax							18,073	(23,622)
(Loss)/profit for the year							(116,909)	70,930
Other segment information								
Depreciation of property and equipment and land held under finance leases	(43,501)	(40,467)	-	-	-	-	(43,501)	(40,467)
Depreciation of right-of-use assets	(85,524)	(92,517)	-	-	-	-	(85,524)	(92,517)
Changes in fair value of investment properties	-	-	-	-	(18,978)	(9,010)	(18,978)	(9,010)
Credit loss expenses	(492,787)	(322,684)	-	-	-	-	(492,787)	(322,684)
Net losses on disposal of property and equipment	(21)	(418)	-	-	-	-	(21)	(418)

Notes to Financial Statements

7. SEGMENT INFORMATION (Continued)

Operating segment information (Continued)

The following table discloses certain assets and liabilities information regarding operating segments as at 31 December 2024 and 31 December 2023.

	2024	2023	2024	2023	2024	2023	2024	2023
	Retail and commercial banking businesses		Wealth management services, stockbroking and securities management		Other businesses		Total	
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Segment assets other than intangible assets and goodwill	38,805,012	36,487,072	480,627	276,430	217,577	160,507	39,503,216	36,924,009
Intangible assets	-	-	232	232	-	-	232	232
Goodwill	242,342	242,342	-	-	-	-	242,342	242,342
Segment assets	39,047,354	36,729,414	480,859	276,662	217,577	160,507	39,745,790	37,166,583
Unallocated assets: Deferred tax assets and tax recoverable							104,032	88,984
Total assets							39,849,822	37,255,567
Segment liabilities	33,183,927	30,565,735	308,827	83,624	4,504	4,568	33,497,258	30,653,927
Unallocated liabilities: Deferred tax liabilities and tax payable							34,451	29,550
Total liabilities							33,531,709	30,683,477
Other segment information								
Additions to non-current assets - capital expenditure	129,873	54,207	-	-	-	-	129,873	54,207

Notes to Financial Statements

7. SEGMENT INFORMATION (Continued) Geographical information

Geographical information 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.

The following table discloses the segment revenue information for geographical segments for the years ended 31 December 2024 and 31 December 2023.

	2024 HK\$'000	2023 HK\$'000
Segment revenue from external customers:		
Hong Kong	1,179,221	1,160,750
Mainland China	96,793	116,654
	1,276,014	1,277,404

Segment revenue is allocated to the reportable segments with reference to interest, fees and commission income generated by these segments.

The following table discloses the non-current assets information for geographical segments as at 31 December 2024 and 31 December 2023.

	2024 HK\$'000	2023 HK\$'000
Non-current assets:		
Hong Kong	946,642	910,204
Mainland China	17,657	19,947
	964,299	930,151

Non-current assets consist of investment properties, property and equipment, land held under finance leases, goodwill, right-of-use assets and intangible assets.

Operating income or revenue from major customers

Operating income or revenue from transactions with each external customer amounted to less than 10% (2023: less than 10%) of the Group's total operating income or revenue.

Notes to Financial Statements

8. INTEREST INCOME AND EXPENSE

	2024 HK\$'000	2023 HK\$'000
Interest income from:		
Loans and advances and receivables	1,470,299	1,477,142
Short term placements and placements with banks	215,887	159,575
Debt securities investment	333,671	290,241
	2,019,857	1,926,958
Interest expense on:		
Deposits from banks and financial institutions	24,664	26,258
Deposits from customers	956,132	841,333
Bank loans	124	2,411
Others	5,185	3,281
	986,105	873,283

Interest income and interest expense for the year ended 31 December 2024, calculated using the effective interest method for financial assets and financial liabilities which are not designated at FVPL, amounted to HK\$2,019,857,000 and HK\$986,105,000 (2023: HK\$1,926,958,000 and HK\$873,283,000) respectively.

9. NET FEES AND COMMISSION INCOME

	2024 HK\$'000	2023 HK\$'000
Fees and commission income:		
Retail and commercial banking	124,135	120,597
Wealth management services, stockbroking and securities management	95,221	77,981
	219,356	198,578
Less: Fees and commission expenses	(1,968)	(2,059)
	217,388	196,519

All fees and commission income and expenses are related to financial assets or financial liabilities which are not designated at FVPL. No fees and commission income and expenses are related to trust and other fiduciary activities.

Notes to Financial Statements

10. OTHER OPERATING INCOME

	2024 HK\$'000	2023 HK\$'000
Gross rental income	10,706	10,933
Less: Direct operating expenses	(38)	(37)
Net rental income	10,668	10,896
Gains less losses arising from dealing in foreign currencies	22,977	3,440
Net (losses)/gains on derivative financial instruments	(10,028)	10,703
	12,949	14,143
Net losses on disposal of property and equipment	(21)	(418)
Gain on termination of leases	58	58
Dividend income from listed investments	258	243
Dividend income from unlisted investments	150	35
Others	812	2,253
	24,874	27,210

Direct operating expenses included repairs and maintenance expenses arising from investment properties.

There were no net gains or losses arising from the derecognition of equity/debt securities investments at FVOCI, loans and advances and receivables, financial assets and financial liabilities measured at amortised cost and financial assets and financial liabilities designated at FVPL for the years ended 31 December 2024 and 31 December 2023.

Notes to Financial Statements

11. OPERATING EXPENSES

	Notes	2024 HK\$'000	2023 HK\$'000
Staff costs:			
Salaries and other staff costs		531,663	492,945
Pension contributions		26,335	25,080
Less: Forfeited contributions		(87)	(167)
Net contribution to retirement benefit schemes		26,248	24,913
		557,911	517,858
Other operating expenses:			
Depreciation of right-of-use assets	21	85,524	92,517
Depreciation of property and equipment and land held under finance leases	24, 25	43,501	40,467
Auditors' remuneration		4,325	4,316
Administrative and general expenses		70,975	66,068
Others		136,995	129,932
Operating expenses before changes in fair value of investment properties		899,231	851,158

As at 31 December 2024 and 31 December 2023, the Group had no material forfeited contributions available to reduce its contributions to the pension schemes in future years. The credits for the years ended 31 December 2024 and 31 December 2023 arose in respect of staff who left the schemes during the years.

Notes to Financial Statements

12. CREDIT LOSS EXPENSES

The following tables show the changes in ECL on financial instruments for the years recorded in the consolidated income statement.

	2024			
	12-month expected credit loss (Stage 1) HK\$'000	Lifetime expected credit loss not credit impaired (Stage 2) HK\$'000	Lifetime expected credit loss credit impaired (Stage 3) HK\$'000	Total HK\$'000
Net charge for/(write-back of) credit loss expenses:				
– loans and advances	49,006	(1,768)	415,928	463,166
– trade bills, accrued interest and other receivables	(39)	16	29,422	29,399
– cash and short term placements	222	–	–	222
– placements with banks and financial institutions	93	–	–	93
– debt securities investment	(103)	–	–	(103)
– loan commitments	10	–	–	10
	49,189	(1,752)	445,350	492,787

Notes to Financial Statements

12. CREDIT LOSS EXPENSES (Continued)

		2023		
	12-month expected credit loss (Stage 1) HK\$'000	Lifetime expected credit loss not credit impaired (Stage 2) HK\$'000	Lifetime expected credit loss credit impaired (Stage 3) HK\$'000	Total HK\$'000
Net charge for/(write-back of) credit loss expenses:				
– loans and advances	980	6,630	310,264	317,874
– trade bills, accrued interest and other receivables	(81)	46	4,883	4,848
– cash and short term placements	29	–	–	29
– placements with banks and financial institutions	(91)	–	–	(91)
– debt securities investment	24	–	–	24
– loan commitments	–	–	–	–
	861	6,676	315,147	322,684

13. DIRECTORS' REMUNERATION

Directors' remuneration, disclosed pursuant to section 383(1)(a), (b), (c) and (f) of the Hong Kong Companies Ordinance and Part 2 of the Companies (Disclosure of Information about Benefits of Directors) Regulation, is set out below:

	2024 HK\$'000	2023 HK\$'000
Fees	3,620	3,933
Other emoluments:		
Salaries, bonuses, allowances and benefits in kind	6,918	4,325
Retirement benefits contribution	446	160
	10,984	8,418

Notes to Financial Statements

14. TAX

	Note	2024 HK\$'000	2023 HK\$'000
Current tax charge:			
Hong Kong		2,566	21,747
Overseas		16,615	11,416
Over-provision in prior years		(177)	–
Deferred tax credit, net	29	(37,077)	(9,541)
		(18,073)	23,622

Hong Kong profits tax has been provided at the rate of 16.5% (2023: 16.5%) on the estimated assessable profits arising in Hong Kong during the year. Taxes on profits assessable overseas have been calculated at the rates of tax prevailing in the jurisdictions in which the Group operates, based on existing legislation, interpretations and practices in respect thereof.

A reconciliation of the tax (credit)/charge applicable to (loss)/profit before tax using the statutory tax rates for the jurisdictions in which the Bank and its subsidiaries are domiciled and/or operate to the tax (credit)/charge at the effective tax rates, and a reconciliation of the applicable rates (i.e. statutory tax rates) to the effective tax rates, are as follows:

	Hong Kong HK\$'000	%	2024 Mainland China HK\$'000	%	Total HK\$'000	%
(Loss)/profit before tax	(138,878)		3,896		(134,982)	
Tax at the applicable tax rate	(22,915)	16.5	974	25.0	(21,941)	16.3
Estimated tax effect of net expenses that are not deductible	3,402	(2.4)	–	–	3,402	(2.5)
Estimated tax losses not recognised	643	(0.5)	–	–	643	(0.5)
Adjustments in respect of current tax of previous periods	(177)	0.1	–	–	(177)	0.1
Tax (credit)/charge at the Group's effective rate	(19,047)	13.7	974	25.0	(18,073)	13.4

	Hong Kong HK\$'000	%	2023 Mainland China HK\$'000	%	Total HK\$'000	%
Profit before tax	8,833		85,719		94,552	
Tax at the applicable tax rate	1,457	16.5	21,430	25.0	22,887	24.2
Estimated tax effect of net expenses that is not deductible	728	8.2	7	–	735	0.8
Tax charge at the Group's effective rate	2,185	24.7	21,437	25.0	23,622	25.0

Notes to Financial Statements

15. DIVIDENDS**(a) Dividends approved and paid during the year**

	2024 HK\$ per ordinary share	2023 HK\$ per ordinary share	2024 HK\$'000	2023 HK\$'000
Special dividend	6.750	–	100,008	–
Interim dividend	0.261	4.072	3,867	60,331
Final dividend in respect of previous year	–	5.107	–	75,665
	7.011	9.179	103,875	135,996

(b) Dividends attributable to the year

	2024 HK\$ per ordinary share	2023 HK\$ per ordinary share	2024 HK\$'000	2023 HK\$'000
Special dividend	6.750	–	100,008	–
Interim dividend	0.261	4.072	3,867	60,331
	7.011	4.072	103,875	60,331

The Directors did not recommend the payment of a final dividend for the year.

Notes to Financial Statements

16. CASH AND SHORT TERM PLACEMENTS

	2024 HK\$'000	2023 HK\$'000
Cash on hand	228,466	200,380
Placements with banks and financial institutions	443,689	601,250
Money at call and short notice	5,279,627	2,916,637
Gross cash and short term placements	5,951,782	3,718,267
Less: Impairment allowances collectively assessed		
As at 1 January 2024 and 2023	(353)	(324)
Credit loss expenses charged to the consolidated income statement during the year	(222)	(29)
	(575)	(353)
Cash and short term placements	5,951,207	3,717,914

Over 90% (31 December 2023: over 90%) of the placements were deposited with banks and financial institutions rated with a grading of Baa2 or above based on the credit rating of Moody's.

There were no overdue or rescheduled placements with banks and financial institutions and no impairment allowances specifically assessed for such placements accordingly.

17. PLACEMENTS WITH BANKS AND FINANCIAL INSTITUTIONS MATURING AFTER ONE MONTH BUT NOT MORE THAN TWELVE MONTHS

	2024 HK\$'000	2023 HK\$'000
Gross placements with banks and financial institutions	1,906,190	977,239
Less: Impairment allowances collectively assessed		
As at 1 January 2024 and 2023	(98)	(189)
Credit loss expenses (charged)/released to the consolidated income statement during the year	(93)	91
	(191)	(98)
Placements with banks and financial institutions	1,905,999	977,141

Over 90% (31 December 2023: over 90%) of the placements maturing after one month but not more than twelve months were deposited with banks and financial institutions rated with a grading of Baa2 or above based on the credit rating of Moody's.

There were no overdue or rescheduled placements with banks and financial institutions maturing after one month but not more than twelve months and no impairment allowances specifically assessed for such placements accordingly.

Notes to Financial Statements

18. LOANS AND ADVANCES AND RECEIVABLES

	2024 HK\$'000	2023 HK\$'000
Loans and advances to customers	23,998,385	23,765,725
Trade bills	–	525
Loans and advances, and trade bills	23,998,385	23,766,250
Accrued interest	75,759	112,661
Other receivables	24,074,144 2,156	23,878,911 3,172
Gross loans and advances and receivables	24,076,300	23,882,083
Less: Impairment allowances		
– specifically assessed	(169,903)	(214,033)
– collectively assessed	(172,130)	(124,915)
	(342,033)	(338,948)
Loans and advances and receivables	23,734,267	23,543,135

Over 90% (31 December 2023: over 90%) of the loans and advances and receivables were unrated exposures. Over 90% (31 December 2023: over 90%) of the collateral for the secured loans and advances and receivables were customer deposits, properties, listed shares, taxi licences, public light bus licences and vehicles.

Loans and advances and receivables are summarised as follows:

	2024 HK\$'000	2023 HK\$'000
Neither past due nor impaired loans and advances and receivables	23,013,708	22,095,545
Past due but not impaired loans and advances and receivables	579,403	866,391
Credit impaired loans and advances	465,986	874,306
Credit impaired receivables	17,203	45,841
Gross loans and advances and receivables	24,076,300	23,882,083

About 69% (31 December 2023: about 70%) of “Neither past due nor impaired loans and advances and receivables” were property mortgage loans and hire purchase loans secured by properties, taxi licences, public light bus licences and vehicles.

Notes to Financial Statements

18. LOANS AND ADVANCES AND RECEIVABLES (Continued)

(a) (i) Ageing analysis of overdue and impaired loans and advances

	2024	Percentage of total loans and advances %	2023	Percentage of total loans and advances %
	Gross amount HK\$'000		Gross amount HK\$'000	
Loans and advances overdue for:				
Six months or less but over three months	127,361	0.53	88,714	0.37
One year or less but over six months	132,858	0.55	629,076	2.65
Over one year	124,491	0.52	115,743	0.49
Loans and advances overdue for more than three months	384,710	1.60	833,533	3.51
Rescheduled loans and advances overdue for three months or less	25,938	0.11	24,811	0.10
Impaired loans and advances overdue for three months or less	55,338	0.23	15,962	0.07
Total overdue and impaired loans and advances	465,986	1.94	874,306	3.68

(ii) Ageing analysis of overdue and impaired trade bills, accrued interest and other receivables

	2024 HK\$'000	2023 HK\$'000
Trade bills, accrued interest and other receivables overdue for:		
Six months or less but over three months	1,308	1,006
One year or less but over six months	3,396	30,291
Over one year	12,257	14,429
Trade bills, accrued interest and other receivables overdue for more than three months	16,961	45,726
Impaired trade bills, accrued interest and other receivables overdue for three months or less	242	115
Total overdue and impaired trade bills, accrued interest and other receivables	17,203	45,841

Notes to Financial Statements

18. LOANS AND ADVANCES AND RECEIVABLES (Continued)

(a) (ii) Ageing analysis of overdue and impaired trade bills, accrued interest and other receivables (Continued)

Impaired loans and advances and receivables are individually determined to be impaired after considering the overdue ageing analysis and other qualitative factors such as bankruptcy proceedings and individual voluntary arrangements.

(b) Geographical analysis of overdue and impaired loans and advances and receivables, and impairment allowances

	Hong Kong HK\$'000	2024 Mainland China HK\$'000	Total HK\$'000	Hong Kong HK\$'000	2023 Mainland China HK\$'000	Total HK\$'000
(i) Analysis of overdue loans and advances and receivables						
Loans and advances and receivables overdue for more than three months	363,182	38,489	401,671	806,366	72,893	879,259
Impairment allowances specifically assessed	125,530	8,331	133,861	192,447	10,115	202,562
Current market value and fair value of collateral			352,125			793,014
(ii) Analysis of impaired loans and advances and receivables						
Impaired loans and advances and receivables	438,258	44,931	483,189	847,141	73,006	920,147
Impairment allowances specifically assessed	161,572	8,331	169,903	203,805	10,228	214,033
Current market value and fair value of collateral			405,739			850,323

Over 90% (31 December 2023: over 90%) of the Group's gross loans and advances and receivables were derived from operations carried out in Hong Kong. Accordingly, no geographical segment information of gross loans and advances and receivables is presented herein.

Notes to Financial Statements

18. LOANS AND ADVANCES AND RECEIVABLES (Continued)

- (c) The value of collateral held in respect of the overdue loans and advances and the split between the portion of the overdue loans and advances covered by credit protection (covered portion) and the remaining portion (uncovered portion) are as follows:

	2024 HK\$'000	2023 HK\$'000
Current market value and fair value of collateral held against the covered portion of overdue loans and advances	352,125	793,014
Covered portion of overdue loans and advances	254,874	682,501
Uncovered portion of overdue loans and advances	129,836	151,032

The assets taken as collateral should satisfy the following criteria:

- The market value of the asset is readily determinable or can be reasonably established and verified.
- The asset is marketable and there exists a readily available secondary market for disposal of the asset.
- The Group's right to repossess the asset is legally enforceable without impediment.
- The Group is able to secure control over the asset if necessary.

The main types of guarantors for credit risk mitigation are as follows:

- Central governments with a grading of Aa3 or above
- Unrated public sector enterprises
- Banks with a grading of Baa2 or above
- Unrated corporations
- Individual shareholders and directors of corporate customers

Notes to Financial Statements

18. LOANS AND ADVANCES AND RECEIVABLES (Continued)

(d) Repossessed assets

As at 31 December 2024, the total value of repossessed assets of the Group amounted to HK\$134,470,000 (31 December 2023: HK\$692,435,000).

