SHANGHAI COMMERCIAL BANK

2024 ANNUAL REPORT

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Our Vision

To be a trusted bank of choice for customers in Greater China, served by our staff capable of delivering comprehensive one-stop personalized service, supported by distinctive commercial and international banking capabilities, and innovative digital platform, for sustainable development.

Our Mission

- Support business growth through value creation to our customers, shareholders, contribute to the community through sustainable development
- Cherish the values of our people with rewarding career opportunities and development
- Build a strong network with our partners to develop long term relationship

Our Values

PROACTIVE
- Take initiative with can-do attitude, be innovative, embrace change and make continuous improvement

INTEGRITY
- Adhere to the highest ethical standards, discipline and righteous behavior

RESPECT
- Establish mutual trust and respect with colleagues and customers

PROFESSIONALISM
- Deliver high quality services that cater to customer needs, and commit to continuous learning and enhancement of expertise

TEAMWORK
- Work collaboratively across teams with mutual support to achieve common goal

ACCOUNTABILITY
- Take ownership in work and demonstrate commitment towards achieving extraordinary performance and contributing to sustainable development

LEADERSHIP
- Direct, inspire, engage and motivate staff to nurture future leaders

Shanghai Commercial Bank (the "Bank") is a renowned local Chinese bank in Hong Kong building on its core strengths and holding a niche market position in corporate and Small-and-Medium sized Enterprises ("SMEs"), and high-net-worth individuals.

"Serve the Community" as motto and "For Personalized Service" as principle, the Bank seeks to meeting customers' needs with a comprehensive range of banking products and services, including loans, deposits, trade finance, remittances, securities trading, investment and wealth management, life and general insurance products, treasury products, foreign exchange, credit cards, international banking, internet and mobile banking, through teams of banking professionals across the global network of 50 offices and branches in Hong Kong, Mainland China, United States and United Kingdom.

For over 20 years, the Bank has entered into a strategic alliance with Bank of Shanghai in Mainland China and The Shanghai Commercial and Savings Bank in Taiwan. Together we have created the "Three Shanghai Banks, All Caring for You" (「三地上銀，一心為您」) branding, delivering one-stop, cross-strait banking services through a broad footprint comprising of more than 400 outlets around the globe.

Over the years, the Bank has successfully executed on its strategic plans and developed different brands.

- "SMART Banking" offers privileged banking services and tailor-made investment and wealth management solutions to our premium customers
- "Green Channel" leverages our tri-bank strategic alliance to provide customers with quality one-stop, cross-strait banking services and global business support
- "Shacom Bank" and mobile banking for customers to enjoy e-Banking services anytime, anywhere
- "Shacom Pay" performs real-time interbank transfers and payments through the Faster Payment System
- "Shacom Stock" allows customers to trade securities on the go

The Bank has been rated A2 by Moody's and A- by Fitch.

NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the Seventy-Fourth Annual General Meeting of the Members of the Bank will be held at its Registered Office, Shanghai Commercial Bank Tower, 12 Queen's Road Central, Hong Kong on Wednesday, 23 April 2025 at 9:00 a.m. to transact the following business:

(1) To receive and consider the audited financial statements and the Reports of the Directors and of the Auditor for the year ended 31 December 2024;
(2) To declare Dividend in respect of the year 2024 (if any);
(3) To re-elect Directors;
(4) To approve the payment of Directors' fees for the year ended 31 December 2024;
(5) To re-appoint Auditor and to authorise the Directors to fix their remuneration.

A Member entitled to attend and vote at the Meeting is entitled to appoint a proxy to attend and vote instead of him. A proxy need not also be a Member.

The Register of Members of the Bank will be closed from Wednesday, 16 April 2025 to Wednesday, 23 April 2025, both days inclusive.

By Order of the Board
May Yuen-ling KWOK
Corporate Secretary

Hong Kong, 21 January 2025

BOARD OF DIRECTORS

CHAIRMAN

Mr. Stephen Ching Yen LEE
Non-executive Director

EXECUTIVE DIRECTOR

Mr. Charles Chi Man MA

NON-EXECUTIVE DIRECTORS

Mr. JIN Yu
Mr. John Con-sing YUNG
Mr. YE Jun
Mr. David Benjamin MARKS

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Johnson Mou Daid CHA
Mr. Gordon Che Keung KWONG, *FCA*
Mr. E. Michael FUNG
Mr. Sunny Yiu Tong CHEUNG, *MH*

MANAGEMENT

SENIOR EXECUTIVES

Chief Executive	Mr. Wallace Wing-ted LAM
Deputy Chief Executives	Mr. Mong-ting CHONG Mr. Ryan Yuk-lung FUNG
Senior Management	Ms. Wendy Li-chien WENG Mr. Jerome Chee-keong GOH Ms. Feng TIAN Ms. Jenny Chui-yeung CHAU Mr. Stanley Chwan-yeu ZAU Ms. Jaffrey So-ching MA Mr. Edmund Wing-fai LAI Mr. Bryan Ho-yan LAU
Chief Auditor	Ms. Mandy Ming-wai CHAN
Corporate Secretary	Ms. May Yuen-ling KWOK

OVERSEAS BRANCHES

London Branch	Mr. Jerome Chee-keong GOH
Los Angeles Branch	Ms. Justina SETO
New York Branch	Mr. Joseph Nim-chi LAU
San Francisco Branch	Mr. Philip She-hoi LEE

MAINLAND BRANCHES

Shenzhen Branch	Mr. Dixon Kam-hung IU
Shanghai Branch	Mr. Bruce Fu-guo SUN

DIRECTORS

Mr. Stephen Ching Yen LEE

Aged 78. Chairman and Non-executive Director. Appointed a Director of the Bank in June 2004 and elected Chairman in April 2016. Chairman and Managing Director of The Shanghai Commercial & Savings Bank, Ltd., Taiwan, Managing Director of Great Malaysia Textile Investments Private Ltd., a Director of CapitaLand Group Pte Ltd. and Temasek Holdings (Private) Ltd. Chairman of Singapore Airlines Ltd. from 2006 to 2016 and a member of the Council of Presidential Advisers of Singapore from 2008 to 2020.

Mr. Charles Chi Man MA

Aged 77. Appointed as a Director of the Bank in October 2019, Managing Director and Chief Executive of the Bank from July 2024 to January 2025, then re-designated as Executive Director in February 2025. Former chief executive of China Construction Bank (Asia) Corporation Ltd., Macau Chinese Bank Ltd. and Bank of Shanghai (Hong Kong) Ltd.

Mr. Johnson Mou Daid CHA

Aged 73. Appointed a Director of the Bank in September 2001. Chairman of the Nomination and Remuneration Committee of the Bank since April 2021. Chairman of Hanison Construction Holdings Ltd., and C.M. Capital Advisors (HK) Ltd., as well as a Director of Mingly Corporation, HKR International Ltd., and Million Hope Industries Holdings Ltd. A board member of Qiu Shi Science & Technologies Foundation, a founding member of Moral Education Concern Group and a Co-opted External Member to the Finance Committee of the Council of The Hong Kong University of Science and Technology ("HKUST") and a member to the Court of HKUST.

Mr. Gordon Che Keung KWONG, FCA

Aged 75. Appointed a Director of the Bank in August 2008. Chairman of the Audit Committee of the Bank since January 2009. A fellow member of the Institute of Chartered Accountants in England and Wales, and the Hong Kong Institute of Certified Public Accountants. An Independent Non-executive Director of a number of locally-listed companies, including Chow Tai Fook Jewellery Group Ltd., FSE Lifestyle Services Ltd., Henderson Land Development Co. Ltd., Agile Group Holdings Ltd., and COSCO Shipping International (Hong Kong) Co. Ltd.

Mr. E. Michael FUNG

Aged 68. Appointed a Director of the Bank in December 2015. Chairman of the Risk Committee of the Bank since August 2017. Chairman and Principal of SouthBay Investment Advisors Ltd. An Independent Non-executive Director of Dickson Concepts (International) Ltd. as well as a member of Gleneagles Hong Kong Hospital Advisory Council, the Executive Committee of Hong Kong Arts Festival Society Limited and the Court of The Hong Kong University of Science and Technology. A member of the Financial Services Development Council, Hong Kong from January 2013 to January 2017.

Mr. JIN Yu

Aged 60. Appointed a Director of the Bank in January 2016. Chairman of Bank of Shanghai Co., Ltd., Shanghai. A Director of Shanghai United International Investment Ltd.

Mr. John Con-sing YUNG

Aged 56. Alternate Director of the Bank since March 2013 and appointed a Director of the Bank in May 2016. Vice Chairman and Managing Director of The Shanghai Commercial & Savings Bank, Ltd., Taiwan. Chairman of Paofoong Insurance Company (Hong Kong) Ltd. and AMK Microfinance Institutions Plc. and Director of Nanyang Holdings Ltd.

Mr. Sunny Yiu Tong CHEUNG, MH

Aged 70. Appointed a Director of the Bank from July 2014 to December 2015. Re-appointed a Director of the Bank in March 2021. Chairman of the Digital Transformation Committee of the Bank since April 2021, and Sustainability Committee since August 2024. Former Chief Executive Officer of Octopus Holdings Ltd. and Octopus Cards Ltd. An Independent Non-executive Director of TransUnion Credit Information Services Ltd., as well as a member of the Entrepreneurship Committee Advisory Group of CyberPort and the Campaign Committee of The Community Chest of Hong Kong.

Mr. YE Jun

Aged 52. Appointed a Director of the Bank in September 2021. Chairman of Shanghai United International Investment Ltd. and Sino-US United MetLife Insurance Co., Ltd. Director and General Manager of Shanghai Alliance Investment Ltd. A Director of Bank of Shanghai and Hua Hong Semiconductor Ltd.

Mr. David Benjamin MARKS

Aged 58. Appointed a Director of the Bank in January 2025. Executive Vice President of Commercial Bank, Wells Fargo & Company. A member of the Wells Fargo Management Committee and President of Wells Fargo Trust Company, N.A.

SENIOR EXECUTIVES

Mr. Wallace Wing-ted LAM

Aged 51. Chief Executive. Joined the Bank in January 2025.

Mr. Mong-ting CHONG

Aged 62. Deputy Chief Executive, Chief of Corporate Banking Group. Joined the Bank in October 2015.

Mr. Ryan Yuk-lung FUNG

Aged 51. Deputy Chief Executive, Chief of Retail & Digital Strategy. Joined the Bank in May 2022.

Ms. Wendy Li-chien WENG

Aged 55. Chief Financial Controller. Joined the Bank in May 2012.

Mr. Jerome Chee-keong GOH

Aged 52. Manager of London Branch. Joined the Bank in November 2013.

Ms. Feng TIAN

Aged 50. Regional Head of US Branches. Joined the Bank in August 2018.

Ms. Jenny Chui-Yeung CHAU

Aged 59. Co-Head of Treasury Division. Joined the Bank in June 2009.

Mr. Stanley Chwan-yeu ZAU

Aged 59. Co-Head of Treasury Division. Joined the Bank in October 2020.

Ms. Jaffrey So-ching MA

Aged 51. Head of Human Resources. Joined the Bank in October 2013.

Mr. Edmund Wing-fai LAI

Aged 54. Head of Information Technology. Joined the Bank in September 2024.

Mr. Bryan Ho-yan LAU

Aged 43. Acting Chief Risk Officer. Joined the Bank in April 2021.

Ms. Mandy Ming-wai CHAN

Aged 51. Chief Auditor. Joined the Bank in June 2000.

Ms. May Yuen-ling KWOK

Aged 54. Corporate Secretary. Joined the Bank in March 1994.

Digital Transformation
數碼轉型

The Bank continues to invest in digital solutions and supports Fintech development to enhance customers' digital banking experience, capturing emerging opportunities in the digital era.

本銀行繼續投資數碼化解決方案，支持金融科技發展，以提升客戶的數碼銀行體驗，抓住數碼時代的新興機遇。

Global Retail Banking Innovation Awards 2024 – "Outstanding Digital Innovation in SME Banking Award"
環球零售銀行創新獎2024 －「傑出中小企銀行數碼創新獎」
The Digital Banker

STAR Award 2024 – "Best FinTech Award – Gold"
非凡年獎2024 －「金融科技卓越獎金獎」
The Communications Association of Hong Kong
香港通訊業聯會

At the Hong Kong Monetary Authority IADS Showroom Day, we demonstrated our first-in-town online SME platform, developed on the foundation of Interbank Account Data Sharing (IADS) and Commercial Data Interchange (CDI), which enables automated account opening process and streamlined loan applications.

於香港金融管理局的「戶口互聯」用例展示日上，我們示範了首創的網上中小企平台，以「戶口互聯」(IADS)及商業數據通(CDI)為基礎，實現自動化開戶流程及簡化貸款申請程序。

Sustainable Development
可持續發展

The Bank actively fulfills the corporate social responsibilities with a focus on environmental protection and sustainable community development. Our achievements have been widely recognised by various reputable professional organisations with different ESG awards.

本銀行積極履行企業社會責任，聚焦環境保護及可持續社區發展，獲不同的專業團體認可及頒獎嘉許。

Hong Kong Green and Sustainable Finance Awards 2024 – "Pioneering Award for ESG Disclosure Contribution" and "Outstanding Award for Green and Sustainable Loan Facilitator"
香港綠色和可持續金融大獎2024 –
「ESG披露貢獻先鋒大獎」及「傑出綠色和可持續貸款服務機構」
Hong Kong Quality Assurance Agency
香港品質保證局

Financial Education and ESG Leadership Awards 2024 – "Corporate Financial Education and ESG Leadership – Gold Award"
理財教育及ESG領袖大獎2024 –「企業理財教育及ESG領袖（金獎）」
Institute of Financial Planners of Hong Kong
香港財務策劃師學會

TVB ESG Award 2024 – "Best in ESG Report"
TVB環境、社會及管治大獎2024 –「ESG最佳報告大獎」
Television Broadcast Limited
電視廣播有限公司

Best HR Awards 2024 – "Best ESG Award", "Best Graduate and Management Trainee Programme" and "Employer of the Year"
Best HR Awards 2024 –「最佳環境、社會及管治大獎」、
「最佳畢業生及管理培訓生招聘大獎」及「年度僱主」
CTgoodjobs

Hong Kong Volunteer Award 2024 – "Corporate – Bronze Award"
香港義工獎2024 –「企業–銅獎」
Agency For Volunteer Service
義務工作發展局

2024 ESG領先企業獎 ESG Leading Enterprise Award

The Hong Kong General Chamber of Small and Medium Business
香港中小型企業總商會

信報 表彰計劃2024 Achievement Programme

Hong Kong Economic Journal
信報財經新聞

Trusted Partner of Small & Medium Enterprises
與中小企業客戶同行

We have gone beyond banking to support SMEs at every step of the journey. Our team will continue to help SMEs realise their potential and maximise their capabilities for building a better future.

本銀行於不同範疇支持中小企業的發展，我們的團隊將繼續幫助中小企業發揮潛能及提升實力，建立更美好的未來。

The Bank sponsors the "Hong Kong SME Innovation Award" organised by the Hong Kong Greater China SME Alliance Association for the third consecutive year.
本銀行連續第三年贊助香港大中華中小企業商會舉辦的「香港中小企業創新大獎」。

Best SME's Partner Gold Award
中小企業最佳拍檔金獎
The Hong Kong General Chamber of Small and Medium Business
香港中小型企業總商會

Corporate Brand Awards of Excellence – SME Banking Services
顯卓中小企銀行服務大獎
Hong Kong Economic Journal
信報財經新聞

EDigest Brand Awards – Best SME Financing Services
經一品牌大獎－最佳中小企融資服務大獎
EDigest Hong Kong
經濟一週

Merits of Achievements in Banking & Finance – Trade Finance Banking Services
資本卓越貿易融資銀行大獎
CAPITAL Magazine
資本雜誌

25 Years of Collaboration
同行廿五 • 綠色永續 • 創新聯動

The 25th tripartite annual conference was successfully held in Shanghai, China in November 2024. The strategic alliance of Bank of Shanghai, the Shanghai Commercial and Savings Bank and our Bank will continue to work together and leverage our complementary strengths to offer comprehensive cross-strait banking and financial services to customers.

第二十五屆滬港台「上海銀行」業務研討會於2024年11月在上海圓滿舉行。上海銀行、上海商業儲蓄銀行和本銀行的「三行聯盟」將繼續善用戰略聯盟優勢，展開更緊密的合作，為兩岸三地的客戶提供全面的銀行及金融服務。

Staff Engagement
以人為本

We grow our talent through career development and recognition programs to motivate our staff in reaching their full potential and achieving career aspiration.

我們重視人才，透過職能發展和獎勵計劃，鼓勵員工發掘潛能，發展所長。

Staff Appreciation Dinner
員工嘉許晚宴

Hai Kwang Club Award Presentation Ceremony
海光俱樂部頒獎禮

Long Service Awards (40 years)
長期服務獎（40年）

Long Service Awards (20 and 30 years)
長期服務獎（20年及30年）

Digital Innovation Award
數碼創新大獎

Graduate Trainee Programme
畢業生實習計劃

HKIB Outstanding Financial Management Planner Awards
香港銀行學會傑出財富管理師大獎

Hong Kong Life Insurance Top Producers Convention 2024
香港人壽傑出業務代表會議2024

Corporate Social Responsibility
回饋社會

Committed to our motto "Serving the Community", the Bank contributes to the community through donations to charitable organisations and participation in volunteer activities, and expands our community investments.

我們秉持「服務社會」的宗旨，積極投入資源，擴闊社區投資項目範疇，支持及鼓勵員工參與義工活動。

Shanghai Commercial • Pok Oi Cycle for Millions
上海商業•博愛單車百萬行

Po Leung Kuk Chinese New Year TV Show
《上海商業銀行呈獻：新春保良迎金龍》

Silver Lining Foundation X Shanghai Commercial
Charity Walk
雲彩行動 X 上海商業愛心慈善步行

The Community Chest
Hong Kong & Kowloon Walk for Millions
香港公益金港島、九龍區百萬行

Foodlink – Rice Donation Program
膳心連基金－白米捐贈計劃

WWF-Hong Kong Organic Farming
世界自然基金會有機耕種活動

International Coastal Cleanup Hong Kong
香港國際海岸清潔運動

Green Power Hike
綠色力量環島行

MESSAGE TO SHAREHOLDERS

In 2024, the Hong Kong Government put in place a wide range of initiatives to stimulate economic growth. Hong Kong's economy displayed moderate recovery and the real Gross Domestic Product ("GDP") posted a mild growth of 2.5% year-on-year, while the seasonally adjusted unemployment rate maintained at a low level of 3.1% for the last quarter of 2024. However, heightened uncertainties continue to impact both global and local business environment, alongside a sustained high interest rate, a strong United States Dollar and elevated geopolitical tension.

For the year 2024, the Bank recorded a year-on-year increase in operating income but consolidated profit after tax of HK$531 million declined from HK$1,569 million of the preceding year, mainly due to impairment charges arising from loan downgrades and increases in provisioning in face of weakened performance of some customers. Net comprehensive income attributable to equity holders for the year ended 31 December 2024 amounted to HK$2,122 million, versus that of HK$2,843 million for 2023, and the decline was mainly due to reduction in net profit for the year.

The Bank's capital and liquidity positions remained strong, evidenced by total capital adequacy ratio and common equity Tier 1 capital ratio further strengthening to 28.0% and 25.1% respectively at the end of 2024, while liquidity was prudently managed with average liquidity maintenance ratio throughout the year of 2024 being maintained at 82.1%.

Business Strategies

As a trusted community bank in Hong Kong, we strive to provide best-in-class service to all customers, while consolidating our prominent positions in serving corporates and small and medium-sized enterprises ("SMEs") as well as high-net-worth individuals. On 23 October 2024, the Bank showcased its pioneering SME solutions at Interbank Account Data Sharing ("IADS") Showroom Day organised by the Hong Kong Monetary Authority ("HKMA"), sharing our success story in practical applications of IADS, including streamlining loan application process and consolidated financial analysis, for the purpose of enriching the business customer's digital banking experience. During the year, the Bank received two top Fintech awards from reputable associations, recognising our achievement in innovative digital solutions. The Bank will continue to invest in latest technologies to capture emerging opportunities in the digital era and support Fintech development.

Over the past 25 years, through our tri-bank strategic collaboration with Bank of Shanghai in mainland China and The Shanghai Commercial & Savings Bank, Ltd. in Taiwan, we have worked hand-in-hand together to leverage our complementary strengths to offer cohesive cross-strait banking and financial services to customers. We will deepen our collaboration in green banking, sustainability, innovative finance and Fintech solutions.

The Bank has been exploring green business opportunities, implementing multifaceted Environmental, Social and Governance ("ESG") and Green and Sustainable Banking ("GSB") initiatives into our operations. We walk side-by-side with our customers in the transition to a low-carbon economy, while also set out principles for relevant financing activities and control measures to mitigate greenwashing risks, enabling informed decision-making in GSB and facilitating relevant finance flows.

The Bank stays vigilant and proactive in risk management. In particular, we have stepped up our efforts to strengthen management in credit risk and loan portfolios, with an emphasis in upholding our credit asset quality and diversification of our loan portfolio, in view of local and overseas markets undergoing economic transformation and the needs of customers striving for change and adapting to changes in the challenged market and business operating environment. We adopt a holistic and integrated approach to managing risks and minimizing the adverse impact of risks and disruptions to the Bank's critical operations delivery. In view of the rising fraud and scam cases in recent years, we take initiatives to raise public awareness to safeguard their sensitive information and provide enhanced protection to customers against financial losses, while also elevating our ability to detect problematic transactions and combat digital fraud. Steadfast resilience is essential for the Bank to persevere in today's dynamic operating environment.

Sustainability and Social Responsibility

The Bank continues to enhance our commitment to sustainability and social responsibility. We embedded sustainability into our operations, culture and business strategies, reinforcing our role as a socially responsible financial institution.

We adhere to sustainability practices through diligent environment and carbon management within our daily operations as well as our supply chain to achieve carbon neutrality. Our sustainability efforts echo and align with the HKMA's actions in fostering sustainable finance and achieving net-zero emissions in the near future. In October 2024, the Bank was awarded by the Hong Kong Quality Assurance Agency for the second consecutive year, certifying our recognized efforts in green finance and sustainable development.

The Bank is dedicated to serving the communities in which we work and live, and continued to allocate considerable resources to socially minded programs focusing on the environment, youth development and community care. We highly encourage staff engagement in charitable activities and volunteer services, and applaud their contributions to society, with a mission to make a difference for a more sustainable future.

Bank Culture

In 2024, we exerted our efforts to reinforce the bank culture of customer focus and accelerate our development in GSB and digitalization via implementation of an array of initiatives as well as a series of training activities, while also to shaping and solidifying a "sound" culture by enhancing corporate governance, instilling strong and robust credit risk culture, fortifying staff's risk management capabilities and optimizing whistleblowing mechanism for supporting sustainable development of the Bank. We cherish each and every staff and collect their feedback through employee survey to refine our cultural enhancement actions and further the Bank as a financial services platform for customers to grow their business and a desirable workplace for our staff.

Looking Ahead

In the face of continuing headwinds, our footsteps are steadfast in transcending challenges and capturing opportunities of the time. We react swiftly through robust risk management and sound governance framework, while we look ahead to formulating a new Five-Year Plan for 2026–2030, with the focus of providing clear directions for the Bank in the rapidly changing environment, especially in the strategic realms of digital, ESG, GSB, Greater Bay Area development for enhancing market competitiveness and generating sustainable business and earnings growth.

Continual investment in building operational resilience remains our key priority, with the objective to bolster operational, technology and cyber capabilities to address increased vulnerabilities and evolving technological development. The Bank will strive to pursue steady development across all business lines for value creation, while upholding high regulatory compliance and governance standards. The Bank remains focused on our vision of delivering one-stop personalized service, the key to our success over seven decades.

On behalf of the Board, we would like to extend our warm welcome to Mr. Wallace Wing Ted LAM, who joined us in January 2025 and formally assumed Chief Executive of the Bank on 1 February 2025. With the appointment of Mr. LAM, Mr. Charles Chi Man MA has ceased to be the interim Chief Executive on the same day while he continues in his role as Director of the Bank. We wish to place on record the appreciation of the Board for the leadership and remarkable contributions of Mr. MA to the Bank during the transition period when Mr. David Sek-chi KWOK retired as Managing Director and Chief Executive of the Bank at the end of June 2024 after his 53 years of service to the Bank, including the past 17 years as Chief Executive, and we also thank Mr. KWOK for his sterling leadership and immense contribution to build the Bank to what it is today. We extend our warm welcome to Mr. David Benjamin MARKS, a veteran of Wells Fargo Bank for more than 30 years who was appointed a Non-executive Director of the Bank on 21 January 2025 in place of Ms. Maria Pui Man KIANG, to whom we wish to express our gratitude for her valuable advice since October 2019. Mr. JIN Yu, a Non-executive Director of the Bank, will not stand for re-election at the forthcoming Annual General Meeting on 23 April 2025.