(e) Past due but not impaired loans and advances and receivables

	2024		2023	
	Gross amount HK\$'000	Percentage of total loans and advances %	Gross amount HK\$'000	Percentage of total loans and advances %
Loans and advances overdue for three months or less	576,047	2.40	860,926	3.62
Trade bills, accrued interest and other receivables overdue for three months or less	3,356		5,465	

Notes to Financial Statements

18. LOANS AND ADVANCES AND RECEIVABLES (Continued)

(f) Impairment allowances on loans and advances and receivables

An analysis of changes in the gross amount of loans and advances and receivables is as follows:

	2024			
	Stage 1 HK\$'000	Stage 2 HK\$'000	Stage 3 HK\$'000	Total HK\$'000
Gross loans and advances and receivables as at 1 January 2024	22,631,842	330,094	920,147	23,882,083
New loans/financing originated	6,561,848	1,763	3,357	6,566,968
Loans/financing derecognised or repaid during the year (other than write-offs)	(5,291,466)	(60,331)	(445,834)	(5,797,631)
Transfer to 12-month expected credit loss (Stage 1)	82,506	(76,296)	(6,210)	–
Transfer to lifetime expected credit loss not credit impaired (Stage 2)	(315,737)	317,402	(1,665)	–
Transfer to lifetime expected credit loss credit impaired (Stage 3)	(482,245)	(106,269)	588,514	–
Total transfer between stages	(715,476)	134,837	580,639	–
Write-offs	–	–	(575,120)	(575,120)
As at 31 December 2024	23,186,748	406,363	483,189	24,076,300
Arising from:				
Loans and advances	23,128,080	404,319	465,986	23,998,385
Trade bills, accrued interest and other receivables	58,668	2,044	17,203	77,915
	23,186,748	406,363	483,189	24,076,300

Notes to Financial Statements

18. LOANS AND ADVANCES AND RECEIVABLES (Continued)**(f) Impairment allowances on loans and advances and receivables (Continued)**

	2023			
	Stage 1 HK\$'000	Stage 2 HK\$'000	Stage 3 HK\$'000	Total HK\$'000
Gross loans and advances and receivables as at 1 January 2023	23,410,133	772,750	308,888	24,491,771
New loans/financing originated	5,380,398	23,706	3,249	5,407,353
Loans/financing derecognised or repaid during the year (other than write-offs)	(5,647,960)	(29,207)	(57,479)	(5,734,646)
Transfer to 12-month expected credit loss (Stage 1)	59,403	(48,522)	(10,881)	—
Transfer to lifetime expected credit loss not credit impaired (Stage 2)	(237,443)	238,366	(923)	—
Transfer to lifetime expected credit loss credit impaired (Stage 3)	(332,689)	(626,999)	959,688	—
Total transfer between stages	(510,729)	(437,155)	947,884	—
Write-offs	—	—	(282,395)	(282,395)
As at 31 December 2023	22,631,842	330,094	920,147	23,882,083
Arising from:				
Loans and advances	22,564,646	326,773	874,306	23,765,725
Trade bills, accrued interest and other receivables	67,196	3,321	45,841	116,358
	22,631,842	330,094	920,147	23,882,083

The amount outstanding on financial assets that were written off during the year and are still subject to enforcement action amounted to HK\$508,313,000 (31 December 2023: HK\$188,954,000).

Notes to Financial Statements

18. LOANS AND ADVANCES AND RECEIVABLES (Continued)

(f) Impairment allowances on loans and advances and receivables (Continued)

An analysis of credit risk exposure by the Group's internal credit rating system is as follows:

	2024			
	Stage 1 HK\$'000	Stage 2 HK\$'000	Stage 3 HK\$'000	Total HK\$'000
Internal rating grades:				
Performing				
Pass	22,878,396	–	–	22,878,396
Special Mention	308,352	406,363	–	714,715
Non-performing				
Substandard	–	–	136,597	136,597
Doubtful	–	–	284,215	284,215
Loss	–	–	62,377	62,377
Total	23,186,748	406,363	483,189	24,076,300
	2023			
	Stage 1 HK\$'000	Stage 2 HK\$'000	Stage 3 HK\$'000	Total HK\$'000
Internal rating grades:				
Performing				
Pass	22,490,131	–	–	22,490,131
Special Mention	141,711	330,094	–	471,805
Non-performing				
Substandard	–	–	110,779	110,779
Doubtful	–	–	781,755	781,755
Loss	–	–	27,613	27,613
Total	22,631,842	330,094	920,147	23,882,083

Notes to Financial Statements

18. LOANS AND ADVANCES AND RECEIVABLES (Continued)**(f) Impairment allowances on loans and advances and receivables (Continued)**

An analysis of changes in the corresponding ECL allowances is as follows:

	2024			
	Stage 1 HK\$'000	Stage 2 HK\$'000	Stage 3 HK\$'000	Total HK\$'000
As at 1 January 2024	86,007	38,908	214,033	338,948
New loans/financing originated	52,758	–	382	53,140
Loans/financing derecognised or repaid during the year (other than write-offs)	(47,397)	(3,484)	(172,531)	(223,412)
Transfer to 12-month expected credit loss (Stage 1)	3,036	(1,492)	(1,544)	–
Transfer to lifetime expected credit loss not credit impaired (Stage 2)	(1,672)	1,757	(85)	–
Transfer to lifetime expected credit loss credit impaired (Stage 3)	(7,312)	(30,579)	37,891	–
Total transfer between stages	(5,948)	(30,314)	36,262	–
Impact on year end expected credit loss of exposures transferred between stages during the year	(1,839)	30,853	274,265	303,279
Movements due to changes in credit risk	51,393	1,193	306,972	359,558
Recoveries	–	–	85,640	85,640
Write-offs	–	–	(575,120)	(575,120)
As at 31 December 2024	134,974	37,156	169,903	342,033
Arising from:				
Loans and advances	133,866	37,044	166,734	337,644
Trade bills, accrued interest and other receivables	1,108	112	3,169	4,389
	134,974	37,156	169,903	342,033

Notes to Financial Statements

18. LOANS AND ADVANCES AND RECEIVABLES (Continued)

(f) Impairment allowances on loans and advances and receivables (Continued)

	2023			
	Stage 1 HK\$'000	Stage 2 HK\$'000	Stage 3 HK\$'000	Total HK\$'000
As at 1 January 2023	85,108	32,232	84,687	202,027
New loans/financing originated	53,604	39	74	53,717
Loans/financing derecognised or repaid during the year (other than write-offs)	(50,021)	(3,362)	(100,214)	(153,597)
Transfer to 12-month expected credit loss (Stage 1)	1,729	(356)	(1,373)	–
Transfer to lifetime expected credit loss not credit impaired (Stage 2)	(1,726)	1,898	(172)	–
Transfer to lifetime expected credit loss credit impaired (Stage 3)	(7,654)	(25,300)	32,954	–
Total transfer between stages	(7,651)	(23,758)	31,409	–
Impact on year end expected credit loss of exposures transferred between stages during the year	(708)	32,400	360,349	392,041
Movements due to changes in credit risk	5,675	1,357	23,529	30,561
Recoveries	–	–	96,594	96,594
Write-offs	–	–	(282,395)	(282,395)
As at 31 December 2023	86,007	38,908	214,033	338,948
Arising from:				
Loans and advances	84,860	38,812	206,200	329,872
Trade bills, accrued interest and other receivables	1,147	96	7,833	9,076
	86,007	38,908	214,033	338,948

Notes to Financial Statements

18. LOANS AND ADVANCES AND RECEIVABLES (Continued)

(g) Finance lease receivables

Included in loans and advances and receivables were receivables in respect of assets leased under finance leases as set out below:

	2024 Undiscounted lease payments HK\$'000	2023 HK\$'000	2024 Net investment in finance leases HK\$'000	2023 HK\$'000
Amounts receivable under finance leases:				
Within one year	478,266	485,971	319,718	297,957
Over one year but within two years	425,967	441,018	294,928	282,276
Over two years but within three years	367,925	397,102	248,742	250,600
Over three years but within four years	326,679	350,469	216,085	213,467
Over four years but within five years	299,075	320,613	195,105	190,836
Over five years	4,525,643	4,881,659	3,596,895	3,723,815
	6,423,555	6,876,832	4,871,473	4,958,951
Less: Unearned finance income	(1,552,082)	(1,917,881)		
Net investment in finance leases	4,871,473	4,958,951		

The Group has entered into finance lease arrangements with customers in respect of motor vehicles and equipment. The terms of the finance leases entered into range from 1 to 30 years.

19. EQUITY INVESTMENTS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

	2024 HK\$'000	2023 HK\$'000
Unlisted equity investments in corporate entity, at fair value:		
At the beginning and the end of the year	6,804	6,804

The above investments were irrevocably designated at FVOCI as the Group considers these investments to be strategic in nature. Fair value is measured based on the present value of expected cash flows in the foreseeable future.

During the year, the Group received dividends of HK\$150,000 (2023: HK\$35,000) from the above investments.

Notes to Financial Statements

20. DEBT SECURITIES INVESTMENT

	Financial assets at amortised cost HK\$'000	2024 Financial assets at FVOCI HK\$'000	Total HK\$'000
Certificates of deposit held	2,367,887	129,975	2,497,862
Treasury bills and government bonds (including Exchange Fund Bills)	191,416	2,578,974	2,770,390
Other debt securities	926,540	430,136	1,356,676
Gross debt securities investment	3,485,843	3,139,085	6,624,928
Less: Impairment allowances collectively assessed			
As at 1 January 2024	(770)		(770)
Credit loss expenses released to the consolidated income statement during the year	418		418
	(352)		(352)
	3,485,491	3,139,085	6,624,576
Listed or unlisted:			
– Listed in Hong Kong	68,771	188,812	257,583
– Listed outside Hong Kong	280,203	194,101	474,304
– Unlisted	3,136,869	2,756,172	5,893,041
	3,485,843	3,139,085	6,624,928
Analysed by types of issuers:			
– Central governments	191,416	2,578,974	2,770,390
– Public sector entities	65,720	171,292	237,012
– Corporates	100,000	–	100,000
– Banks and other financial institutions	3,128,707	388,819	3,517,526
	3,485,843	3,139,085	6,624,928

Notes to Financial Statements

20. DEBT SECURITIES INVESTMENT (Continued)

	Financial assets at amortised cost HK\$'000	2023 Financial assets at FVOCI HK\$'000	Total HK\$'000
Certificates of deposit held	3,739,234	–	3,739,234
Treasury bills and government bonds (including Exchange Fund Bills)	2,657,313	–	2,657,313
Other debt securities	1,243,751	–	1,243,751
Gross debt securities investment	7,640,298	–	7,640,298
Less: Impairment allowances collectively assessed			
As at 1 January 2023	(746)		(746)
Credit loss expenses charged to the consolidated income statement during the year	(24)		(24)
	(770)		(770)
	7,639,528	–	7,639,528
Listed or unlisted:			
– Listed in Hong Kong	756,804	–	756,804
– Listed outside Hong Kong	318,564	–	318,564
– Unlisted	6,564,930	–	6,564,930
	7,640,298	–	7,640,298
Analysed by types of issuers:			
– Central governments	2,657,313	–	2,657,313
– Public sector entities	169,992	–	169,992
– Corporates	200,000	–	200,000
– Banks and other financial institutions	4,612,993	–	4,612,993
	7,640,298	–	7,640,298

There were no impairment allowances specifically assessed made against debt securities investment as at 31 December 2024 and 31 December 2023.

There were neither impaired nor overdue debt securities investment as at 31 December 2024 and 31 December 2023.

Over 90% (31 December 2023: over 90%) of debt securities investment were rated with a grading of A3 or above based on the credit rating of Moody's.

Notes to Financial Statements

21. RIGHT-OF-USE ASSETS AND LEASE LIABILITIES

The Group has entered into lease arrangements with landlords, and the terms of the leases range from 2 to 10 years.

The Group has several lease contracts that include extension options ranging from 2 to 9 years. Management exercises significant judgement in determining whether these extension options are reasonably certain to be exercised (see Note 6 to the financial statements). During the years ended 31 December 2024 and 31 December 2023, management had considered to exercise all extension options available in the lease contracts which had commenced, and therefore, all future cash outflows to which the Group is potentially exposed have already been reflected in the measurement of lease liabilities.

The Group also has certain leases of storage room with lease terms of 12 months or less and leases of office equipment with low value. The Group applies the “short-term lease” and “lease of low-value assets” recognition exemptions for these leases.

Set out below are the carrying amounts of right-of-use assets recognised and the movements during the years:

Right-of-use assets:

	Land and buildings HK\$'000
Cost:	
As at 1 January 2023	380,234
Additions	108,902
Reassessment	642
Write-offs	(119,800)
As at 31 December 2023 and 1 January 2024	369,978
Additions	57,051
Reassessment	(7,052)
Write-offs	(100,479)
As at 31 December 2024	319,498
Accumulated depreciation and impairment:	
As at 1 January 2023	264,875
Depreciation provided during the year	92,517
Write-offs	(118,371)
Exchange difference	240
As at 31 December 2023 and 1 January 2024	239,261
Depreciation provided during the year	85,524
Write-offs	(100,479)
Exchange difference	220
As at 31 December 2024	224,526
Net carrying amount:	
As at 31 December 2024	94,972
As at 31 December 2023	130,717

Notes to Financial Statements

21. RIGHT-OF-USE ASSETS AND LEASE LIABILITIES (Continued)

Set out below are the carrying amounts of lease liabilities and the movements during the years:

Lease liabilities:

	Land and buildings HK\$'000
As at 1 January 2023	119,239
Additions	108,602
Interest expense	3,170
Payments	(90,513)
Reassessment	448
Termination of lease contracts	(1,446)
Exchange difference	(255)
As at 31 December 2023 and 1 January 2024	139,245
Additions	56,656
Interest expense	5,074
Payments	(89,491)
Reassessment	(6,994)
Termination of lease contracts	–
Exchange difference	(100)
As at 31 December 2024	104,390

The maturity analysis of lease liabilities is disclosed in Note 35 to the financial statements.

The followings are the amounts recognised in profit or loss:

	2024 HK\$'000	2023 HK\$'000
Depreciation expense of right-of-use assets	85,524	92,517
Interest expense on lease liabilities	5,074	3,170
Expense relating to short-term leases	400	618
Expense relating to leases of low-value assets	2,389	2,554
	93,387	98,859

During the year, the Group had total cash outflows for leases of HK\$89,491,000 (2023: HK\$90,513,000). The future cash outflows relating to leases committed but not yet commenced are disclosed in Note 32(b) to the financial statements.

Notes to Financial Statements

22. OTHER ASSETS AND OTHER LIABILITIES

Other assets

	2024 HK\$'000	2023 HK\$'000
Interest receivable from financial institutions	73,964	74,166
Other debtors, deposits and prepayments	171,904	185,624
Net amount of accounts receivable from Hong Kong Securities Clearing Company Limited ("HKSCC")	308,209	81,377
	554,077	341,167

There were no other overdue or rescheduled assets, and no impairment allowances for such other assets accordingly.

Other liabilities

	2024 HK\$'000	2023 HK\$'000
Creditors, accruals and other payables*	447,922	264,340
Interest payable	201,643	236,617
	649,565	500,957

* As at 31 December 2024, the balance also includes the impairment allowance of HK\$31,000 (31 December 2023: HK\$21,000) on off-balance sheet credit exposures, including loan commitments and financial guarantees and letters of credit.

Public Financial Securities Limited and Public Securities Limited maintain accounts with HKSCC through which they conduct securities trading transactions and settlement on a net basis.

Notes to Financial Statements

22. OTHER ASSETS AND OTHER LIABILITIES (Continued)

In presenting the amounts due from and to HKSCC, the individual subsidiaries concerned have offset the gross amount of the accounts receivable from and the gross amount of the accounts payable to HKSCC. The amounts offset and the net balances are shown as follows:

	Gross amount HK\$'000	Amount offset HK\$'000	Net amount HK\$'000
Other assets			
2024			
Amount of accounts receivable from HKSCC	383,569	(75,360)	308,209
2023			
Amount of accounts receivable from HKSCC	112,061	(30,684)	81,377
Other liabilities			
2024			
Amount of accounts payable to HKSCC	(75,360)	75,360	–
2023			
Amount of accounts payable to HKSCC	(30,684)	30,684	–

Notes to Financial Statements

23. INTANGIBLE ASSETS

	HK\$'000
Cost:	
As at 1 January 2023, 31 December 2023 and 1 January 2024	1,923
Write-offs	(486)
As at 31 December 2024	1,437
Accumulated impairment:	
As at 1 January 2023	1,205
Impairment during the year	486
As at 31 December 2023 and 1 January 2024	1,691
Write-offs	(486)
As at 31 December 2024	1,205
Net carrying amount:	
As at 31 December 2024	232
As at 31 December 2023	232

Intangible assets represent trading rights held by the Group. The trading rights are retained for stock trading and stockbroking activities, and have indefinite useful lives as the trading rights have no expiry date. They comprise three units (31 December 2023: five units) of Stock Exchange Trading Right and one unit (31 December 2023: one unit) of Futures Exchange Trading Right in Hong Kong Exchanges and Clearing Limited.

For the year ended 31 December 2024, the two units of Stock Exchange Trading Right had been revoked following the cessation of stockbroking business by Public Securities Limited.

Notes to Financial Statements

24. PROPERTY AND EQUIPMENT

	Buildings HK\$'000	Leasehold improvements, furniture, fixtures, equipment and motor vehicles HK\$'000	Total HK\$'000
Cost:			
As at 1 January 2023	23,037	438,296	461,333
Additions	–	54,207	54,207
Disposals/write-offs	–	(14,475)	(14,475)
As at 31 December 2023 and 1 January 2024	23,037	478,028	501,065
Transfer to investment properties	(4)	–	(4)
Additions	–	56,365	56,365
Disposals/write-offs	–	(1,289)	(1,289)
As at 31 December 2024	23,033	533,104	556,137
Accumulated depreciation:			
As at 1 January 2023	9,609	300,794	310,403
Provided during the year	513	33,107	33,620
Disposals/write-offs	–	(14,057)	(14,057)
As at 31 December 2023 and 1 January 2024	10,122	319,844	329,966
Transfer to investment properties	(4)	–	(4)
Provided during the year	514	36,140	36,654
Disposals/write-offs	–	(1,268)	(1,268)
As at 31 December 2024	10,632	354,716	365,348
Net carrying amount:			
As at 31 December 2024	12,401	178,388	190,789
As at 31 December 2023	12,915	158,184	171,099

There were no impairment allowances made against the above items of property and equipment as at 31 December 2024 and 31 December 2023. There were no movements in impairment allowances for the years ended 31 December 2024 and 31 December 2023.

Notes to Financial Statements

25. LAND HELD UNDER FINANCE LEASES

	HK\$'000
Cost:	
As at 1 January 2023, 31 December 2023 and 1 January 2024	302,416
Transfer to investment properties	(61)
As at 31 December 2024	302,355
Accumulated depreciation and impairment:	
As at 1 January 2023	70,315
Depreciation provided during the year	6,847
As at 31 December 2023 and 1 January 2024	77,162
Transfer to investment properties	(41)
Depreciation provided during the year	6,847
As at 31 December 2024	83,968
Net carrying amount:	
As at 31 December 2024	218,387
As at 31 December 2023	225,254

The Group's land held under finance leases at net carrying amount is held under the following lease terms:

	2024 HK\$'000	2023 HK\$'000
Leaseholds:		
Held in Hong Kong		
– On long-term leases	88,034	88,138
– On medium-term leases	120,915	127,122
Held outside Hong Kong		
– On medium-term leases	9,438	9,994
	218,387	225,254

Land leases are stated at the recoverable amount and are subject to an impairment test pursuant to HKAS 36, which is based on the higher of fair value less costs of disposal and value-in-use.

Notes to Financial Statements

26. INVESTMENT PROPERTIES

	HK\$'000
At valuation:	
As at 1 January 2023	169,517
Changes in fair value recognised in the consolidated income statement	(9,010)
As at 31 December 2023 and 1 January 2024	160,507
Additions	73,508
Transfer from land held under finance leases	20
Changes in fair value recognised in the consolidated income statement of comprehensive income	2,520
Changes in fair value recognised in the consolidated income statement	(18,978)
As at 31 December 2024	217,577

The Group's investment properties are situated in Hong Kong and are held under medium-term and long-term leases in Hong Kong.

All investment properties were classified under Level 3 in the fair value hierarchy. During the year, there were no transfers of fair value measurements between Level 1 and Level 2 and no transfers into or out of Level 3 (2023: Nil). The Group has assessed that the highest and best use of its properties did not differ from their existing use.

As at 31 December 2024, investment properties were revalued according to the valuation assessed by C S Surveyors Limited, a firm of independent professionally qualified valuers. Finance and Control Department has discussions with the valuer on the valuation methodology and valuation results at least twice a year when the valuation is performed for interim and annual financial reporting.

The fair value of investment properties located in Hong Kong is determined using market comparison approach by reference to recent sales price of comparable properties on a price per square metre basis. Below is a summary of the significant inputs to the valuation of investment properties:

	2024	Weighted average	2023	Weighted average
	Range HK\$	HK\$	Range HK\$	HK\$
Price per square metre	68,000 to 640,000	404,000	76,000 to 720,000	428,000

A significant increase/decrease in the price per square metre would result in a significant increase/decrease in the fair value of the investment properties.

The investment properties held by the Group are let under operating leases from which the Group earns rental income. Details of future annual rental receivables under operating leases are included in Note 32(a) to the financial statements.

Notes to Financial Statements

27. GOODWILL

	2024 HK\$'000	2023 HK\$'000
Cost and net carrying amount:		
At the beginning and the end of the year	242,342	242,342

Impairment test of goodwill

There is a CGU, namely Public Finance, which represents the operating entity within the business segment “retail and commercial banking businesses” identified by the Group. The recoverable amount of the CGU at each subsequent reporting date is determined based on the value-in-use using the present value of cash flows at a pre-tax discount rate of 9.6% (2023: pre-tax discount rate of 9.6%) taking into account the expected operating synergy, profitability and growth of businesses. The cash flow projections are based on financial plans approved by management and assumed growth rates are used to extrapolate the cash flows beyond 5 years. The financial projection considers the sustainability of business growth, stability of core business developments, long-term economic cycle, availability of financial resources for business expansion, compliance with regulatory capital and liquidity requirements, and achievement of business targets extrapolated from historical financial results. Management’s financial model assumes an average growth rate of 2.8% (2023: 2.8%) per annum for the CGU from the sixth years taking into account long-term gross domestic product growth and other relevant economic factors.

No impairment loss has been recognised in respect of goodwill for the years ended 31 December 2024 and 31 December 2023 as its value-in-use exceeded its carrying amount.

28. CUSTOMER DEPOSITS AT AMORTISED COST

	2024 HK\$'000	2023 HK\$'000
Demand deposits and current accounts	2,768,964	2,940,413
Savings deposits	5,174,799	5,293,444
Time, call and notice deposits	24,263,637	21,312,281
	32,207,400	29,546,138

Notes to Financial Statements

29. DEFERRED TAX

The movements in deferred tax assets and liabilities during the year are as follows:

Deferred tax assets:

	Impairment allowances for loans and advances and receivables HK\$'000	Tax losses available for offsetting against future taxable profits HK\$'000	Others HK\$'000	Total HK\$'000
As at 1 January 2023	35,714	–	494	36,208
Deferred tax credited to the consolidated income statement	13,483	–	13	13,496
Exchange difference	(825)	–	(11)	(836)
As at 31 December 2023 and 1 January 2024	48,372	–	496	48,868
Deferred tax credited/(charged) to the consolidated income statement	14,982	24,863	(11)	39,834
Deferred tax credited to the consolidated income statement of comprehensive income	–	–	238	238
Exchange difference	(1,099)	–	(17)	(1,116)
As at 31 December 2024	62,255	24,863	706	87,824

Deferred tax liabilities:

	Depreciation allowance in excess of related depreciation HK\$'000
As at 1 January 2023	23,867
Deferred tax charged to the consolidated income statement	3,955
As at 31 December 2023 and 1 January 2024	27,822
Deferred tax charged to the consolidated income statement	2,757
As at 31 December 2024	30,579

Notes to Financial Statements

30. SHARE CAPITAL

	2024 HK\$'000	2023 HK\$'000
Issued and fully paid:		
14,816,000 (2023: 14,816,000) ordinary shares	2,854,045	2,854,045

31. OFF-BALANCE SHEET EXPOSURE

(a) Contingent liabilities, commitments and derivatives

The following is a summary of the contractual amount of each significant class of contingent liabilities, commitments and derivatives of the Group outstanding at the end of the year:

	Contractual amount HK\$'000	Credit equivalent amount HK\$'000	2024 Credit risk- weighted amount HK\$'000	Positive fair value- assets HK\$'000	Negative fair value- liabilities HK\$'000
Direct credit substitutes	28,238	28,238	23,919	-	-
Transaction-related contingencies	18,780	9,390	1,354	-	-
Trade-related contingencies	4,301	860	777	-	-
Forward forward deposits placed	80,871	80,871	16,174	-	-
Forward asset purchases	-	-	-	-	-
	132,190	119,359	42,224	-	-
Derivatives held for trading:					
Foreign exchange contracts	744,108	13,615	2,723	4,561	14,589
Other commitments with an original maturity of:					
Not more than one year	37,840	7,568	7,568	-	-
More than one year	93,048	46,524	46,524	-	-
Other commitments which are unconditionally cancellable or which provide for automatic cancellation due to deterioration of creditworthiness of the counterparties	2,291,507	-	-	-	-
	3,298,693	187,066	99,039	4,561	14,589

2024
Contractual
amount
HK\$'000

Capital commitments contracted for, but not provided in
the consolidated statement of financial position

23,914

Notes to Financial Statements

31. OFF-BALANCE SHEET EXPOSURE (Continued)
(a) Contingent liabilities, commitments and derivatives (Continued)

	Contractual amount HK\$'000	Credit equivalent amount HK\$'000	2023 Credit risk- weighted amount HK\$'000	Positive fair value- assets HK\$'000	Negative fair value- liabilities HK\$'000
Direct credit substitutes	27,929	27,929	23,556	–	–
Transaction-related contingencies	17,846	8,923	1,259	–	–
Trade-related contingencies	3,046	609	524	–	–
Forward forward deposits placed	–	–	–	–	–
Forward asset purchases	–	–	–	–	–
	48,821	37,461	25,339	–	–
Derivatives held for trading:					
Foreign exchange contracts	452,813	20,787	4,157	10,743	40
Other commitments with an original maturity of:					
Not more than one year	–	–	–	–	–
More than one year	123,280	61,640	61,640	–	–
Other commitments which are unconditionally cancellable or which provide for automatic cancellation due to deterioration of creditworthiness of the counterparties	2,235,181	–	–	–	–
	2,860,095	119,888	91,136	10,743	40
Capital commitments contracted for, but not provided in the consolidated statement of financial position					25,817

2023
Contractual
amount
HK\$'000

Notes to Financial Statements

31. OFF-BALANCE SHEET EXPOSURE (Continued)

(a) Contingent liabilities, commitments and derivatives (Continued)

As at 31 December 2024 and 31 December 2023, the corresponding ECLs for the outstanding off-balance sheet exposures, including loan commitments and financial guarantees and letters of credit under stage 1, amounted to HK\$31,000 and HK\$21,000 respectively.

The Group had not entered into any bilateral netting arrangements and accordingly the above amounts are shown on a gross basis. The credit risk-weighted amounts are calculated in accordance with the Capital Rules and guidelines issued by the HKMA. The amounts calculated are dependent upon the status of the counterparty and the maturity characteristics. The risk weights used range from 0% to 100% for contingent liabilities, commitments and derivatives.

As at 31 December 2024 and 31 December 2023, the Group had no material outstanding contingent liabilities and commitments save as disclosed above.

(b) Derivative financial instruments

The Group uses the following derivative financial instruments:

Currency forwards represent commitments to purchase foreign and domestic currencies, including undelivered spot transactions. Foreign currency and interest rate futures are contractual obligations established in an organised financial market to receive or pay a net amount based on changes in currency rates or interest rates, or to buy or sell a foreign currency or a financial instrument on a future date at a specified price. The credit risk is negligible, as changes in the futures contract value are settled daily with the exchange. Forward rate agreements are individually negotiated interest rate futures that call for a cash settlement at a future date for the difference between a contracted rate of interest and the current market rate, based on a notional principal amount.

Interest rate swaps are commitments to exchange one set of cash flows for another. Swaps result in an exchange of interest rates (for example, fixed rate or floating rate). No exchange of principal takes place. The Group's credit risk represents the potential cost to replace the swap contracts if counterparties fail to perform their obligations. This risk is monitored on an ongoing basis with reference to the current fair value, a proportion of the notional amount of the contracts and the liquidity of the market. To control the level of credit risk taken, the Group assesses counterparties using the same techniques as used for its lending activities.

The notional amounts of certain types of financial instruments provide a basis for comparison with instruments recognised in the consolidated statement of financial position but do not necessarily indicate the amounts of future cash flows involved or the current fair value of the instruments and, therefore, do not indicate the Group's exposure to credit or price risk. The derivative financial instruments become favourable (assets) or unfavourable (liabilities) as a result of fluctuations in market interest rates or foreign exchange rates relative to their terms. The aggregate contractual or notional amount of derivative financial instruments on hand, the extent to which the instruments are favourable or unfavourable, and the aggregate fair values of derivative financial assets and liabilities, can fluctuate significantly from time to time.

Notes to Financial Statements

32. LEASES

(a) As lessor

The Group leases its investment properties as disclosed in Note 26 to the financial statements under operating lease arrangements, and the terms of the leases range from 1 to 3 years.

As at 31 December 2024 and 31 December 2023, the Group had total future minimum lease rental receivables under non-cancellable operating leases falling due as follows:

	2024 HK\$'000	2023 HK\$'000
Within one year	6,472	5,304
Over one year but within two years	1,333	1,805
Over two years but within three years	–	195
	7,805	7,304

(b) As lessee

As at 31 December 2023, the Group has entered into certain future lease arrangements with landlords, and the terms of the leases range from 1 to 3 years. As at 31 December 2024 and 31 December 2023, the Group had total future lease payments for leases committed but not yet commenced falling due as follows:

	2024 HK\$'000	2023 HK\$'000
Within one year	–	8,983
In the second to fifth years, inclusive	–	20,439
	–	29,422

Notes to Financial Statements

33. RELATED PARTY TRANSACTIONS AND LOANS TO DIRECTORS

Related party transactions

In addition to the remuneration details of the Directors, who represent the key management personnel of the Group, in Note 13 to the financial statements, the Group had the following major transactions with related parties in the normal course of business during the year. The details of related party transactions, related expenses and income for the year and outstanding balances as at the year end are as follows:

	Notes	2024 HK\$'000	2023 HK\$'000
Related party transactions included in the consolidated income statement:			
Ultimate holding company:			
Interest received	(c)	164	8
Bank loans and deposits interests paid and payable	(d)	19	643
Commitment fees paid	(g)	3,966	4,658
Credit information service charge	(i)	259	271
Rent paid to the immediate holding company	(b)	34,513	34,517
Fellow subsidiaries:			
Bank loans and deposits interests paid and payable	(d)	65	607
Commitment fees paid	(e)	–	93
Services fees	(e)	–	7
Management fees	(a)	622	617
Bank service charges	(a)	19	16
Key management personnel:			
Deposits interest paid	(d)	69	14
Commission income	(h)	–	2
Interest income received	(h)	–	331

Notes to Financial Statements

33. RELATED PARTY TRANSACTIONS AND LOANS TO DIRECTORS (Continued)

Related party transactions (Continued)

	Notes	2024 HK\$'000	2023 HK\$'000
Related party transactions included in the consolidated statement of financial position:			
Ultimate holding company:			
Cash and short term funds	(c)	127	1,253
Deposits and balances of banks and other financial institutions at amortised cost	(d)	20,984	16,933
Immediate holding company:			
Rental deposits and rent prepaid	(b)	50,085	50,085
Deposits	(d)	5,180	3,401
Fellow subsidiaries:			
Deposits and balances of banks and other financial institutions at amortised cost	(d)	9,579	4,224
Deposits	(d)	28,725	6,220
Interest payable	(d)	2	1
Other assets	(f)	771	920
Key management personnel:			
Deposits	(d)	2,558	1,599
Interest payable	(d)	38	25
Secured term loan	(h)	–	10,329
Interest receivable	(h)	–	12

Notes:

- (a) Management fees arose in respect of administrative services provided to a fellow subsidiary by the Group. They were charged based on costs incurred during the year. Bank service charges arose in respect of banking services provided to the fellow subsidiary by the Group during the year.
- (b) Rent paid, rent prepaid and rental deposits were related to properties rented from the immediate holding company as the Bank's offices during the year.
- (c) The Group placed deposits with the ultimate holding company. Interests were received/receivable from the ultimate holding company. The balances of the said deposits and interest receivable were included in cash and short term placements and other assets, respectively, in the consolidated statement of financial position.
- (d) The ultimate holding company, the immediate holding company, fellow subsidiaries and key management personnel placed deposits with the Bank at the prevailing market rates. Interest expenses were paid/payable by the Bank for the year in respect of these placements. The balances were included in customer deposits in the consolidated statement of financial position. During the year, a revolving credit facility was granted by a fellow subsidiary to a subsidiary of the Group. Interest expense was paid/payable by the subsidiary in respect of this facility.

Notes to Financial Statements

33. RELATED PARTY TRANSACTIONS AND LOANS TO DIRECTORS (Continued)

Related party transactions (Continued)

Notes: (Continued)

- (e) Commitment fees were paid to Public Bank (L) Ltd in order to obtain revolving credit facilities granted by Public Bank (L) Ltd to Public Securities Limited.

Services fees were paid to Public Investment Bank Berhad from Public Securities Limited for referral of stockbroking business.

- (f) These balances include other receivables from a fellow subsidiary.

- (g) Commitment fees were paid to the ultimate holding company in order to obtain standby facilities granted by the ultimate holding company to the Bank.

- (h) Commission income was received from key management personnel of the Group for securities dealings through the Group companies.

The balance represented a secured term loan to key management personnel of the Group granted by the Bank. Interest income/interest receivable were in respect of the secured term loan.

- (i) The credit information service charge was paid to Public Bank for the share of cost borne by the Bank.

Loans to Directors

Loans to Directors disclosed pursuant to section 383(1)(d) of the Hong Kong Companies Ordinance and Part 3 of Companies (Disclosure of Information about Benefits of Directors) Regulation are as follows:

Name of Director	As at 31 December 2024 HK\$'000	Maximum amount outstanding during the year HK\$'000	As at 1 January 2024 HK\$'000	As at 31 December 2023 HK\$'000	Maximum amount outstanding during the prior year HK\$'000	As at 1 January 2023 HK\$'000	Collateral held
Tan Yoke Kong	-	-	-	10,341	11,000	-	Property
	-		-	10,341		-	

The loans to directors represent a secured term loan granted by the Bank to a director on essentially the same terms with those granted to other customers, and at prevailing market rate and are repayable by monthly instalments.

The carrying amount of the loan approximates to the fair value.

Notes to Financial Statements

34. FAIR VALUE OF FINANCIAL INSTRUMENTS

(a) Financial assets and financial liabilities not carried at fair value

The following describes the methodologies and assumptions used to determine fair values of financial instruments which are not carried at fair value in the financial statements.

Liquid or/and very short term and variable rate financial instruments

Liquid or/and very short term and variable rate financial instruments include loans and advances and receivables, debt securities investment, customer deposits, certificates of deposit issued and unsecured bank loans. As these financial instruments are liquid or having a short-term maturity or carrying interest at a variable rate, the carrying amounts are reasonable approximations of their fair values. In the case of loans and unquoted debt securities, their fair values do not reflect changes in their credit quality as the impact of credit risk is recognised separately by deducting the amount of the impairment allowances.

Fixed rate financial instruments

Fixed rate financial instruments include placements with banks and financial institutions, loans and advances and receivables, debt securities investment, deposits from banks and other financial institutions, customer deposits and certificates of deposit issued. The fair values of these fixed rate financial instruments carried at amortised cost are determined based on prevailing money-market interest rates or current interest rates offered for similar financial instruments appropriate for the remaining term to maturity. The carrying amounts of such financial instruments are not materially different from their fair values.

(b) Financial assets and financial liabilities carried at fair value

The following tables show an analysis of financial instruments carried at fair value by level of the fair value hierarchy:

	2024			
	Level 1 HK\$'000	Level 2 HK\$'000	Level 3 HK\$'000	Total HK\$'000
Financial assets:				
Derivative financial instruments	–	4,561	–	4,561
Debt securities investment at fair value through other comprehensive income	–	3,139,085	–	3,139,085
Equity investments at fair value through other comprehensive income	–	–	6,804	6,804
	–	3,143,646	6,804	3,150,450
Financial liabilities:				
Derivative financial instruments	–	14,589	–	14,589

Notes to Financial Statements

34. FAIR VALUE OF FINANCIAL INSTRUMENTS (Continued)

(b) Financial assets and financial liabilities carried at fair value (Continued)

	Level 1 HK\$'000	2023 Level 2 HK\$'000	Level 3 HK\$'000	Total HK\$'000
Financial assets:				
Derivative financial instruments	–	10,743	–	10,743
Debt securities investment at fair value through other comprehensive income	–	–	–	–
Equity investments at fair value through other comprehensive income	–	–	6,804	6,804
	–	10,743	6,804	17,547
Financial liabilities:				
Derivative financial instruments	–	40	–	40

Level 2 derivative financial instruments comprise forward foreign exchange contracts and currency swaps. These instruments have been measured at fair value based on the forward foreign exchange rates that are quoted in an active market. As at 31 December 2024 and 31 December 2023, the effects of discounting were considered insignificant for the Level 2 financial instruments.

Level 3 financial instruments are measured at fair value based on the present value of expected cash flows in the foreseeable future.

For financial instruments measured at fair value on a recurring basis, the Group determines whether transfer has 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. Finance and Control Department performs the valuation of financial instruments required for financial reporting purposes, including Level 3 fair values, at the end of each reporting period. The impact due to changes in fair value of the Level 3 financial instruments is insignificant to the Group.

For the years ended 31 December 2024 and 31 December 2023, there were no transfers amongst Level 1, Level 2 and Level 3 in the fair value hierarchy.

For the years ended 31 December 2024 and 31 December 2023, there were no issues and settlements related to the Level 3 financial instruments.

There was no gain or loss and no OCI reported in the consolidated income statement and consolidated statement of comprehensive income respectively related to the Level 3 financial instruments for the years ended 31 December 2024 and 31 December 2023.

For fair value measurement at Level 3, changing one or more of the inputs to the reasonably possible alternative assumptions would not change the fair value significantly.

Notes to Financial Statements

35. MATURITY ANALYSIS OF FINANCIAL ASSETS AND FINANCIAL LIABILITIES

The tables below show an analysis of financial assets and financial liabilities (including key off-balance sheet items) analysed by principal according to the periods that they are expected to be recovered or settled. The Group's contractual undiscounted repayment obligations are shown in the sub-section "Liquidity risk management" in Note 36 to the financial statements.