We also express our utmost appreciation to our shareholders and fellow Directors for their guidance and unwavering support over the past year. On behalf of the Board, we would like to express our everlasting gratitude to our customers for their trust and confidence in the Bank, and special thanks to our staff for their dedication and valuable contributions to the Bank.

Stephen Ching Yen LEE
Chairman

Charles Chi Man MA
Executive Director

Hong Kong, 7 March 2025

FINANCIAL HIGHLIGHTS

The highlights of the Group's consolidated financial performance for the year are summarised in the table below:

	2024	2023
HK$ million		
Profit for the year	531	1,569
Net interest income	4,402	4,396
Net fee and commission income	569	586
Other non-interest income	781	625
Operating expenses	1,919	1,850
Credit impairment losses	3,123	1,657
Net comprehensive income attributable to equity holders	2,122	2,843
Gross loans and advances to customers	76,684	89,625
Deposits from customers	177,425	179,009
Net interest margin	2.03%	2.03%
Cost to income ratio	33.4%	33.0%
Loan to deposit ratio	43.2%	50.1%
Impaired loan ratio	4.79%	2.84%
Return on average assets	0.2%	0.7%
Return on average equity	1.4%	4.5%
Capital adequacy ratio	28.0%	26.6%
Common equity Tier 1 capital ratio	25.1%	22.5%
Average liquidity maintenance ratio	82.1%	59.9%

FINANCIAL REVIEW

For the year ended 31 December 2024, operating profit before impairment charges of Shanghai Commercial Bank Limited (the "Bank") and its subsidiaries (together the "Group") was HK$3,833 million, an increase of HK$75 million or 2% from that of 2023. Consolidated profit after tax of the Group for the year decreased to HK$531 million from that of HK$1,569 million of 2023 mainly due to impairment charges arising from loan downgrades and increases in provisioning in face of weakened performance of some customers. The Bank's financial position, however, remained resilient with a solid capital base and robust liquidity position. Total capital adequacy ratio and common equity Tier 1 capital ratio were 28.0% and 25.1% respectively at the year-end while the average liquidity maintenance ratio for the year maintained at 82.1%.

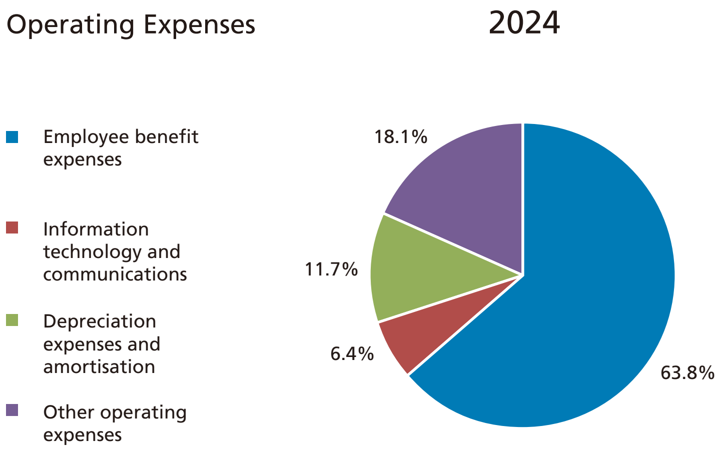
Despite three rounds of rate cuts from the U.S. Federal Reserve in the second half of 2024, global interest rates remained high during the year. In addition, we have effectively managed deposit costs and improved returns on our treasury-managed assets. As a result, both the net interest income and net interest margin remained stable compared to last year at HK$4,402 million and 2.03% respectively.

The total net fee and commission income for the year 2024 at HK$569 million represented a decrease of HK$17 million or 2.9% from that of a year ago, mainly attributable to the reduction in bills and facility fees and investment products sales income. Such decreases were partly compensated by higher commissions on sales of life insurance products and securities brokerage income.

FINANCIAL REVIEW (Continued)

Other non-interest income in 2024 at HK$781 million represented an increase of HK$156 million or 25.0% from that of a year ago, mainly attributable to additional dividend income received.

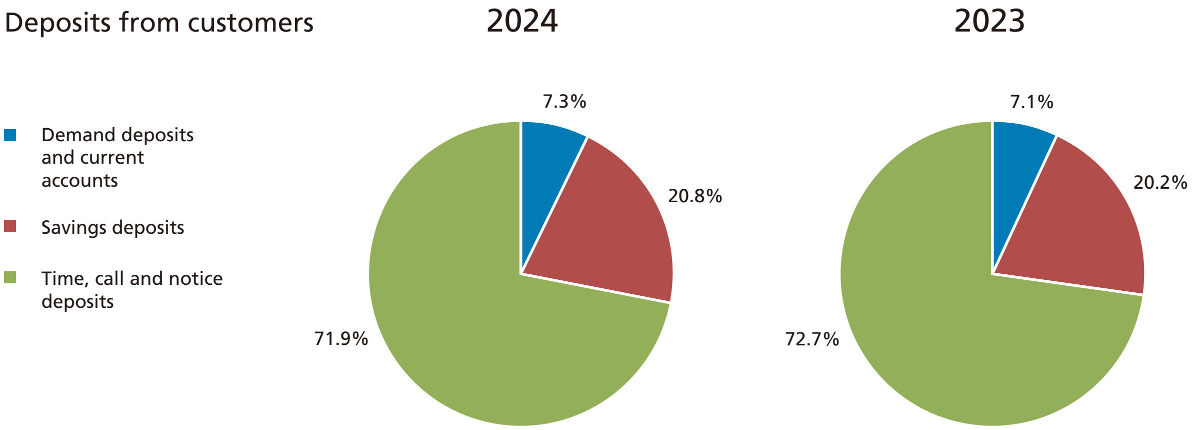
Credit impairment charges for the year of HK$3,123 million saw a notable increase as compared to that of HK$1,657 million for the preceding year, resulting from a challenging local and global business environment, which impacted the performance of certain borrowers for which adequate impairment provisions had already been made. Operating expenses amounted to HK$1,919 million, which increased by HK$69 million or 3.7% year-on-year.



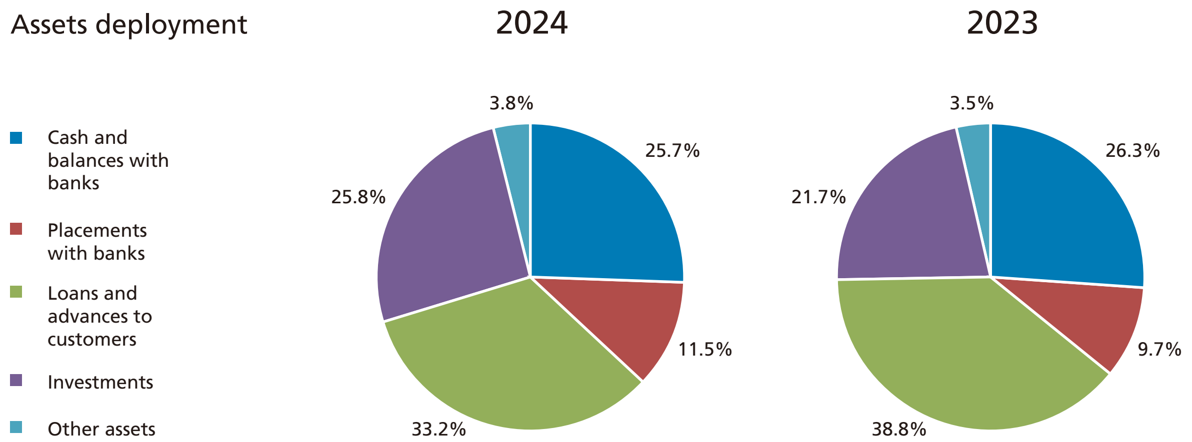
Net comprehensive income attributable to equity holders for the year of 2024 amounted to HK$2,122 million, compared to HK$2,843 million last year, mainly due to reduced net profit for the year.

FINANCIAL REVIEW (Continued)

The Bank has maintained the policy of diligently de-risking and prudently managing the loan and asset portfolio both locally and overseas. On a year-on-year basis, total gross loans and advances to customers for the Group at the end of 2024 was HK$76.7 billion, HK$12.9 billion or 14.4% lower than that of HK$89.6 billion at the end of the preceding year, partially due to our efforts in managing sector concentration. On the back of a reduced loan portfolio, the Group's impaired loan ratio increased from 2.84% at the end of 2023 to 4.79% at the end of 2024 as certain borrowers have delayed in loan repayment and have required more time for asset or collateral realisation due to the sluggish property market and declining asset prices. Total deposits from customers at HK$177 billion were HK$1.6 billion or 0.9% lower than HK$179 billion recorded at the end of 2023, composing the overall loan-to-deposit ratio at 43.2% at the end of 2024 being lower than that of 50.1% a year ago.



Total assets at the end of 2024 amounted to HK$227 billion, also represented a decrease of HK$2.5 billion or 1.1% as compared to that at the end of 2023, with return on average assets at 0.2% and return on average equity at 1.4% recorded for the year.



The Group has consistently maintained a prudent and robust asset and liability management policy. Total capital adequacy ratio and common equity Tier 1 capital ratio were 28.0% and 25.1% at the end of 2024 versus that of 26.6% and 22.5% at the end of 2023 respectively, while the liquidity position also remained at very comfortable levels throughout the year with its average ratio at 82.1%. On 17 January 2024, the Bank fully redeemed the US$300 million subordinated notes due 2029 while the capital adequacy ratio continued to display a strong capital position.

FINANCIAL REVIEW (Continued)

On 27 December 2024, the Bank entered into an agreement with Yue Xiu Enterprises (Holdings) Limited to sell its interest in Hong Kong Life Insurance Limited at a consideration of HK$295 million. The completion of the transaction is subject to certain conditions including obtaining the necessary approvals from the relevant regulatory authorities.

The Group successfully completed the redevelopment project located in West Point namely "The Highline". The sales progress of the residential units has been encouraging, and the sold units began to be handed over to buyers in January 2025.

HIGHLIGHTS OF BUSINESS PERFORMANCE

Corporate Banking and Trade Finance

2024 was a challenging year with persistently volatile global economy, tightened geopolitical tension, weakened property market, interest rate differential between Hong Kong and mainland China resulting in increased corporate loans in RMB being borrowed from mainland China, and stagnant loan demand. The Group ended the year with a continued decrease in corporate loans while the impairment allowances had to be provided during the year in light of the challenging economic conditions. However, focusing more on cross selling of corporate wealth products resulted in a relatively stable year-on-year growth of related commission income. Under the slow momentum of Hong Kong economic activities, Corporate Banking Division continues to take prudent and preventive measures to safeguard the credit quality of corporate clients. At the same time, the Group remains committed to providing quality services and customised financial solutions for customers to accommodate their needs.

Looking forward, the Group will remain vigilant and stay focused to manage the asset quality of the loan portfolio. Anticipating that the global economy may progressively regain its momentum and the global interest rate environment is expected to gradually return to lower levels, there will be more resources dedicated to loan growth in the sectors concerning green and sustainability-related financing as well as trade financing, while key avenues of growth will also be in developing new customer relationships and compelling propositions for the small and medium-sized enterprises ("SME") sector for driving the future business of the Bank.

Retail Banking

Despite prevailing challenging market conditions, our securities trading and wealth management segments exhibited resilience, realising modest growth in 2024. Meanwhile, life insurance sales business demonstrated exceptional development with 42% year-on-year increase in commission income, primarily driven by enlarged product offerings and enhanced customer service initiatives. We managed to maintain deposits at a stable level and control the cost of funds, while our residential mortgage component was steadily maintained both in terms of size of portfolio and asset quality.

Factoring in Hong Kong's development as a financial centre for not only corporates but also individuals, the incoming and transit flows of people and capital spur our new customer growth aspirations. Coupled with our long-held and cross-generational client base with multi-dimensional needs, we shall be placing increasing focus on our investment and wealth management businesses as a key priority for the Bank going forward, growing hand-in-hand with our corporate business in a close-knit and complementary manner. In the upcoming year, we shall direct our efforts towards optimising our product suite, to anticipate and satisfy our customers' needs in investment and wealth accumulation, for delivering sustained value to them across our diversified business lines.

HIGHLIGHTS OF BUSINESS PERFORMANCE (Continued)

Treasury

In 2024, geopolitical tensions in Europe and the Middle East continued to dominate the headlines and markets. The recent presidential election of the United States combined with the existing supply chain disruptions, contributed to interest rate uncertainty, inflation concerns, and increased market volatility. The Group was well-positioned for the movement of currencies and interest rates, especially on the weakening in certain Asian currencies, which led to strong performance on foreign exchange related income for the third consecutive year. The Bank will keep expanding our treasury product suite to meet clients' investment and hedging needs.

In the contrary to the market expectation of sharp rate cuts in early 2024, the U.S. Federal Reserve did not make its first move until September 2024. Interest rate curve movements allowed us to realise some disposal gains of investment bonds, while mark-to-market values improved in general. Meanwhile, good liquidity and high credit quality are regarded as the Group's key criteria in managing treasury assets. Reinvestment of bonds with higher yield and sound credit quality contributed a better return to our investment portfolio. New investments during the period mainly came from debt securities issued by banks, sovereigns, quasi-government organisations and supranational institutions.

Overseas and mainland Branches

Over the past years, the Bank's overseas Branches had demonstrated resilience amidst a challenging economic landscape in the U.S., U.K. and mainland China. However, under the high interest rate environment, new loan demand continues to slow down and voluntary loan redemption has increased. Looking ahead, while the pace of U.S. Federal Reserve's rate cuts is uncertain, the Branches will sustain the initiatives to reduce the exposure to higher risk sectors and deploy diversification strategies. In 2025, the Branches will continue to maintain a prudent approach for new loan booking and closely monitor the asset quality of the existing loan portfolio.

LOS ANGELES BRANCH

383 East Valley Boulevard,
Alhambra

NEW YORK BRANCH

125 East 56th Street,
New York

SAN FRANCISCO BRANCH

231 Sansome Street,
San Francisco

LONDON BRANCH

65 Cornhill,
London

SHANGHAI BRANCH

9/F, China Merchants Tower,
161 Lu Jia Zui Road (E),
Pu Dong, Shanghai

SHENZHEN BRANCH

20/F, Tower One, Kerry Plaza,
Futian District, Shenzhen

DIGITAL TRANSFORMATION

In 2024, the Bank's digital transformation journey reached a significant milestone, marked by the successful implementation of a series of strategic initiatives that have enhanced our operational efficiency, customer service, and risk management.

Our Online SME platforms, developed on the foundation of Interbank Account Data Sharing (IADS) and Commercial Data Interchange (CDI), have enabled automated account opening process and streamlined loan applications, cutting off the reliance on physical documentation. Our market-leading solution was prominently regarded as showcase at the Hong Kong Monetary Authority IADS Showroom Day in October 2024, where it received widespread acclaim. We were honored to be awarded the Outstanding Digital Innovation in SME Banking Award by The Digital Banker, which recognised our commitment to financial technology and our ability to deliver innovative solutions enriching the customer experience.

We continued to enhance our digital platforms, including the Online Global Stock Trading System, thereby extending our service coverage to larger population. Moving forward, we aspire to achieve the next phase of our digital journey for a fully seamless and personalised customer experience, leveraging alternative data and cutting-edge Artificial Intelligence ("AI") technology to enhance our services for our customers and expansion in the Greater Bay Area.

RISK MANAGEMENT

Hong Kong's economy has displayed signs of recovery with positive GDP growth projections fuelled by tentative stabilisation of the housing market and low unemployment rate. However, ongoing geopolitical tensions and Sino-US trade war with broad economic and political ramifications, alongside headwinds from shallow rate-cutting cycle, continue to put pressure on the macro-economic environment. Nevertheless, the Bank maintains strong capital and liquidity ratios to withstand headwinds and would continue to be vigilant and pro-active in monitoring and managing risks to ensure resilient risk profile.

Amid the economic headwinds, the Group adopts a pro-active approach in credit risk management and control, with additional attention focused on property development and investment, manufacturing and trading, and reinforced control measures in underwriting and monitoring, allowing the Bank to react swiftly in upholding our credit asset quality. Meanwhile, the Bank continues to work with our customers for solutions to enhance their endurance against prolonged economic downturn and challenging business conditions. Looking ahead, the Bank will continue to strengthen the "three lines of defense" risk management model while maintaining a strong capital base.

The Bank continues to integrate climate risk considerations into its overall risk management framework, to ensure our strategic goals related to sustainability are reflected in relevant business and lending policies. Moreover, the Bank has taken appropriate actions to ensure compliance of the Basel III reforms requirements. We closely observe adherence to heightened regulatory standards, while building our resilience strength and enhancing our capability in understanding and managing potential risks more effectively. The Bank is well-positioned to navigate the evolving risk management landscape while promoting responsible and sustainable practices across our operations.

With the advent of new technologies, such as AI and Cloud computing, the Bank has embraced these innovations to enhance its operations, strengthen risk monitoring and improve service efficiency. Appropriate controls are in place to safeguard potential threats posed by using these technologies. As financial crime continues to evolve, with growing connections to the internet and smart devices and sophisticated attacks leveraging advanced technologies like AI and deepfakes, the Bank is actively enhancing its fraud detection system. By integrating cutting-edge Regtech-related solutions and implementing comprehensive control and risk preventive measures, the Bank has enhanced its capability to effectively identify and mitigate potential fraud, ensuring the safety and protection of our clients' assets.

REPORT OF THE DIRECTORS

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

Principal activities

Shanghai Commercial Bank Limited (the "Bank") and its subsidiaries (together the "Group") are engaged in the provision of banking and related financial services. The principal activities of the Bank's subsidiaries are set out in Note 24 to the consolidated financial statements.

Business review

Discussions on the Group's business and performance are provided throughout this Annual Report and form part of this Report of the Directors.

Topics	Sections
1. A fair review of the business and a discussion with analyses of the performance of the Group for the year ended 31 December 2024, including an analysis using financial key performance indicators, as well as particulars of important events affecting the Group that have occurred since the end of the year 2024 (if any)	• Review of Operations
2. An indication of likely future development in the business of the Group	• Message to Shareholders • Review of Operations
3. Description of the principal risks and uncertainties facing the Group	• Message to Shareholders • Review of Operations • Note 3 to the Consolidated Financial Statements
4. A discussion on the Group's environmental policy and performance*	• Message to Shareholders
5. Compliance with relevant laws and regulations which have a significant impact on the Group*	• Corporate Governance Report
6. Relationships with the key stakeholders that have a significant impact on the Group*	• Message to Shareholders • Review of Operations • Corporate Governance Report

* Further discussions on this topic are set out in the Bank's 2024 Sustainability Report to be made available on the Bank's website by April 2025.

Results and appropriations

The profits of the Group for the year ended 31 December 2024 are set out in the consolidated statement of profit or loss on page 55 of this Annual Report.

No payment of a final dividend was recommended by the Board for the year ended 31 December 2024 as at the date of this Report of the Directors. The Board has the discretion to propose and declare dividends to the shareholders of the Group, subject to the approval of the shareholders at the forthcoming annual general meeting of the Bank to be held on Wednesday, 23 April 2025.

Company status

The Bank is a public limited company since 1 November 2017.

Share capital

The Bank did not issue any new share during the year. Details of the share capital of the Bank during the year are set out in Note 33 to the consolidated financial statements.

Debentures issued and redeemed

As at 31 December 2024, the Bank had a tranche of the Tier-2 subordinated notes with an outstanding principal amount of US$350 million due 2033 (Stock Code: 5713), which are currently traded on HKEX. The funds raised are used to strengthen the capital base and support the business growth of the Bank.

Equity-linked agreements

During the year ended 31 December 2024, the Bank did not enter into any equity-linked agreement.

Donations

Charitable and other donations made by the Group during the year amounted to HK$13,603,000 (2023: HK$10,132,000).

Directors

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

Non-executive Chairman

Mr. Stephen Ching Yen LEE

Executive Directors

Mr. David Sek-chi KWOK[1]
Mr. Charles Chi Man MA[2]

Non-executive Directors

Mr. JIN Yu
Mr. John Con-sing YUNG
Mr. Jafar Altaf AMIN[3]
Ms. Maria Pui Man KIANG[4]
Mr. YE Jun
Mr. David Benjamin MARKS[5]

Independent Non-executive Directors

Mr. Johnson Mou Daid CHA
Mr. Gordon Che Keung KWONG
Mr. E. Michael FUNG
Mr. Sunny Yiu Tong CHEUNG

1 Mr. David Sek-chi KWOK retired as Deputy Chairman, Managing Director and Chief Executive of the Bank and ceased to be an Executive Director on 1 July 2024.

2 Mr. Charles Chi Man MA was re-designated from an Independent Non-executive to an Executive Director on 2 July 2024.

3 Mr. Jafar Altaf AMIN resigned as a Non-executive Director on 19 January 2024 and confirmed that he had no disagreement with the Board and there were no matters in relation to the affairs to the Bank that needed to be brought to the attention of the shareholders of the Bank.

4 Ms. Maria Pui Man KIANG resigned as a Non-executive Director on 21 January 2025 and confirmed that she had no disagreement with the Board and there were no matters in relation to the affairs to the Bank that needed to be brought to the attention of the shareholders of the Bank.

5 Mr. David Benjamin MARKS was appointed as a Non-executive Director on 21 January 2025.

In accordance with Article 104(A) of the Bank's Articles of Association, Mr. JIN Yu, Mr. John Con-sing YUNG, Mr. YE Jun and Mr. E. Michael FUNG shall retire by rotation at the forthcoming Annual General Meeting and, except Mr. JIN Yu, are eligible to offer themselves for re-election.

In accordance with Article 95 of the Bank's Articles of Association, Mr. David Benjamin MARKS shall retire at the forthcoming Annual General Meeting and is eligible to offer himself for re-election.

Directors of subsidiaries

The directors of the subsidiaries of the Bank during the year and up to the date of this report were:

Natural Person

John Con-sing YUNG, David Sek-chi KWOK[1], CHONG Mong Ting[2], Ryan Yuk Lung FUNG[3], Burton Chi-shan CHENG[4], TIAN Feng[5], Timothy Kam-tim CHAN[6], CHENG Ming Ho[7], Jerome Chee-keong GOH, Zachary Wing-kwong KWAN[8], Eric Wing-hong KO, Philip She-hoi LEE, LI Yiu Ki, Riggs Kwok-ching TAM[9], Wendy Li-chien WENG, Annie Pak-yan WONG, Philip Wing-cheong WONG, Sammy Tak-keung WONG[10], Sharon Kam-wing WONG, William Wai-leung WONG, YEUNG Chi Kong, Michael Yiu-wing FUNG[11], Richard James ANN[12], Edmund Wing-fai LAI[13], Tony Wai-man WAN[14], Kelvin Kar-man CHENG[15], Joseph Nim-chi LAU[16], Angus Ping-chung CHOI[17], Patrick Shing Chi WONG [18]

1 Ceased to be a director of the relevant subsidiaries of the Bank on1 July 2024.

2 Appointed as a director of the relevant subsidiaries of the Bank with effect from 1 July 2024 and 28 October 2024 respectively.

3 Appointed as a director of the relevant subsidiaries of the Bank with effect from 1 July 2024, 26 July 2024, 1 January 2025 and 10 January 2025 respectively.

4 Ceased to be a director of the relevant subsidiaries of the Bank on 31 December 2024 and 1 January 2025 respectively.

5 Appointed as a director of the relevant subsidiary of the Bank with effect from 14 October 2024.

6 Ceased to be a director of the relevant subsidiaries of the Bank on 1 January 2025.

7 Ceased to be a director of the relevant subsidiary of the Bank on 23 April 2024.

8 Ceased to be a director of the relevant subsidiary of the Bank on 8 January 2025.

9 Ceased to be a director of the relevant subsidiary of the Bank on 1 January 2025.

10 Ceased to be a director of the relevant subsidiary of the Bank on 23 January 2025.

11 Appointed as a director of the relevant subsidiary of the Bank on 23 April 2024.

12 Appointed as a director of the relevant subsidiaries of the Bank with effect from 1 January 2025.

13 Appointed as a director of the relevant subsidiary of the Bank with effect from 1 January 2025.

14 Appointed as a director of the relevant subsidiaries of the Bank with effect from 1 January 2025 and 10 January 2025 respectively.

15 Appointed as a director of the relevant subsidiary of the Bank with effect from 1 January 2025.

16 Appointed as a director of the relevant subsidiary of the Bank with effect from 1 January 2025.

17 Appointed as a director of the relevant subsidiary of the Bank with effect from 8 January 2025.

18 Appointed as a director of the relevant subsidiary of the Bank with effect from 23 January 2025.

Body Corporation

Right Honour Investments Limited, Shanghai Commercial Bank Limited

Directors' interests and short positions in shares, underlying shares and debentures

At no time during the year was the Bank, or any of its holding companies, subsidiaries or fellow subsidiaries a party to any arrangement to enable the Directors and the Chief Executive of the Bank (including their spouses and children under 18 years of age) to acquire benefits by means of the acquisition of any interests or short positions in the shares or underlying shares in, or debentures of, the Bank or any other body corporate.