	2024							
	Repayable on demand HK\$'000	Up to 1 month HK\$'000	Over 1 month but not more than 3 months HK\$'000	Over 3 months but not more than 12 months HK\$'000	Over 1 year but not more than 5 years HK\$'000	Over 5 years HK\$'000	Repayable within an indefinite period HK\$'000	Total HK\$'000
Financial assets:								
Gross cash and short term placements	672,155	5,279,627	-	-	-	-	-	5,951,782
Gross placements with banks and financial institutions maturing after one month but not more than twelve months	-	-	1,837,374	68,816	-	-	-	1,906,190
Gross loans and advances and receivables	902,942	1,200,952	586,356	2,895,664	6,238,651	11,735,406	516,329	24,076,300
Equity investments at fair value through other comprehensive income	-	-	-	-	-	-	6,804	6,804
Gross debt securities investment	-	1,047,461	3,483,499	1,407,399	686,569	-	-	6,624,928
Other assets	838	40,111	17,571	11,346	6,539	-	477,672	554,077
Derivative financial instruments	-	4,561	-	-	-	-	-	4,561
Total financial assets	1,575,935	7,572,712	5,924,800	4,383,225	6,931,759	11,735,406	1,000,805	39,124,642
Financial liabilities:								
Deposits and balances of banks and other financial institutions at amortised cost	133,163	238,151	50,000	100,000	-	-	-	521,314
Customer deposits at amortised cost	7,990,145	7,101,097	12,677,206	4,438,428	524	-	-	32,207,400
Lease liabilities	-	7,167	14,183	33,489	49,551	-	-	104,390
Other liabilities	5,685	74,674	92,066	67,323	12	-	409,805	649,565
Derivative financial instruments	-	14,589	-	-	-	-	-	14,589
Total financial liabilities	8,128,993	7,435,678	12,833,455	4,639,240	50,087	-	409,805	33,497,258
Net liquidity gap	(6,553,058)	137,034	(6,908,655)	(256,015)	6,881,672	11,735,406	591,000	5,627,384

Notes to Financial Statements

35. MATURITY ANALYSIS OF FINANCIAL ASSETS AND FINANCIAL LIABILITIES (Continued)

				2023				
	Repayable on demand HK\$'000	Up to 1 month HK\$'000	Over 1 month but not more than 3 months HK\$'000	Over 3 months but not more than 12 months HK\$'000	Over 1 year but not more than 5 years HK\$'000	Over 5 years HK\$'000	Repayable within an indefinite period HK\$'000	Total HK\$'000
Financial assets:								
Gross cash and short term placements	801,630	2,916,637	–	–	–	–	–	3,718,267
Gross placements with banks and financial institutions maturing after one month but not more than twelve months	–	–	733,407	243,832	–	–	–	977,239
Gross loans and advances and receivables	531,230	1,573,816	594,488	2,152,766	6,291,600	11,770,676	967,507	23,882,083
Equity investments at fair value through other comprehensive income	–	–	–	–	–	–	6,804	6,804
Gross debt securities investment	–	983,474	2,860,749	3,178,344	617,731	–	–	7,640,298
Other assets	564	176,712	23,595	12,802	3,952	–	123,542	341,167
Derivative financial instruments	–	10,743	–	–	–	–	–	10,743
Total financial assets	1,333,424	5,661,382	4,212,239	5,587,744	6,913,283	11,770,676	1,097,853	36,576,601
Financial liabilities:								
Deposits and balances of banks and other financial institutions at amortised cost	78,015	199,532	140,000	50,000	–	–	–	467,547
Customer deposits at amortised cost	8,267,018	5,750,278	9,693,187	5,832,069	3,416	170	–	29,546,138
Lease liabilities	–	7,054	13,508	52,988	60,982	4,713	–	139,245
Other liabilities	7,231	223,483	104,087	113,745	117	–	52,294	500,957
Derivative financial instruments	–	40	–	–	–	–	–	40
Total financial liabilities	8,352,264	6,180,387	9,950,782	6,048,802	64,515	4,883	52,294	30,653,927
Net liquidity gap	(7,018,840)	(519,005)	(5,738,543)	(461,058)	6,848,768	11,765,793	1,045,559	5,922,674

Notes to Financial Statements

36. RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's principal financial liabilities, other than derivatives, comprise customer deposits, bank loans, and deposits and balances of banks and other financial institutions. The main purpose of these financial liabilities is to raise finance for the Group's operations. The Group has various financial assets such as cash and short term placements, debt securities investment, loans and advances and receivables, and equity investments at FVOCI, which arise directly from its operations.

The Group also enters into derivative transactions, including principally forward currency contracts held for trading. The purpose is to manage or mitigate currency risk arising from the Group's operations.

The main risks arising from the Group's financial instruments are interest rate risk, market risk, credit risk and liquidity risk.

The Group's business activities comprise retail and commercial banking services. These activities expose the Group to a variety of risks, mainly interest rate risk, market risk, credit risk, liquidity risk, operational risk, cyber security risk, climate risk and compliance risk. The respective Boards of the Bank and Public Finance review and approve risk management policies for managing each of these risks and they are summarised below.

Risk management structure

The Group's risk management is underpinned by the Group's risk appetite and is subject to the respective Boards' oversight through the Risk Management Committees ("RMCs") of the Bank and Public Finance, which are Board Committees overseeing the establishment of enterprise-wide risk management policies and processes. The RMCs are assisted by the specific risk oversight committees including the Assets and Liabilities Management Committee ("ALCO"), Operational Risk Management Committee ("ORMC"), Credit Committee, Credit Risk Management Committee ("CRMC") (applicable to the Bank only), and Anti-Money Laundering (AML) and Counter-terrorist Financing and Compliance Committee or equivalent committees with similar functions of the Bank and Public Finance.

The Group has established systems, policies and procedures for the control and monitoring of interest rate risk, market risk, credit risk, liquidity risk, operational risk, cyber security risk, climate risk, ESG risk and compliance risk, which are approved by the respective Boards of the Bank and Public Finance and reviewed regularly by their management, and other designated committees or working groups. Material risks are identified and assessed by designated committees and/or working groups before the launch of new products or business activities, and are monitored, documented and controlled against applicable risk limits after the introduction of new products or services or implementation of new business activities. Internal auditors of the Bank and Public Finance also perform regular audits to ensure compliance with the policies and procedures.

Notes to Financial Statements

36. RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

Interest rate risk management

Interest rate risk in banking book ("IRRBB") is internally defined as current or prospective risk arising from adverse movements in market interest rates to the Group's positions in the banking book. Changes in market interest rate affect economic value of interest-bearing assets, liabilities, off-balance commitments and net interest income ("NII") from such financial instruments. The primary objective of interest rate risk management is to minimise/contain the potential adverse effects of interest rate movements in economic value of equity ("EVE") and NII by closely monitoring the net repricing gap of the Group's assets and liabilities.

The IRRBB comprises gap risk, basis risk and option risk. Gap risk arises from changes in interest rates on assets, liabilities and off-balance sheet positions of different maturities. Basis risk arises from imperfect correlation of timing between changes in the rates earned and paid on different instruments with otherwise similar repricing characteristics. Option risk arises from the optional elements embedded in the Group's assets and liabilities that provide customers with the right to prepay or early repay one's assets or liabilities such that cash flows related to such financial contracts are altered.

The Boards of the Bank and Public Finance are ultimately responsible for management of IRRBB and define the overall risk appetite for management of IRRBB. The RMCs are responsible for reviewing IRRBB policies, establishing risk limits in relation to EVE and NII in accordance with risk appetite and maintaining management oversight on IRRBB. The ALCOs are responsible for identifying, measuring, evaluating, controlling and monitoring IRRBB and ensuring the timely implementation of IRRBB management strategy by different departments and business lines in response to the changing market conditions. Risk Management Departments ("RMDs") assess, monitor and report interest rate risk exposures against approved risk limits and key interest rate risk related matters (such as limit excesses) to the ALCOs at least monthly, and escalate to the RMCs and the Boards for further deliberations/approval of proposed actions as necessary. The Group manages its IRRBB exposures at a desired level and within its risk tolerance thresholds through strategic planning of balance sheet compositions with matching of repricing maturity for its on-balance sheet instruments and/or off-balance sheet derivatives in each significant currency. Currently, the Group does not use interest rate instruments like interest rate swaps and interest rate futures for hedging purpose as the Group is not engaged in complex business transactions involving derivative financial instruments. Where the Group decides to implement a hedging to manage IRRBB, the hedge accounting treatment is required to be made in accordance with the HKFRSs. The Group conducts stress testing via scenario analyses to assess the adverse impact of various interest rate shocks on the Group's EVE and NII, and the outcomes are deliberated in ALCO and RMC meetings. The Group establishes model for IRRBB assessment including yield curve levels' projection of relevant interest-bearing assets and early redemption of loans. Any revisions to the existing IRRBB model or assessment methodology are deliberated by ALCOs and RMCs for the approval by the Boards. Internal Audit Departments perform independent reviews on the effectiveness of the IRRBB management system, including but not limited to the implementation/compliance of the approved policies, monitoring of risk limits, escalation of limit breaches and adequacy of IRRBB assessment methodology.

Notes to Financial Statements

36. RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

Interest rate risk management (Continued)

The Group employs various analytical techniques to measure IRRBB and its impact on EVE and NII on monthly basis, including interest rate repricing profile analysis, and scenario assessment on the Group's EVE and NII under both parallel and non-parallel interest rate shocks.

For computation of the impact on EVE, the Group adopts the six prescribed standardised interest rate shock scenarios defined by the HKMA (namely parallel up, parallel down, steepener, flattener, short rate up and short rate down) and internal parallel up and down scenarios at 100 basis points.

For computation of the impact on NII over the next twelve months, the Group adopts the standardised and internal parallel up or down scenarios as mentioned above and also the two prescribed standardised basis risk scenarios defined by the HKMA as below:

Scenario 1: All rates except for fixed and managed rates on interest rate-sensitive assets are subject to the parallel up shock; and

Scenario 2: Managed rates on interest rate-sensitive assets are subject to the parallel down shock while other rates remain unchanged.

The key modeling assumptions used by the Group in EVE and NII computation pursuant to the requirements of the HKMA include the following:

- (i) For EVE computation, commercial margins and other spread components have been excluded in the cash flows used in the computation and discount rate.
- (ii) The repricing maturity of non-maturity deposits is determined based on the earliest date on which their interest rates can be adjusted. Based on such assumption, the repricing maturity of all non-maturity deposits is determined to be one day.
- (iii) Conditional prepayment rates have been computed for the fixed-rate retail loan products based on historical data of past two years or more. Retail term deposits are assumed not to be subject to early redemption risk given the material early withdrawal penalty imposed by the Group.
- (iv) The Group measures IRRBB exposures separately for each significant currency in view that yield curves for different currencies vary from one to another. The Group's significant currency is defined as HKD, United States dollar ("USD"), Renminbi ("RMB"), Australian dollar and other currencies that account for at least 5% of total on-balance sheet interest rate-sensitive position in all currencies and that the aggregate of significant currency should account for at least 90% of total on-balance sheet interest rate-sensitive position. The interest rate correlations between different currencies are assumed to be insignificant.

Notes to Financial Statements

36. RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

Interest rate risk management (Continued)

Pursuant to the above methodology and assumptions, the impacts on EVE and NII for the positions of 31 December 2024 and 31 December 2023 under various scenarios are as follows:

Scenario	2024		2023	
	EVE HK\$'000	NII HK\$'000	EVE HK\$'000	NII HK\$'000
Parallel up	(48,694)	106,448	(65,383)	86,045
Parallel down	43,938	(108,770)	61,262	(88,004)
Steeper	(8,692)	(119,853)	6,835	(70,130)
Flattener	(802)	148,314	(16,084)	87,741
Short rate up	(32,323)	178,716	(46,863)	106,780
Short rate down	28,869	(182,396)	44,327	(109,110)

Further details can be viewed under “Interest rate risk in banking book” in the Regulatory Disclosure Statement for the position date of 31 December 2024 to be published in the Bank’s website at www.publicbank.com.hk under “Regulatory Disclosures” section on or before 30 April 2025.

Notes to Financial Statements

36. RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

Market risk management

(a) Currency risk

Currency risk is the risk that the holding of foreign currencies will affect the Group's position as a result of a change in foreign currency exchange rates. The Group's foreign exchange risk positions arise from foreign exchange dealings, commercial banking operations and structural foreign currency exposures. All foreign exchange positions are managed by the Group's Treasury Department within limits approved by the Board of the Bank.

The Group's assets and liabilities are mainly denominated in HKD, USD and RMB. The Group has limited foreign currency risk as the Group's net foreign currency positions are small, except for net structural position of RMB denominated operating capital.

As at 31 December 2024, if RMB had strengthened or weakened by 100 basis points against HKD with all other variables held constant, the Group's equity would have increased or decreased by HK\$11 million (31 December 2023: HK\$11 million) mainly as a result of foreign exchange impact arising from the net structural position of RMB denominated operating capital.

Foreign currency exposures with a net position which constitutes not less than 10% of the total net position in all foreign currencies of the Bank are as follows:

	31 December 2024					
	Spot assets HK\$ million	Spot liabilities HK\$ million	Forward purchases HK\$ million	Forward sales HK\$ million	Net short position HK\$ million	Structural assets HK\$ million
USD	5,873	5,419	142	616	(20)	–
RMB	631	749	–	2	(120)	1,059
Others	1,157	1,603	574	132	(4)	–
	7,661	7,771	716	750	(144)	1,059
	31 December 2023					
	Spot assets HK\$ million	Spot liabilities HK\$ million	Forward purchases HK\$ million	Forward sales HK\$ million	Net short position HK\$ million	Structural assets HK\$ million
USD	4,704	4,316	16	424	(20)	–
RMB	546	594	–	4	(52)	1,097
Others	1,216	1,628	417	11	(6)	–
	6,466	6,538	433	439	(78)	1,097

Notes to Financial Statements

36. RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

Market risk management (Continued)

(b) Price risk

Price risk is the risk to the Group's earnings and capital due to changes in the prices of securities, including debt securities and equities.

The Group monitors price risk principally by limits established for transactions and open positions. These limits are reviewed and approved by the respective Boards of the Bank and Public Finance and are monitored on a daily basis.

The Group did not actively trade in financial instruments and in the opinion of the Directors, the price risk related to trading activities to which the Group was exposed was not material. Accordingly, no quantitative market risk disclosures for price risk have been made.

Credit risk management

Credit risk is the risk that a customer or counterparty in a transaction may default. It arises from the lending, trade finance, treasury and other activities undertaken by the Group.

The Group has a credit risk management process to measure, monitor and control credit risk. Its credit policy defines the credit extension and measurement criteria, credit review, approval and monitoring processes, and the loan classification and provisioning systems. It has a hierarchy of credit authority which approves credit in compliance with the Group's credit policy. Credit risk exposures are measured and monitored against credit limits and other control limits (such as connected exposures, large exposures and risk concentration limits approved by the respective Boards or dedicated committees). The Group's loan exposures are concentrated in purchase of properties, property investment, transportation and consumer financing segment in Hong Kong; and such lendings are monitored and controlled within the approved concentration limits of the Bank and Public Finance. Segregation of duties in key credit functions is in place to ensure separate credit control and monitoring. Management and recovery of problem credits are handled by an independent work-out team.

The Group manages its credit risk within a conservative framework. Its credit policy is regularly revised, taking into account factors such as prevailing business and economic conditions, regulatory requirements and its capital resources. Its policy on connected lending exposures defines and states connected parties, statutory and applicable connected lending limits, types of connected transactions, taking of collateral, the capital adequacy treatment, and detailed procedures and controls for monitoring connected lending exposures. In general, interest rates and other terms and conditions applying to connected lending should not be more favourable than those of the loans offered to non-connected borrowers under similar circumstances. The terms and conditions should be determined on normal commercial terms at arm's length and in the ordinary course of business of the Group.

Credit and compliance audits are periodically conducted by Internal Audit Departments of the Bank and Public Finance to evaluate the effectiveness of credit reviews, approval and monitoring processes and to ensure that the established credit policies and procedures are complied with.

Compliance Departments of the Bank and Public Finance conduct compliance tests at selected business units on identified high risk areas for adherence to regulatory and operational requirements and credit policies.

Credit Committees of the Bank and Public Finance monitor the quality of financial assets which are neither past due nor impaired by financial performance indicators (such as the loan-to-value ratio, debts servicing ratio, financial soundness of borrowers and personal guarantees) through meeting discussions and management reports. Loan borrowers subject to legal proceedings, negative comments from other counterparties and rescheduled arrangements are put under watch lists or under the "special mention" grade for management oversight.

Notes to Financial Statements

36. RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

Credit risk management (Continued)

Credit Committees of the Bank and Public Finance also monitor the quality of past due or impaired financial assets by internal grading comprising “substandard”, “doubtful” and “loss” accounts through meeting discussions and management reports. Impaired financial assets include those subject to personal bankruptcy petitions, corporate winding-up and rescheduled arrangements.

RMCs of the Bank and Public Finance are responsible for reviewing and assessing the adequacy of risk management framework for identifying, measuring, monitoring and controlling the credit risk of existing and new products. The Committees also review credit risk management policies and credit risk tolerance limits. The RMC of the Bank is assisted by CRMC in discharging its responsibilities on credit risk management issues.

The Group mitigates credit risk by credit protection provided by guarantors and by loan collateral such as customer deposits, properties, listed shares, taxi licences, public light bus licences and vehicles.

The “Neither past due nor impaired loans and advances and receivables” are shown in Note 18 to the financial statements.

Loans and advances and receivables that were neither past due nor impaired were related to a large number of diversified customers for whom there was no recent history of default.

Maximum credit exposures for off-balance sheet items without taking into account the fair value of collateral are as follows:

	2024 HK\$'000	2023 HK\$'000
Credit related contingent liabilities	51,319	48,821
Loan commitments and other credit related commitments	2,422,395	2,358,461

Liquidity risk management

Liquidity risk is the risk that the Group cannot meet its current obligations. Major sources of liquidity risk of the Group are the early or unexpected withdrawals of deposits in cash outflow and the delay in cash inflow from loan repayments. To manage liquidity risk, the Boards of the Bank and Public Finance have established a liquidity risk management framework which incorporates liquidity risk tolerance, management oversight on liquidity risk, liquidity risk and funding strategy, risk related metrics and tools for liquidity risk management, internal liquidity risk pricing, and the manner of reporting significant matters. The major objectives of liquidity risk management framework are to (i) specify the roles and responsibilities of relevant parties on liquidity risk management, (ii) identify, measure and control liquidity risk exposures with proper implementation of funding strategies, (iii) effectively report significant risk related matters for management oversight, and (iv) manage the liquidity profile within risk tolerance. The liquidity risk management framework is cascaded to all business lines to ensure a consistent liquidity risk strategy, policies and practices across the Group. Liquidity risk related policies are reviewed by Senior Management and dedicated committees, and significant changes in such policies are approved by the Boards of the Bank and Public Finance or committees delegated by the respective Boards.

Notes to Financial Statements

36. RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

Liquidity risk management (Continued)

ALCOs of the Bank and Public Finance monitor the liquidity position as part of the ongoing management of assets and liabilities, and set up trigger limits to monitor liquidity risk. They also closely monitor the liquidity of the subsidiaries on a periodic basis to ensure that the liquidity structure of the subsidiaries' assets, liabilities and commitments can meet their funding needs, and that internal liquidity trigger limits are complied with.

Treasury Department of the Bank and a dedicated department of Public Finance are responsible for the centralised implementation of the strategies and policies approved by the dedicated committees and the respective Boards, and developing operational procedures and controls to ensure the compliance with the aforesaid policies and to minimise operational disruptions in case of a liquidity crisis.