Directors' interests in transactions, arrangements or contracts

No transactions, arrangements or contracts of significance in relation to the Group'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 a Director had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

Permitted indemnity provision

Pursuant to the Bank's Articles of Association, every Director or other officer of the Bank shall be entitled to be indemnified out of the assets of the Bank against all losses and liabilities (to the extent permitted by the Companies Ordinance) incurred by such Director or other officer in the execution of his/her duties or otherwise in relation thereto. Insurance cover has been arranged to indemnify the Directors and other officers of the Group.

Management contracts

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

Compliance with the Banking (Disclosure) Rules

The Bank has complied with the disclosure requirements set out in the "Banking (Disclosure) Rules" and the "Guideline on the Application of the Banking (Disclosure) Rules" contained in the Supervisory Policy Manual issued by the Hong Kong Monetary Authority.

Compliance with the Corporate Governance Code

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

Auditor

The consolidated financial statements have been audited by PricewaterhouseCoopers who will retire at the forthcoming Annual General Meeting of the Bank and, being eligible, offer themselves for re-appointment.

On behalf of the Board
Stephen Ching Yen LEE
Chairman

Hong Kong, 7 March 2025

Shanghai Commercial Bank Limited (the "Bank") and its subsidiaries (together the "Group") are committed to maintaining good corporate governance to safeguard the interests of its shareholders, depositors and other relevant stakeholders. The Bank is an authorized institution supervised by the Hong Kong Monetary Authority ("HKMA") under the Banking Ordinance. Throughout the year ended 31 December 2024, the Bank followed the module on "Corporate Governance of Locally Incorporated Authorized Institutions" of the Supervisory Policy Manual ("SPM CG-1") issued by the HKMA.

The Bank, after taking into consideration its particular circumstances as a non-listed public limited company, has also adopted the code provisions in the Corporate Governance Code (the "CG Code") as stated in Appendix C1 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") that are relevant to the Bank. This Corporate Governance Report is prepared with reference to the CG Code.

Board of Directors

The Board has collective responsibility for promoting the long-term sustainability and success of the Bank by directing and supervising its affairs within a framework of prudent and effective controls. The Board takes into account the legitimate interests of shareholders, customers, employees and other relevant stakeholders. There are established procedures for Directors to seek independent professional advice on matters relating to the Bank where appropriate. All costs associated with obtaining such advice will be borne by the Bank.

The Board is responsible for providing strategic direction and overseeing the implementation of strategic objectives and goals by the Management. The Board has established five committees with clear delegation and formal terms of reference setting out the authorities, responsibilities and membership for the oversight of certain major functional areas. Each committee, including Executive Committee (and its sub-committee, Digital Transformation Committee), Audit Committee, Nomination and Remuneration Committee, Risk Committee and Sustainability Committee, is provided with sufficient resources to perform its duties. The Board has also established senior management-level committees as detailed below in this report.

Chairman and Chief Executive

The roles of Chairman of the Board and Chief Executive are separate with a clear division of responsibilities and are taken up by different persons.

The Chairman, Mr. Stephen Ching Yen LEE who is a Non-executive Director, is responsible for leading the Board and monitoring the overall effective functioning of the Board, as well as ensuring all key and appropriate issues are discussed by the Board in a timely manner.

The Chief Executive is responsible for implementing the decisions, strategies and policies as established by the Board, and also for leading the Senior Management in running the day-to-day business and operations of the Bank as well as chairing the Executive Committee. The role of Chief Executive is taken up by Mr. Wallace Wing Ted LAM whose appointment took effective 1 February 2025.

Board Composition

The Board comprises Directors with a variety of backgrounds and a diverse range of business, banking and professional expertise. The Board also has a well-balanced composition of Executive Director ("ED"), Non-executive Directors ("NEDs") and Independent Non-executive Directors ("INEDs") to ensure independence and objectivity of the decisions as well as robustness and impartiality of the Board's oversight of the Management.

Following (i) the resignation of Mr. Jafar Altaf AMIN as a NED on 19 January 2024, (ii) the retirement of Mr. David Sek-chi KWOK as Deputy Chairman, Managing Director and Chief Executive of the Bank and ceased to be an ED on 1 July 2024, (iii) re-designation of Mr. Charles Chi Man MA from an INED to an ED on 2 July 2024, (iv) resignation of Ms. Maria Pui Man KIANG as a NED on 21 January 2025, and (v) appointment of Mr. David Benjamin MARKS as a NED effective 21 January 2025, the Board comprised ten Directors as at the date of this report, including five NEDs, one ED and four INEDs whose biographical details are individually set out in the "Biographical Details of Directors and Management" section of this Annual Report.

The Bank has received from each of the INEDs an annual confirmation of his independence which has also been assessed in accordance with the guidelines set out in Rule 3.13 of the Listing Rules as well as the factors outlined in HKMA's circular on "Empowerment of Independent Non-Executive Directors (INEDs) in the Banking Industry in Hong Kong" issued on 14 December 2016. The Board considers that all INEDs continue to be independent of the Management and free of any relationship that could materially interfere with the exercise of their independent judgement.

There is no relationship (including financial, business, family or other material/relevant relationship(s)) among Board members.

The Bank has maintained on its website (www.shacombank.com.hk) an updated List of Directors showing their roles and functions and whether they are INEDs.

Appointment and Re-election of Directors

The Bank adopts a formal procedure for the appointment/re-appointment of Directors to the Board. The Board is empowered under the Bank's Articles of Association (the "AoA") to appoint any person as a Director either to fill a casual vacancy or as an addition to the Board. The Nomination and Remuneration Committee is responsible for reviewing any proposed appointment, mainly based on merits but also having due regard to the benefits of Board diversity, and making recommendation to the Board for consideration and approval. Pursuant to relevant requirements in the Banking Ordinance, consent from the HKMA for new appointment of Director is required and will be sought.

Directors newly appointed by the Board during the year are subject to re-election by shareholders of the Bank at the first annual general meeting following their appointments. There is no specified term of appointment for Non-executive Directors. However, the AoA stipulates that at each annual general meeting, a minimum of one-third of the Directors for the time being, who have been longest in office since their last election shall retire and be eligible for re-election.

In respect of the re-appointment of INEDs, in particular, if such INED has served on the Board for more than nine years, the Nomination and Remuneration Committee takes additional due care to assess the suitability and exercise judgment in relation to the independence of the INED concerned, and making recommendation to the Board for consideration and approval.

Board Process

The Board meets regularly to formulate objectives, strategies, business plans and annual budgets and to assess the Bank's performance, position and prospects throughout the year. All Directors have unfettered access to board papers and related materials which are provided in a timely manner. The Corporate Secretary keeps the minutes of Board meetings.

Schedule for regular Board and Board Committee meetings in each year is made available to all Directors before the end of the preceding year to facilitate their attendance. Directors have demonstrated strong commitment in attending meetings over the years. All Directors are also given opportunities to propose matters in the meeting agenda. During the year, the Board held six physical meetings (including one meeting with HKMA) and the important matters discussed at Board meetings for the year included, among other things:

- amendments to the Articles of Association of the Bank
- annual budget
- interim and annual financial statements, and the quarterly and half-year Consolidated Reporting Package of the Group for submission to the parent company, The Shanghai Commercial & Savings Bank, Ltd.
- proposal for re-election of Directors
- report on board performance evaluation
- appointment and oversight of senior management, including Chief Executive of the Bank, and assessment of management competence
- half-yearly summary report on stress tests
- quarterly review of large credit exposures and risk concentrations, and review of the updates from the management action plan to mitigate the risks of loan portfolio of the Bank as well as to enhance the credit risk management of the Bank, and to address regulator's concerns
- revised Terms of Reference of the Board, Executive Committee, Audit Committee, Risk Committee, Nomination and Remuneration Committee, Sustainability Committee and Digital Transformation Committee and other senior management-level committees established by the Board
- review of significant policies and plans
- Internal Capital Adequacy Assessment Process
- Risk Appetite Statement
- Recovery Plan
- portfolio limits on lending and matters relating to the Bank's loan portfolio
- Slavery and Human Trafficking Statement under the UK Modern Slavery Act 2015
- Sustainability Vision Statement, Sustainability Policy, Climate Risk Management Framework, and annual Sustainability Report

To enable Board members to have a fair understanding and hence assessment of the Bank's performance, review of the main economic developments in Hong Kong is provided to Board members at each regular Board meeting in addition to regular financial and business reports.

The Bank has arranged directors and officers liability insurance cover to indemnify the Directors and other officers against any potential liability arising from the Bank's business activities to which such Directors and officers may be held liable.

Directors' Attendance Records

The attendance records of annual general meeting, Board and Board Committee meetings held during the year ended 31 December 2024 are as follows:

Directors	Annual General Meeting	Number of meetings attended/held in 2024					
		Board	Executive Committee	Audit Committee	Nomination and Remuneration Committee	Risk Committee	Sustainability Committee
Non-executive Directors							
Mr. Stephen Ching Yen LEE	✔	6/6(C)	–	–	4/4	–	–
Mr. JIN Yu	✔	4/6	–	–	–	–	–
Mr. John Con-sing YUNG	✔	6/6	13/13	4/4	–	–	2/2
Mr. Jafar Altaf AMIN(1)	–	–	–	–	–	–	–
Ms. Maria Pui Man KIANG	✔	6/6	–	–	–	–	–
Mr. YE Jun	✔	6/6	13/13	–	–	–	–
Executive Directors							
Mr. David Sek-chi KWOK(2)	✔	3/3(DC)	5/6(C)	–	–	–	1/1
Mr. Charles Chi Man MA(3)	✔	6/6	7/7(C)	2/2	–	2/2	2/2
Independent Non-executive Directors							
Mr. Johnson Mou Daid CHA	✔	6/6	–	–	4/4(C)	4/4	–
Mr. Gordon Che Keung KWONG	✔	6/6	–	4/4(C)	4/4	4/4	–
Mr. E. Michael FUNG	✔	6/6	–	4/4	–	4/4(C)	–
Mr. Sunny Yiu-tong CHEUNG(4)	✔	6/6	13/13	–	–	–	1/1(C)

Notes:

1. Mr. Jafar Altaf AMIN resigned as a Non-executive Director on 19 January 2024.
2. Mr. David Sek-chi KWOK retired as Deputy Chairman, Managing Director and Chief Executive of the Bank and ceased to be an Executive Director as well as Chairman of the Executive Committee on 1 July 2024.
3. Mr. Charles Chi Man MA was re-designated from an Independent Non-executive Director to an Executive Director and appointed as Managing Director and Chief Executive of the Bank and became the Chairman of the Executive Committee on 2 July 2024 and up to 31 January 2025, while remained as a member of the Executive Committee since 1 February 2025. Mr. MA ceased to act as a member of each of the Audit Committee and Risk Committee on 2 July 2024, and the Chairman of the Sustainability Committee while remained as a member since 21 August 2024 and up to 31 January 2025.
4. Mr. Sunny Yiu-tong CHEUNG was appointed as Chairman of the Sustainability Committee with effect from 21 August 2024.
5. Chairmen of the Board and Board Committees and Deputy Chairman of the Board are indicated by (C) and (DC) respectively.

Board Effectiveness

During the year ended 31 December 2024, the Bank has engaged an external professional consultant to conduct a comprehensive board performance evaluation with a purpose to ensure the robustness and effectiveness of the process, and in line with the market best practices. The external consultant engaged is independent from the Bank and any of the Directors of the Bank. A questionnaire designed by the external consultant was distributed to all Directors for their completion. The questionnaire included Directors' self-assessment in areas such as their time commitment and participation, interaction and communication with senior management, as well as evaluation of overall performance of the Board and Board-level Committees, and also a section exclusively tailored for INEDs only to evaluate their performance and independence.

Based on the completed questionnaires and other available information, the external consultant had gathered in-depth information and insights from various dimensions from Directors and reviewed the documentation of the overall governance structure, framework and mechanism of the Bank, assessed the ongoing suitability of each Director and the effectiveness of the overall governance structure and practices of the Bank. The overall assessment indicated that the performance of individual Directors and Board-level Committees was effective in governing the Bank and the composition and effectiveness of the Board of Directors for 2024 was satisfactory with nil non-compliance issue identified, and as at end of 2024, there were no significant issues that would impact the independence of the INEDs of the Bank. The external consultant has prepared a report setting out its major observations and recommendations as well as detailed analysis of questionnaire results of each section, which had been reviewed by the Nomination and Remuneration Committee and presented to the Board.

Induction and training for Directors

Each newly appointed Director receives an information package on the scope of duties and obligations to be observed by a Director. Furthermore, to enable the Directors to have a proper understanding of the Bank’s operations and business, their responsibilities under applicable laws and regulations as well as the development trends in the industry, the Bank arranges and provides trainings and timely information to Directors on corporate structure and profile, board composition, senior management profile, anti-money laundering, legal, regulatory and compliance updates, as well as environmental, social and governance (“ESG”), FinTech, changes in accounting standards, and etc. Directors are also informed of and encouraged to attend outside talks, trainings and seminars organized by professional bodies at the Bank’s expenses to enrich their knowledge in discharging their duties as a director. The training attendance records of the Directors for each year are maintained by the Corporate Secretary.

During the year of 2024, key areas of training received by Directors of the Bank to update and develop their skills and knowledge are summarized as follows:

	Training areas during the year 2024			
Directors	**Regulatory updates**	**ESG**	**Digital & Technology**	**Others**
Non-executive Directors				
Mr. Stephen Ching Yen LEE	✔	✔	✔	✔
Mr. JIN Yu	✔	✔	✔	✔
Mr. John Con-sing YUNG	✔	✔	✔	✔
Ms. Maria Pui Man KIANG	✔	✔	✔	✔
Mr. YE Jun	✔	✔	✔	✔
Executive Director				
Mr. Charles Chi Man MA	✔	✔	✔	✔
Independent Non-executive Directors				
Mr. Johnson Mou Daid CHA	✔	✔	✔	✔
Mr. Gordon Che Keung KWONG	✔	✔	✔	✔
Mr. E. Michael FUNG	✔	✔	✔	✔
Mr. Sunny Yiu-tong CHEUNG	✔	✔	✔	✔

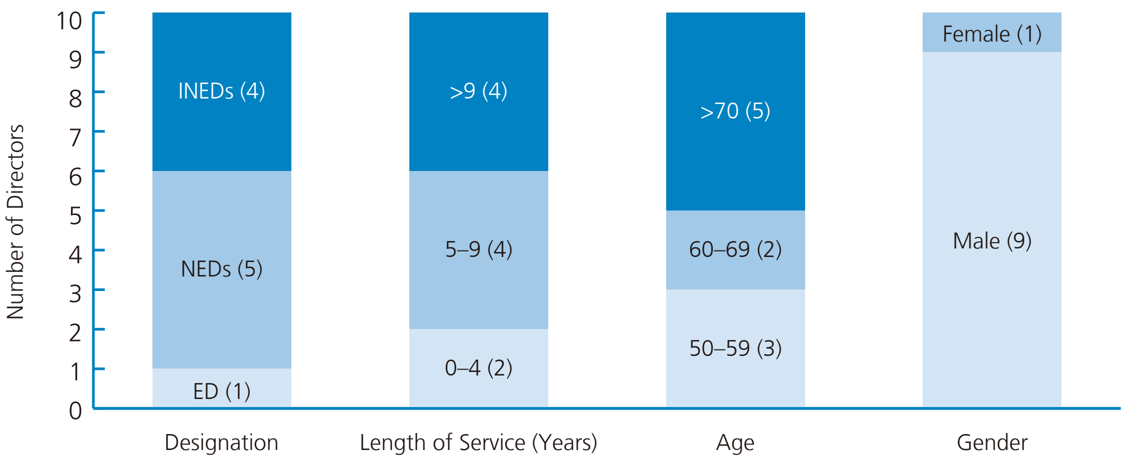
Guiding principles on Diversity

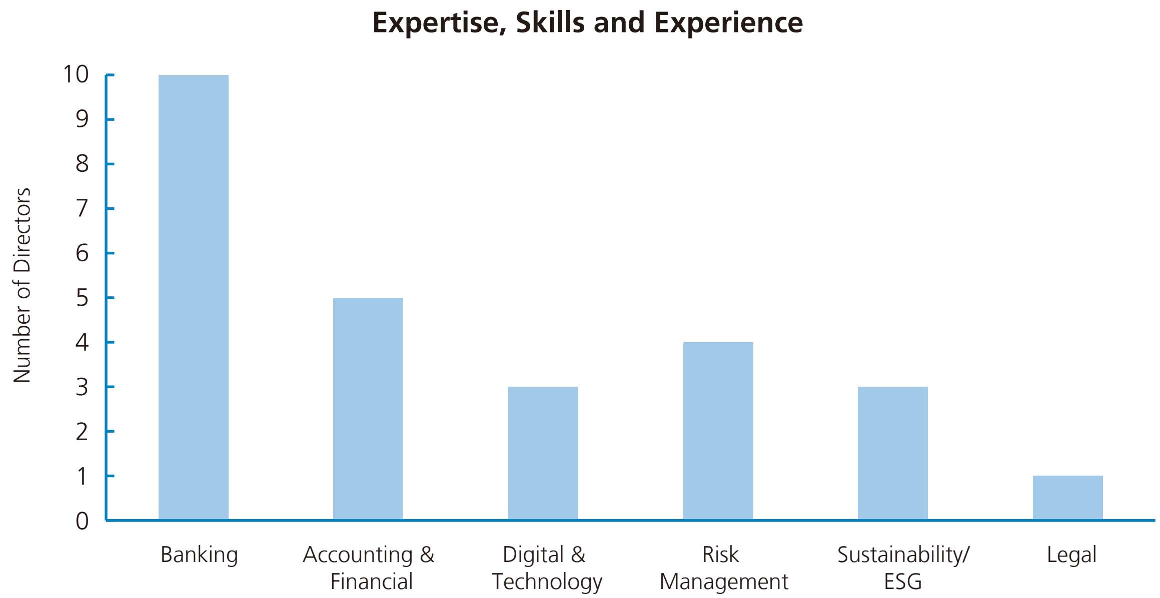
The Bank recognizes and embraces the benefits of having a diverse Board to enhance the quality of its performance. With a view to achieving a sustainable and balanced business, the Bank sees increasing diversity at the Board level as an essential element in supporting the attainment of its strategic objectives and sustainable development. In designing the Board's composition, board diversity is being considered from a number of aspects, including but not limited to gender, age, cultural and educational background, ethnicity, professional experience, skills, knowledge and length of service. All Board appointments will be based on meritocracy, and candidates will be considered against objective criteria, having due regard to the benefits of the Board diversity.

These guiding principles are not intended to, and do not, either enlarge or diminish the responsibilities of the Directors under the AoA and such other relevant laws, rules, regulations, codes, guidelines, practice notes and circulars, but to serve as reference for Directors to take appropriate actions to achieve the aims of Board diversity as outlined above. The Board will review and, where appropriate, revise from time to time the principles in light of experience, evolving standards of corporate governance and any other changing circumstances.

The composition of the Board and its skills matrix demonstrating the Board diversity as at end of 2024 are as follows:

Composition





The Nomination and Remuneration Committee reviews the structure, size and composition of the Board and Board committees at least annually and makes recommendations on any proposed changes to the Board to complement the Bank's business strategy. The Board considers the current Board composition has achieved diversity in various aspects, including but not limited to designation, length of service, age, cultural, skills and professional experience. The formal procedure for the appointment/re-appointment and succession planning for Directors adopted by the Bank to ensure Board diversity is maintained in all its aspects with due regard. The Board has become a single gender board, following the resignation of Ms. Maria Pui Man KIANG as a Director on 21 January 2025 and the appointment of Mr. David Benjamin MARKS as a Director effective 21 January 2025. The Board aspires to achieve an appropriate balance of gender diversity with reference to prevailing recommended best practices, and aims at increasing female representation on the Board by having at least 1 female Director, in order to achieve a more diversified Board composition.

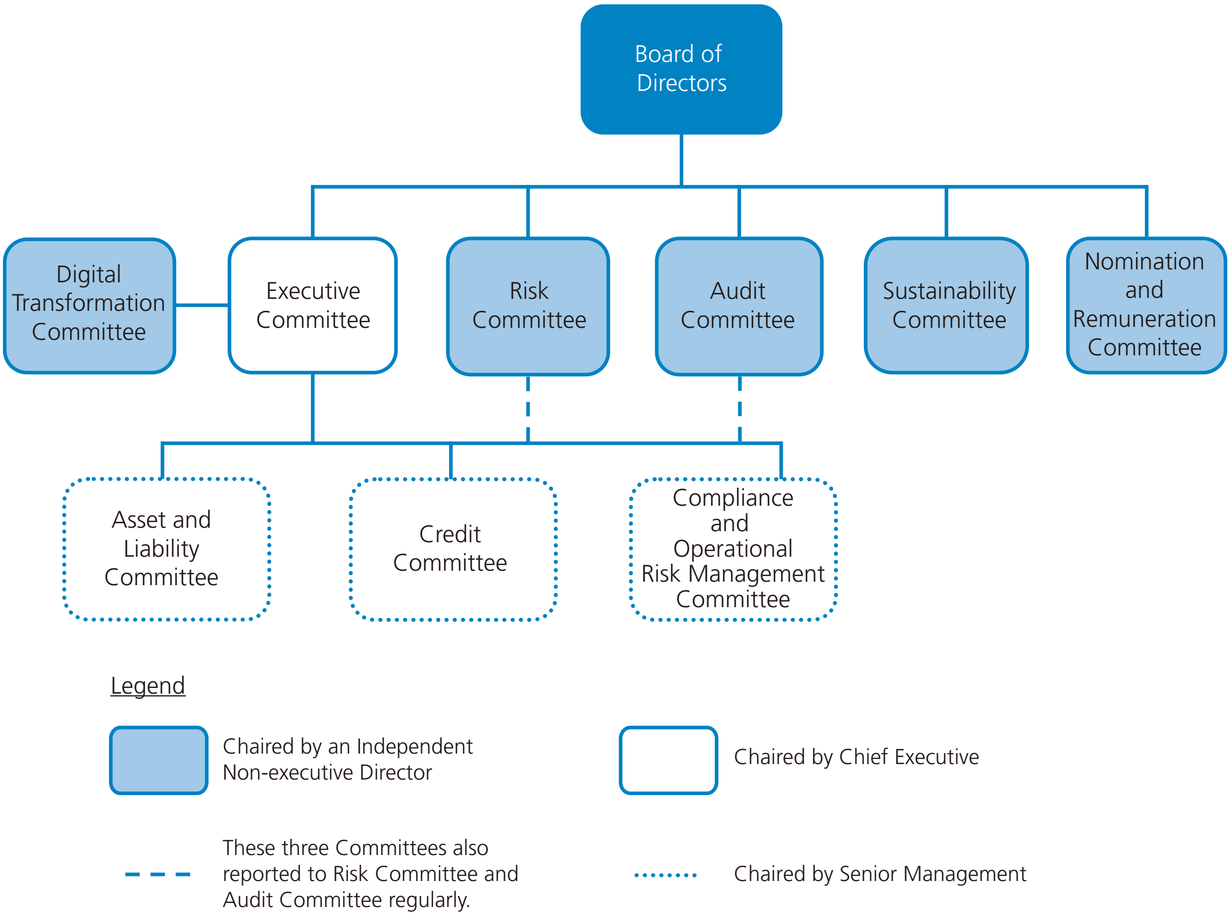
The Bank puts considerable effort to raise awareness of different types of diversity, with a particular focus on gender diversity, and articulates expectations in creating an inclusive and diverse working environment for all. The Bank embraces gender diversity within the workforce and strives to achieve gender balance at the executive and senior management level. As at 31 December 2024, the total headcount (full-time employees only) of the Group was 1,983, of which 49.8% were male employees and 50.2% were female employees, and the male/female ratio of the senior executives of the Group was 54%/46%. The Bank continues to explore initiatives to increase female representation in leadership roles with an aim to achieving a balanced gender.

Delegation by the Board

The Board has established committees, namely, Executive Committee (and its sub-committee, Digital Transformation Committee), Audit Committee, Nomination and Remuneration Committee, Risk Committee and Sustainability Committee, to assist it in carrying out its responsibilities.

The Board has also established senior management-level committees, namely, Asset and Liability Committee, Credit Committee, and Compliance and Operational Risk Management Committee, to manage different areas of the business operations and risk management of the Bank.

Each of these Committees has specific written terms of reference setting out in details their authorities and responsibilities, and their meeting minutes are sent to all Directors.



Board Committees

Executive Committee

The Executive Committee operates as a general management committee under the delegated authority of the Board to oversee the management and day-to-day running of the Bank in accordance with its terms of reference and such other policies and directives as the Board may determine from time to time.

The Executive Committee provides regular updates to the Board on the business performance of the Bank by way of presenting monthly reports on financial performance and quarterly progress reports on budgets.

As at the date of this report, the Executive Committee comprised five members as named below:

- Mr. Wallace Wing-ted LAM (Chief Executive) – Chairman;
- Mr. Charles Chi Man MA (Executive Director);
- Mr. Sunny Yiu-tong CHEUNG (Independent Non-executive Director);
- Mr. YE Jun (Non-executive Director); and
- Mr. John Con-sing YUNG (Non-executive Director).