RMDs of the Bank and Public Finance are responsible for day-to-day monitoring of liquidity maintenance ratios, loans to deposits ratios, concentration risk related ratios and other liquidity risk related ratios coupled with the use of cash-flow projections, maturity ladder, stress-testing methodologies and other applicable risk assessment tools and metrics to detect early warning signals and identify vulnerabilities to potential liquidity risk on forward-looking basis with the objective of ensuring different types of liquidity risks of the Group are appropriately identified, measured, assessed and reported. They also carry out analysis based on risk-based management reports, summarise the data from those reports and present the key liquidity information of the Group and key business lines to the respective ALCOs on a regular (at least monthly) basis. In case of significant issues, such as serious limit excesses or breaches or early warning signals of potential severe impact on the Bank or Public Finance are identified from the aforesaid management reports or market information obtained from Treasury Department and business units, a designated ALCO member will convene a meeting (involving Senior Management members) to discuss risk related matters and propose actions to ALCO whenever necessary. A high level summary of the liquidity risk performance of the Bank or Public Finance will be presented by the respective ALCOs to their RMCs and the Boards.

The liquidity risk related metrics of the Bank and Public Finance include at least liquidity maintenance ratios (with internal risk tolerance higher than the statutory liquidity maintenance ratio); cash-flow mismatches under normal and different stress scenarios; concentration related limits of deposits and other funding sources, and maturity profile of major assets and liabilities (including on-balance sheet and off-balance sheet items). Systems and procedures are in place to measure and manage liquidity risk arising from off-balance sheet exposures and contingent funding obligations by cash-flow projections in both baseline and stressed scenarios. In baseline scenario, expected cash outflow is derived from the aforesaid exposures and obligations including potential drawdowns of unused committed facilities; trade related contingencies; issued letters of credit and financial guarantee unrelated to trade related contingencies; and uncommitted facilities and other contingent obligations with regard to not only the contractual terms in agreements with customers but also the manner of past months' utilisation and genuine drawdowns of the credit facilities; customer relationships and reputational risk perspectives. In stressed scenario, the utilisation and drawdowns of credit facilities are expected to escalate to some extent.

Notes to Financial Statements

36. RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

Liquidity risk management (Continued)

The funding strategies of the Group are to (i) diversify funding sources for mitigating liquidity risk exposures; (ii) minimise disruptions due to operational issues such as transfer of liquidity across group entities; (iii) ensure contingency funding is available to the Group; and (iv) maintain sufficient liquidity cushion to meet critical liquidity needs such as loan commitments and deposit withdrawals in stressed situations. The Group has established concentration limits of funding sources taking into account the respective risk profiles of the Bank and Public Finance. For instance, intra-group funding and funding from the largest funding provider are restricted to be not more than 15% and 10% of total funding sources respectively to reduce reliance on single source of funding. Medium and long term funding is maintained at a level of at least 20% of total funding source to pursue stable funding structure.

Contingency funding plan is formulated to address liquidity needs at different stages including the mechanism for the detection of early warning signals of potential crisis at early stage and obtaining of emergency funding in bank-run scenario at later stage. Designated roles and responsibilities of the Crisis Management Team, departments and business units and their emergency contact information are documented clearly in contingency funding plan policy as part of business continuity planning, and contingency funding measures are in place to set priorities of funding arrangements with counterparties, to set procedures for intraday liquidity risk management and intra-group funding support, to manage media relationship and to communicate with internal and external parties during a liquidity crisis. The stress-testing results are updated and reported to Senior Management regularly and the results such as the survival period for positive cash-flow mismatches are used in contingency funding planning and determination of the required level of liquidity cushion. Based on the results of liquidity stress-testing, standby facilities and liquid assets are maintained to provide liquidity to meet unexpected and material cash outflows in stressed situations.

The Group maintains sufficient liquidity cushion comprising mainly bills, notes or bonds issued by eligible central governments in a total amount of not less than HK\$2.0 billion to address critical and emergent liquidity needs on intraday basis and over other different time horizons. The Group is not subject to particular collateral arrangements or requirements in contracts in case there is a credit rating downgrade of entities within the Group.

Apart from cash-flow projections under normal scenario to manage liquidity under different time horizons, different stress scenarios such as institution-specific stress scenario, the general market stress scenario and the combination of such scenarios with assumptions are set and reviewed by dedicated committees and approved by the respective Boards. Under institution-specific stress scenario, loan repayments from some customers are assumed to be delayed. The projected cash inflow would be affected by increased amount of rollover of banking facilities by some corporate customers or reduced by the amount of retail loan delinquencies. Regarding cash-outflow projection, part of undrawn banking facilities are not to be utilised by borrowers or honoured by the Group. The core deposits ratio would decrease as there would be early withdrawals of some fixed deposits before contractual maturity dates or there would be fewer renewals of fixed deposits on the contractual maturity dates. In the general market stress scenario, some undrawn banking facilities are not to be honoured upon drawdown as some bank counterparties will not have sufficient liquidity to honour their obligations in market. The Group may pledge or liquidate its liquid assets such as debt securities (including but not limited to treasury bills or notes or bonds issued by eligible central governments) to secure funding to address potential liquidity crisis. Liquidity stress-tests are conducted regularly (at least monthly) and the results are utilised for part of contingency funding plan or for providing insights to management about the latest liquidity position of the Group.

Notes to Financial Statements

36. RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

Liquidity risk management (Continued)

Regulatory liquidity ratios

Pursuant to section 97H of the Hong Kong Banking Ordinance and Rules 7 and 8D of the Banking (Liquidity) Rules, Public Bank (Hong Kong) Group (including the Bank and Public Finance) and the Bank are required to comply with the liquidity maintenance ratio requirement and core funding ratio requirement whilst Public Finance is required to comply with the liquidity maintenance ratio requirement only.

	2024	2023
Liquidity Maintenance Ratio		
– Public Bank (Hong Kong) Group	62.4%	59.2%
– The Bank	61.9%	57.6%
– Public Finance	74.8%	93.4%
Core Funding Ratio		
– Public Bank (Hong Kong) Group	146.8%	140.3%
– The Bank	146.3%	138.2%

The average liquidity maintenance ratio and core funding ratio are computed using the arithmetic mean of each calendar month's average ratio as reported in the return relating to the liquidity position submitted to the HKMA. The core funding ratio is not applicable to Public Finance.

Liquidity exposures and funding needs are measured and assessed at the level of individual legal entities (i.e. the Bank and its core operating subsidiaries) and Mainland China Office (i.e. Shenzhen Branch and its sub-branches). Pursuant to the HKMA/SFC's requirements, the transferability of liquidity of the Bank and its core operating subsidiaries takes into account the need of compliance with trigger points of liquidity related ratios and minimum liquidity capital level; and other legal and regulatory limitations such as limits of connected exposures and capital related ratios. Pursuant to the requirements of National Financial Regulatory Administration, the Mainland China Office of the Bank is required to maintain regulatory liquidity ratios in RMB and foreign currencies of not less than 25%. Due to the foreign exchange controls imposed by the State Administration of Foreign Exchange ("SAFE") in China, cross-border funding flows to and from Mainland China are subject to the supervision and approval of the SAFE. In view of the limitation on transferability of liquidity, Mainland China Office has maintained high and sufficient liquidity to meet its business needs. As at 31 December 2024, the liquidity ratios in RMB and foreign currencies of Mainland China Office were more than 100% (31 December 2023: more than 100%).

Notes to Financial Statements

36. RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

Liquidity risk management (Continued)

Maturity analysis of financial liabilities, based on the contractual undiscounted cash-flows, is as follows:

	2024							Total HK\$'000
	Repayable on demand HK\$'000	Up to 1 month HK\$'000	Over 1 month but not more than 3 months HK\$'000	Over 3 months but not more than 12 months HK\$'000	Over 1 year but not more than 5 years HK\$'000	Over 5 years HK\$'000	Repayable within an indefinite period HK\$'000	
Forward assets purchase	-	-	-	-	-	-	-	-
Forward forward deposits placed	-	80,871	-	-	-	-	-	80,871
Derivative financial instruments	-	14,589	-	-	-	-	-	14,589
Credit related contingent liabilities	-	6,110	9,324	35,753	-	132	-	51,319
Loan commitments and other credit related commitments	2,199,146	51,165	41,195	37,840	93,049	-	-	2,422,395
Customer deposits at amortised cost	7,992,545	7,180,087	12,827,873	4,555,224	4,267	164	-	32,560,160
Deposits and balances of banks and other financial institutions at amortised cost	133,163	242,258	50,674	102,320	-	-	-	528,415
Lease liabilities	-	7,567	14,920	36,010	51,580	-	-	110,077
Other liabilities	-	307,464	-	-	-	-	140,458	447,922
	10,324,854	7,890,111	12,943,986	4,767,147	148,896	296	140,458	36,215,748

	2023							Total HK\$'000
	Repayable on demand HK\$'000	Up to 1 month HK\$'000	Over 1 month but not more than 3 months HK\$'000	Over 3 months but not more than 12 months HK\$'000	Over 1 year but not more than 5 years HK\$'000	Over 5 years HK\$'000	Repayable within an indefinite period HK\$'000	
Forward assets purchase	-	-	-	-	-	-	-	-
Forward forward deposits placed	-	-	-	-	-	-	-	-
Derivative financial instruments	-	40	-	-	-	-	-	40
Credit related contingent liabilities	-	3,596	7,884	35,509	1,700	132	-	48,821
Loan commitments and other credit related commitments	2,224,091	11,090	-	-	123,280	-	-	2,358,461
Customer deposits at amortised cost	8,272,273	5,836,593	9,853,051	6,013,582	7,697	-	-	29,983,196
Deposits and balances of banks and other financial institutions at amortised cost	78,016	202,934	141,881	51,517	-	-	-	474,348
Lease liabilities	-	7,339	14,044	54,865	63,246	4,777	-	144,271
Other liabilities	-	142,810	-	-	-	-	127,274	270,084
	10,574,380	6,204,402	10,016,860	6,155,473	195,923	4,909	127,274	33,279,221

Notes to Financial Statements

36. RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

Operational risk management

Operational risk is defined as the risk of loss resulting from inadequate or failed internal processes, human and system errors or from external events.

The Group has an operational risk management function in place to identify, measure, monitor and control operational risk. Its operational risk management policy defines the responsibilities of various committees, business units and supporting departments, and highlights key operational risk factors and categories with loss event types to facilitate the measurement and assessment of operational risks and their potential impact. Operational risk exposures are monitored by appropriate key risk indicators for tracking and escalation to management for providing early warning signals of increased operational risk or a breakdown in operational risk management. Regular operational risk management reports are received and consolidated from various parties and reported to the ORMC for monitoring and control of operational risk. Pursuant to such regular reporting and monitoring, there were no significant operational loss events being identified in the year 2024. The Group also purchased relevant insurances as risk migration tools to contain potential operational losses within risk tolerance level. Business continuity plans are in place to ensure continuity of banking operations in the event of business disruption.

Cyber security risk management

Cyber security risk is the risk of loss resulting from a cyber attack or information security breach on the Group. The Group has put in place adequate resources and established cyber security risk management policy in accordance with the requirements of the HKMA's Cybersecurity Fortification Initiative and other industry standards to provide guidance on managing cyber security risk, improving cyber resilience as well as ensuring adequate cyber security awareness throughout the Group. The Group also periodically engaged qualified professional assessors to conduct assessments and simulation attacks to assess the robustness of the Group's cyber security controls.

Climate risk management

Climate risk is defined as the risk from climate changes, the related impacts and the economic and financial consequences, as a result of physical damage caused by extreme weather events or from transitioning towards a low-carbon economy. The Bank and Public Finance have established their respective climate-related risk management policies in accordance with the requirements of the SPM Module GS-1 "Climate Risk Management" issued by the HKMA to define the roles and responsibilities of various committees, business units and supporting departments, and provide guidance on managing climate-related risks as well as ensuring adequate awareness on importance of climate changes throughout the entities. Moreover, the Group's priority on managing climate-related risks and opportunities has been formulated into strategies and action plans to achieve the Public Bank Group's overall sustainability commitment of Carbon Neutral Position for Scopes 1 and 2 by 2030 and Net Zero Carbon by 2050. In order to achieve the commitment, the Group's priority is on developing the risk management processes, infrastructure and tools to systematically identify and assess climate-related risks and to embed climate-related risk management considerations into the day-to-day business activities of the Group. The Bank and Public Finance have also conducted climate risk stress testing exercise to identify potential vulnerabilities brought by climate changes and plan for responses towards achieving climate resilience.

Notes to Financial Statements

36. RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

Capital management

Capital of the Group for regulatory and risk management purposes includes share capital, reserves, retained profits, regulatory reserve and subordinated debts, if any. Finance and Control Department is responsible for monitoring the amount of the capital base and capital adequacy ratios against trigger limits and for risk exposures and ensuring compliance with relevant statutory limits, taking into account business growth, dividend payout and other relevant factors.

The Group's policy is to maintain a strong capital base to support the development of the Group's businesses and to meet the statutory capital adequacy ratios and other regulatory capital requirements. Capital is allocated to various business activities of the Group depending on the risks taken by each business unit and in accordance with the requirements of relevant regulatory bodies, taking into account current and future activities within a time frame of 3 years.

Capital adequacy ratios

The consolidated capital adequacy ratios of the Group are computed in accordance with the provisions of the Banking Ordinance relating to Basel III capital standards and the Capital Rules. The Group has adopted the standardised approach for the calculation of credit risk-weighted exposures and market risk-weighted exposures. The Group has adopted the basic indicator approach and the standardised approach for the calculation of operational risk-weighted exposures of the Bank and Public Finance, respectively.

	31 December 2024	31 December 2023
Consolidated CET1 Capital Ratio	23.8%	24.9%
Consolidated Tier 1 Capital Ratio	23.8%	24.9%
Consolidated Total Capital Ratio	24.6%	25.6%

The above capital ratios are higher than the minimum capital ratios required by the HKMA.

Notes to Financial Statements

36. RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

Capital management (Continued)

Capital disclosures

The components of capital base include the following items:

	31 December 2024 HK\$'000	31 December 2023 HK\$'000
CET1 capital instruments	2,854,045	2,854,045
Retained earnings	3,519,020	3,684,659
Disclosed reserves	(49,142)	18,367
CET1 capital before deduction	6,323,923	6,557,071
Deduct:		
Cumulative fair value gains arising from the revaluation of land and buildings (covering both own-use and investment properties)	(48,044)	(52,216)
Regulatory reserve for general banking risk	–	(34,316)
Goodwill	(242,342)	(242,342)
Deferred tax assets in excess of deferred tax liabilities	(55,963)	(19,765)
CET1 capital after deduction	5,977,574	6,208,432
Additional Tier 1 capital	–	–
Tier 1 capital after deductions	5,977,574	6,208,432
Reserve attributable to fair value gains	21,620	23,497
Regulatory reserve for general banking risk	–	34,316
Collective provisions	173,278	126,157
	173,278	160,473
Tier 2 capital	194,898	183,970
Capital base	6,172,472	6,392,402
Total risk-weighted assets	25,119,556	24,962,444

Notes to Financial Statements

36. RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)**Capital management (Continued)****Capital conservation buffer (CCB)**

Public Bank (Hong Kong) Group is subject to the 2.5% CCB ratio effective from 1 January 2019.

Countercyclical capital buffer (CCyB)

The CCyB ratio is an additional layer of CET1 capital which takes effect as an extension of the Basel III CCB.

As at 31 December 2024, Public Bank (Hong Kong) Group has reserved a capital buffer, inclusive of CCyB ratio of 0.5% (31 December 2023: 1.0%), to the private sector credit exposures in Hong Kong.

The following tables illustrate the geographical breakdown of risk-weighted amounts ("RWA") in relation to private sector credit exposures:

Jurisdiction ("J")	31 December 2024			
	Applicable JCCyB ratio in effect %	Total RWA used in computation of CCyB ratio HK\$'000	CCyB ratio %	CCyB amount HK\$'000
1. Hong Kong, China	0.500	17,001,349		
2. Mainland China	–	947,367		
Total		17,948,716	0.474	85,007

Jurisdiction	31 December 2023			
	Applicable JCCyB ratio in effect %	Total RWA used in computation of CCyB ratio HK\$'000	CCyB ratio %	CCyB amount HK\$'000
1. Hong Kong, China	1.000	16,853,901		
2. Mainland China	–	1,187,708		
Total		18,041,609	0.934	168,539

Notes to Financial Statements

36. RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

Capital management (Continued)

Leverage ratio

The leverage ratio is introduced into the Basel III framework as a non-risk-based backstop limit to supplement risk-based capital requirements. It aims to constrain the build-up of excess leverage in the banking sector, and introduce additional safeguards against model risk and measurement errors. The ratio is a volume-based measure calculated as Basel III Tier 1 capital divided by total on-balance sheet and off-balance sheet exposures with reference to the Completion Instructions of the Quarterly Template on Leverage Ratio.

	31 December 2024 HK\$'000	31 December 2023 HK\$'000
Consolidated Tier 1 Capital	5,977,574	6,208,432
Consolidated Exposure Measure for Leverage Ratio	40,362,070	37,540,460
Consolidated Leverage Ratio	14.8%	16.5%

The disclosure on leverage ratio has been effective since 31 March 2015 and the relevant disclosures can be viewed in the Regulatory Disclosure Statement for the position date of 31 December 2024 to be published in the Bank's website at www.publicbank.com.hk under "Regulatory Disclosures" section on or before 30 April 2025.

Risk exposures

Class of exposures	2024					
	Rated [#] HK\$'000	Exposures* Unrated HK\$'000	Total HK\$'000	Risk-weighted amounts		
				Rated HK\$'000	Unrated HK\$'000	Total HK\$'000
On-balance sheet:						
Sovereign	2,860,481	–	2,860,481	56,069	–	56,069
Public sector entity	288,681	–	288,681	57,736	–	57,736
Bank	5,007,602	6,253,305	11,260,907	1,555,579	2,209,103	3,764,682
Securities firm	–	430,079	430,079	–	215,040	215,040
Corporate	100,316	4,168,030	4,268,346	50,158	4,168,030	4,218,188
Cash items	–	295,045	295,045	–	1,404	1,404
Regulatory retail	–	9,148,497	9,148,497	–	6,861,373	6,861,373
Residential mortgage loan	–	8,661,968	8,661,968	–	3,447,758	3,447,758
Other non-past due	–	2,483,399	2,483,399	–	2,727,542	2,727,542
Past due	–	265,782	265,782	–	398,673	398,673
Off-balance sheet:						
Over-the-counter ("OTC") derivative transactions						
– foreign exchange contracts	744,108	–	744,108	2,723	–	2,723
Other off-balance sheet items	80,871	2,473,714	2,554,585	16,174	80,142	96,316
	9,082,059	34,179,819	43,261,878	1,738,439	20,109,065	21,847,504

Notes to Financial Statements

36. RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)**Capital management (Continued)****Risk exposures (Continued)**

Class of exposures	Rated [#] HK\$'000	Exposures* Unrated HK\$'000	2023			
			Total HK\$'000	Risk-weighted amounts		Total HK\$'000
				Rated HK\$'000	Unrated HK\$'000	
On-balance sheet:						
Sovereign	2,793,952	–	2,793,952	21,342	–	21,342
Public sector entity	224,213	–	224,213	44,843	–	44,843
Bank	9,066,257	114,275	9,180,532	3,360,347	36,083	3,396,430
Securities firm	–	280,360	280,360	–	140,180	140,180
Corporate	200,630	3,959,242	4,159,872	100,315	3,959,242	4,059,557
Cash items	–	269,923	269,923	–	1,607	1,607
Regulatory retail	–	9,367,691	9,367,691	–	7,025,769	7,025,769
Residential mortgage loan	–	8,047,363	8,047,363	–	3,215,675	3,215,675
Other non-past due	–	2,239,613	2,239,613	–	2,483,756	2,483,756
Past due	–	692,203	692,203	–	1,029,693	1,029,693
Off-balance sheet:						
OTC derivative transactions						
– foreign exchange contracts	452,813	–	452,813	4,157	–	4,157
Other off-balance sheet items	–	2,407,282	2,407,282	–	86,979	86,979
	12,737,865	27,377,952	40,115,817	3,531,004	17,978,984	21,509,988

The Group did not enter into OTC derivative transactions other than foreign exchange contracts with counterparties during 2024 and 2023. The Group assigns internal capital and credit limits based on the methodology stipulated in the Capital Rules. Counterparties of those OTC derivative transactions are banks and the Group does not place collaterals to such counterparties. The credit exposures attributed to such transactions were considered insignificant.

* Principal amount or credit equivalent amount, net of individual impairment allowances before or after credit risk mitigation.

Exposures are rated by the Bank's External Credit Assessment Institutions ("ECAI"), Moody's with ECAI issue specific ratings or with ECAI inferred ratings. Risk weights are determined based on ECAI ratings pursuant to the Capital Rules.

Notes to Financial Statements

36. RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

Capital management (Continued)

Risk exposures (Continued)

	31 December 2024	
	Risk-weighted exposures HK\$'000	Capital requirements/ charge HK\$'000
Credit risk	21,847,504	1,747,800
Credit risk – credit valuation adjustment	2,000	160
Market risk	943,838	75,507
Operational risk	2,352,638	188,211
Deductions	(26,424)	
	25,119,556	
	31 December 2023	
	Risk-weighted exposures HK\$'000	Capital requirements/ charge HK\$'000
Credit risk	21,509,988	1,720,799
Credit risk – credit valuation adjustment	2,800	224
Market risk	1,045,100	83,608
Operational risk	2,433,275	194,662
Deductions	(28,719)	
	24,962,444	

For the years ended 31 December 2024 and 31 December 2023, the Group has adopted the standardised approach for calculation of credit risk-weighted exposures and market risk-weighted exposures. The Group has adopted the basic indicator approach and the standardised approach for the calculation of operational risk-weighted exposures of the Bank and Public Finance respectively.

As at 31 December 2024 and 31 December 2023, the Group had no securitisation exposures.

Notes to Financial Statements

36. RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

Capital management (Continued)

Principal subsidiaries and basis of consolidation

The basis of consolidation for financial accounting purposes is in accordance with HKFRSs, as described in Note 3 to the financial statements.

The basis of consolidation for regulatory purposes is different from that for accounting purposes. Subsidiaries included in the consolidation for regulatory purposes are specified in a notice from the HKMA in accordance with section 3C(1) of the Capital Rules.

The subsidiaries not included in the computation of the consolidated capital adequacy ratios of the Group are Public Bank (Nominees) Limited, Public Futures Limited, Public Financial Securities Limited, Public Financial Limited, Public Securities Limited and Public Securities (Nominees) Limited.

Details of the Bank's subsidiaries are set out in Note 1 to the financial statements.

Capital instruments

To comply with the Banking (Disclosure) Rules, the Group will present all the information relating to the disclosure of regulatory capital instruments and the reconciliation to the Group's published financial statements in the Regulatory Disclosure Statement for the position date of 31 December 2024 to be published in the Bank's website at www.publicbank.com.hk under "Regulatory Disclosures" section on or before 30 April 2025.

The disclosure will include the following information:

- a description of the main features and full terms and conditions of the Group's capital instruments;
- a detailed breakdown of the Group's CET1 capital, Additional Tier 1 capital, Tier 2 capital and regulatory deductions, using the standard disclosure template as specified by the HKMA; and
- a full reconciliation between the Group's accounting and regulatory balance sheets, using the standard disclosure template as specified by the HKMA.

The following is a summary of the Group's CET1 capital instruments:

	Note	31 December 2024 HK\$'000	31 December 2023 HK\$'000
CET1 capital instruments issued by the Bank			
Ordinary shares:			
14,816,000 issued and fully paid ordinary shares	30	2,854,045	2,854,045

Regulatory disclosures

Further disclosures with respect to capital adequacy and risk management were shown in the regulatory disclosures templates as required by the Banking (Disclosure) Rules. The Group will publish the Regulatory Disclosure Statement for the position date of 31 December 2024 in the Bank's website at www.publicbank.com.hk under "Regulatory Disclosures" section on or before 30 April 2025.

Notes to Financial Statements

37. STATEMENT OF FINANCIAL POSITION OF THE BANK

Information about the statement of financial position of the Bank at the end of the reporting year is as follows:

	Notes	2024 HK\$'000	2023 HK\$'000
ASSETS			
Cash and short term placements		5,743,911	3,534,299
Placements with banks and financial institutions maturing after one month but not more than twelve months		1,905,999	977,141
Derivative financial instruments		4,561	10,743
Loans and advances and receivables	37(a)	18,641,159	18,555,280
Equity investments at fair value through other comprehensive income		6,804	6,804
Debt securities investment		6,554,873	7,570,042
Investments in subsidiaries		1,852,651	1,852,651
Investment properties		221,645	164,427
Property and equipment		156,050	139,143
Land held under finance leases		203,557	209,070
Right-of-use assets		46,402	79,083
Deferred tax assets		73,689	33,486
Tax recoverable		7,807	32,633
Other assets		630,490	309,322
TOTAL ASSETS		36,049,598	33,474,124

Notes to Financial Statements

37. STATEMENT OF FINANCIAL POSITION OF THE BANK (Continued)

	Notes	2024 HK\$'000	2023 HK\$'000
EQUITY AND LIABILITIES			
LIABILITIES			
Deposits and balances of banks and other financial institutions at amortised cost		849,270	1,047,467
Derivative financial instruments		14,589	40
Customer deposits at amortised cost	37(b)	28,046,693	25,323,248
Lease liabilities		51,667	85,155
Current tax payable		2,360	-
Deferred tax liabilities		23,920	21,653
Other liabilities		711,850	402,995
TOTAL LIABILITIES		29,700,349	26,880,558
EQUITY ATTRIBUTABLE TO OWNERS OF THE BANK			
Share capital		2,854,045	2,854,045
Reserves	37(c)	3,495,204	3,739,521
TOTAL EQUITY		6,349,249	6,593,566
TOTAL EQUITY AND LIABILITIES		36,049,598	33,474,124

Lai Wan
Director

Chong Yam Kiang
Director

Dato' Chang Kat Kiam
Director

Notes to Financial Statements

37. STATEMENT OF FINANCIAL POSITION OF THE BANK (Continued)

(a) Loans and advances and receivables

Information about the loans and advances and receivables of the Bank at the end of the reporting year is as follows:

	2024 HK\$'000	2023 HK\$'000
Loans and advances to customers	18,811,083	18,684,547
Trade bills	–	525
Loans and advances, and trade bills	18,811,083	18,685,072
Accrued interest	40,382	75,417
Other receivables	18,851,465 2,156	18,760,489 3,172
Gross loans and advances and receivables	18,853,621	18,763,661
Less: Impairment allowances		
– specifically assessed	(125,961)	(174,448)
– collectively assessed	(86,501)	(33,933)
	(212,462)	(208,381)
Loans and advances and receivables	18,641,159	18,555,280

Over 90% (31 December 2023: over 90%) of the loans and advances and receivables were unrated exposures. Over 90% (31 December 2023: over 90%) of the collateral for the secured loans and advances and receivables were customer deposits, properties, listed shares, taxi licences, public light bus licences and vehicles.

Notes to Financial Statements

37. STATEMENT OF FINANCIAL POSITION OF THE BANK (Continued)

(a) Loans and advances and receivables (Continued)

Loans and advances and receivables are summarised as follows:

	2024 HK\$'000	2023 HK\$'000
Neither past due nor impaired loans and advances and receivables	18,076,427	17,369,314
Past due but not impaired loans and advances and receivables	393,720	557,532
Credit impaired loans and advances	366,767	791,575
Credit impaired receivables	16,707	45,240
Gross loans and advances and receivables	18,853,621	18,763,661

About 80% (31 December 2023: about 80%) of "Neither past due nor impaired loans and advances and receivables" were property mortgage loans and hire purchase loans secured by properties, taxi licences, public light bus licences and vehicles.

(i) a) Ageing analysis of overdue and impaired loans and advances

	2024 Gross amount HK\$'000	Percentage of total loans and advances %	2023 Gross amount HK\$'000	Percentage of total loans and advances %
Loans and advances overdue for:				
Six months or less but over three months	65,903	0.35	44,310	0.24
One year or less but over six months	125,490	0.67	614,215	3.29
Over one year	124,491	0.66	115,743	0.61
Loans and advances overdue for more than three months	315,884	1.68	774,268	4.14
Rescheduled loans and advances overdue for three months or less	3,311	0.02	3,405	0.02
Impaired loans and advances overdue for three months or less	47,572	0.25	13,902	0.08
Total overdue and impaired loans and advances	366,767	1.95	791,575	4.24

Notes to Financial Statements

37. STATEMENT OF FINANCIAL POSITION OF THE BANK (Continued)

(a) Loans and advances and receivables (Continued)

(i) b) Ageing analysis of overdue and impaired trade bills, accrued interest and other receivables

	2024 HK\$'000	2023 HK\$'000
Trade bills, accrued interest and other receivables overdue for:		
Six months or less but over three months	1,054	955
One year or less but over six months	3,192	29,741
Over one year	12,257	14,429
Trade bills, accrued interest and other receivables overdue for more than three months	16,503	45,125
Impaired trade bills, accrued interest and other receivables overdue for three months or less	204	115
Total overdue and impaired trade bills, accrued interest and other receivables	16,707	45,240

Impaired loans and advances and receivables are individually determined to be impaired after considering the overdue ageing analysis and other qualitative factors such as bankruptcy proceedings and individual voluntary arrangements.

(ii) Geographical analysis of overdue and impaired loans and advances and receivables, and impairment allowances

a) Analysis of overdue loans and advances and receivables

	Hong Kong HK\$'000	2024 Mainland China HK\$'000	Total HK\$'000	Hong Kong HK\$'000	2023 Mainland China HK\$'000	Total HK\$'000
Loans and advances and receivables overdue for more than three months	293,898	38,489	332,387	746,500	72,893	819,393
Impairment allowances specifically assessed	92,408	8,331	100,739	161,356	10,115	171,471
Current market value and fair value of collateral			330,685			769,974

Notes to Financial Statements

37. STATEMENT OF FINANCIAL POSITION OF THE BANK (Continued)**(a) Loans and advances and receivables (Continued)****(ii) Geographical analysis of overdue and impaired loans and advances and receivables, and impairment allowances (Continued)***b) Analysis of impaired loans and advances and receivables*

	Hong Kong HK\$'000	2024 Mainland China HK\$'000	Total HK\$'000	Hong Kong HK\$'000	2023 Mainland China HK\$'000	Total HK\$'000
Impaired loans and advances and receivables	338,543	44,931	383,474	763,809	73,006	836,815
Impairment allowances specifically assessed	117,630	8,331	125,961	164,220	10,228	174,448
Current market value and fair value of collateral			381,429			827,283

Over 90% (31 December 2023: over 90%) of the Bank's gross loans and advances and receivables were derived from operations carried out in Hong Kong. Accordingly, no geographical segment information of gross loans and advances and receivables is presented herein.

(iii) The value of collateral held in respect of the overdue loans and advances and the split between the portion of the overdue loans and advances covered by credit protection (covered portion) and the remaining portion (uncovered portion) are as follows:

	2024 HK\$'000	2023 HK\$'000
Current market value and fair value of collateral held against the covered portion of overdue loans and advances	330,685	769,974
Covered portion of overdue loans and advances	236,445	665,877
Uncovered portion of overdue loans and advances	79,439	108,391

Notes to Financial Statements

37. STATEMENT OF FINANCIAL POSITION OF THE BANK (Continued)

(a) Loans and advances and receivables (Continued)

- (iii) The value of collateral held in respect of the overdue loans and advances and the split between the portion of the overdue loans and advances covered by credit protection (covered portion) and the remaining portion (uncovered portion) are as follows: (Continued)

The assets taken as collateral should satisfy the following criteria:

- The market value of the asset is readily determinable or can be reasonably established and verified.
- The asset is marketable and there exists a readily available secondary market for disposal of the asset.
- The Bank's right to repossess the asset is legally enforceable without impediment.
- The Bank is able to secure control over the asset if necessary.

The main types of guarantors for credit risk mitigation are as follows:

- Central governments with a grading of Aa3 or above
- Unrated public sector enterprises
- Banks with a grading of Baa2 or above
- Unrated corporations
- Individual shareholders and directors of corporate customers

(iv) Repossessed assets

As at 31 December 2024, the total value of repossessed assets of the Bank amounted to HK\$129,410,000 (31 December 2023: HK\$692,435,000).

(v) Past due but not impaired loans and advances and receivables

	2024		2023	
	Gross amount HK\$'000	Percentage of total loans and advances %	Gross amount HK\$'000	Percentage of total loans and advances %
Loans and advances overdue for three months or less	390,774	2.08	552,930	2.96
Trade bills, accrued interest and other receivables overdue for three months or less	2,946		4,602	

Notes to Financial Statements

37. STATEMENT OF FINANCIAL POSITION OF THE BANK (Continued)**(b) Customer deposits at amortised cost**

The information of the composition of customer deposits of the Bank is as follows:

	2024 HK\$'000	2023 HK\$'000
Demand deposits and current accounts	2,883,767	3,122,653
Savings deposits	5,174,799	5,293,444
Time, call and notice deposits	19,988,127	16,907,151
	28,046,693	25,323,248

(c) Reserves

Information on the movement of the reserves of the Bank during the reporting year is as follows:

	Property revaluation reserve HK\$'000	Capital reserve HK\$'000	Debt securities revaluation reserve HK\$'000	Regulatory reserve [#] HK\$'000	Retained profits HK\$'000	Translation reserve HK\$'000	Total HK\$'000
As at 1 January 2024	19,318	3,660	–	91,253	3,644,899	(19,609)	3,739,521
Loss for the year	–	–	–	–	(107,249)	–	(107,249)
Other comprehensive income/(loss)	2,520	–	(1,206)	–	–	(34,507)	(33,193)
Transfer from regulatory reserve to retained profits	–	–	–	(51,719)	51,719	–	–
Dividends paid in respect of previous year	–	–	–	–	–	–	–
Dividends paid in respect of current year	–	–	–	–	(103,875)	–	(103,875)
As at 31 December 2024	21,838	3,660	(1,206)	39,534	3,485,494	(54,116)	3,495,204
	Property revaluation reserve HK\$'000	Capital reserve HK\$'000	Debt securities revaluation reserve HK\$'000	Regulatory reserve [#] HK\$'000	Retained profits HK\$'000	Translation reserve HK\$'000	Total HK\$'000
As at 1 January 2023	19,318	3,660	–	105,453	3,540,202	2,571	3,671,204
Profit for the year	–	–	–	–	226,493	–	226,493
Other comprehensive loss	–	–	–	–	–	(22,180)	(22,180)
Transfer from regulatory reserve to retained profits	–	–	–	(14,200)	14,200	–	–
Dividends paid in respect of previous year	–	–	–	–	(75,665)	–	(75,665)
Dividends paid in respect of current year	–	–	–	–	(60,331)	–	(60,331)
As at 31 December 2023	19,318	3,660	–	91,253	3,644,899	(19,609)	3,739,521

[#] The regulatory reserve is maintained to satisfy the provisions of the Hong Kong Banking Ordinance for prudential supervision purpose. It is held as a buffer of capital to absorb potential financial losses, in case the ECL provisions under accounting standards' requirement is below a target level set by the HKMA.

Notes to Financial Statements

38. KEY ELEMENTS OF DISCLOSURE POLICY

The Disclosure Policy of the Bank sets out the approach used by the Bank to (i) determine the content, appropriateness and frequency of the information it discloses to the general public relating to its state of affairs including its profit and loss and its financial resources (including capital/liquidity resources); and (ii) describe its own risk profile as required by the Banking (Disclosure) Rules. Further details of key elements of the Disclosure Policy will be published in the Bank's website at www.publicbank.com.hk under "Regulatory Disclosures" section on or before 30 April 2025.

39. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the Board on 16 January 2025.