Digital Transformation Committee

The Digital Transformation Committee oversees the formulation and execution of the Bank's digital transformation strategies. The Digital Transformation Committee provides regular updates to the Executive Committee.

The Board has appointed Mr. Sunny Yiu-tong CHEUNG, an Independent Non-executive Director, as the Chairman of the Digital Transformation Committee, and the members of this Committee are the Chief Risk Officer, Chief Financial Controller, Chief/Deputy Chief of Divisions or Head of Departments responsible for digital strategy, information technology & operations, retail banking, corporate banking, human resources and digital transformation of the Bank.

Audit Committee

The Audit Committee considers the nature and scope of audit reviews and reviews the Bank's financial statements, the findings of both internal and external auditors and the effectiveness of the internal control systems of the Bank. The Board has also delegated its corporate governance functions as set out in the principle of paragraph A.2 "Corporate Governance Functions" of Part 2 of the CG Code to the Audit Committee. The Bank has made available on its website the prevailing Terms of Reference of the Audit Committee.

With the Chairman of the Audit Committee possessing appropriate accounting qualifications as well as related financial management expertise, as at the date of this report, the Committee comprised three members as named below:

- Mr. Gordon Che-keung KWONG (Independent Non-executive Director) – Chairman;
- Mr. John Con-sing YUNG (Non-executive Director); and
- Mr. E. Michael FUNG (Independent Non-executive Director).

In the course of performing its roles and functions, the Audit Committee works closely with the auditors and the Bank's executives. As such, in addition to the members of the Audit Committee, the Chief Financial Controller, Chief Auditor and representatives from the Bank's external auditor shall attend the Audit Committee meetings. The Audit Committee also met with the representatives of the Bank's external auditor in the absence of the senior management in accordance with its Terms of Reference.

The following is a summary of the major tasks performed by the Audit Committee for the year:

- Review and making recommendations to the Board for approval of the Terms of Reference of the Audit Committee
- Review and making recommendations to the Board for approval of (i) the 2023 audited financial statements of the Group and the 2024 interim financial disclosure statement, and (ii) the quarterly and half-year Consolidated Reporting Package of the Group for submission to the parent company, The Shanghai Commercial & Savings Bank, Ltd.
- Review of the remuneration and terms of engagement of the external auditor and making recommendations to the Board for approval of their re-appointment
- Review of the adequacy of resources, staff qualifications, experience and training programmes of the financial reporting function
- Review of the adequacy of resources, effectiveness and the annual budget of the Internal Audit function and the performance of the Chief Auditor
- Review and approval of the Policy on Non-audit Services, and non-audit-related services provided by the external auditor and other professional firms
- Review of the independence, objectivity and effectiveness of the audit process of the external auditor and discussion of their audit work
- Review and approval of the Internal Audit Charter and Internal Audit Policy and Procedures, and the internal audit plan
- Review of the internal audit reports, including findings and recommendations
- Review and approval of the compliance plan for the year 2024
- Review of compliance reports on a regular basis
- Review of the revised Whistleblowing Policy, and the annual report of whistleblowing cases, if any
- Review of the summary reports from the Legal and Compliance Division of the Group on the HKMA examinations and regulatory concerns as well as management's actions in implementing the HKMA's recommendations on a regular basis
- Review of the Group's financial and accounting policies and practices and making recommendations to the Board for approval of, including but not limited to Policy on Presentation and Disclosures for Financial Statements and Regulatory Disclosure, Policy on the Acquisition and Disposal of Assets
- Review of the highlights of major new accounting and financial reporting standards and guidance issued by the Hong Kong Institute of Certified Public Accountants as well as the impact to the Group on their adoption
- Review of reports from the senior-management level committees

Nomination and Remuneration Committee

The Nomination and Remuneration Committee considers the structure, size and composition of the Board and its Board committees as well as senior management-level committees and is responsible for recommending to the Board on matters relevant to appointments, re-appointments, removal and succession planning of Directors and Senior Management in accordance with the Bank's relevant policies, guidelines and business strategies. This Committee also oversees the implementation of a sound remuneration policy including recommending to the Board remuneration of the Directors and Senior Management of the Bank, assisted by independent professional consultants where appropriate. The Bank has made available on its website the prevailing Terms of Reference of the Nomination and Remuneration Committee.

The remuneration policy of the Group is reviewed by the Nomination and Remuneration Committee and approved by the Board. No Director or any of their associates is involved in deciding his/her own remuneration, and details of Directors' emoluments are set out in Note 13 to the Consolidated Financial Statements. Details of remuneration for Senior Management and Key Personnel of the Group during the year are disclosed in Note 14 of "Regulatory Disclosures" of this Annual Report in accordance with Banking (Disclosure) Rules with the exception of details of remuneration by band for the Senior Management. The Board currently considers such disclosure by band inappropriate for the time being but subject to review whenever necessary.

As at the date of this report, the Nomination and Remuneration Committee comprised three members as named below:

- Mr. Johnson Mou Daid CHA (Independent Non-executive Director) – Chairman;
- Mr. Gordon Che Keung KWONG (Independent Non-executive Director); and
- Mr. Stephen Ching Yen LEE (Non-executive Director).

The following is a summary of the major tasks performed by the Nomination and Remuneration Committee for the year:

- Review and making recommendations to the Board for approval of the Terms of Reference of the Nomination and Remuneration Committee, Policy on Management Succession, and Remuneration Policy
- Review of the structure, size and composition of the Board and its Board committees and senior management-level committees, including review of Board diversity profile, Board skills matrix and assessment of the independence of Independent Non-executive Directors
- Review of the Nomination Procedures of the Bank
- Review and making recommendations to the Board for approval of proposal for re-election of Directors and the re-appointment of the Chairman
- Review and making recommendations to the Board for approval of nomination of candidates as Chief Executive and Director of the Bank
- Review the report on board performance evaluation, and annual performance evaluation of each director, Chief Executive and Deputy Chief Executives
- Review and making recommendations to the Board for approval of the senior management organization structure, appointment of and promotion to senior management, and the succession plan of the Bank
- Review and making recommendations to the Board for approval of the remuneration packages of Senior Management and key personnel of the Bank
- Review of culture-related matters of the Bank

Risk Committee

The Risk Committee oversees and reviews the Bank's high-level risk related matters and makes recommendations to the Board on risk management strategies as well as the risk tolerance and risk appetite of the Bank. The Bank has made available on its website the prevailing Terms of Reference of the Risk Committee.

As at the date of this report, the Risk Committee comprised three members as named below:

- Mr. E. Michael FUNG (Independent Non-executive Director) – Chairman;
- Mr. Johnson Mou Daid CHA (Independent Non-executive Director); and
- Mr. Gordon Che Keung KWONG (Independent Non-executive Director).

In addition to the members of the Risk Committee, the Chief Risk Officer, Chief of Legal & Compliance and Chief Financial Controller shall attend the Risk Committee meetings. The Risk Committee also met with the Chief Risk Officer in the absence of the Executive Director and senior management in accordance with its Terms of Reference.

The following is a summary of the major tasks performed by the Risk Committee for the year:

- Review and making recommendations to the Board for approval of the Terms of Reference of the Risk Committee, Asset and Liability Committee, Credit Committee and Compliance and Operational Risk Management Committee, and review of reports from these committees
- Review of the quarterly report on risk exposures and risk management activities of the Bank
- Review and making recommendations to the Board for approval of the Risk Appetite Statement, Climate Risk Management Framework, Recovery Plan, Internal Capital Adequacy Assessment Process ("ICAAP") and Slavery and Human Trafficking Statement under the UK Modern Slavery Act 2015
- Review and making recommendations to the Board for approval of the high-level risk-related policies of the Bank including but not limited to, Business Continuity Planning Policy, Capital Policy, Policy on Liquidity Risk Management, Products and Services Governance Policy and Policy on Lending Authority and Limit
- Review and approval of the Operational Resilience Framework, Compliance Policy, Customer Acceptance and Anti-money Laundering and Counter-terrorist Financing Policy, Sanctions Policy, Risk Management Framework for Cybersecurity & IT Governance, Information Security Policy, Artificial Intelligence Risk Management Policy, Stress-testing Policy, Fair Valuation Policy for Financial Instruments of the Bank, and policies of U.S. Branches related to Bank Secrecy Act/Anti-money Laundering, Third Party Relationship Management, and etc.
- Review and approval of the internal capital targets and internal leverage ratio targets of the Group for 2025 and beyond
- Review of reports on anti-money laundering related matters
- Review of half-yearly progress reports of Regtech development

Sustainability Committee

The Sustainability Committee oversees the development and implementation of the Bank's sustainability strategy and to make recommendations on ESG related matters to ensure sustainable growth of the Bank. The Bank has made available on its website the prevailing Terms of Reference of the Sustainability Committee.

As at the date of this report, the Sustainability Committee comprised four members as named below:

- Mr. Sunny Yiu-tong CHEUNG (Independent Non-executive Director) – Chairman;
- Mr. John Con-sing YUNG (Non-executive Director);
- Mr. Wallace Wing-ted LAM (Chief Executive); and
- Mr. Mong-ting CHONG (Deputy Chief Executive).

In addition to the members of the Sustainability Committee, the Chief Risk Officer and Head of Sustainability Department shall attend the Sustainability Committee meetings.

The Sustainability Committee has appointed a Sustainability Working Group comprising of senior executives of the Bank to carry out tasks as defined by the Committee.

The following is a summary of the major tasks performed by the Sustainability Committee for the year:

- Review and making recommendations to the Board for approval of the Terms of Reference of the Sustainability Committee
- Review and approval of the Terms of Reference of the Sustainability Working Group
- Review of reports on Sustainability Initiatives by the Sustainability Working Group on a regular basis
- Review and making recommendations to the Board for approval of the Materiality Assessment results
- Review and making recommendations to the Board for approval of the Sustainability Vision Statement, Sustainability Policy, Climate Risk Management Framework, Sustainability Key Performance Indicators and 2023 Sustainability Report
- Review and making recommendations to the Board for approval of the Corporate Governance Policy as well as other matters related to sustainability/climate risk

Senior management-level Committees

Asset and Liability Committee

The Asset and Liability Committee meets at least monthly to deal with issues related to the market, interest rate and liquidity risk of the Bank to ensure the Bank has, in particular, adequate funds to meet its obligations in liquidity management and capital planning, and the ability to identify emerging risks relating to balance sheet structure and changes in local and global economic condition. The Asset and Liability Committee reports directly to the Executive Committee, Audit Committee and Risk Committee.

The members of the Asset and Liability Committee are the Chief Executive, Deputy Chief Executive(s), Chief Risk Officer, Chief Financial Controller (Chair), and Division Chiefs/Heads responsible for compliance, risk management, treasury, corporate banking and retail banking of the Bank and/or their designee(s).

Credit Committee

The Credit Committee meets at least monthly to deal with all credit risk-related issues of the Group such as establishing credit policies and manuals, reviewing credit evaluation and approval procedures, evaluating credit applications and making credit decisions within its approved authority, monitoring loan portfolio quality, reviewing vulnerable, problem and non-performing loans and providing guide to management in recovery actions as appropriate and etc. The Credit Committee reports directly to the Executive Committee, Audit Committee and Risk Committee.

The members of the Credit Committee are the Chief Executive, Deputy Chief Executive and Chief of Corporate Banking Group, Deputy Chief Executive and Chief of Retail & Digital Strategy, Chief Risk Officer (Chair), Head of Credit, Head of Credit Appraisal, Head of Credit Control, Head of Credit Review & Policy and the Division Chief/Head responsible for legal & compliance of the Bank and/or their designee(s).

Compliance and Operational Risk Management Committee

The Compliance and Operational Risk Management Committee meets at least monthly to deal with major aspects of the Bank's risks, including but not limited to operational, legal, compliance and regulatory, reputation and conduct, technology and business continuity risks and to define the proper risk strategies within the Bank's overall business objectives and appetite as well as the framework of the Bank's policies and the Terms of Reference of this Committee. The Compliance and Operational Risk Management Committee reports directly to the Executive Committee, Audit Committee and Risk Committee.

The members of the Compliance and Operational Risk Management Committee are the Chief Executive, Deputy Chief Executive(s), Chief Risk Officer (Chair) and Division Chiefs/Heads responsible for legal, compliance, risk management, finance, treasury, information technology, human resources, retail banking, corporate banking, branches operations, compliance and administration, operations centres, and bank premises of the Bank and/or their designee(s).

Directors' Securities Transactions

The Board has not adopted code provision C.1.3 of the CG Code in relation to the setting up of written guidelines for Directors and relevant employees in respect of their dealings in the Bank's securities as the Bank's shares are not publicly listed.

Accountability and Audit

Directors' Responsibility in relation to Financial Reporting

The Directors are responsible for presenting a balanced, clear and comprehensive assessment of the Bank's performance, position and prospects. As such, the Management assists the Directors to discharge their duties through the submission of monthly financial and business updates of the Bank. Representatives of the Senior Management of core business lines and control functions are invited to attend Board/Board Committee meetings as appropriate to provide sufficient explanation and information, critical insights and analyses of the Bank's affairs relating to their areas of expertise to the Directors.

The Directors acknowledge their responsibility for preparing the financial statements of the Group in accordance with statutory requirements and applicable accounting standards. The Group's annual and interim results are reviewed by the Audit Committee and announced in a timely manner. As at 31 December 2024, the Directors of the Bank were not aware of any material uncertainties relating to events which may cast significant doubt upon the Group's ability to continue as a going concern. Accordingly, the Group's financial statements have been prepared on a going concern basis.

The statement of the Bank's external auditor concerning its reporting responsibilities on the Bank's consolidated financial statements and the key audit matters identified during the course of the audit are set out in the Independent Auditor's Report attached to the Bank's 2024 Consolidated Financial Statements.

Risk Management and Internal Controls

The Board is responsible for overseeing the risk management and internal control systems of the Bank including financial, operational and compliance controls, with its primary responsibility to review the effectiveness of these systems in achieving business objectives while safeguarding shareholders' interests and the Group's assets. Management is accountable for the day-to-day operations of risk management and is required to provide the Board with confirmation regarding the effectiveness of these systems.

The Group is fully committed to upholding high standards of corporate practices, with internal control systems subject to regular review. In particular, a well-established organizational structure, along with comprehensive policies and procedures are in place for ensuring effective checks and balances; addressing possible gaps in achieving business objectives; safeguarding assets against unauthorized use or disposition; maintaining proper accounting records and ensuring the reliability of financial information used within the business and for publication. The policies and procedures, providing reasonable but not absolute assurance against material errors, losses or fraud, are designed to ensure compliance with applicable laws, rules and regulations.

Pursuant to a risk-based approach, the Group has established various Board committees and departments responsible for assessing and managing the key risks facing the Bank. The Group has also implemented policies and procedures for managing credit risk, market risk, liquidity risk, operational risk, interest rate risk, strategic risk, legal, regulatory and compliance risk, technology risk, reputational risk and climate-related risks. Periodic reports on risk exposure and risk management activities are submitted to the Executive Committee and Risk Committee through the Asset and Liability Committee, Credit Committee, and Compliance and Operational Risk Management Committee and ultimately to the Board for monitoring the risk management and internal control systems. The Group's risk management strategies, risk tolerance and risk appetite are reviewed by the Risk Committee and approved by the Board.

In response to the escalating risks posed by the increasingly challenging economic and operational landscape, the Group has actively been reviewing our credit governance structure while diligently tracking key borrowers and assessing portfolios. We are committed to enhancing our credit risk management practices. While it might take time for the effort to be materialised, we will maintain a close watch on industry trends and market conditions and take necessary actions to protect the interest of the Bank.

The Audit Committee holds the responsibility of reviewing the external auditor's reports, which include recommendations on internal control, as part of the annual audit process. Furthermore, the Audit Committee reviews the Bank's internal audit findings in a timely manner. Given the highly regulated nature of the banking industry in Hong Kong, the Group has implemented a robust control framework to ensure compliance with relevant laws, rules, regulations and supervisory standards. Latest regulatory requirements are promptly brought to the attention of responsible units with revised guidelines and advices delivered for their implementation and strict adherence. Key compliance alerts and information are regularly reported to the Senior Management and the Board. Sufficient resources are allocated to ensure proper legal and regulatory compliance.

The Group is committed to promoting sound corporate culture to provide clear channels for both employees and external parties that deal with the Bank to report any illegal activities or misconduct observed. To facilitate this, the Group has established a Whistleblowing Policy that outlines a confidential whistleblowing channel and investigation mechanism. This policy enables employees and external parties to raise their genuine concerns in good faith about malpractice, impropriety, misconduct or unethical activity that they could compromise the interests of the customers, staff, shareholders, the public or the Group's image and reputation. All information received is treated confidentially, and the identity and interests of all whistle-blowers are protected.

Internal Audit

The Internal Audit function plays an important role in reinforcing the "Three Lines of Defence" risk management structure of the Bank. As the third line of defence, the Internal Audit function provides independent assurance to the Audit Committee and the Board as to whether the risk management and internal control systems of the Group are adequate and effective. It has unfettered access to Senior Management for seeking information and explanation on audit matters. The Chief Auditor of the Bank who leads a team with professional expertise reports directly to the Audit Committee.

The Internal Audit function adopts a risk-based approach in its auditing activities. It sets its internal audit plan annually for approval of the Audit Committee based on risk assessment methodology which assists in prioritizing audit resources and focusing on material control systems and higher risk areas. The review results are reported regularly to the Audit Committee. The Internal Audit function also verifies the rectification and implementation effectiveness taken by the Group on the observations and recommendations made by external auditors and regulatory bodies.

External Auditor

The Group's external auditor is PricewaterhouseCoopers. The Audit Committee is primarily responsible for making recommendations to the Board on the appointment, re-appointment and removal of the external auditor, including their remuneration and terms of engagement. The Audit Committee also regularly reviews and monitors the independence and objectivity as well as the effectiveness of the audit process of the external auditor.

To safeguard the independence of the external auditor, the Bank has established the Policy on Non-audit Services, setting out the criteria for appointing the external auditor to provide non-audit-related services.

The following table shows remuneration paid and payable to the external auditor:

(HK$'000)	2024	2023
Audit services	13,118	11,859
Non-audit-related services(Note)	6,613	7,492
	19,731	19,351

Note: Non-audit-related services include quarterly reviews under Hong Kong Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity", tax and independent assessments on ad hoc projects for regulatory purposes.

The Board, on recommendation by the Audit Committee, will propose that PricewaterhouseCoopers be re-appointed as auditor of the Group at the Annual General Meeting of the Bank to be held on 23 April 2025.

Company Secretary

The Company Secretary is an employee of the Bank who provides support to the Board by ensuring timely information is provided; Board procedures are followed; and the AoA, relevant rules and regulations including SPM CG-1 and the CG Code are complied with. The Company Secretary also advises the Board on corporate governance matters and facilitates provision of the induction programme to new Directors and continuous professional development to existing Directors.

During the year, the Company Secretary undertook over 15 hours of relevant professional training.

Employees

As of 31 December 2024, the total headcount (full-time employees only) of the Group was 1,983.

We regard human capital as one of the key pillars that contributes to the Bank's long-term success. Hence, dedicated efforts have been made to build and maintain a harmonious and safe working environment where our employees are engaged and can unleash their potential. In 2024, we conducted employee survey to gauge employees' feedback and come up with various action plans to reinforce the Bank's core values while enhancing staff engagement. We also recognize that family-friendly arrangements and benefits would increase the staff sense of belonging to the Bank. Therefore, we implemented revamped festive early release and staff mortgage policies, which improved the wellbeing of our colleagues.

The Bank is committed to supporting employees' professional and personal growth. In addition to providing a series of training courses for enhancing employees' professional competence, we introduced training programs or communication sessions which covered a greater variety of topics including credit risk management, climate risk management, global sustainable trends and opportunities, financial technology, cybersecurity, regulatory compliance, etc. in 2024 so as to equip employees with the required skills in coping with the current and future trends and challenges in the ever-changing banking environment.

We strive for developing talents. While bringing in talents from diverse cultural backgrounds, we have built our talent pipeline for manpower and succession planning through a series of career development initiative and cross-border exposure. In 2024, a batch of high potential employees completed the tailored development program and successfully took up various leading or key positions of the Bank.

Shareholders' Rights and Communications

Each shareholder currently has director representation on the Board through which effective communication with shareholders regarding the business and affairs of the Bank is maintained. Shareholders are well informed of their rights to call an extraordinary general meeting of the Bank, the procedures by which enquiries may be presented to the Board and proposals may be put forward at shareholders' meetings as stipulated under Sections 566 to 568 and 615 of the Companies Ordinance (Cap. 622). The Corporate Secretary acts as the contact to enable these enquiries or proposals be properly raised.

The Chairman of the Board is committed to maintaining constant communication with the shareholders to ensure that they have fair and timely access to the Bank's information. All announcements, regulatory disclosures, annual/interim reports, sustainability reports and press releases of the Bank are available on the corporate website (www.shacombank.com.hk). As the Bank is a non-listed public limited company and the representatives of the four shareholders, namely Empresa Inversiones Generales, S.A., Krinein Company, Wells Fargo Bank, National Association and Shanghai United International Investment Ltd., which own 48%, 9.6%, 20% and 22.4% issued shares of the Bank respectively, meet and communicate regularly, and the Board is of the view that there is effective communication with shareholders regarding the business and affairs of the Bank through their director representation on the Board, and considers it unnecessary for the time being to set up a shareholders' communication policy as stipulated in paragraph L of Part 1 of the CG Code but the matter would be evaluated whenever necessary.

Constitutional Document

At the Extraordinary General Meeting of the Bank held on 21 January 2025, the shareholders of the Bank had passed a special resolution to approve and adopt the new Articles of Association of the Bank in substitution for and to the exclusion of the preceding Memorandum and Articles of Association of the Bank. The Articles of Association of the Bank is available on the corporate website (www.shacombank.com.hk).

Hong Kong, 7 March 2025

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF SHANGHAI COMMERCIAL BANK LIMITED

(Incorporated in Hong Kong with limited liability)

Opinion

What we have audited

The consolidated financial statements of Shanghai Commercial Bank Limited (the "Bank") and its subsidiaries (the "Group"), which are set out on pages 55 to 139, comprise:

- the consolidated statement of financial position as at 31 December 2024;
- the consolidated statement of profit or loss for the year then ended;
- the consolidated statement of comprehensive income for the year then ended;
- the consolidated statement of changes in equity for the year then ended;
- the consolidated statement of cash flows for the year then ended; and
- the notes to the consolidated financial statements, comprising material accounting policy information and other explanatory information.

Our opinion

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 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 believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of the Group in accordance with the HKICPA's Code of Ethics for Professional Accountants ("the Code"), and we have fulfilled our other ethical responsibilities in accordance with the Code.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. The key audit matter identified in our audit is related to the measurement of expected credit losses of loans and advances to customers.

Key Audit Matters (Continued)

Measurement of expected credit losses ("ECL") of loans and advances to customers

As at 31 December 2024, the Group recorded loan impairment allowances of HK$1,257 million, in respect of the total gross loan balance of HK$76,684 million. The impairment allowances of loans and advances to customers are elaborated in Notes 3.1 and 18.

The determination of the expected credit losses involves complex methodologies and significant management judgment. Management has assessed the appropriateness of the overall ECL methodology and key assumptions. Management continues to determine the staging for its financial assets based on changes in credit quality since initial recognition by identifying Significant Increase in Credit Risk ("SICR") and default events. ECL is measured by the calculation model depending on the stage of the financial assets, which incorporated forward-looking key macroeconomic variables.

Key judgments and estimates in respect of ECL include:

(1) ECL methodology, key parameters and assumptions applied;

(2) Staging of the financial assets, including management's determination of SICR and default;

(3) Economic indicators for forward-looking measurement, and the application of economic scenarios; and

(4) The estimated future cash flow for loans and advances to customers in stage 3.

ECL of loans and advances to customers was considered a key audit matter due to the material balance of the Group's ECL on loans and advances to customers and the higher inherent risk in relation to the degree of estimation uncertainty, involvement of management judgments and use of various parameters and data inputs in such measurement.

How our audit addressed the Key Audit Matter

We obtained an understanding of the management's internal control and assessment process behind ECL and assessed the inherent risk of material misstatement by considering the degree of estimation uncertainty and level of other inherent risk factors such as complexity, subjectivity, changes and susceptibility to management bias or fraud.