Supplementary Financial Information (Unaudited)

(A) ADVANCES TO CUSTOMERS BY INDUSTRY SECTORS

Gross and impaired loans and advances to customers, impairment allowances, impaired loans and advances written off and collateral are analysed by industry sectors pursuant to the HKMA's guidelines as follows:

Group

	31 December 2024								
	Gross loans and advances HK\$'000	Impairment allowances collectively assessed HK\$'000	Impairment allowances specifically assessed HK\$'000	New impairment allowances for loans charged to income statement HK\$'000	Amount of impaired loans and advances written off HK\$'000	Collateral HK\$'000	Percentage of gross advances covered by collateral %	Impaired loans and advances HK\$'000	Loans and advances overdue for more than three months HK\$'000
Loans and advances for use in Hong Kong									
Manufacturing	113,240	77	-	37	-	107,165	94.6	-	-
Building and construction, property development and investment									
Property development	738,111	319	-	291	-	738,111	100.0	-	-
Property investment	3,934,435	785	-	84,218	212,460	3,899,423	99.1	4,347	4,347
Civil engineering works	78,203	87	-	44	-	42,528	54.4	-	-
Electricity and gas	-	-	-	-	-	-	-	-	-
Recreational activities	4,792	-	-	-	-	4,792	100.0	-	-
Information technology	744	-	-	-	-	744	100.0	-	-
Wholesale and retail trade	170,926	538	21,678	22,398	399	107,520	62.9	49,885	49,885
Transport and transport equipment	4,825,896	84,372	86,941	139,726	36,885	3,259,259	67.5	136,852	107,735
Hotels, boarding houses and catering	39,202	9	-	4	-	39,202	100.0	-	-
Financial concerns	187,669	21	-	11	-	187,244	99.8	-	-
Stockbrokers									
Margin lending	400,000	120	-	100	-	400,000	100.0	-	-
Others	30,000	9	-	1	-	30,000	100.0	-	-
Non-stockbroking companies and individuals for the purchase of shares									
Margin lending	7,969	2	-	1	-	7,969	100.0	-	-
Others	571,631	62	1	7	-	571,631	100.0	5,499	-
Professional and private individuals									
Loans for the purchase of flats covered by the guarantees issued by the Housing Authority under the Home Ownership Scheme, Private Sector Participation Scheme and Tenant Purchase Scheme	21,004	2	-	-	-	21,004	100.0	-	-
Loans for the purchase of other residential properties	7,631,428	749	9,407	8,679	450	7,625,601	99.9	145,179	130,680
Loans for other business purposes	2,524	1	-	1	-	2,524	100.0	-	-
Loans for other private purposes	3,389,064	81,102	41,419	306,914	261,680	147,429	4.4	75,583	49,838
Trade finance	303,877	125	-	-	-	292,314	96.2	-	-
Other loans and advances	50,068	5	1	-	-	50,029	99.9	7,000	7,000
Sub-total	22,500,783	168,385	159,447	562,432	511,874	17,534,489	77.9	424,345	349,485
Loans and advances for use outside Hong Kong	1,497,602	2,525	7,287	62,479	63,246	1,316,519	87.9	41,641	35,225
Total loans and advances (excluding trade bills and other receivables)	23,998,385	170,910	166,734	624,911	575,120	18,851,008	78.6	465,986	384,710

Supplementary Financial Information (Unaudited)

(A) ADVANCES TO CUSTOMERS BY INDUSTRY SECTORS (Continued)

Bank

	31 December 2024								
	Gross loans and advances HK\$'000	Impairment allowances collectively assessed HK\$'000	Impairment allowances specifically assessed HK\$'000	New impairment allowances for loans charged to income statement HK\$'000	Amount of impaired loans and advances written off HK\$'000	Collateral HK\$'000	Percentage of gross advances covered by collateral %	Impaired loans and advances HK\$'000	Loans and advances overdue for more than three months HK\$'000
Loans and advances for use in Hong Kong									
Manufacturing	108,551	17	-	5	-	107,165	98.7	-	-
Building and construction, property development and investment									
Property development	738,111	319	-	291	-	738,111	100.0	-	-
Property investment	3,888,642	780	-	84,217	212,460	3,853,630	98.1	4,347	4,347
Civil engineering works	72,530	15	-	2	-	42,528	58.6	-	-
Electricity and gas	-	-	-	-	-	-	-	-	-
Recreational activities	4,792	-	-	-	-	4,792	100.0	-	-
Information technology	744	-	-	-	-	744	100.0	-	-
Wholesale and retail trade	129,262	9	21,678	21,678	-	107,520	83.2	49,885	49,885
Transport and transport equipment	4,209,280	83,260	84,959	135,043	34,912	2,795,063	66.4	132,038	107,735
Hotels, boarding houses and catering	39,202	9	-	4	-	39,202	100.0	-	-
Financial concerns	187,669	21	-	11	-	187,244	99.8	-	-
Stockbrokers									
Margin lending	400,000	120	-	100	-	400,000	100.0	-	-
Others	30,000	9	-	1	-	30,000	100.0	-	-
Non-stockbroking companies and individuals for the purchase of shares									
Margin lending	7,969	2	-	1	-	7,969	100.0	-	-
Others	571,631	62	1	7	-	571,631	100.0	5,499	-
Professional and private individuals									
Loans for the purchase of flats covered by the guarantees issued by the Housing Authority under the Home Ownership Scheme, Private Sector Participation Scheme and Tenant Purchase Scheme	21,004	2	-	-	-	21,004	100.0	-	-
Loans for the purchase of other residential properties	6,457,639	633	8,833	7,634	-	6,451,812	99.9	126,183	111,684
Loans for other business purposes	2,524	1	-	1	-	2,524	100.0	-	-
Loans for other private purposes	132,164	335	160	70	81	123,558	93.5	327	161
Trade finance	303,877	125	-	-	-	292,314	96.2	-	-
Other loans and advances	50,068	5	1	-	-	50,029	99.9	7,000	7,000
Sub-total	17,355,659	85,724	115,632	249,065	247,453	15,826,840	91.2	325,279	280,812
Loans and advances for use outside Hong Kong	1,455,424	581	7,160	59,304	61,795	1,316,519	90.5	41,488	35,072
Total loans and advances (excluding trade bills and other receivables)	18,811,083	86,305	122,792	308,369	309,248	17,143,359	91.1	366,767	315,884

Supplementary Financial Information (Unaudited)

(A) ADVANCES TO CUSTOMERS BY INDUSTRY SECTORS (Continued)

Group

	31 December 2023								
	Gross loans and advances HK\$'000	Impairment allowances collectively assessed HK\$'000	Impairment allowances specifically assessed HK\$'000	New impairment allowances for loans charged to income statement HK\$'000	Amount of impaired loans and advances written off HK\$'000	Collateral HK\$'000	Percentage of gross advances covered by collateral %	Impaired loans and advances HK\$'000	Loans and advances overdue for more than three months HK\$'000
Loans and advances for use in Hong Kong									
Manufacturing	130,814	94	55	51	–	123,294	94.3	9,219	9,219
Building and construction, property development and investment									
Property development	276,469	28	–	4	–	276,469	100.0	–	–
Property investment	4,469,726	390	122,576	122,575	–	4,367,506	97.7	561,547	558,971
Civil engineering works	135,220	91	–	163	106	49,375	36.5	–	–
Electricity and gas	–	–	–	–	–	–	–	–	–
Recreational activities	9,602	1	–	–	–	9,602	100.0	–	–
Information technology	791	–	–	–	–	791	100.0	–	–
Wholesale and retail trade	181,940	593	113	996	483	138,320	76.0	113	113
Transport and transport equipment	4,911,016	32,043	31,874	57,019	49,449	3,973,431	80.9	66,295	55,445
Hotels, boarding houses and catering	47,380	5	–	–	–	47,379	100.0	–	–
Financial concerns	98,216	10	–	–	–	97,934	99.7	–	–
Stockbrokers									
Margin lending	200,000	20	–	19	–	200,000	100.0	–	–
Others	80,000	8	–	–	–	80,000	100.0	–	–
Non-stockbroking companies and individuals for the purchase of shares									
Margin lending	9,415	1	–	–	–	9,415	100.0	–	–
Others	562,546	56	–	4	–	562,545	100.0	–	–
Professional and private individuals									
Loans for the purchase of flats covered by the guarantees issued by the Housing Authority under the Home Ownership Scheme, Private Sector Participation Scheme and Tenant Purchase Scheme	18,518	2	–	–	–	18,518	100.0	–	–
Loans for the purchase of other residential properties	6,960,647	686	1,199	1,210	–	6,960,646	100.0	98,323	94,555
Loans for other business purposes	3,797	–	–	–	–	3,796	100.0	–	–
Loans for other private purposes	3,374,818	88,691	41,044	282,886	231,603	141,451	4.2	67,536	44,082
Trade finance	501,306	145	–	–	–	487,091	97.2	–	–
Other loans and advances	54,947	10	1	1	–	54,233	98.7	5,965	5,965
Sub-total	22,027,168	122,874	196,862	464,928	281,641	17,601,796	79.9	808,998	768,350
Loans and advances for use outside Hong Kong	1,738,557	798	9,338	2,140	754	1,575,970	90.6	65,308	65,183
Total loans and advances (excluding trade bills and other receivables)	23,765,725	123,672	206,200	467,068	282,395	19,177,766	80.7	874,306	833,533

Supplementary Financial Information (Unaudited)

(A) ADVANCES TO CUSTOMERS BY INDUSTRY SECTORS (Continued)

Bank

	31 December 2023								
	Gross loans and advances HK\$'000	Impairment allowances collectively assessed HK\$'000	Impairment allowances specifically assessed HK\$'000	New impairment allowances for loans charged to income statement HK\$'000	Amount of impaired loans and advances written off HK\$'000	Collateral HK\$'000	Percentage of gross advances covered by collateral %	Impaired loans and advances HK\$'000	Loans and advances overdue for more than three months HK\$'000
Loans and advances for use in Hong Kong									
Manufacturing	124,589	12	55	-	-	123,294	99.0	9,219	9,219
Building and construction, property development and investment									
Property development	276,469	28	-	4	-	276,469	100.0	-	-
Property investment	4,425,425	386	122,576	122,574	-	4,323,205	97.7	561,547	558,971
Civil engineering works	129,376	13	-	-	-	49,375	38.2	-	-
Electricity and gas	-	-	-	-	-	-	-	-	-
Recreational activities	9,602	1	-	-	-	9,602	100.0	-	-
Information technology	791	-	-	-	-	791	100.0	-	-
Wholesale and retail trade	138,320	14	-	-	-	138,320	100.0	-	-
Transport and transport equipment	4,260,267	31,642	31,874	56,808	49,449	3,392,638	79.6	66,295	55,445
Hotels, boarding houses and catering	47,380	5	-	-	-	47,379	100.0	-	-
Financial concerns	98,216	10	-	-	-	97,934	99.7	-	-
Stockbrokers									
Margin lending	200,000	20	-	19	-	200,000	100.0	-	-
Others	80,000	8	-	-	-	80,000	100.0	-	-
Non-stockbroking companies and individuals for the purchase of shares									
Margin lending	9,415	1	-	-	-	9,415	100.0	-	-
Others	562,546	56	-	4	-	562,545	100.0	-	-
Professional and private individuals									
Loans for the purchase of flats covered by the guarantees issued by the Housing Authority under the Home Ownership Scheme, Private Sector Participation Scheme and Tenant Purchase Scheme	18,518	2	-	-	-	18,518	100.0	-	-
Loans for the purchase of other residential properties	5,875,118	579	1,197	1,194	-	5,875,117	100.0	81,699	77,931
Loans for other business purposes	3,797	-	-	-	-	3,796	100.0	-	-
Loans for other private purposes	135,852	375	1,715	538	-	115,887	85.3	1,714	1,714
Trade finance	501,306	145	-	-	-	487,091	97.2	-	-
Other loans and advances	54,947	10	1	1	-	54,233	98.7	5,965	5,965
Sub-total	16,951,934	33,307	157,418	181,142	49,449	15,865,609	93.6	726,439	709,245
Loans and advances for use outside Hong Kong	1,732,613	500	9,197	1,148	-	1,575,970	91.0	65,136	65,023
Total loans and advances (excluding trade bills and other receivables)	18,684,547	33,807	166,615	182,290	49,449	17,441,579	93.3	791,575	774,268

Supplementary Financial Information (Unaudited)

(A) ADVANCES TO CUSTOMERS BY INDUSTRY SECTORS (Continued)

The advances to customers are classified by industry sectors based on the industry in which the granted loans are used. In those cases where loans cannot be classified with reasonable certainty, they are classified according to the known principal activities of the borrowers or by reference to the assets financed according to the loan documentation.

(B) INTERNATIONAL CLAIMS

The information of international claims discloses exposures to foreign counterparties on which the ultimate risk lies, and is derived according to the location of the counterparties taking into account any recognised risk transfer. In general, recognised risk transfer from one country to another is recognised if the claims against a counterparty are guaranteed by another party in a different country or if the claims are on an overseas branch of a bank whose head office is located in a different country.

The following tables illustrate the international claims on individual countries or areas taking into account the recognised risk transfer, amounting to 10% or more of the aggregate international claims.

31 December 2024					
	Banks	Official	Non-bank	Non-	
	HK\$ million	sector	financial	financial	Total
		HK\$ million	institutions	private	HK\$ million
			HK\$ million	sector	
				HK\$ million	
1. Hong Kong, China	867	4	12	753	1,636
2. Mainland China	3,067	57	–	1,023	4,147

31 December 2023					
	Banks	Official	Non-bank	Non-	
	HK\$ million	sector	financial	financial	Total
		HK\$ million	institutions	private	HK\$ million
			HK\$ million	sector	
				HK\$ million	
1. Developed countries	2,432	7	–	205	2,644
2. Offshore centres, of which	1,237	4	92	1,782	3,115
– Hong Kong, China	1,070	4	12	1,002	2,088
3. Developing Asia-Pacific, of which	4,540	21	–	1,436	5,997
– Mainland China	2,973	21	–	1,404	4,398

Supplementary Financial Information (Unaudited)

(C) MAINLAND ACTIVITIES

The following table illustrates the disclosure required to be made in respect of the Bank's Mainland China exposures to non-bank counterparties:

Types of counterparties	31 December 2024		Total HK\$ million
	On-balance sheet exposure HK\$ million	Off-balance sheet exposure HK\$ million	
Central government, central government-owned entities and their subsidiaries and joint ventures ("JVs")	75	–	75
PRC nationals residing in Mainland China or other entities incorporated in Mainland China and their subsidiaries and JVs	12	–	12
PRC nationals residing outside Mainland China or entities incorporated outside Mainland China where the credit is granted for use in Mainland China	–	–	–
Other counterparties where the exposures are considered by the Group to be non-bank Mainland China exposures	1,159	–	1,159
Total	1,246	–	1,246
Total assets after provision	36,070		
On-balance sheet exposures as percentage of total assets	3.45%		
Types of counterparties	31 December 2023		Total HK\$ million
	On-balance sheet exposure HK\$ million	Off-balance sheet exposure HK\$ million	
Central government, central government-owned entities and their subsidiaries and JVs	–	–	–
PRC nationals residing in Mainland China or other entities incorporated in Mainland China and their subsidiaries and JVs	77	–	77
PRC nationals residing outside Mainland China or entities incorporated outside Mainland China where the credit is granted for use in Mainland China	2	–	2
Other counterparties where the exposures are considered by the Group to be non-bank Mainland China exposures	1,369	–	1,369
Total	1,448	–	1,448
Total assets after provision	33,527		
On-balance sheet exposures as percentage of total assets	4.32%		

Note:

The analysis of non-bank Mainland China exposures is disclosed with reference to the Banking (Disclosure) Rules and Completion Instructions for the HKMA Return of Mainland Activities.

Supplementary Financial Information (Unaudited)

(D) DISCLOSURE OF THE REMUNERATION SYSTEM

Nomination and Remuneration Committee

The Bank has established its Nomination and Remuneration Committee with written terms of reference in compliance with the requirements of the SPM Module CG-5 “Guideline on a Sound Remuneration System” (the “Remuneration Guideline”) issued by the HKMA. The terms of reference of the Nomination and Remuneration Committee are available under “Board Committees” section in the Bank’s website at www.publicbank.com.hk.

As at 31 December 2024, there were five members in the Nomination and Remuneration Committee and three of them were Independent Non-Executive Directors (“INEDs”). The Nomination and Remuneration Committee was chaired by Mr. Lim Chao Li, an INED of the Bank. The other members were Mr. Lai Wan, Tan Sri Dato’ Sri Dr. Tay Ah Lek, Mr. Lee Chin Guan and Ms. Phe Kheng Peng.

The Nomination and Remuneration Committee meets at least once a year to review and make recommendations to the Board of the Bank on the overall remuneration policy (the “Remuneration Policy”), specific remuneration packages and compensation arrangement relating to the appointment or termination of Directors, Chief Executive, Alternate Chief Executives, Senior Management and key personnel, and for the formulation and implementation of the Remuneration Policy applicable to all employees of the Bank.

Three meetings were held in 2024. The details of the attendance of each member in 2024 is set out below:

Name of members	Number of meetings attended in 2024	Attendance rate
Mr. Lim Chao Li, Chairman of the Committee (INED)	3/3	100%
Mr. Lai Wan	3/3	100%
Tan Sri Dato’ Sri Dr. Tay Ah Lek	3/3	100%
Mr. Lee Chin Guan (INED)	3/3	100%
Ms. Phe Kheng Peng (INED)	3/3	100%

During the year, the Nomination and Remuneration Committee reviewed and noted/concurred (via meetings or written resolutions): (i) Directors’ fees for 2023; (ii) annual salary review; (iii) discretionary bonus and merit bonus for 2024; (iv) promotions of three Senior Management staff; (v) succession plan; (vi) performance review of Senior Management and key personnel; (vii) training and development programmes attended by Directors, Chief Executive and Alternate Chief Executives; (viii) results of annual assessment on effectiveness of the Board, Board Committees, Directors, Chief Executive and Alternate Chief Executives for year 2023; (ix) annual review of terms of reference of the Nomination and Remuneration Committee; (x) review of the Remuneration Policy and System in compliance with the Remuneration Guideline of the HKMA; (xi) assessments of independence of INEDs, time commitment of retiring Directors who were eligible for re-election and any potential conflicts of interest of Directors; (xii) re-election of retiring Directors; (xiii) the size, composition and structure of the Board; (xiv) the governance procedures and practices; (xv) extension of employment contract for one Senior Management staff; and (xvi) the review of various policies/manuals related to Directors and the corporate governance of the Bank.

Supplementary Financial Information (Unaudited)

(D) DISCLOSURE OF THE REMUNERATION SYSTEM (Continued) Nomination and Remuneration Committee (Continued)

Remuneration of the Executive Director, Chief Executive, Alternate Chief Executives, Senior Management and key personnel is determined by reference to factors including the level of workload, responsibilities and commitments, performance and remuneration packages. No individual Director or any of his/her associates is involved in deciding his/her own remuneration.

Remuneration of Directors

The scales of Directors' fees of the Bank for the years 2024 and 2023 are set out as follows:

Board of Directors	2024 Range HK\$	2023 Range HK\$
Chairman/Co-Chairman	255,000	255,000
Other Directors	187,500 to 255,000	161,250 to 255,000

No remuneration was paid to members of the Nomination and Remuneration Committee for the years 2024 and 2023 except the aforesaid Directors' fees.

Design and structure of the remuneration processes

The Board of the Bank oversees the formulation, maintenance and implementation of the Remuneration Policy.

The Nomination and Remuneration Committee of the Bank reviews and recommends the remuneration packages of Senior Management and key personnel of the Bank in accordance with the authorities and responsibilities as stipulated in its terms of reference to the Board of the Bank for approval.

Remuneration review is submitted to the Board of the Bank by the Nomination and Remuneration Committee for approval each year.

The Nomination and Remuneration Committee of the Bank also works closely with the Human Resources Committee, Audit Committee, RMC and other dedicated committees and departments to (i) review if there are any material non-compliance issues in relation to internal policy and statutory requirements and make adjustments to payments of remuneration whenever necessary, and (ii) decide upon the appraisal system which fairly measures the performance of each key personnel, and make changes to the system when necessary to meet the changing needs of the Bank.

Regular compliance monitoring is imposed to review the management and operation of the remuneration system.

Human Resources Department takes initiatives on all human resources matters while Human Resources Committee continues to function in accordance with its terms of reference.

Recommendations related to Heads of Internal Audit Department, Compliance Department and RMD are submitted to the Audit Committee and RMC of the Bank, where applicable, for endorsement. Discussions and recommendations related to other employees at managerial level made in the meetings of Human Resources Committee are submitted to the Group Human Resources Committee of Public Bank, the ultimate holding company of the Bank, and where appropriate, to the Nomination and Remuneration Committee of the Bank for endorsement and the Board for approval while discussions and decisions related to non-managerial employees made in the meetings are normally noted in the Board Executive Committee of the Bank.

Supplementary Financial Information (Unaudited)

(D) DISCLOSURE OF THE REMUNERATION SYSTEM (Continued) The Remuneration Policy of the Bank Group

The Bank adopted the Remuneration Policy in compliance with the Remuneration Guideline. The Remuneration Policy covers the Bank (including all branches and representative offices of the Bank) and its subsidiaries which are subject to the HKMA's consolidated supervision except Public Finance, Public Financial Limited and Public Securities Limited (the "Bank Group"), which have their own remuneration policy. The Remuneration Policy was initiated by the Human Resources Committee and approved by the Board. The Human Resources Committee also reviews and keeps abreast of the legal and regulatory requirements from time to time, and liaises with risk control units including risk management, financial management and compliance functions to strike a balance among sufficient staff motivation, sound remuneration packages and prudent risk management. Any findings and recommendations to be incorporated into the Remuneration Policy will be put forth to the Nomination and Remuneration Committee for consideration. Having discussed and agreed upon at the Nomination and Remuneration Committee, the revisions to the Remuneration Policy will be recommended to the Board for approval. The Remuneration Policy is subject to an annual review.