We obtained an understanding, evaluated and tested the controls that management has established to support their measurement of ECL. Furthermore we performed substantive audit procedures to assess the significant judgments, assumptions and disclosures. Our key procedures are set out below:

– We observed and inspected evidence of management governance and ongoing monitoring over ECL models including model performance and regular model validation, and management overlay adjustments (if any). We assessed the appropriateness of model validation and regular monitoring results with the support of internal credit model experts. We also validated the accuracy of data inputs and parameters used in the ECL model;

Key Audit Matters (Continued)

How our audit addressed the Key Audit Matter (Continued)

- We observed and inspected evidence of Credit Committee's oversight and regular monitoring of the overall credit quality. In addition, we observed and inspected regular post draw-down monitoring of credit quality by monitoring units which are independent from the loan initiation units, including identification of SICR and defaults. We tested on a sample basis, management's post draw-down credit reviews and assessed the appropriateness of management's identification of SICR or defaults by considering financial information and non-financial information of the borrowers, relevant external evidence and other factors. Our samples included borrower groups from higher risk industries, and exposures exhibiting higher risk characteristics;

- We inspected evidence of regular review and approval of key management judgments over forward-looking measurement. Additionally, we evaluated and challenged management's forward-looking measurement, including management's analysis of their selection of economic indicators, economic scenarios and forecasts applied, and assessed the reasonableness of the prediction of economic indicators;

- We tested, on a sample basis, the ECL calculation of stage 3 loans by challenging management's assumptions in deriving the future cashflows based on borrowers' circumstances, objective evidence of inputs for impairment calculation (including valuation of collateral and macroeconomic variable estimates) and our industry knowledge; and

- We assessed the adequacy of the disclosures related to ECL of loans and advances to customers in the Annual Report 2024 in the context of the applicable financial reporting framework.

Based on the results of the above testing, we considered that management's judgments and assumptions applied in determining the ECL of loans and advances to customers were supportable by the evidence obtained and procedures performed.

Other Information

The directors of the Bank are responsible for the other information. The other information comprises all of the information included in the annual report other than the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Directors and the Audit Committee for the Consolidated Financial Statements

The directors of the Bank are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with HKFRSs issued by the HKICPA and the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

The Audit Committee are responsible for overseeing the Group's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. We report our opinion solely to you, as a body, in accordance with Section 405 of the Hong Kong Companies Ordinance, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAs 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 HKSAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

– Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;

– Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control;

– Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors;

– Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern;

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; and

– 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.

We also provide the Audit Committee with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with the Audit Committee, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is Ms. NG Wai Ying.

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, 7 March 2025

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

(All amounts in HK dollar thousands unless otherwise stated)

		Year ended 31 December	
	Note	2024	2023
Interest income	6	10,442,155	9,987,780
Interest expense	6	(6,040,442)	(5,591,406)
Net interest income		4,401,713	4,396,374
Fee and commission income		635,962	644,939
Fee and commission expense		(66,625)	(58,607)
Net fee and commission income	7	569,337	586,332
Net trading income	8	302,285	288,876
Net gains from disposal of investment securities at fair value through other comprehensive income		9,696	2,523
Dividend income from investment securities at fair value through other comprehensive income		348,836	204,719
Other operating income	9	121,251	124,133
Net (loss)/income from insurance services	10	(1,285)	4,859
Operating expenses	11	(1,919,236)	(1,850,190)
Credit impairment losses	12	(3,122,694)	(1,657,127)
Operating profit		709,903	2,100,499
Share of net profits/(losses) of associates and joint venture	25	48,897	(34,782)
Profit before income tax		758,800	2,065,717
Income tax expense	14	(228,144)	(497,200)
Profit for the year		530,656	1,568,517
Attributable to:			
Equity holders of the Bank		521,684	1,561,602
Non-controlling interests		8,972	6,915
		530,656	1,568,517

The notes on pages 61 to 139 are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

(All amounts in HK dollar thousands unless otherwise stated)

	Year ended 31 December	
	2024	2023
Profit for the year	530,656	1,568,517
Other comprehensive income		
Items that may be reclassified to profit or loss		
Currency translation difference arising from overseas operations	(102,985)	(19,808)
Investment securities at fair value through other comprehensive income		
– Change in fair value	494,148	1,185,778
– Change in credit impairment losses recognised in profit or loss	4,070	(4,840)
– Fair value changes transferred to profit or loss on disposal	(9,696)	(2,523)
– Deferred income tax	(79,934)	(195,237)
Items that will not be reclassified to profit or loss		
Equity investments at fair value through other comprehensive income		
– Change in fair value	1,285,244	384,143
– Deferred income tax	7,272	(66,073)
Share of reserves of associates and joint venture	1,944	135
Other comprehensive income for the year, net of tax	1,600,063	1,281,575
Net comprehensive income for the year	2,130,719	2,850,092
Attributable to:		
Equity holders of the Bank	2,121,805	2,843,177
Non-controlling interests	8,914	6,915
Net comprehensive income for the year	2,130,719	2,850,092

The notes on pages 61 to 139 are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

(All amounts in HK dollar thousands unless otherwise stated)

	Note	As at 31 December 2024	2023
ASSETS			
Cash and balances with banks	16	58,562,548	60,451,371
Placements with banks	17	26,106,090	22,339,251
Loans and advances to customers	18	75,426,755	89,238,461
Financial assets at fair value through profit or loss	19	202,045	1,054,988
Derivative financial instruments	20	505,141	726,213
Investment securities at fair value through other comprehensive income	21	53,313,796	40,413,030
Investment securities at amortised cost	22	4,909,880	8,009,407
Properties for sale	23	913,079	863,718
Investments in associates and joint venture	25	322,867	431,020
Properties and equipment	26	2,292,902	2,384,013
Investment properties	27	975,991	984,884
Deferred income tax assets	32	749,694	432,899
Assets held for sale	25	129,664	–
Other assets	28	3,020,553	2,615,289
TOTAL ASSETS		227,431,005	229,944,544
LIABILITIES			
Deposits and balances from banks		4,690,900	5,066,976
Deposits from customers	29	177,425,402	179,008,632
Derivative financial instruments	20	496,586	749,830
Subordinated debts	30	2,692,532	5,041,686
Other liabilities	31	3,739,604	3,559,900
Current income tax liabilities		134,674	397,698
Deferred income tax liabilities	32	10,247	9,001
TOTAL LIABILITIES		189,189,945	193,833,723
EQUITY			
CAPITAL AND RESERVES ATTRIBUTABLE TO EQUITY HOLDERS			
Share capital	33	2,000,000	2,000,000
Retained earnings		25,475,571	25,024,409
Reserves	34	10,647,116	8,976,473
		38,122,687	36,000,882
Non-controlling interests in equity		118,373	109,939
TOTAL EQUITY		38,241,060	36,110,821
TOTAL EQUITY AND LIABILITIES		227,431,005	229,944,544

Approved and authorised for issue by the Board of Directors on 7 March 2025.

Stephen Ching Yen LEE
Chairman

John Con-sing YUNG
Director

Gordon Che Keung KWONG
Director

Charles Chi Man MA
Executive Director

The notes on pages 61 to 139 are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

(All amounts in HK dollar thousands unless otherwise stated)

		Attributable to equity holders			Non-controlling interests	Total equity
	Note	Share capital	Reserves	Retained earnings		
As at 1 January 2023		2,000,000	7,694,221	23,738,484	103,384	33,536,089
Profit for the year		–	–	1,561,602	6,915	1,568,517
Other comprehensive income net of tax		–	1,282,252	(677)	–	1,281,575
Net change in fair value of investment securities at fair value through other comprehensive income	34	–	1,301,248	–	–	1,301,248
Currency translation difference arising from overseas operations	34	–	(19,613)	(195)	–	(19,808)
Share of reserves of associates and joint venture	34	–	617	(482)	–	135
Net comprehensive income for the year		–	1,282,252	1,560,925	6,915	2,850,092
Payment of dividend relating to 2022		–	–	(275,000)	(360)	(275,360)
As at 31 December 2023 and 1 January 2024		**2,000,000**	**8,976,473**	**25,024,409**	**109,939**	**36,110,821**
Profit for the year		**–**	**–**	**521,684**	**8,972**	**530,656**
Other comprehensive income net of tax		**–**	**1,670,643**	**(70,522)**	**(58)**	**1,600,063**
Net change in fair value of investment securities at fair value through other comprehensive income	34	**–**	**1,701,162**	**–**	**(58)**	**1,701,104**
Currency translation difference arising from overseas operations	34	**–**	**(32,982)**	**(70,003)**	**–**	**(102,985)**
Share of reserves of associates and joint venture	34	**–**	**2,463**	**(519)**	**–**	**1,944**
Net comprehensive income for the year		**–**	**1,670,643**	**451,162**	**8,914**	**2,130,719**
Payment of dividend relating to 2023		**–**	**–**	**–**	**(480)**	**(480)**
As at 31 December 2024		**2,000,000**	**10,647,116**	**25,475,571**	**118,373**	**38,241,060**

The notes on pages 61 to 139 are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

(All amounts in HK dollar thousands unless otherwise stated)

	Note	Year ended 31 December 2024	2023
Cash flows from operating activities			
Profit before income tax		**758,800**	2,065,717
Share of net (profits)/losses of associates and joint venture	25	**(48,897)**	34,782
Credit impairment losses	12	**3,122,694**	1,657,127
Depreciation expenses		**208,585**	223,307
Amortisation of computer software	28	**16,763**	3,267
Net losses from disposal of equipment	9	**119**	33
Net gains from disposal of investment securities at fair value through other comprehensive income		**(9,696)**	(2,523)
Interest income on investment securities at amortised cost and at fair value through other comprehensive income	6	**(1,640,811)**	(1,046,793)
Interest expense on subordinated debts	6	**184,596**	276,059
Interest expense on lease liabilities	6	**10,759**	8,816
Dividend income on investment securities at fair value through other comprehensive income		**(348,836)**	(204,719)
Hong Kong profits tax paid		**(653,708)**	(85,434)
Overseas tax paid		**(221,372)**	(446,791)
Effect of exchange rate changes		**82,140**	(141,270)
Cash flows from operating activities before changes in operating assets and liabilities		**1,461,136**	2,341,578
Changes in operating assets and liabilities:			
- Net decrease in balances with banks with original maturity beyond 3 months		**2,042,119**	2,354,857
- Net (increase)/decrease in placements with banks with original maturity beyond 3 months		**(1,569,391)**	7,213,751
- Net decrease/(increase) in financial assets at fair value through profit or loss		**852,943**	(84,141)
- Net increase in derivative financial instruments		**(32,172)**	(21,755)
- Net decrease in loans and advances to customers		**10,354,846**	5,372,726
- Net increase in other assets		**(384,660)**	(298,174)
- Net decrease in deposits and balances from banks		**(297,516)**	(2,402,686)
- Net (decrease)/increase in deposits from customers		**(270,025)**	2,489,179
- Net (decrease)/increase in other liabilities		**(233,112)**	729,698
Net cash generated from operating activities		**11,924,168**	17,695,033

CONSOLIDATED STATEMENT OF CASH FLOWS

(All amounts in HK dollar thousands unless otherwise stated)

	Note	Year ended 31 December 2024	2023
Cash flows from investing activities			
Interest received on investment securities at amortised cost and at fair value through other comprehensive income		1,043,973	1,044,383
Dividends received on investment securities at fair value through other comprehensive income		348,836	204,719
Dividends received from associates and joint venture	25	29,330	21,855
Purchases of properties and equipment		(31,242)	(42,716)
Additions of properties for sale		(49,361)	(107,075)
Additions of computer software	28	(53,757)	(40,701)
Proceeds from sale of equipment		266	23
Purchases of investment securities at amortised cost and at fair value through other comprehensive income		(52,434,580)	(14,781,751)
Proceeds from sale and redemption of investment securities at amortised cost and at fair value through other comprehensive income		43,839,681	25,226,415
Deposits received on sale of properties for sale		462,591	–
Net cash (used in)/generated from investing activities		(6,844,263)	11,525,152
Cash flows from financing activities			
Issuance of subordinated debts	35	–	2,714,169
Redemption of subordinated debts	35	(2,346,945)	–
Interest paid on subordinated debts		(233,005)	(204,630)
Payment of lease liabilities	35	(100,202)	(109,133)
Dividend paid to equity holders		–	(275,000)
Dividend paid to non-controlling interests		(480)	(360)
Net cash (used in)/generated from financing activities		(2,680,632)	2,125,046
Net increase in cash and cash equivalents		2,399,273	31,345,231
Cash and cash equivalents at beginning of the year		69,703,686	38,436,685
Effect of exchange rate changes on cash and cash equivalents		(742,423)	(78,230)
Cash and cash equivalents at end of the year		71,360,536	69,703,686
Represented by:			
Cash and balances with banks with less than 3 months' original maturity	16	55,684,667	55,531,208
Placements with banks with less than 3 months' original maturity	17	15,078,971	12,880,610
Debt securities – Exchange Fund Bills with less than 3 months' original maturity		596,898	1,291,868
		71,360,536	69,703,686
Cash flows from operating and investing activities included:			
Interest received		10,074,776	9,627,297
Interest paid		(6,011,488)	(4,742,907)

The notes on pages 61 to 139 are an integral part of these consolidated financial statements.

1 GENERAL INFORMATION

Shanghai Commercial Bank Limited (the "Bank") and its subsidiaries (together, the "Group") are engaged in the provision of banking and related financial services in Hong Kong, the United States, the United Kingdom and the mainland China.

The Bank is a financial institution incorporated in Hong Kong. The address of its registered office is Shanghai Commercial Bank Tower, 12 Queen's Road Central, Hong Kong.

The ultimate holding company is The Shanghai Commercial & Savings Bank, Ltd., which is incorporated in Taiwan.

These consolidated financial statements are presented in thousands of units of Hong Kong Dollars (HK$'000), unless otherwise stated and were approved for issue by the Board of Directors on 7 March 2025.

2 MATERIAL ACCOUNTING POLICY INFORMATION

The material accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

2.1 Basis of preparation

The consolidated financial statements of the Group have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards ("HKFRSs") and the requirements of the Hong Kong Companies Ordinance Cap. 622. The consolidated financial statements have been prepared under the historical cost convention, as modified by the revaluation of investment securities at fair value through other comprehensive income, financial instruments at fair value through profit or loss and derivative financial instruments, which are carried at fair value.

The preparation of financial statements in conformity with HKFRSs requires the use of certain critical accounting estimates. It also requires management to exercise its judgements in the process of applying the Group's accounting policies. The areas involving a higher degree of judgements or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in Note 4.

(a) Amendments, new standards and interpretations adopted by the Group for the year ended 31 December 2024

A number of amendments, new standards and interpretations become applicable for the current year. They do not have significant impact to the financial statements of the Group.

	Effective for accounting periods beginning on or after
Amendments to HKFRS 16 – Lease Liability in a Sale and Leaseback	1 January 2024
Amendments to HKAS 1 – Classification of Liabilities as Current or Non-current and Non-current Liabilities with Covenants	1 January 2024
Hong Kong Interpretation 5 (Revised) – Presentation of Financial Statements – Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause	1 January 2024

(All amounts in HK dollar thousands unless otherwise stated)

2 MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)

2.1 Basis of preparation (Continued)

(b) Amendments and new standards issued but not yet effective for the year ended 31 December 2024

	Effective for accounting periods beginning on or after
Amendments to HKAS 21 on Lack of Exchangeability	1 January 2025
Amendments to HKFRS 9 and HKFRS 7 – Amendments to the Classification and Measurement of Financial Instruments	1 January 2026
HKFRS 18 – Presentation and Disclosure in Financial Statements	1 January 2027
HKFRS 19 – Subsidiaries without Public Accountability: Disclosures	1 January 2027

The Group has not early adopted amendments and new standards that have been issued but are not yet effective for the year ended 31 December 2024.

2.2 Consolidation

The consolidated financial statements include the financial statements of the Bank and all its subsidiaries made up to 31 December 2024.

(a) Subsidiaries

Subsidiaries are all entities (including structured entities) over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

Inter-company transactions, balances and unrealised gains on transactions between group companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of impairment of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

(b) Associates and joint ventures

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

A joint venture is an arrangement whereby the Group and other parties contractually agree to share control of the arrangement and have right to the net assets of the arrangement.

Investments in associates and joint ventures are accounted for using the equity method, and are initially recognised in the consolidated statement of financial position at cost and adjusted thereafter to recognise the Group's share of the post-acquisition profits or losses and movements in other comprehensive income.

When the Group transacts with its associates or joint ventures, profits and losses resulting from such transactions are recognised in the Group's consolidated financial statements only to the extent of interests in the associates or joint ventures that are not related to the Group.

2 MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)

2.3 Foreign currency translation

(a) Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates ("the functional currency"). The consolidated financial statements are presented in thousands of units of Hong Kong Dollars (HK$'000), which is the Bank's functional and presentation currency.

(b) Transactions and balances

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

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

Foreign exchange gains and losses resulting from the settlement of foreign currency transactions and from the translation at exchange rates at the reporting date of monetary assets and liabilities denominated in foreign currencies are recognised in the statement of profit or loss.

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

In the case of changes in the fair value of monetary assets denominated in foreign currency classified as fair value through other comprehensive income ("FVOCI"), a distinction is made between translation differences resulting from changes in amortised cost of the security and other changes in the carrying amount of the security.

Translation differences related to changes in the amortised cost are recognised in profit or loss, and other changes in the carrying amount, except impairment, are recognised in other comprehensive income.

Translation differences on non-monetary financial instruments, such as equities held at fair value through profit or loss ("FVTPL"), are reported as part of the fair value gain or loss or such as equities classified as FVOCI investments, are included in other comprehensive income.

(c) Group companies and overseas branches

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

– Assets and liabilities for each statement of financial position presented are translated at the closing rate at the reporting date;

– Income and expenses for each statement of profit or loss are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the dates of the transactions); and

– All resulting exchange differences are recognised in other comprehensive income.

On consolidation, exchange differences arising from the translation of the net investment in foreign entities, are taken to other comprehensive income. When a foreign operation is disposed of, or partially disposed of, such exchange differences that were recorded in equity are recognised in the statement of profit or loss as part of the gain or loss on sale.

2 MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)

2.4 Fee and commission income and expense

Fee and commission income and expense is recognised at a point in time when the services are rendered. Loan fees for servicing a loan are recognised as fee income. Portfolio and other management advisory and service fees are recognised based on the applicable service contracts, usually over the tenor of the contract.

2.5 Dividend income

Dividends are recognised in the statement of profit or loss when the entity's right to receive payment is established.

2.6 Financial assets, financial liabilities, interest income and expense

Measurement methods

Initial recognition and measurement

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

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

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

(a) When the fair value is evidenced by a quoted price in an active market for an identical asset or liability (i.e. a Level 1 input) or based on a valuation technique that uses only data from observable markets, the difference is recognised as a gain or loss.

(b) In all other cases, the difference is deferred and the timing of recognition of deferred day one profit or loss is determined individually. It is either amortised over the life of the instrument, deferred until the instrument's fair value can be determined using market observable inputs, or realised through settlement.

2 MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)

2.6 Financial assets, financial liabilities, interest income and expense (Continued)

Classification and subsequent measurement

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

– Amortised cost;

– FVOCI; or

– FVTPL.

Debt instruments

Classification and subsequent measurement of debt instruments depend on:

(i) the Group's business model for managing the asset; and

(ii) the cash flow characteristics of the asset.

There are three measurement categories into which the Group classifies its debt instruments:

(a) Amortised cost: Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest ("SPPI"), and that are not designated at FVTPL, are measured at amortised cost. The carrying amount of these assets is adjusted by ECL recognised. Interest income from these financial assets is included in "Net interest income" using the effective interest rate method.

(b) FVOCI: Assets that are held for collection of contractual cash flows and for selling the assets, where the assets' cash flows represent solely payments of principal and interest, and that are not designated at FVTPL, are measured at FVOCI. Movements in the carrying amount are taken through other comprehensive income, except for the recognition of impairment gains or losses, interest income and foreign exchange gains and losses on the instrument's amortised cost which are recognised in profit or loss. When the financial asset is derecognised, the cumulative gain or loss previously recognised in other comprehensive income is reclassified from equity to profit or loss. Interest income from these financial assets is included in "Net interest income" using the effective interest rate method.

(c) FVTPL: Assets that do not meet the criteria for amortised cost or FVOCI are measured at FVTPL. A gain or loss on a debt instrument that is subsequently measured at FVTPL is recognised in profit or loss and presented net in the statement of profit or loss within "Net trading income" in the period in which it arises.

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

SPPI: Where the business model is to hold assets to collect contractual cash flows or to collect contractual cash flows and sell, the Group assesses whether the financial instruments' cash flows represent solely payments of principal and interest (the "SPPI test"). In making this assessment, the Group considers whether the contractual cash flows are consistent with a basic lending arrangement i.e. interest includes only consideration for the time value of money, credit risk, other basic lending risks and a profit margin that is consistent with a basic lending arrangement. Where the contractual terms introduce exposure to risk or volatility that are inconsistent with a basic lending, the related financial asset is classified and measured at fair value through profit or loss.

2 MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)

2.6 Financial assets, financial liabilities, interest income and expense (Continued)

Classification and subsequent measurement (Continued)

Equity instruments

The Group subsequently measures equity instruments at FVTPL, except where the Group's management has elected, at initial recognition, to irrevocably designate an equity security at FVOCI. Where the Group's management has elected to present fair value gains and losses on equity instruments in other comprehensive income, there is no subsequent reclassification of fair value gains and losses to profit or loss following the derecognition of the instruments. Dividends from such instruments continue to be recognised in profit or loss as dividend income when the Group's right to receive payments is established.

Gains and losses on equity instruments at FVTPL are included in the "Net trading income" in the statement of profit or loss.

Modification of financial assets

If the borrower is in financial difficulty, where the terms of the financial assets are modified and being substantially different to the original terms, the Group derecognises the original financial asset and recognises a "new" asset at fair value and recalculates a new effective interest rate for the asset. The date of renegotiation is consequently considered to be the date of initial recognition for impairment calculation purpose, including for the purpose of determining whether a significant increase in credit risk has occurred. However, the Group also assesses whether the new financial asset recognised is deemed to be credit-impaired at initial recognition, especially in circumstances where the renegotiation was driven by the debtor being unable to make the originally agreed payments. Difference in the carrying amount is also recognised in profit or loss as a gain or loss on derecognition.

If the terms are not substantially different, the renegotiation or modification does not result in derecognition, the financial asset continues to be subject to the same assessments for significant increase in credit risk relative to initial recognition and credit-impairment.

Derecognition other than on a modification

Financial assets, or a portion thereof, are derecognised when the contractual rights to receive the cash flows from the assets have expired, or when they have been transferred and either (i) the Group transfers substantially all the risks and rewards of ownership, or (ii) the Group neither transfers nor retains substantially all the risks and rewards of ownership and the Group has not retained control.

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

(i) does not have obligation to make payments unless it collects equivalent amounts from the assets;

(ii) is prohibited from selling or pledging the assets; and

(iii) has an obligation to remit any cash it collects from the assets without material delay.

Collateral furnished by the Group under standard repurchase agreements and securities lending and borrowing transactions are not derecognised because the Group retains substantially all the risks and rewards on the basis of the predetermined repurchase price, and the criteria for derecognition are therefore not met.

2 MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)

2.6 Financial assets, financial liabilities, interest income and expense (Continued)

Impairment of financial assets

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

– An unbiased and probability-weighted amount that is determined by evaluating a range of possible outcomes;

– The time value of money; and

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

Note 3.1.1 provides more detail of how the ECL is measured.

Financial liabilities

Classification and subsequent measurement

The Group classifies its financial liabilities at amortised cost, except for:

(a) financial liabilities at fair value through profit or loss: this classification is applied to derivatives, financial liabilities held for trading and other financial liabilities designated as such at initial recognition. Gains or losses on financial liabilities designated at fair value through profit or loss are presented partially in other comprehensive income (the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability, which is determined as the amount that is not attributable to changes in market conditions that give rise to market risk) and partially profit or loss (the remaining amount of change in the fair value of the liability). Should such a presentation create, or enlarge, an accounting mismatch, in which case the gains and losses attributable to changes in the credit risk of the liability are also presented in profit or loss; and

(b) financial liabilities arising from the transfer of financial assets which did not qualify for derecognition: when the transfer of financial asset did not qualify for derecognition, a financial liability is recognised for the consideration received for the transfer. In subsequent periods, the Group recognises any expense incurred on the financial liability.

Derecognition

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

Interest income and expense

Interest income and expense for all interest-bearing financial instruments, except for those classified as financial assets or financial liabilities at fair value through profit or loss, are recognised within “interest income” and “interest expense” in the statement of profit or loss using the effective interest method.

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

2 MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)

2.6 Financial assets, financial liabilities, interest income and expense (Continued)

Interest income and expense (Continued)

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

(a) POCI financial assets, for which the original credit-adjusted effective interest rate is applied to the amortised cost of the financial asset.

(b) Financial assets that have subsequently become credit-impaired (or "Stage 3"), for which interest income is calculated by applying the effective interest rate to their amortised cost (i.e. net of the ECL provision).

2.7 Derivative financial instruments

Derivatives are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently remeasured at their fair value. Fair values are obtained from quoted market prices in active markets, including recent market transactions, and valuation techniques, including discounted cash flow models and options pricing models, as appropriate. All derivatives are carried as assets when fair value is positive and as liabilities when fair value is negative.

2.8 Financial guarantee contracts and loan commitments

Financial guarantee contracts are contracts that require the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payments when due, in accordance with the terms of a debt instrument. Such financial guarantees are given to banks, financial institutions and other bodies on behalf of customers to secure loans, overdrafts and other banking facilities.

The fair value of the financial guarantee contracts is initially recognised as the premium received in accordance with HKFRS 15. Subsequent to initial recognition, the Group has taken into account the amount of expected credit loss under HKFRS 9.

Loan commitments provided by the Group are measured as the amount of the loss allowance (calculated as described in note 3.1.1). The Group has not provided any commitment to provide loans at a below-market interest rate, or that can be settled net in cash or by delivering or issuing another financial instrument.

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

2.9 Determination of fair value

For financial instruments traded in active markets, the determination of fair values of financial assets and financial liabilities is based on quoted market prices or dealer price quotations. This includes listed equity securities and quoted debt instruments on major exchanges and broker quotes from Bloomberg and Thomson Reuters.

A financial instrument is regarded as quoted in an active market if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis. If the above criteria are not met, the market is regarded as being inactive. Indications that a market is inactive are when there is a wide bid-offer spread or significant increase in the bid-offer spread or there are few recent transactions.

For all other financial instruments, fair value is determined using valuation techniques. In these techniques, fair values are estimated from observable data in respect of similar financial instruments, using models to estimate the present value of expected future cash flows or other valuation techniques, using inputs (for example, yield curves, FX rates, volatilities and counterparty spreads) existing at the end of each reporting period.

The Group uses widely recognised valuation models for determining fair values of non-standardised financial instruments of lower complexity, such as options or interest rate and currency swaps. For these financial instruments, inputs into models are generally market-observable.

2 MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)

2.9 Determination of fair value (Continued)

The output of a model is always an estimate or approximation of a value that cannot be determined with certainty, and valuation techniques employed may not fully reflect all factors relevant to the positions the Group holds. Valuations are therefore adjusted, where appropriate, to allow for additional factors including model risks, liquidity risk and counterparty risk. Based on the established fair value model governance policies, and related controls and procedures applied, management believes that these valuation techniques are necessary and appropriate to fairly state the values of financial instruments carried at fair value in the statement of financial position. Price data and parameters used in the measurement procedures applied are generally reviewed carefully and adjusted, if necessary, particularly in view of the current market developments.

The fair values of contingent liabilities and irrevocable loan commitments correspond to their carrying amounts.

2.10 Properties and equipment

(a) Land and bank premises

Land and buildings comprise mainly branches and offices. Leasehold land and buildings are stated at historical cost, which includes expenditure that is directly attributable to the acquisition of the items, less accumulated depreciation and impairment losses. Depreciation of land and buildings is provided annually by charging a sum sufficient to write down the cost of the land and buildings systematically. The land is depreciated over the lease term. The depreciation of the buildings is based on management's appraisal of their conditions, which includes estimations of the remaining useful lives, which are not expected to exceed 40 years.

Interest in freehold land is stated at cost.

(b) Furniture, fittings and equipment

Furniture, fittings and equipment are stated at historical cost less accumulated depreciation and impairment losses. Depreciation of furniture, fittings and equipment are calculated to write off the costs of the assets over their estimated useful lives on a straight line basis over 4 to 10 years.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance are expensed in the statement of profit or loss during the financial period in which they are incurred.

(c) Property under development

Leasehold land for property under development is stated at historical cost, less accumulated depreciation and impairment losses, and development expenditure is stated at the aggregate amount of costs incurred up to the date of completion. For depreciation of leasehold land for properties under development, please refer to Note 2.10(a) above.

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period. Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount. The recoverable amount is the higher of the asset's fair value less costs to sell and value in use.

Gains or losses on disposals are determined by comparing proceeds and the carrying amount of the relevant assets and are recognised in the statement of profit or loss.

2 MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)

2.11 Investment properties

Property that is held for long-term rental yields or for capital appreciation or both is classified as investment property. Investment properties are land and office buildings. Investment properties are measured at cost less subsequent accumulated depreciation and any accumulated impairment losses. Depreciation is charged so as to write off the cost of investment properties using the straight-line method over the unexpired period of the lease term for land and the shorter of the leases or 40 years for buildings.

2.12 Properties for sale

Properties for sale are carried at the lower of cost and net realisable value. Net realisable value takes into account the price ultimately expected to be realised and the anticipated costs to completion.

2.13 Assets held for sale

A non-current asset is classified as held for sale if it is highly probable that its carrying amount will be recovered through a sale transaction rather that through continuing use and the asset is available for sale in its present condition. Immediately before classification as held for sale, the measurement of the non-current assets is brought up-to-date in accordance with the accounting policies before the classification. Then, on initial classification as held for sale and until disposal, the non-current assets (except for certain assets as explained below), are recognised at the lower of their carrying amount and fair value less costs to sell. The principal exceptions to this measurement policy so far as the financial statements of the Group are concerned are deferred tax assets, assets arising from employee benefits, financial assets (other than investments in subsidiaries, associates and joint ventures) and investment properties. These assets, even if held for sale, would continue to be measured in accordance with the policies set out elsewhere in Note 2.

Impairment losses on initial classification as held for sale, and on subsequent remeasurement while held for sale, are recognised in the consolidated statement of profit or loss. As long as a non-current asset is classified as held for sale, or is included in a disposal group that is classified as held for sale, the non-current asset is not depreciated or amortised.

2.14 Leases

Leases are recognised as a right-of-use asset and a corresponding liability on the date when the leased asset is available for use by the Group. Each lease payment is allocated between the liability and finance cost (i.e. interest on lease liabilities). The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The right-of-use asset is depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis.

The accounting for leasehold land remains the same. Please refer to Note 2.10 (a) for details.

2.15 Current and deferred income tax

The tax expense for the period comprises current and deferred tax. Tax is recognised in the statement of profit or loss, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, the tax is also recognised in other comprehensive income or directly in equity.

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the reporting date in the countries where the Group's entities operate and generate taxable income.

Deferred income tax is recognised, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantively enacted at the reporting date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

2 MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)

2.16 Provisions

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events; it is more likely than not that an outflow of resources will be required to settle the obligation; and the amount has been reliably estimated.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to the passage of time is recognised as interest expense.

2.17 Related parties

For the purposes of these financial statements, a party is considered to be related to the Group if that party controls, jointly controls or has significant influence over the Group; is a member of the same financial reporting group, such as parents, subsidiaries and fellow subsidiaries; is an associate or a joint venture of the Group or parent reporting group; is a key management personnel of the Group or parents, or where the Group and the party are subject to common control. Related parties may be the individuals or entities.

2.18 Fiduciary activities

The Group commonly acts as trustees and in other fiduciary capacities, for a fee and commission income, that result in the holding or placing of assets on behalf of individuals, trusts and other institutions. These assets and income arising thereon are excluded from these financial statements, as they are not assets of the Group.

2.19 Segment reporting

Operating segments, and the amounts of each segment item reported in the consolidated financial statements, are identified from the financial information provided regularly to the Group's most senior executive management for the purposes of allocating resources to, and assessing the performance of, the Group's various lines of business and geographical locations.

Individually material operating segments are not aggregated for financial reporting purposes unless the segments have similar economic characteristics and are similar in respect of the nature of products and services, the nature of production processes, the type or class of customers, the methods used to distribute the products or provide the services, and the nature of the regulatory environment. Operating segments which are not individually material may be aggregated if they share a majority of these criteria.

3 FINANCIAL RISK MANAGEMENT

The Group's activities expose it to a variety of financial risks and those activities involve the analysis, evaluation, acceptance and management of some degree of risk or combination of risks. Taking risk is core to the financial business, and the operational risks are an inevitable consequence of being in business. The Group's aim is therefore to achieve an appropriate balance between risk and return and minimise potential adverse impacts on the Group's financial performance.

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

The Group has in place policies and procedures for the identification, measurement, control and monitoring of credit, liquidity, market, interest rate, foreign exchange and operational risks. One of the major functions of the Board of Directors is to ensure that the Group establishes policies, procedures and controls to manage the various types of risk it faces. The Board of Directors has delegated its powers to the Risk Committee, the Executive Committee, the Sustainability Committee, the Asset and Liability Committee, the Credit Committee and the Compliance and Operational Risk Management Committee for the oversight of major functional areas. While the risk appetite of the Group is approved by the Board of Directors, risk control limits are approved, reviewed, and monitored regularly by various Board-level specialized committees. Risk Committee is further responsible for assisting the Board in ensuring adequate oversight of bank-wide risks, and advising the Board on high-level risk related matters, risk management strategies and risk governance of the Group, within the framework of the Group's policies. Senior management is always watchful for changes in economic, political and market conditions in which the Group operates and the inherent risks the Group faces.

The Risk Management Division and Credit Division are responsible for monitoring the overall risk management of the Group's operations. Reconciliation procedures are also in place to ensure that the systems capture all necessary data. Prior to implementation of any new product or service, various analyses, testing, development and planning will be performed and its proposal will be approved by the Product/Service Governance Committee or Chief Executive. All of the above arrangements ensure that the risk management processes are operating effectively.

The Internal Audit Department is responsible for conducting independent review on the effectiveness of the Group's risk management and control environment.

3.1 Credit risk

The Group takes on exposure to credit risk, which is the risk that a counterparty will cause a financial loss for the Group by failing to discharge an obligation. Significant changes in the economy, or in the health of a particular industry segment that represents a concentration in the Group's portfolio, could result in impairment that are different from those provided for at the reporting date.

The Group has in place effective credit review, monitoring and control systems including an effective loan classification system that identify, monitor, and determine impairment allowance in a timely manner. Management therefore carefully manages the exposure to credit risk.

The Group structures the levels of credit risk it undertakes by placing limits on the amount of risk accepted in relation to one borrower, or groups of borrowers, and to geographical and industry segments. Such risks are monitored on a revolving basis and subject to an annual or more frequent review. Limits on the level of credit risk by product, industry sector and by country are reviewed and approved by the Board of Directors from time to time but at least annually.

The exposure to any one counterparty including banks and brokers is further restricted by sub-limits covering on- and off-balance sheet exposures, and daily delivery risk limits in relation to trading items such as forward foreign exchange contracts. Actual exposures against limits are monitored daily.

3 FINANCIAL RISK MANAGEMENT (CONTINUED)

3.1 Credit risk (Continued)

Exposure to credit risk is managed through regular analysis of the ability of borrowers and potential borrowers to meet interest and principal repayment obligations and by changing these lending limits where appropriate. The Group has in place effective monitoring and control systems to identify, monitor and address problem credits in an accurate and timely manner. Exposure to credit risk is also managed in part by obtaining collateral and corporate and personal guarantees. The Group further mitigates credit risk by entering into netting arrangements with counterparties such as banks with which it undertakes credit activities.

3.1.1 Expected credit loss measurement

The Group adopts a "three-stage" model in accordance with HKFRS 9 for impairment based on changes in credit quality since initial recognition as summarised below:

- A financial instrument that is not credit-impaired at initial recognition is classified as "Stage 1" and has its credit risk continuously monitored by the Group;
- If a significant increase in credit risk ("SICR") since initial recognition is identified, the financial instrument is moved to "Stage 2" though it has not yet deemed to be credit-impaired;
- If the financial instrument is credit-impaired, it will be allocated to "Stage 3";
- Financial instruments in Stage 1 have their expected credit loss ("ECL") measured at an amount equal to the portion of lifetime ECL that result from default events possible within the next 12 months. Instruments at Stages 2 or 3 have their ECL measured on lifetime basis;
- ECL of financial instruments are measured by taking into consideration forward-looking information; and
- Purchased or originated credit-impaired ("POCI") financial assets are those financial assets that are credit-impaired at initial recognition. Their ECL are always measured on lifetime basis.

The Group adopts the approach that utilises the Probability of Default ("PD"), Exposure at Default ("EAD") and Loss Given Default ("LGD") to estimate ECL of financial instruments. Simplified alternatives are applied to portfolios with small exposures or having difficulties in adopting this approach, such as other receivable.

To estimate PD, EAD and LGD, exposures are first segmented according to their product types and customer types so that each group contains exposures with similar risk characteristics and product specifications. The factors used for segmentation are outlined below:

(i) Customers' characteristics
(ii) Product types
(iii) Facilities' utilization
(iv) Loan to collateral ratios

The modelling approaches used for different segments vary and with the consideration of the following factors:

(i) Portfolio size
(ii) Historical behavioural data
(iii) Data sufficiency

3 FINANCIAL RISK MANAGEMENT (CONTINUED)

3.1 Credit risk (Continued)

3.1.1 Expected credit loss measurement (Continued)

In assessing the ECL of financial instrument classified as Stage 3, the values of property-related collaterals are adjusted to the expected point of sales to reflect the probability weighted recoveries from the sales of properties. When ECL is not provided against the unsecured exposure, the rationale must be sufficient and clearly documented. For assessing the ECL for credit card advances in Stage 3, ECL shall be estimated by using their EAD and LGD.

Management overlay and judgements

For HKFRS 9 ECL calculation, the Group has implemented and applied management overlay above the modeled ECL. The management overlay methodologies and amounts are subject to regular robust review and governance processes to assess the adequacy and relevancy of such overlay. The management overlay includes items that are inevitably not precisely quantifiable and necessitate involvement of expert judgements, so as to account for model constraints, data limitation, exceptional events, etc. The management overlay methodologies constitute of allowing for reasonably sufficient impairment to the portfolios of the overseas branches.

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

3.1.1.1 SICR

The Group considers a financial instrument to have experienced a significant increase in credit risk when one or more of the following criteria have been met:

– The borrower is more than 30 days past due on its contractual payments;
– The financial instrument is downgraded in the internal rating categories and there is an increase in PD more than predetermined thresholds since initial recognition; and
– Significant increase in credit risk since initial recognition with reference to external rating downgrade after initial recognition for treasury portfolio.

The Group applies practical expedient for treasury traded instruments that have low credit risk at the reporting date. The Group does not recognise the instrument's lifetime ECL when it is with low credit risk, overdue not more than 30 days and its issuer acquires satisfactory internal credit assessment on credit quality, irrespective of the change in credit risk from initial recognition.

3.1.1.2 Definition of default and credit-impaired assets

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

Quantitative criteria

The borrower is more than 90 days past due on its contractual payments.

Qualitative criteria

The borrower meets unlikeliness-to-pay criteria, which indicates the borrower is in significant financial difficulty. These could be instances where:

– The financial instrument is restructured due to financial stress;
– The financial instrument is partially written off;
– The borrower is bankrupt;
– The borrower is unlikely to honour its credit obligation; and
– The instrument is tagged with Substandard, Doubtful or Loss in reference to the HKMA Loan Classification.

3 FINANCIAL RISK MANAGEMENT (CONTINUED)

3.1 Credit risk (Continued)

3.1.1 Expected credit loss measurement (Continued)

3.1.1.3 Measuring ECL – Explanation of inputs, assumptions and estimation techniques

The ECL is measured on either a 12-month or lifetime basis depending on whether a significant increase in credit risk has occurred since initial recognition or whether an asset is considered to be credit-impaired. ECL is calculated as the discounted product of the PD, EAD and LGD, defined as follows:

– PD represents the likelihood of a borrower defaulting on its financial obligation.
– EAD is based on the amounts the Group expects to be owed at the time of default.
– LGD represents the Group's expectation of the extent of loss on a defaulted exposure. LGD varies by type of counterparty, type and seniority of claim and availability of collateral or other credit support. LGD is expressed as a percentage loss per unit of exposure at the time of default.

3.1.1.4 Forward-looking information incorporated in the ECL models

The calculation of ECL incorporates forward-looking information by considering key economic variables identified by the Group that have impact on credit risk and ECL for the Group's portfolios.

These economic variables and their associated impact on the PD, EAD and LGD vary by the type of financial instruments. Expert judgement has also been applied in this process. Forecasts of these economic variables (the "base economic scenario") are provided by the Group's Treasury Research team on a monthly basis as a projection of how the global economy will evolve over the next four years. Beyond these four years, the average portfolio default rate is adopted as the PD of the facilities and the last forecasted LGD is adopted for the remaining lifetime of the instrument.

In addition to the base economic scenario, the Group's Treasury Research team also provides two other plausible scenarios along with the assigned weightings as probability of occurrence under the current economic environment. The scenarios and their corresponding weightings are determined by a combination of model-based analysis and expert judgement, taking into account the range of possible outcomes each chosen scenario is representative of. The probability weighted ECL is determined by applying each scenario on the financial instruments through running the relevant ECL models and multiplying the resulted ECLs by the appropriate scenario weighting.

(All amounts in HK dollar thousands unless otherwise stated)

3 FINANCIAL RISK MANAGEMENT (CONTINUED)

3.1 Credit risk (Continued)

3.1.1 Expected credit loss measurement (Continued)

3.1.1.4 Forward-looking information incorporated in the ECL models (Continued)

Economic variable assumptions

The most significant economic variable assumptions used for the ECL estimate as at 31 December 2024 are set out below. The scenarios "base", "upside" and "downside" were used for all portfolios.

		4Q2024	1Q–4Q 2025	1Q–4Q 2026	1Q–4Q 2027	1Q–4Q 2028
Hong Kong Gross Domestic Product ("GDP")	Base	2.5%	0.9% to 2.8%	2.6% to 2.9%	2.8% to 2.8%	2.8% to 2.8%
	Upside	3.6%	1.9% to 3.9%	3.0% to 3.4%	3.0% to 3.0%	3.0% to 3.0%
	Downside	-0.6%	-3.1% to 1.2%	1.7% to 2.2%	1.7% to 1.7%	1.7% to 1.7%
United States GDP	Base	0.7%	1.2% to 2.1%	1.5% to 1.5%	1.5% to 1.5%	1.5% to 1.5%
	Upside	1.6%	1.7% to 2.5%	2.5% to 2.5%	2.5% to 2.5%	2.5% to 2.5%
	Downside	0.3%	-1.8% to 1.7%	1.0% to 1.0%	1.0% to 1.0%	1.0% to 1.0%
Hong Kong unemployment rate	Base	3.2%	3.3% to 3.6%	3.6% to 3.6%	3.6% to 3.6%	3.6% to 3.6%
	Upside	2.9%	3.1% to 3.4%	3.4% to 3.4%	3.4% to 3.4%	3.4% to 3.4%
	Downside	3.4%	3.7% to 4.9%	5.4% to 6.1%	6.1% to 6.1%	6.1% to 6.1%
United States unemployment rate	Base	4.5%	4.4% to 4.6%	4.5% to 4.5%	4.5% to 4.5%	4.5% to 4.5%
	Upside	3.9%	3.9% to 4.0%	3.8% to 3.8%	3.8% to 3.8%	3.8% to 3.8%
	Downside	4.7%	5.0% to 6.5%	5.2% to 6.0%	5.2% to 5.2%	5.2% to 5.2%
Hong Kong property price index	Base	-7.7%	-5.4% to 4.1%	3.0% to 3.0%	3.0% to 3.0%	3.0% to 3.0%
	Upside	-6.5%	-4.1% to 6.9%	4.0% to 4.0%	4.0% to 4.0%	4.0% to 4.0%
	Downside	-11.1%	-10.4% to -2.5%	0.0% to 0.0%	0.0% to 0.0%	0.0% to 0.0%
Hong Kong commercial building price index	Base	-7.7%	-5.4% to 4.1%	3.0% to 3.0%	3.0% to 3.0%	3.0% to 3.0%
	Upside	-6.5%	-4.1% to 6.9%	4.0% to 4.0%	4.0% to 4.0%	4.0% to 4.0%
	Downside	-11.1%	-10.4% to -2.5%	0.0% to 0.0%	0.0% to 0.0%	0.0% to 0.0%
United States commercial building price index	Base	4.0%	2.2% to 5.2%	2.0% to 2.0%	2.0% to 2.0%	2.0% to 2.0%
	Upside	4.8%	3.7% to 9.5%	2.4% to 2.4%	2.4% to 2.4%	2.4% to 2.4%
	Downside	-6.6%	-9.8% to 6.8%	0.8% to 0.8%	0.8% to 0.8%	0.8% to 0.8%
United Kingdom house price index	Base	2.7%	3.6% to 4.8%	1.2% to 1.2%	1.2% to 1.2%	1.2% to 1.2%
	Upside	5.6%	7.1% to 9.6%	2.0% to 2.0%	2.0% to 2.0%	2.0% to 2.0%
	Downside	-5.9%	-6.8% to 1.0%	0.0% to 0.0%	0.0% to 0.0%	0.0% to 0.0%
Mainland China house price index	Base	-5.6%	-1.9% to 3.5%	2.0% to 2.0%	2.0% to 2.0%	2.0% to 2.0%
	Upside	-3.7%	4.1% to 7.7%	3.0% to 3.0%	3.0% to 3.0%	3.0% to 3.0%
	Downside	-7.9%	-4.9% to 1.5%	0.0% to 0.0%	0.0% to 0.0%	0.0% to 0.0%

The weightings assigned to each economic scenario as at 31 December 2024 were as follows:

	Base	Upside	Downside
All portfolios	60%	20%	20%

(All amounts in HK dollar thousands unless otherwise stated)

3 FINANCIAL RISK MANAGEMENT (CONTINUED)

3.1 Credit risk (Continued)

3.1.1 Expected credit loss measurement (Continued)

3.1.1.4 Forward-looking information incorporated in the ECL models (Continued)

Economic variable assumptions (Continued)

The most significant economic variable assumptions used for the ECL estimate as at 31 December 2023 are set out below. The scenarios "base", "upside" and "downside" were used for all portfolios.

		4Q2023	1Q–4Q 2024	1Q–4Q 2025	1Q–4Q 2026	1Q–4Q 2027
Hong Kong GDP	Base	4.7%	1.4% to 4.0%	2.4% to 2.9%	2.8% to 2.8%	2.8% to 2.8%
	Upside	6.1%	1.1% to 5.2%	2.7% to 3.1%	3.0% to 3.0%	3.0% to 3.0%
	Downside	1.2%	-3.0% to 0.4%	0.5% to 1.8%	1.7% to 1.7%	1.7% to 1.7%
United States GDP	Base	1.3%	-2.9% to 1.0%	1.5% to 1.5%	1.5% to 1.5%	1.5% to 1.5%
	Upside	2.5%	0.5% to 2.4%	2.5% to 2.5%	2.5% to 2.5%	2.5% to 2.5%
	Downside	0.5%	-2.2% to 0.1%	0.4% to 1.0%	1.0% to 1.0%	1.0% to 1.0%
Hong Kong unemployment rate	Base	3.2%	3.3% to 3.4%	3.5% to 3.7%	3.6% to 3.6%	3.6% to 3.6%
	Upside	3.1%	3.2% to 3.3%	3.3% to 3.6%	3.4% to 3.4%	3.4% to 3.4%
	Downside	3.4%	3.8% to 5.6%	5.6% to 6.1%	6.1% to 6.1%	6.1% to 6.1%
United States unemployment rate	Base	3.9%	4.1% to 4.9%	4.5% to 4.8%	4.5% to 4.5%	4.5% to 4.5%
	Upside	3.6%	3.8% to 3.8%	4.0% to 4.0%	3.8% to 3.8%	3.8% to 3.8%
	Downside	4.2%	5.0% to 6.7%	5.4% to 5.7%	5.2% to 5.3%	5.2% to 5.2%
Hong Kong property price index	Base	-0.2%	-3.1% to 5.6%	3.0% to 3.0%	3.0% to 3.0%	3.0% to 3.0%
	Upside	1.4%	4.5% to 7.4%	4.0% to 4.0%	4.0% to 4.0%	4.0% to 4.0%
	Downside	-3.2%	-10.4% to -8.9%	0.0% to 0.0%	0.0% to 0.0%	0.0% to 0.0%
Hong Kong commercial building price index	Base	-0.2%	-3.1% to 5.6%	3.0% to 3.0%	3.0% to 3.0%	3.0% to 3.0%
	Upside	1.4%	4.5% to 7.4%	4.0% to 4.0%	4.0% to 4.0%	4.0% to 4.0%
	Downside	-3.2%	-10.4% to -8.9%	0.0% to 0.0%	0.0% to 0.0%	0.0% to 0.0%
United States commercial building price index	Base	-2.8%	-3.3% to 2.1%	2.0% to 2.0%	2.0% to 2.0%	2.0% to 2.0%
	Upside	-1.4%	-0.9% to 3.0%	2.4% to 2.4%	2.4% to 2.4%	2.4% to 2.4%
	Downside	-5.2%	-10.4% to -8.5%	0.8% to 0.8%	0.8% to 0.8%	0.8% to 0.8%
United Kingdom house price index	Base	-1.1%	1.2% to 1.2%	1.2% to 1.2%	1.2% to 1.2%	1.2% to 1.2%
	Upside	0.8%	1.9% to 2.0%	2.0% to 2.0%	2.0% to 2.0%	2.0% to 2.0%
	Downside	-5.5%	-13.3% to -4.1%	0.0% to 0.0%	0.0% to 0.0%	0.0% to 0.0%
Mainland China house price index	Base	8.0%	1.0% to 4.4%	2.0% to 2.0%	2.0% to 2.0%	2.0% to 2.0%
	Upside	11.3%	3.0% to 3.0%	3.0% to 3.0%	3.0% to 3.0%	3.0% to 3.0%
	Downside	2.7%	-9.6% to -3.7%	0.0% to 0.0%	0.0% to 0.0%	0.0% to 0.0%

The weightings assigned to each economic scenario as at 31 December 2023 were as follows:

	Base	Upside	Downside
All portfolios	60%	20%	20%

(All amounts in HK dollar thousands unless otherwise stated)

3 FINANCIAL RISK MANAGEMENT (CONTINUED)

3.1 Credit risk (Continued)

3.1.1 Expected credit loss measurement (Continued)

3.1.1.5 Sensitivity analysis

The output of the Group's ECL model takes into consideration forward-looking information and scenarios based on the market analysis prepared by the Group's Treasury Research team. The Group has applied appropriate weightings to the base case, upside and downside scenarios which are sources of sensitivity.