The Bank's Remuneration Policy encourages employee behaviour that supports the Bank's risk tolerance, risk management framework and long-term financial soundness. The policy is established and implemented in line with the objectives, business strategies and long-term goals of the Bank and formulated in a way that will not encourage excessive risk-taking by employees but allows the Bank to attract and retain employees with relevant skills, knowledge and expertise to discharge their specific functions. The Bank has considered the key risks, including market risk, credit risk, liquidity risk, climate-related risk and operational risk, when implementing the remuneration measures, which are closely monitored by various management committees and working groups. The Bank considers and reviews the audit reports and various kinds of performance reports to take account of these risks in the remuneration process. Audit reports cover information on asset quality, credit risk management and operational risk management whilst performance reports state various kinds of business performance indicators such as delinquent rate, net impairment ratio, customer deposit, business growth, etc., which are useful for identification of current and future risks. The employees' performances in controlling these current and future risks are linked with their remuneration rewards. The Board will take into account the overall performance of the Bank Group, risk management, market trends, and other non-financial measures when deciding the performance bonus pool. This will be adjusted as and when the Bank considers appropriate. There is no change of remuneration measures over the past year.

Basically, the remuneration package consists of fixed and variable remuneration which are offered in cash. Fixed remuneration refers to basic salary and other fixed income while variable remuneration refers to discretionary bonus, sales commission and other variable income. The remuneration packages are determined by taking into consideration the evaluation of the job's responsibilities and contribution, the market pay levels for benchmark positions, and employee's performance. The level of remuneration and the proportion of variable remuneration to fixed remuneration of Senior Management and key personnel are linked to their level of responsibility undertaken and contribution to business performance and enhancements of efficiency and effectiveness of operations.

When the amount of variable remuneration payout exceeds a predetermined percentage or amount of the annual fixed remuneration of the employee, a deferment period of 3 years will be imposed in order to align the incentive awards to be granted to an individual employee with the long-term value creation and the time horizons of risk. The deferred remuneration will be vested gradually over the 3-year deferment period and no faster than on a pro-rata basis. To conform to the spirit of the Remuneration Guideline and not to undermine the risk management advantage by applying deferment of variable remuneration, if there is any deferred remuneration, hedging exposures in respect of the unvested portion of deferred remuneration by any trading, investment or other financial activities will be restricted.

Supplementary Financial Information (Unaudited)

(D) **DISCLOSURE OF THE REMUNERATION SYSTEM (Continued)** **The Remuneration Policy of the Bank Group (Continued)**

Subject to the decision of the Nomination and Remuneration Committee in accordance with the internal guidelines, the Bank Group may apply “malus” and/or “clawback” to deferred remuneration when it is later established that the data on which the performance measurement for a particular year was based is subsequently proven to have been manifestly misstated; or it is later established that the employee concerned has committed fraud or other malfeasance, or violated any legislation, code or internal control policies of the Bank Group; or there has been a significant downward restatement of the financial performance of the Bank Group; or the employment of the employee is terminated.

The award of variable remuneration to the Senior Management, key personnel and risk-taking employees is subject to the aforesaid deferral mechanism which will be reviewed by the Nomination and Remuneration Committee at least annually and subject to change when necessary.

The remuneration of the employees within the risk control function, including those performing risk management, accounts, audit and compliance functions, etc., is determined by the performance of individual employees and is independent of the business they oversee. The performance factors of the appraisees in carrying out their core job responsibilities under their respective job functions are assessed in the performance appraisals. Appropriate remuneration will be recommended based on the results of the appraisals annually.

The Bank uses a comprehensive performance measurement framework that incorporates both financial and non-financial performance in determining the size and allocation of variable remuneration. The financial metrics link the variable remuneration to the profits, revenue and other performance measures of the Bank as a whole, and the contribution of business units or departments and an individual employee to the Bank as well. The applicable and material risks associated with the activities of employees, the cost and quantity of capital required to support the risks taken, and the cost and quantity of liquidity risk in the conduct of business are also taken into consideration. The non-financial metrics capture the performance on qualitative aspects such as the compliance with risk management policies; adherence to legal, regulatory and ethical standards; adherence to corporate culture and values; customer satisfaction; and effectiveness and efficiency of supporting operations. Given the importance in both financial achievements and non-financial factors, employees with poor performance will result in reduction of or elimination to the variable remuneration. Adverse performance in non-financial factors will override outstanding financial achievement, and thus, the employee's performance can be assessed comprehensively.

Annual review of remuneration system and policy

An annual review of the Remuneration Policy and the remuneration system of the Bank Group was conducted by the Nomination and Remuneration Committee at the end of 2024. Minor changes were made to the Remuneration Policy to update its coverage of employees and clarify the application of commission scheme. The review concludes that the remuneration system and processes have followed the Remuneration Policy consistently and are consistent with the principles set out in the Remuneration Guideline.

Supplementary Financial Information (Unaudited)

(D) DISCLOSURE OF THE REMUNERATION SYSTEM (Continued)

Remuneration of Senior Management and key personnel

The aggregate quantitative information on remuneration for the Bank's Senior Management (including the Executive Director who also held the position of Chief Executive) and key personnel is set out below.

- (i) The amount of remuneration for the financial years 2024 and 2023, split into fixed and variable remuneration, is set out below:

Remuneration for Senior Management*:

	2024 (7 employees)		2023 (8 employees)	
	Non-deferred HK\$	Deferred HK\$	Non-deferred HK\$	Deferred HK\$
Fixed remuneration				
Cash	12,434,655	–	12,669,509	–
Variable remuneration				
Cash	3,256,018	–	3,865,779	–

* Senior Management comprises personnel who received remuneration during the year in respect of his/her position as Chief Executive/Alternate Chief Executive/Financial Controller/Head of Treasury/Head of Compliance/Head of Risk Management/Head of Internal Audit

Remuneration for key personnel#:

	2024 (8 employees)		2023 (7 employees)	
	Non-deferred HK\$	Deferred HK\$	Non-deferred HK\$	Deferred HK\$
Fixed remuneration				
Cash	7,579,125	–	6,628,185	–
Variable remuneration				
Cash	1,185,000	–	1,456,365	–

Key personnel comprises individual employees whose duties or activities in the course of employment involve the assumption of material risks or the taking on material exposures on behalf of the Bank Group and/or other key personnel who plays a pivotal role within the Bank

- (ii) No variable remuneration in shares or share-linked instruments was granted during the financial years 2024 and 2023.

Supplementary Financial Information (Unaudited)

(D) DISCLOSURE OF THE REMUNERATION SYSTEM (Continued)

Remuneration of Senior Management and key personnel (Continued)

- (iii) There was no deferred remuneration awarded, paid out and reduced through performance adjustments and there was no outstanding deferred remuneration during the financial years 2024 and 2023.
- (iv) No Senior Management or key personnel had been awarded new sign-on or severance payments or paid guaranteed bonuses during the financial years 2024 and 2023.

Further remuneration disclosures were shown in the regulatory disclosures templates as required by the Banking (Disclosure) Rules. The Group will publish the Regulatory Disclosure Statement for the position date of 31 December 2024 in the Bank's website at www.publicbank.com.hk under "Regulatory Disclosures" section on or before 30 April 2025.

(E) CORPORATE GOVERNANCE

The Bank is committed to high standards of corporate governance and complies with the guidelines issued by the HKMA in the SPM Module CG-1 on "Corporate Governance of Locally Incorporated Authorised Institutions". To accomplish this, the Bank exercises corporate governance through the following Committees:

1. Board Executive Committee

Board Executive Committee consists of Executive Director ("ED") and Non-Executive Directors ("NEDs") and is responsible for the management of the businesses of the Bank in all aspects and the implementation of strategic business plans and policies approved and formulated by the Board. The minutes of Board Executive Committee meetings are tabled to the Board for noting. The present members comprise Tan Sri Dato' Sri Dr. Tay Ah Lek (Chairman of Board Executive Committee), Dato' Chang Kat Kiam and Mr. Chong Yam Kiang.

2. Risk Management Committee

RMC is responsible for overseeing that the Bank's corporate objectives are supported by a sound risk strategy and an effective risk management framework that are appropriate to the nature, scale and complexity of its activities and overseeing the overall management of all risks covering market risk management, liquidity risk management, credit risk management, operational risk management, cyber security risk management, climate risk management and compliance risk management. It reviews and approves major risk related policies and major risk tolerance limits and reviews and assesses the adequacy of risk management policies and framework in identifying, measuring, monitoring and controlling risk and the extent to which these are operating effectively. It conducts review of the compliance functions to ensure adequate resources and independence of Compliance Department. It also establishes policies and systems that promote and support anti-corruption laws and regulations. The minutes of RMC meetings are tabled to the Board for noting and further action, where appropriate. The members of RMC shall be appointed by the Board from amongst the NEDs of the Bank, the majority of them shall be INEDs, and shall consist of not less than three members. The present members comprise Mr. Lee Chin Guan (Chairman of RMC), Mr. Lai Wan, Dato' Chang Kat Kiam, Mr. Lim Chao Li and Ms. Phe Kheng Peng.

Supplementary Financial Information (Unaudited)

(E) CORPORATE GOVERNANCE (Continued)

3. Audit Committee

Audit Committee reviews internal control issues identified by Internal Audit Department, external auditors, regulatory authorities and management, and evaluates the adequacy and effectiveness of the Group's risk management and internal control systems. It also conducts review of the internal audit functions with particular emphasis on the scope of audits, quality of internal audits and independence of Internal Audit Department. The minutes of Audit Committee meetings are tabled to the Board for noting and further action, where appropriate. The Chief Executive and Head of Internal Audit normally attend the meetings. The members of Audit Committee shall be appointed by the Board from amongst the NEDs of the Bank, the majority of them shall be INEDs, and shall consist of not less than three members. The present members comprise Ms. Phe Kheng Peng (Chairman of Audit Committee), Mr. Lai Wan, Tan Sri Dato' Sri Dr. Tay Ah Lek, Mr. Lee Chin Guan and Mr. Lim Chao Li.

4. Nomination and Remuneration Committee

Nomination and Remuneration Committee is responsible for reviewing and recommending to the Board the overall Remuneration Policy and remuneration packages of the ED, Chief Executive, Alternate Chief Executives, Senior Management and key personnel, and the Remuneration Policy applicable to all employees of the Bank; to review the structure, size and composition of the Board and make recommendations of any proposed changes to the Board to complement their corporate strategy; to make recommendations on the appointment, nomination policy, succession planning and any related matters for Directors, Chief Executive, Alternate Chief Executives and Senior Management. The minutes of Nomination and Remuneration Committee meetings are tabled to the Board for noting. The members of Nomination and Remuneration Committee shall be appointed by the Board from amongst the NEDs, the majority of them shall be INEDs, and shall consist of not less than three members. The present members comprise Mr. Lim Chao Li (Chairman of Nomination and Remuneration Committee), Mr. Lai Wan, Tan Sri Dato' Sri Dr. Tay Ah Lek, Mr. Lee Chin Guan and Ms. Phe Kheng Peng.

5. Bank Culture and Sustainability Committee

Bank Culture and Sustainability Committee is established by the Board to (i) develop and promote a sound corporate culture and behavioural standards that promote prudent risk-taking and fair treatment of customers within PFHL, the parent company of the Bank, and its subsidiaries ("PFHL Group") and (ii) improve on how PFHL Group can add further value in managing the risks and exploring opportunities related to the various aspects of ESG. The minutes of Bank Culture and Sustainability Committee meetings are tabled to the Board for noting. The members of Bank Culture and Sustainability Committee shall be appointed by the Board amongst the NEDs, two of them must be INEDs, and shall consist of not less than three members. The present members comprise Mr. Lim Chao Li (Chairman of Bank Culture and Sustainability Committee), Mr. Lai Wan, Tan Sri Dato' Sri Dr. Tay Ah Lek, Dato' Chang Kat Kiam, Mr. Lee Chin Guan and Ms. Phe Kheng Peng.

6. Management Committee

Management Committee is established by the Board to ensure the effectiveness of the daily operations and that the operations are in accordance with the corporate objectives, strategies and the annual budget as well as the policies and business directions that have been approved. The members of the Committee comprise the Chief Executive, Alternate Chief Executives, Financial Controller, Head of Treasury, Head of Branch Banking, Head of Credit, Head of Commercial Banking & China Operation, Head of Hire Purchase & Leasing and Head of Operations & Technology Innovation.

Supplementary Financial Information (Unaudited)

(E) CORPORATE GOVERNANCE (Continued)

7. Credit Committee

Credit Committee is responsible for making decisions on applications for all types of credit facilities within its limits set out in the Credit Policy and in particular, monitoring the lending portfolio for managing the overall credit risk of the Bank. The members of the Committee comprise the Chief Executive, Senior General Manager & Alternate Chief Executive, Head of Branch Banking, Head of Commercial Banking & China Operation, Head of Credit, Head of Credit Analysis and Credit Manager (Section Head from Commercial Section or Retail Section).

8. Assets and Liabilities Management Committee

ALCO reviews and assesses the risk profile and consolidated statement of financial position structure of the Bank, sets out the objectives for the assets and liabilities management function and implements relevant risk management strategy. The Committee monitors and manages the aforesaid matters within a framework of approved policies and limits, and reports to the RMC. The members of ALCO comprise the Chief Executive, Alternate Chief Executives, Financial Controller, Head of Treasury, Head of Risk Management, Head of Branch Banking and Head of Commercial Banking & China Operation.

9. Human Resources Committee

Human Resources Committee assists the Board in formulating and implementing human resources policies including staff recruitment, promotion, career development, performance appraisal and remuneration package of all staff. The members of the Committee comprise the Chief Executive, Alternate Chief Executives and Group Head of Human Resources.

10. Information Technology Steering Committee

Information Technology Steering Committee is responsible for establishing policies and strategies for the computerisation and digitalisation of the Bank, recommending to the Board on major acquisitions of computer hardware and software, and monitoring the progress of the implementation of all information technology and digitalisation related projects. The members of the Committee comprise the Chief Executive, Alternate Chief Executives, Financial Controller, Head of Information Technology and Head of Operations & Technology Innovation.

11. Finance Committee

Finance Committee assists the Board in the financial planning and budgeting process of the business of the Bank and the review of the business performance, medium-term financial strategic business plan, statutory and half-year accounts. The members of the Committee comprise the Chief Executive, Senior General Manager & Alternate Chief Executive, Financial Controller, Head of Branch Banking and Head of Credit.

Supplementary Financial Information (Unaudited)

(E) CORPORATE GOVERNANCE (Continued)

12. Operational Risk Management Committee

ORMC is responsible for the implementation of the operational risk management framework approved by the Board, and the development of specific policies, guidelines, processes and procedures for managing operational risk including climate-related risk in the material products, activities, processes and systems. The members of ORMC comprise the Chief Executive, Alternate Chief Executives, Financial Controller, Head of Risk Management, Head of Compliance, Head of Operations & Technology Innovation, Head of Commercial Banking & China Operation and Head of Information Technology.

13. Anti-Money Laundering and Counter Terrorist Financing (AML) and Compliance Committee

AML and Compliance Committee is responsible for overseeing Compliance Department to carry out compliance functions, including prevention of money laundering and terrorist financing, providing guidance on compliance related issues raised by Compliance Department or other business units of the Bank and reporting material compliance related issues to the RMC, other relevant committees, Senior Management and Heads of relevant departments/business units. The members of the Committee comprise the Chief Executive, Alternate Chief Executives, Deputy General Manager grade and above, Financial Controller, Head of Risk Management and Head of Compliance.

14. Credit Risk Management Committee

CRMC is responsible for establishing the framework for identifying, measuring, monitoring and controlling credit risk of the existing and new products. The Committee reviews credit risk management policies and credit risk tolerable limits, and reports to RMC. It also assists RMC in overseeing the integration of climate-related risk management into the credit risk management process. The members of CRMC comprise the Chief Executive, Alternate Chief Executives, Financial Controller, Head of Treasury, Head of Risk Management, Head of Commercial Banking & China Operation and Head of Hire Purchase & Leasing.

15. Business Strategy Steering Committee

Business Strategy Steering Committee is responsible for establishing effective business strategies to meet corporate goals and objectives taking into account operating conditions in the market, managing sustainability related matters including climate change risk, reviewing all sustainability related targets and formulating strategic business directions to achieve growth and return, efficiency and competitive advantage in the financial industry. The members of the Committee comprise the Chief Executive, Alternate Chief Executives, Financial Controller, Head of Treasury, Head of Branch Banking, Head of Hire Purchase & Leasing, Head of Commercial Banking & China Operation, Head of Securities & Wealth Product Management, Shenzhen Branch Manager, Manager of Marketing & Product Development Department, Head of Information Technology, Head of Operations & Technology Innovation, Head of Risk Management and Manager of Corporate Culture & Social Responsibility Department.

16. Business Continuity Committee

Business Continuity Committee is responsible for managing the overall formulation, implementation and maintenance of the Business Resumption Continuity Plan ("BRCP") of the Bank. It plans for BRCP testing at least once a year and ensures the necessary measures for BRCP are taken for meeting the regulatory and business requirements. The members of the Committee comprise the Chief Executive, Alternate Chief Executives, Financial Controller, Head of Branch Banking, Head of Commercial Banking & China Operation, Head of Information Technology, Head of Credit, Group Head of Human Resources, Head of Operations & Technology Innovation, Head of Premises & General Affairs and Head of Risk Management.

Supplementary Financial Information (Unaudited)

(E) CORPORATE GOVERNANCE (Continued)

17. Business Operations Efficiency Measures (“BOEM”) Joint Working Committee

BOEM Joint Working Committee is responsible for reviewing and streamlining the existing operations and functionalities of the Group, with the main objectives to improve overall operational efficiency and cost savings. It directs and manages the work progress of the sub-committees, which are set up for specific areas of operations/functionalities identified for BOEM, according to the pre-planned tasks and time schedules. The members of the Committee comprise the Chief Executive, Senior General Manager, Financial Controller, Head of Compliance, Head of Operations and Technology Innovation, Head of Information Technology and Company Secretary from Public Bank (Hong Kong) and Chief Executive, Assistant General Manager, Designated In-charge of Finance and Control Function, Head of Compliance, Head of Business Operations and Administration, Designated In-charge of Information Technology and Company Secretary from Public Finance.

18. Information Technology Steering Committee – Fintech Sub-Committee

Information Technology Steering Committee Fintech Sub-Committee is responsible for formulating short-term and long-term Fintech plans, deliberating on the budgets to be allocated thereon and reviewing the adequacy of resources in terms of time, personnel, training and support functions. It formulates key Fintech policies and monitors the effectiveness in implementing the key Fintech policies and projects. The members of the Committee comprise the Chief Executive, Senior General Manager & Alternate Chief Executive, Financial Controller, Head of Information Technology, Head of Training & Development, Head of Operations & Technology Innovation, Head of Branch Banking, Manager of Marketing & Product Development Department and Project Manager of Digital Transformation Department.

19. Shenzhen Branch Management Sub-Committee

Shenzhen Branch Management Sub-Committee is responsible for ensuring the effectiveness of the branches' daily operations in Mainland China and that the operations are in accordance with the corporate objectives, strategies and the annual budget as well as the policies and business directions that have been approved and in compliance with the requirements of the regulatory bodies in Mainland China. The members of the Committee comprise the Shenzhen Branch Manager, Assistant Shenzhen Branch Managers, Heads of business units/departments including Accounting, Loans, Retails and representatives from Operations Section of Sub-branch, Bills & Remittance (Treasury), Human Resources, Premises and General Affairs, Information Technology, Risk Control and Sub-branch Managers.