To assess the sensitivity of the ECL generated by models for the Group's Stage 1 and 2 exposures, two additional sensitivity scenarios (scenarios 1 and 2 below) have been drawn up. Should the weightings applied by the Group be changed to those of the sensitivity scenarios as follows, the ECL amount would have increased/decreased within a range of 5%.

2024	Base	Upside	Downside
Weightings applied by the Group	60%	20%	20%
Sensitivity scenario 1	40%	30%	30%
Sensitivity scenario 2	80%	10%	10%

2023	Base	Upside	Downside
Weightings applied by the Group	60%	20%	20%
Sensitivity scenario 1	40%	30%	30%
Sensitivity scenario 2	80%	10%	10%

(All amounts in HK dollar thousands unless otherwise stated)

3 FINANCIAL RISK MANAGEMENT (CONTINUED)

3.1 Credit risk (Continued)

3.1.2 Loss allowance

The loss allowance recognised in the period is impacted by a variety of factors, as described below:

- Transfers between Stage 1, Stage 2 and Stage 3 due to financial instruments experiencing significant increases (or decreases) of credit risk or becoming credit-impaired in the period, and the consequent "step up" (or "step down") between 12-month and lifetime ECL;
- Additional allowances for new financial instruments recognised during the period, as well as releases for financial instruments de-recognised in the period;
- Impact on the measurement of ECL due to changes in PDs, EADs and LGDs in the period, arising from regular refreshing of inputs to models;
- Impact on the measurement of ECL due to changes made to models and assumptions;
- Discount unwind within ECL due to the passage of time, as ECL is measured on a present value basis;
- Foreign exchange retranslations for assets denominated in foreign currencies and other movements; and
- Write-offs of allowances related to assets that were written off during the period.

Summary of financial instruments to which the impairment requirements in HKFRS 9 are applied:

2024	Gross carrying/ nominal amount	Credit impairment allowances	Credit impairment losses charged to/ (released from) profit or loss
Financial assets measured at amortised cost:			
Loans and advances to customers	76,683,508	(1,256,753)	3,050,911
Balances with banks and placements with banks	83,684,725	(1,976)	331
Loan commitments and financial guarantee contracts	36,412,973	(45,678)	25,485
Investment securities	4,910,010	(130)	(114)
Other assets measured at amortised cost	2,794,228	(43,760)	42,011
	204,485,444	(1,348,297)	3,118,624

	Fair value	Credit impairment allowances	Credit impairment losses charged to profit or loss
Debt securities at fair value through other comprehensive income*	48,403,033	(11,548)	4,070

(All amounts in HK dollar thousands unless otherwise stated)

3 FINANCIAL RISK MANAGEMENT (CONTINUED)

3.1 Credit risk (Continued)

3.1.2 Loss allowance (Continued)

2023

	Gross carrying/ nominal amount	Credit impairment allowances	Credit impairment losses charged to/ (released from) profit or loss
Financial assets measured at amortised cost:			
Loans and advances to customers	89,625,281	(386,820)	1,669,974
Balances with banks and placements with banks	82,051,670	(1,645)	143
Loan commitments and financial guarantee contracts	39,804,133	(20,193)	(7,578)
Investment securities	8,009,651	(244)	140
Other assets measured at amortised cost	2,379,646	(1,749)	(712)
	221,870,381	(410,651)	1,661,967

	Fair value	Credit impairment allowances	Credit impairment losses released from profit or loss
Debt securities at fair value through other comprehensive income*	36,787,385	(7,478)	(4,840)

* Debt securities at fair value through other comprehensive income continue to be measured at fair value with the credit impairment allowances being recognised in Investment Revaluation Reserve. Change in credit impairment allowances is recognised in "Credit impairment losses" in the consolidated statement of profit or loss.

(All amounts in HK dollar thousands unless otherwise stated)

3 FINANCIAL RISK MANAGEMENT (CONTINUED)

3.1 Credit risk (Continued)

3.1.2 Loss allowance (Continued)

Reconciliation of gross carrying amount and allowances for loans and advances to customers is as follows:

	Stage 1		Stage 2		Stage 3		Originated credit-impaired		Total	
	Gross carrying amount	Credit impairment allowances	Gross carrying amount	Credit impairment allowances	Gross carrying amount	Credit impairment allowances	Gross carrying amount	Credit impairment allowances	Gross carrying amount	Credit impairment allowances
As at 1 January 2024	79,419,942	122,898	7,659,027	144,968	2,535,327	116,459	10,985	2,495	89,625,281	386,820
Transfer to lifetime ECL	(4,029,768)	(7,450)	4,030,831	66,699	(1,063)	–	–	–	–	59,249
Transfer to credit impaired loans and advances	(3,040,772)	(8,130)	(1,400,220)	(9,066)	4,440,992	1,287,900	–	–	–	1,270,704
Transfer to 12-month ECL	567,608	956	(567,531)	(6,742)	(77)	(51)	–	–	–	(5,837)
Loans derecognised or repayments	(20,149,715)	(33,381)	(4,032,559)	(113,132)	(1,591,500)	(36,782)	(7,212)	–	(25,780,986)	(183,295)
New loans originated and further lending	11,156,061	19,305	3,764,778	90,883	406,295	56,553	–	–	15,327,134	166,741
Change in PDs/LGDs/EADs	–	(5,447)	–	(1,221)	–	1,814,193	–	–	–	1,807,525
Write-offs	–	–	–	–	(2,239,823)	(2,239,823)	(2,495)	(2,495)	(2,242,318)	(2,242,318)
Foreign exchange and other movements	(339,770)	(4,028)	(24,871)	(919)	118,887	2,111	151	–	(245,603)	(2,836)
As at 31 December 2024	63,583,586	84,723	9,429,455	171,470	3,669,038	1,000,560	1,429	–	76,683,508	1,256,753

	Stage 1		Stage 2		Stage 3		Originated credit-impaired		Total	
	Gross carrying amount	Credit impairment allowances	Gross carrying amount	Credit impairment allowances	Gross carrying amount	Credit impairment allowances	Gross carrying amount	Credit impairment allowances	Gross carrying amount	Credit impairment allowances
As at 1 January 2023	88,706,450	149,072	7,140,107	410,905	847,915	152,557	27,301	13,268	96,721,773	725,802
Transfer to lifetime ECL	(3,703,218)	(7,770)	3,720,264	112,171	(17,046)	(54)	–	–	–	104,347
Transfer to credit impaired loans and advances	(146,135)	(294)	(3,876,940)	(375,775)	4,023,075	1,974,545	–	–	–	1,598,476
Transfer to 12-month ECL	456,157	1,877	(456,139)	(7,469)	(18)	(14)	–	–	–	(5,606)
Loans derecognised or repayments	(22,409,707)	(40,041)	(1,166,581)	(5,325)	(360,515)	(20,331)	(6,900)	–	(23,943,703)	(65,697)
New loans originated and further lending	16,244,380	29,696	2,293,399	10,252	30,951	4,295	1,459	–	18,570,189	44,243
Change in PDs/LGDs/EADs	–	(17,835)	–	1,781	–	73	–	(59)	–	(16,040)
Write-offs	–	–	–	–	(2,000,111)	(2,000,111)	(10,790)	(10,790)	(2,010,901)	(2,010,901)
Foreign exchange and other movements	272,015	8,193	4,917	(1,572)	11,076	5,499	(85)	76	287,923	12,196
As at 31 December 2023	79,419,942	122,898	7,659,027	144,968	2,535,327	116,459	10,985	2,495	89,625,281	386,820

3 FINANCIAL RISK MANAGEMENT (CONTINUED)

3.1 Credit risk (Continued)

3.1.3 Write-off policy

The Group writes off financial assets in whole when it has exhausted all practical recovery efforts and has concluded there is no reasonable expectation of recovery. Indicators that there is no reasonable expectation of recovery include (i) ceasing enforcement activity and (ii) the shortfall amount after realization of collateral.

The Group seeks to recover amounts that are legally owed in full, but it writes off financial assets in part when the recovery method is realization of collateral and the value of the collateral is such that there is no reasonable expectation of recovering amounts that are legally owed in full.

3.1.4 Risk limit control and mitigation policies

(a) Collateral

The Group employs a range of policies and practices to mitigate credit risk. The most traditional of these methods is the taking of security for funds advanced, which is a common practice. The Group implements guidelines on the acceptability of specific classes of collateral for credit risk mitigation. Guideline is in place to govern the management of collateral acceptable by the Group and the guideline is reviewed periodically.

The Group closely monitors collateral held for financial assets which are considered to be credit-impaired in order to mitigate potential losses.

The principal collateral types for loans and advances are:

- Mortgages over residential properties;
- Charges over business assets such as premises, inventory and accounts receivable; and
- Charges over bank deposits and financial instruments such as debt securities and equities.

In addition to the above, the Group will also seek for guarantee where appropriate. To minimise credit loss, the Group will seek additional collateral from the counterparty as soon as impairment indicators are noticed for the relevant individual loans and advances which are partially secured or unsecured.

(b) Derivatives

The Group maintains strict control limits on net open derivatives positions (i.e. the difference between purchase and sale contracts), by both amount and term. At any one time, the amount subject to credit risk is limited to the current fair value of instruments that are favourable to the Group (i.e. assets where their fair values are positive), which in relation to derivatives is only a small fraction of the contract or notional values used to express the volume of instruments outstanding. This credit risk exposure is managed as part of the overall lending limits with customers, together with potential exposures from market movements. Collateral or other security is not usually obtained for credit risk exposures on these instruments, except where the Group requires margin deposits from counterparties.

(c) Credit-related commitments

The Group has issued credit related commitments including guarantees and letters of credit. These instruments carry similar credit risk as loans. The primary purpose of these instruments is to ensure that funds are available to a customer as required. Guarantees and standby letters of credit – which represent irrevocable assurances that the Group will make payments in the event that a customer cannot meet its obligations to third parties – carry the same credit risk as loans. Documentary and commercial letters of credit – which are written undertakings by the Group on behalf of a customer authorising a third party to draw drafts on the Group up to a stipulated amount under specific terms and conditions – are collateralised by the underlying shipments of goods to which they relate and therefore carry less risk than a direct loan.

Commitments to extend credit represent unused portions of authorisations to extend credit in the form of loans, guarantees or letters of credit. With respect to credit risk on commitments to extend credit, the Group is potentially exposed to loss in an amount equal to the total unused commitments. However, the likely amount of loss is less than the total unused commitments, as most commitments to extend credit are contingent upon customers maintaining specific credit standards. The Group monitors the term to maturity of credit commitments because longer-term commitments generally have a greater degree of credit risk than shorter-term commitments.

(All amounts in HK dollar thousands unless otherwise stated)

3 FINANCIAL RISK MANAGEMENT (CONTINUED)

3.1 Credit risk (Continued)

3.1.5 Maximum exposure to credit risk

	Maximum exposure	
	2024	2023
Financial instruments subject to impairment		
Credit risk exposures relating to on-balance sheet assets are as follows:		
Loans and advances	75,426,755	89,238,461
Balances with banks and placements with banks	83,682,749	82,050,025
Investment securities	53,312,913	44,796,792
Other assets	2,750,468	2,377,897
Credit risk exposures relating to off-balance sheet items are as follows:		
Financial guarantee contracts	1,512,713	1,901,754
Off-balance sheet commitments and other credit related contingent liabilities	34,854,582	37,882,186
Financial instruments not subject to impairment		
Financial assets at fair value through profit or loss	151,574	1,006,135
Derivative financial instruments	505,141	726,213

The following table contains an analysis of the credit risk exposure of financial instruments for which a credit impairment allowance is recognised. The gross carrying amount of financial assets below also represents the Group's maximum exposure to credit risk on these assets, without taking account of any collateral held or other credit enhancements attached.

2024	Loans and advances				
	Stage 1 12-month ECL	Stage 2 lifetime ECL	Stage 3 lifetime ECL	Originated credit-impaired	Total
Credit grade					
Pass	63,377,184	2,523,599	24	–	65,900,807
Special Mention	206,402	6,905,856	–	1,429	7,113,687
Substandard	–	–	2,181,716	–	2,181,716
Doubtful	–	–	1,485,126	–	1,485,126
Loss	–	–	2,172	–	2,172
Gross carrying amount	63,583,586	9,429,455	3,669,038	1,429	76,683,508
Credit impairment allowances	(84,723)	(171,470)	(1,000,560)	–	(1,256,753)
Net carrying amount	63,498,863	9,257,985	2,668,478	1,429	75,426,755

(All amounts in HK dollar thousands unless otherwise stated)

3 FINANCIAL RISK MANAGEMENT (CONTINUED)

3.1 Credit risk (Continued)

3.1.5 Maximum exposure to credit risk (Continued)

2023	Loans and advances				
	Stage 1 12-month ECL	Stage 2 lifetime ECL	Stage 3 lifetime ECL	Originated credit-impaired	Total
Credit grade					
Pass	79,163,825	3,265,104	–	–	82,428,929
Special Mention	256,117	4,393,923	–	–	4,650,040
Substandard	–	–	2,489,310	8,633	2,497,943
Doubtful	–	–	43,506	2,344	45,850
Loss	–	–	2,511	8	2,519
Gross carrying amount	79,419,942	7,659,027	2,535,327	10,985	89,625,281
Credit impairment allowances	(122,898)	(144,968)	(116,459)	(2,495)	(386,820)
Net carrying amount	79,297,044	7,514,059	2,418,868	8,490	89,238,461

As at 31 December 2024, 98% (2023: 99%) of the off-balance sheet items are "Pass" and 2% (2023: 1%) are "Special Mention". The amount classified as "Substandard", "Doubtful" or "Loss" is immaterial. Majority of the credit impairment allowances are provided on Stage 3 (2023: Stage 1). Credit impairment allowances for undrawn commitments and financial guarantee contracts are included in Note 31.

"Pass" represents loans for which borrowers are current in meeting commitments and full repayment of interest and principal is not in doubt.

"Special Mention" represents loans with deficiencies and potential weakness such that if adverse conditions persist, loss of principal or interest for the Bank may occur.

"Substandard" represents loans in which borrowers are displaying a definable weakness that is likely to jeopardise repayment. These loans include rescheduled loans and loans where some losses of principal or interest are possible.

"Doubtful" represents loans which the Group expects to sustain a loss of interest and/or principal.

"Loss" represents loans which considered as uncollectible after exhausting all collection efforts such as realisation of collateral, initiation of legal proceedings and need to be fully or partially written off.

(All amounts in HK dollar thousands unless otherwise stated)

3 FINANCIAL RISK MANAGEMENT (CONTINUED)

3.1 Credit risk (Continued)

3.1.5 Maximum exposure to credit risk (Continued)

The table below presents an analysis of debt securities by rating agency designation for the respective issues as at 31 December, based on Standard & Poor's ratings or their equivalent. In the absence of such issue ratings, the ratings designated for the issuers are reported.

	Investment securities					
	2024			2023		
	Investment securities at fair value through other comprehensive income	Investment securities at amortised cost	Total	Investment securities at fair value through other comprehensive income	Investment securities at amortised cost	Total
Credit grade						
AAA	7,473,505	1,830,431	9,303,936	2,503,800	2,646,151	5,149,951
AA- to AA+	15,389,625	3,079,579	18,469,204	7,923,488	5,163,565	13,087,053
A- to A+	22,357,686	–	22,357,686	21,796,879	199,935	21,996,814
BBB- to BBB+	2,212,456	–	2,212,456	3,068,696	–	3,068,696
Unrated	969,761	–	969,761	1,494,522	–	1,494,522
Gross carrying amount	48,403,033	4,910,010	53,313,043	36,787,385	8,009,651	44,797,036
Stage 1 credit impairment allowances	11,548	130	11,678	7,478	244	7,722

(All amounts in HK dollar thousands unless otherwise stated)

3 FINANCIAL RISK MANAGEMENT (CONTINUED)

3.1 Credit risk (Continued)

3.1.6 Concentration of credit risk of financial assets

International claims

The following table shows the Group's international claims by major country or geographical segment, each representing 10% or more of the Group's total international claims. International claims refer to exposures to counterparties on which the ultimate risk lies, and are derived according to the location of the counterparties after taking into account any recognised risk transfer. In general, transfer of risk 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.

As at 31 December 2024

			Non-bank private sector		
	Banks	Official sector	Non-bank financial institutions	Non-financial private sector	Total
Developed countries	27,771,000	2,115,000	–	4,221,000	34,107,000
Offshore centres	13,194,000	690,000	1,053,000	16,586,000	31,523,000
– of which Hong Kong	4,654,000	689,000	726,000	9,569,000	15,638,000
Developing Asia-Pacific	61,889,000	34,000	650,000	2,056,000	64,629,000
– of which mainland China	27,999,000	34,000	650,000	1,360,000	30,043,000
– of which Taiwan	28,419,000	–	–	588,000	29,007,000

As at 31 December 2023

			Non-bank private sector		
	Banks	Official sector	Non-bank financial institutions	Non-financial private sector	Total
Developed countries	18,846,000	2,424,000	84,000	2,919,000	24,273,000
Offshore centres	16,523,000	839,000	1,099,000	19,552,000	38,013,000
– of which Hong Kong	7,165,000	839,000	841,000	16,656,000	25,501,000
Developing Asia-Pacific	54,045,000	700,000	668,000	5,747,000	61,160,000
– of which mainland China	26,947,000	700,000	668,000	3,917,000	32,232,000
– of which Taiwan	22,929,000	–	–	1,728,000	24,657,000

(All amounts in HK dollar thousands unless otherwise stated)

3 FINANCIAL RISK MANAGEMENT (CONTINUED)

3.1 Credit risk (Continued)

3.1.7 Loans and advances (excluding trade bills and other eligible bills)

(a) Loans and advances by industry sector

The following table shows the breakdown of the Group's loans and advances (excluding trade bills and other eligible bills) by industry sector according to the usage of loans based on the categories and definitions set by the Hong Kong Monetary Authority.

	2024		2023	
	Balance	% covered by collateral	Balance	% covered by collateral
Loans for use in Hong Kong				
Industrial, commercial and financial				
– Property development	3,870,207	29%	4,014,280	27%
– Property investment	4,076,059	90%	4,271,793	91%
– Financial concerns	847,417	55%	1,910,007	38%
– Stockbrokers	19,656	100%	635,432	53%
– Wholesale and retail trade	752,514	82%	932,942	77%
– Manufacturing	719,826	70%	688,853	75%
– Transport and transport equipment	440,684	22%	396,279	35%
– Recreational activities	1,994,698	19%	2,019,426	20%
– Information technology – telecommunication	4,998	100%	4,992	100%
– Hotels, boarding houses and catering	1,904,582	72%	2,199,249	78%
– Others	10,727,160	45%	13,212,575	40%
Individuals				
– Loans for the purchase of flats in the Home Ownership Scheme, Private Sector Participation Scheme and Tenants Purchase Scheme or their respective successor schemes	39,511	100%	47,304	100%
– Loans for the purchase of other residential properties	3,320,034	100%	3,460,884	100%
– Credit card advances	187,041	0%	195,031	0%
– Others	5,187,469	92%	5,761,834	92%
Trade financing	7,582,584	51%	7,870,908	53%
Loans for use outside Hong Kong	34,852,913	88%	41,866,699	88%
	76,527,353	73%	89,488,488	72%

As at 31 December 2024 and 2023, the Bank did not have exposures to individual industry sector constituting 10% or more of the Group's total amount of loans and advances.

(All amounts in HK dollar thousands unless otherwise stated)

3 FINANCIAL RISK MANAGEMENT (CONTINUED)

3.1 Credit risk (Continued)

3.1.7 Loans and advances (excluding trade bills and other eligible bills) (Continued)

(b) Loans and advances by geographical area

The information concerning the breakdown of the gross amount of loans and advances to customers (excluding trade bills and other eligible bills) by country or geographical area is derived according to the location of the customers after taking into account any transfer of risk. In general, such transfer of risk takes place if the loans and advances are guaranteed by a party in a country which is different from that of the customers.

As at 31 December 2024	Balance	Stage 3 balance	Balance overdue for over 3 months	Total Stage 3 credit impairment allowances	Total Stage 1 and Stage 2 credit impairment allowances
Hong Kong	48,366,999	2,056,284	1,608,560	462,646	211,381
Mainland China	3,467,236	535,663	330,676	537,914	3,884
United States	22,532,941	1,074,011	950,104	–	38,853
Others	2,160,177	4,510	–	–	1,965
	76,527,353	3,670,468	2,889,340	1,000,560	256,083
% of gross loans and advances to customers		4.80			
Fair value of collateral		4,432,480			

As at 31 December 2023	Balance	Stage 3 balance	Balance overdue for over 3 months	Total Stage 3 credit impairment allowances	Total Stage 1 and Stage 2 credit impairment allowances
Hong Kong	55,599,793	2,078,189	93,720	118,952	199,090
Mainland China	3,956,055	65,697	62,116	–	6,550
United States	25,627,268	402,423	355,646	–	51,492
Others	4,305,372	3	3	2	10,634
	89,488,488	2,546,312	511,485	118,954	267,766
% of gross loans and advances to customers		2.85			
Fair value of collateral		1,194,734			

(All amounts in HK dollar thousands unless otherwise stated)

3 FINANCIAL RISK MANAGEMENT (CONTINUED)

3.1 Credit risk (Continued)

3.1.7 Loans and advances (excluding trade bills and other eligible bills) (Continued)

(c) Loans and advances overdue for more than 3 months

	2024	2024	2023	2023
		% of gross loans and advances to customers		% of gross loans and advances to customers
Balances which have been overdue for:				
– 6 months or less but over 3 months	1,407,035	1.83	44,019	0.05
– 1 year or less but over 6 months	1,171,350	1.53	84,830	0.09
– over 1 year	310,955	0.41	382,636	0.43
	2,889,340	3.77	511,485	0.57
Current market value of collateral	4,072,451		696,355	
Covered portion by collateral	2,314,905		505,931	
Uncovered portion by collateral	574,435		5,554	
Credit impairment allowances	758,164		8,016	

Collateral held against such loans and advances mainly include mortgages over properties.

(d) Rescheduled loans and advances (net of amounts included in loans and advances overdue for more than 3 months)

	2024	2024	2023	2023
		% of gross loans and advances to customers		% of gross loans and advances to customers
Rescheduled loans and advances	1,783	0.002	12,697	0.01

3 FINANCIAL RISK MANAGEMENT (CONTINUED)

3.2 Market risk

Market risk is the risk that interest rates, foreign exchange rates, equity or commodity prices will move relative to positions taken, resulting in profits or losses. In the ordinary course of business, the Group enters into various types of financial instruments, mainly foreign exchange contracts, that comprise transactions initiated for the Group's own account and customer needs. The Group's positions are managed by the Treasury Division under the limits and guidelines laid down in the relevant policies, approved by the Risk Committee. The Risk Management Division is responsible for monitoring the transactions to ensure the activities are within the relevant limits and guidelines.

3.2.1 Market risk measurement techniques

The measuring procedures and limit structure used for market risk management have been approved by the Risk Committee. Limits on notional, stop loss and sensitivity are set for trading positions which are marked-to-market daily.

Stress tests provide an indication of the potential size of losses that could arise in extreme conditions. The stress testing is tailored to the business and typically uses scenario analysis. The results of the stress tests are reviewed by management, the Asset and Liability Committee, the Risk Committee and the Board of Directors.

3.2.2 Market risk sensitivity summary

The Group uses different types of derivatives to manage foreign exchange and interest rate sensitivity primarily by hedging its underlying positions. The derivatives used by the Group including foreign exchange and interest rate contracts which are typically made over-the-counter and are managed within limits approved by the Risk Committee.

(All amounts in HK dollar thousands unless otherwise stated)

3 FINANCIAL RISK MANAGEMENT (CONTINUED)

3.2 Market risk (Continued)

3.2.3 Foreign exchange risk

Foreign exchange 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 takes on exposure to the effects of fluctuations in the prevailing foreign currency exchange rates on its financial position and cash flows. The Group's foreign exchange risk arises primarily from currency exposures originated by the Group's commercial banking businesses. The foreign exchange risk is managed by the Treasury Division and monitored by the Risk Management Division and the Asset and Liability Committee within position limits set in the foreign exchange risk management policy. Changes to the position limits are approved by the Executive Committee and reviewed by the Risk Committee on a regular basis. The table below summarises the Group's exposure to foreign currency exchange rate risk as at 31 December. Included in the table are the Group's financial instruments at carrying amounts, categorised by currency.

Concentrations of currency risk: on- and off-balance sheet financial instruments

As at 31 December 2024	HKD	USD	RMB	Other	Total
Assets					
Cash and balances with banks	31,035,915	18,633,708	5,670,194	3,222,731	58,562,548
Placements with banks	13,815,384	9,549,291	1,356,285	1,385,130	26,106,090
Loans and advances to customers	41,331,344	24,887,723	4,187,765	5,019,923	75,426,755
Financial assets at fair value through profit or loss	202,045	–	–	–	202,045
Derivative financial instruments	505,141	–	–	–	505,141
Investment securities at fair value through other comprehensive income	23,494,201	22,529,788	6,167,643	1,122,164	53,313,796
Investment securities at amortised cost	1,804,034	2,792,498	313,348	–	4,909,880
Other assets	1,980,728	809,784	112,186	117,855	3,020,553
Total	114,168,792	79,202,792	17,807,421	10,867,803	222,046,808
Liabilities					
Deposits and balances from banks	241,192	2,473,217	1,513,880	462,611	4,690,900
Deposits from customers	91,952,664	66,337,603	10,547,660	8,587,475	177,425,402
Derivative financial instruments	496,586	–	–	–	496,586
Subordinated debts	–	2,692,532	–	–	2,692,532
Other liabilities	2,758,662	788,161	107,392	85,389	3,739,604
Total	95,449,104	72,291,513	12,168,932	9,135,475	189,045,024
Net on-balance sheet position	18,719,688	6,911,279	5,638,489	1,732,328	33,001,784
Credit commitments	24,498,054	9,059,114	1,569,771	1,286,034	36,412,973

(All amounts in HK dollar thousands unless otherwise stated)

3 FINANCIAL RISK MANAGEMENT (CONTINUED)

3.2 Market risk (Continued)

3.2.3 Foreign exchange risk (Continued)

As at 31 December 2023	HKD	USD	RMB	Other	Total
Assets					
Cash and balances with banks	35,129,454	16,522,555	5,417,348	3,382,014	60,451,371
Placements with banks	10,962,552	8,281,727	1,332,236	1,762,736	22,339,251
Loans and advances to customers	47,034,714	30,499,116	5,814,428	5,890,203	89,238,461
Financial assets at fair value through profit or loss	48,853	1,006,135	–	–	1,054,988
Derivative financial instruments	726,213	–	–	–	726,213
Investment securities at fair value through other comprehensive income	14,221,795	18,271,380	7,121,960	797,895	40,413,030
Investment securities at amortised cost	4,951,711	2,794,551	263,145	–	8,009,407
Other assets	1,467,779	841,010	174,706	131,794	2,615,289
Total	114,543,071	78,216,474	20,123,823	11,964,642	224,848,010
Liabilities					
Deposits and balances from banks	591,089	2,628,136	1,640,699	207,052	5,066,976
Deposits from customers	94,692,513	62,197,034	13,485,609	8,633,476	179,008,632
Derivative financial instruments	749,830	–	–	–	749,830
Subordinated debts	–	5,041,686	–	–	5,041,686
Other liabilities	2,441,176	929,681	109,039	80,004	3,559,900
Total	98,474,608	70,796,537	15,235,347	8,920,532	193,427,024
Net on-balance sheet position	16,068,463	7,419,937	4,888,476	3,044,110	31,420,986
Credit commitments	26,599,390	11,092,970	1,061,339	1,050,434	39,804,133

The Group's non-structural foreign exchange risk positions primarily arise from currency exposures originated by the Group's commercial banking businesses.

As at 31 December 2024, if HKD had weakened/strengthened within the pegged range of 7.85 to 7.75 against USD with all other variables held constant, the Group's profit after taxation for the year would have been HK$69,168,000 (2023: HK$24,674,000) higher/lower. The impact on the Group's profit after taxation in 2024 was higher than that in 2023 due to the increase of net USD positions.

If HKD had weakened/strengthened 3% (2023: 3%) against other currencies except USD with all other variables held constant, the Group's profit after taxation for the year would have been HK$21,242,000 (2023: HK$22,645,000) higher/lower. The impact on the Group's profit after taxation in 2024 was lower than that in 2023 due to the decrease of net foreign currencies (excluding USD) positions.

3 FINANCIAL RISK MANAGEMENT (CONTINUED)

3.2 Market risk (Continued)

3.2.4 Interest rate risk in the banking book ("IRRBB")

General information about IRRBB

The primary forms of IRRBB faced by the Group can be divided into three broad categories:

– Gap risk is the risk arising from changes in the interest rates on instruments of different maturities. The extent of gap risk depends on whether changes to the term structure of interest rates occur consistently across the yield curve (parallel risk) or differentially by period (non-parallel risk). Parallel risk is fundamental to banking business and this risk is taken on the balance sheet as part of the strategy to improve earnings. It can, however, affect the income and economic value of the Group as interest rates fluctuate. Non-parallel risk materialises when unanticipated changes in the shape of the yield curve have adverse effects on the Group's income or economic value.

– Basis risk arises from imperfect correlation between changes in the rates earned and paid on different instruments with otherwise similar repricing characteristics. As a result of these differences, the cash flows and earnings spread between assets, liabilities and off-balance sheet instruments of similar maturities or repricing frequencies will change.

– Option risk arises from interest rate option derivatives or from option elements embedded in the Group's assets, liabilities and/or off-balance sheet instruments, where the customers can alter the level and timing of their cash flows. Option risk can be further characterised into automatic option risk and behavioural option risk. Automatic option risk arises from standalone instruments, such as exchange-traded and over-the-counter option contracts, or options explicitly embedded within an otherwise standard financial instrument, where the option will almost certainly be exercised if it is in the holder's financial interest to do so. Behavioural option risk arises from the flexibility embedded implicitly or within the terms of financial contracts, such that changes in interest rates may affect the behaviour of the customer.

Apart from the three sources of risks listed above, which are directly linked to IRRBB, credit spread risk in the banking book ("CSRBB") is a related risk that is monitored and assessed within interest rate risk management framework. CSRBB refers to any kind of asset/liability spread risk of credit-risky instruments that is not explained by IRRBB or by the expected credit risk or jump to default risk.

Governance of IRRBB risk management

The Group's IRRBB risk management framework follows a hierarchy structure:

The Risk Committee is delegated by the Board to be responsible for ensuring that an appropriate interest rate risk management structure, which identifies the lines of authorities and responsibilities for different levels of management is established, maintaining continued awareness of the Group's performance and overall interest rate risk, and ensuring the interest rate risk is adequately managed and controlled within the established risk management framework.

The Asset and Liability Committee is responsible for monitoring and management of the overall interest rate risk of the Group, reviewing the report on interest rate risk position and reporting regularly on interest rate risk management to the Risk Committee.

The Treasury Division is responsible for the day-to-day management of interest rate risk for the Group including branches of the Bank outside Hong Kong under the guidelines and limits approved by the Risk Committee.

3 FINANCIAL RISK MANAGEMENT (CONTINUED)

3.2 Market risk (Continued)

3.2.4 Interest rate risk in the banking book ("IRRBB") (Continued)

Governance of IRRBB risk management (Continued)

The Risk Management Division is responsible for monitoring the day-to-day management of the interest rate risk for the Group including branches of the Bank outside Hong Kong, reporting identified irregularities and taking appropriate remedial actions. It is also responsible for conducting regular stress test on interest rate risk and reviewing the IRRBB behavioural assumption on a periodic basis.

The Internal Audit Department is responsible for conducting periodic review on the adequacy and effectiveness of the Group's internal control and risk management process for interest rate risk.

IRRBB risk measure

The IRRBB is assessed daily with risk indicators, such as the repricing gap and the sensitivity of the net interest income ("NII") and economic value of equity ("EVE") under interest rate shock and stress scenarios.

Six interest rate shock scenarios prescribed by the Hong Kong Monetary Authority ("HKMA") under the completion instruction for the "Return of Interest Rate Risk in the Banking Book" are applied to the Group's banking book. They include parallel shifts up and down of the interest rate curves, and non-parallel shifts such as a steepening or flattening of the interest rate curves, as well as shifting the short rate up and down relative to the long rate. The sensitivity of the EVE is specified as the maximum decrease of the banking book economic value under the six interest rate shock scenarios. Likewise, the sensitivity of the NII is specified as the maximum reduction in NII under the parallel shifts up and down scenarios, compared to the base scenario, over a period of 12 months. Additional scenarios are also applied for Internal Capital Adequacy Assessment Process purposes, which make reference to historical scenarios such as the Asian Financial Crisis in 1997 and the Global Financial Crisis in 2008, to estimate the IRRBB capital charge under those stressed scenarios.

IRRBB related hedging decisions are made by the Asset and Liability Committee and executed in the market by the Treasury Division. The Group has not designated any derivatives in any hedge relationship for the application of hedge accounting.

Key modelling and parametric assumptions

For EVE change/impact, commercial margins and other spread components have been included in the cash flow profiling, while the discount curves used are risk-free yield curves without spread components.

For Non-maturity deposits ("NMDs"), these are segmented into several sub-portfolios according to entity (such as head office and overseas branches), customer type and transaction type (such as retail and non-retail accounts, and transactional and non-transactional accounts), currency, and product type (such as current and savings accounts). It is assumed that customer behaviours within the same sub-portfolio are homogeneous. For each sub-portfolio, the average repricing maturity is determined after:

– Stable NMDs over a 10-year historical horizon are identified;

– The Core Deposit Ratio is estimated based on historical interest rate changes; and

– Slotting rates for NMDs repricing, which are subject to average repricing maturity caps in accordance with the customer types, are constructed.

The average and longest repricing maturity of the NMDs of major currencies as at 31 December 2024 were 0.84 years and 8.33 years (2023: 0.82 years and 8.33 years) respectively.

3 FINANCIAL RISK MANAGEMENT (CONTINUED)

3.2 Market risk (Continued)

3.2.4 Interest rate risk in the banking book ("IRRBB") (Continued)

Key modelling and parametric assumptions (Continued)

For fixed rate loan prepayment, a statistical behavioural model is developed using the historical data for retail fixed rate loans, which are segmented into sub-portfolios by product type and branches and further by homogeneous groups with similar prepayment behaviour categorized by currency, customer type, tenor, etc. This allows the conditional prepayment rates ("CPR") to be estimated. The parameters are then applied in cash flow slotting for reporting.

For early withdrawal of time deposits, a statistical behavioural model is developed using the historical data for retail term deposits to estimate early withdrawal rates. The term deposit portfolio is segmented into sub-portfolios by currency and tenor group with homogeneous early redemption behaviour for modelling.

The model assumptions and parameters are updated, reviewed and validated regularly or when necessary in response to change of market conditions.

Quantitative disclosure

The IRRBB introduces six interest rate shock scenarios (namely interest yield curve parallel up, parallel down, steepener, flattener, short rate up and short rate down) for assessing the impact in economic value of equity ("EVE") and net interest income ("NII") in respect of the interest rate exposures arising from banking book positions.

The table below shows the negative impact in economic value of equity ("ΔEVE") and changes in net interest income ("ΔNII") over next 12 months under the six prescribed interest rate shock scenarios for banking books provided by the HKMA per Supervisory Policy Manual IR-1 comprising major currencies based on the financial positions as at 31 December 2024 and 31 December 2023. As at 31 December 2024, the maximum losses among the six scenarios on EVE and NII would have been HK$657 million and HK$281 million (2023: HK$238 million and HK$496 million) respectively.

(All major currencies) in HK dollar thousands		(a)	(b)	(c)	(d)
		ΔEVE*		ΔNII **	
	Period	31 December 2024	31 December 2023	31 December 2024	31 December 2023
1	Parallel up	657,000	144,000	(281,000)	(496,000)
2	Parallel down	–	32,000	281,000	496,000
3	Steepener	1,000	43,000		
4	Flattener	379,000	139,000		
5	Short rate up	612,000	238,000		
6	Short rate down	–	78,000		
7	Maximum loss	657,000	238,000	281,000	496,000
	Period	31 December 2024		31 December 2023	
8	Tier 1 capital	34,677,399		34,098,470	

* Positive value indicates negative impact in EVE
** Negative value indicates increase in NII, positive value indicates decrease in NII

3 FINANCIAL RISK MANAGEMENT (CONTINUED)

3.3 Liquidity risk

Liquidity risk is the risk that the Group is unable to meet its payment obligations associated with its financial liabilities when they fall due and to replace funds when they are withdrawn. The Board is ultimately responsible for overseeing the Group's liquidity risk management structure. The Risk Committee is delegated by the Board to oversee the Group's liquidity risk management, including approval of liquidity risk management policies and risk limits. The Asset and Liability Committee is delegated by the Board to oversee the Group's investment and funding strategies, particularly to ensure that the Bank has adequate funds to meet its obligations. The Group's liquidity is managed by the Treasury Division in accordance with the guidelines and procedures outlined in the liquidity risk management policy. The Risk Management Division is responsible for day-to-day liquidity risk management.

Liquidity risk is managed with regard to a variety of factors, including the liquidity maintenance ratio, core funding ratio, loan to deposit ratio, size of the liquidity cushion, maturity mismatch profile, the diversity and stability of the deposit base, and the ability to borrow in the interbank market to ensure that both the funding liquidity and market liquidity are properly handled. An adequate stock of high quality liquid assets is maintained at all times in order to enable the Group to meet deposit withdrawals, to repay interbank borrowings, and to make new loans and investments as and when required in a timely and cost effective manner under both normal business conditions and emergency situations.

3.3.1 Liquidity risk management process

The Group's liquidity management process, as carried out within the Group and monitored by management, includes:

– Day-to-day funding, managed by monitoring future cash flows to ensure that requirements can be met. This includes replenishment of funds as they mature or are borrowed by customers. The Group maintains an active presence within the global money markets to enable this to happen;

– Maintaining a portfolio of highly marketable assets that can easily be liquidated as protection against any unforeseen interruption to cash flow;

– Monitoring liquidity maintenance and core funding ratios against internal and regulatory requirements; and

– Managing the concentration and profile of debt maturities.

A cash-flow approach is adopted to managing liquidity risk by ensuring that a net positive cash-flow position is maintained or otherwise sufficient cash can be generated from assets or funding sources to cover any funding shortfalls. The starting point for the projection is an analysis of the contractual maturity of the financial liabilities and the expected collection date of the financial assets (Note 3.3.4). The projection is forward-looking and covers liquidity risks stemming from on-balance sheet assets and liabilities and off-balance sheet positions. Cash-flow projection is made over daily time bands of up to 7 days ahead and wider time bands of up to 1 year ahead. Internal limits are set to control the size of the cumulative net mismatch positions for the shorter-term time bands. Cash-flow projection covers positions in HK dollar and in all currencies in aggregate. Separate cash-flow projections are also performed for individual foreign currencies in which there are significant positions, such as US dollar and the renminbi.

3 FINANCIAL RISK MANAGEMENT (CONTINUED)

3.3 Liquidity risk (Continued)

3.3.1 Liquidity risk management process (Continued)

Management also monitors unmatched medium-term assets, the level and type of undrawn lending commitments, the usage of overdraft facilities and the impact of contingent liabilities such as standby letters of credit and guarantees.

The Group conducts stress testing regularly to analyse liquidity risk. The Group's stress tests are conducted with hypothetical as well as historical assumptions. Both funding and market liquidity risks are addressed. Three stress scenarios including an institution-specific crisis, a general market crisis and a combined crisis are adopted with minimum survival period defined according to the Supervisory Policy Manual: LM-2 "Sound Systems and Controls for Liquidity Risk Management" of the Hong Kong Monetary Authority ("HKMA").

With reference to the stress-testing results, the Group identifies potential vulnerability within the Group, and formulates a Contingency Funding Plan, which itself is a component of the Group's Business Continuity Plan, to describe the Group's strategy for dealing with any liquidity problem and the procedures for making up cash flow deficits in emergency situations.

An annual drill test is conducted and the Contingency Funding Plan is subject to regular review in order to cope with changes in the business environment. Significant changes to the Contingency Funding Plan are approved by the Risk Committee.

The Group also performs reverse stress-testing in accordance with the HKMA's Supervisory Policy Manual: IC-5 "Stress- testing". It is a process of working backwards from a critical stress event and involves a mix of qualitative and quantitative analyses. The Group uses the stress-testing and reverse stress-testing results to strengthen its resilience to liquidity stress. These are supplemented with early-warning triggers for the formulation of management actions and contingency funding plan to mitigate any potential stress and vulnerability which the Group might face.

(All amounts in HK dollar thousands unless otherwise stated)

3 FINANCIAL RISK MANAGEMENT (CONTINUED)

3.3 Liquidity risk (Continued)

3.3.2 Maturity analysis

The table below analyses the Group's assets and liabilities into relevant maturity groupings based on the remaining period at the reporting date to the contractual maturity date.

As at 31 December 2024	Repayable on demand	Up to 1 month	1–3 months	3–12 months	1–5 years	Over 5 years	Indefinite	Total
Assets								
Cash and balances with banks	5,062,582	53,499,966	–	–	–	–	–	58,562,548
Placements with banks	–	–	20,391,042	5,715,048	–	–	–	26,106,090
Loans and advances to customers	6,362,615	6,486,504	4,585,843	17,843,893	21,231,161	14,472,365	4,444,374	75,426,755
Financial assets at fair value through profit or loss	–	–	–	151,574	–	–	50,471	202,045
Derivative financial instruments	–	203,477	156,160	108,504	37,000	–	–	505,141
Investment securities at fair value through other comprehensive income	–	2,147,451	5,728,445	18,006,212	21,813,633	704,594	4,913,461	53,313,796
Investment securities at amortised cost	–	305,741	1,061,721	2,734,883	807,535	–	–	4,909,880
Properties for sale	–	176,529	353,057	319,578	63,915	–	–	913,079
Investments in associates and joint venture	–	–	–	–	–	–	322,867	322,867
Properties and equipment	–	8,171	15,863	56,284	70,836	50,664	2,091,084	2,292,902
Investment properties	–	–	–	–	–	–	975,991	975,991
Deferred income tax assets	–	–	–	–	–	–	749,694	749,694
Assets held for sale	–	–	–	129,664	–	–	–	129,664
Other assets	501,732	1,067,037	421,553	429,482	412,865	90,189	97,695	3,020,553
Total assets	11,926,929	63,894,876	32,713,684	45,495,122	44,436,945	15,317,812	13,645,637	227,431,005
Liabilities								
Deposits and balances from banks	474,470	3,048,737	806,583	361,110	–	–	–	4,690,900
Deposits from customers	50,867,406	42,360,751	65,326,733	18,739,084	131,428	–	–	177,425,402
Derivative financial instruments	–	230,658	145,695	83,583	36,650	–	–	496,586
Subordinated debts	–	–	–	–	–	2,692,532	–	2,692,532
Other liabilities	1,262,077	1,318,791	621,476	383,422	83,028	70,810	–	3,739,604
Current income tax liabilities	–	94,242	40,432	–	–	–	–	134,674
Deferred income tax liabilities	–	–	–	–	–	–	10,247	10,247
Total liabilities	52,603,953	47,053,179	66,940,919	19,567,199	251,106	2,763,342	10,247	189,189,945
Net liquidity gap	(40,677,024)	16,841,697	(34,227,235)	25,927,923	44,185,839	12,554,470	13,635,390	38,241,060
Of which lease liabilities included in:								
Other liabilities	–	7,403	14,432	51,396	62,162	70,811	–	206,204

(All amounts in HK dollar thousands unless otherwise stated)

3 FINANCIAL RISK MANAGEMENT (CONTINUED)

3.3 Liquidity risk (Continued)

3.3.2 Maturity analysis (Continued)

As at 31 December 2023	Repayable on demand	Up to 1 month	1–3 months	3–12 months	1–5 years	Over 5 years	Indefinite	Total
Assets								
Cash and balances with banks	7,003,759	53,447,612	–	–	–	–	–	60,451,371
Placements with banks	–	–	21,460,910	878,341	–	–	–	22,339,251
Loans and advances to customers	5,104,575	11,495,505	6,218,582	20,491,322	29,921,168	12,794,569	3,212,740	89,238,461
Financial assets at fair value through profit or loss	–	241,547	233,153	115,807	387,137	28,490	48,854	1,054,988
Derivative financial instruments	–	273,158	300,740	145,675	6,640	–	–	726,213
Investment securities at fair value through other comprehensive income	–	1,601,521	5,040,795	17,347,869	11,131,830	1,662,496	3,628,519	40,413,030
Investment securities at amortised cost	–	705,187	2,642,457	3,895,597	766,166	–	–	8,009,407
Properties for sale	–	21,593	43,186	194,336	604,603	–	–	863,718
Investments in associates and joint venture	–	–	–	–	–	–	431,020	431,020
Properties and equipment	–	8,797	15,027	53,900	87,113	57,201	2,161,975	2,384,013
Investment properties	–	–	–	–	–	–	984,884	984,884
Deferred income tax assets	–	–	–	–	–	–	432,899	432,899
Assets held for sale	–	–	–	–	–	–	–	–
Other assets	276,846	1,140,504	284,942	396,809	378,369	72,276	65,543	2,615,289
Total assets	12,385,180	68,935,424	36,239,792	43,519,656	43,283,026	14,615,032	10,966,434	229,944,544
Liabilities								
Deposits and balances from banks	736,296	3,190,041	1,113,113	27,526	–	–	–	5,066,976
Deposits from customers	49,275,485	44,852,105	58,532,260	26,032,872	315,910	–	–	179,008,632
Derivative financial instruments	–	292,183	317,352	133,929	6,366	–	–	749,830
Subordinated debts	–	2,335,113	–	–	–	2,706,573	–	5,041,686
Other liabilities	868,000	1,212,076	834,823	475,107	93,245	76,649	–	3,559,900
Current income tax liabilities	–	329,259	7,299	61,140	–	–	–	397,698
Deferred income tax liabilities	–	–	–	–	–	–	9,001	9,001
Total liabilities	50,879,781	52,210,777	60,804,847	26,730,574	415,521	2,783,222	9,001	193,833,723
Net liquidity gap	(38,494,601)	16,724,647	(24,565,055)	16,789,082	42,867,505	11,831,810	10,957,433	36,110,821
Of which lease liabilities included in:								
Other liabilities	–	8,575	13,979	49,009	76,520	76,649	–	224,732

3.3.3 Funding approach

Sources of liquidity are regularly reviewed by management to maintain a wide diversification of sources based on currency, geographical location, provider, product and term.

(All amounts in HK dollar thousands unless otherwise stated)

3 FINANCIAL RISK MANAGEMENT (CONTINUED)

3.3 Liquidity risk (Continued)

3.3.4 Non-derivative financial liabilities and assets held for managing liquidity risk

The table below presents the cash flows payable by the Group under non-derivative financial liabilities and assets held for managing liquidity risk by remaining contractual maturities at the reporting date. The amounts disclosed in the table are the contractual undiscounted cash flow, whereas the Group manages the liquidity risk based on a different basis, they do not result in a significantly different analysis.

As at 31 December 2024	Up to 1 month	1–3 months	3–12 months	1–5 years	Over 5 years	Total
Liabilities						
Deposits and balances from banks	3,537,512	816,189	367,057	–	–	4,720,758
Deposits from customers	93,698,746	66,119,657	19,269,526	137,623	–	179,225,552
Subordinated debts	–	86,613	86,613	692,906	3,298,825	4,164,957
Other liabilities	2,231,433	50,748	241,109	99,915	86,846	2,710,051
Total	99,467,691	67,073,207	19,964,305	930,444	3,385,671	190,821,318
Assets held for managing liquidity risk	74,487,238	32,654,057	46,646,399	48,649,655	29,574,638	232,011,987

As at 31 December 2023	Up to 1 month	1–3 months	3–12 months	1–5 years	Over 5 years	Total
Liabilities						
Deposits and balances from banks	3,935,263	1,127,035	27,783	–	–	5,090,081
Deposits from customers	94,658,851	59,409,655	26,910,375	340,402	–	181,319,283
Subordinated debts	2,393,710	87,163	87,163	697,306	3,491,042	6,756,384
Other liabilities	1,660,732	198,124	244,467	103,442	96,527	2,303,292
Total	102,648,556	60,821,977	27,269,788	1,141,150	3,587,569	195,469,040
Assets held for managing liquidity risk	80,497,157	36,865,114	45,858,931	48,176,504	27,989,547	239,387,253

The Group's policy defines the size and composition of the liquidity cushion, which includes but is not limited to high quality government securities such as Exchange Fund papers and United States Treasury securities.

(All amounts in HK dollar thousands unless otherwise stated)

3 FINANCIAL RISK MANAGEMENT (CONTINUED)

3.3 Liquidity risk (Continued)

3.3.5 Derivative liabilities

The table below analyses the Group's derivative financial liabilities that will be settled on a net basis, together with all derivative financial instruments that will be settled on a gross basis into relevant maturity groupings based on the remaining period at the reporting date to the contractual maturity date. Contractual maturities are assessed to be essential for an understanding of the timing of the cashflows on all derivatives. Some of the Group's derivatives are subject to collateral requirements. Cash flows for those derivatives could occur earlier than the contractual maturity. The amounts disclosed in the table are the contractual undiscounted cash flows.

As at 31 December 2024	Up to 1 month	1–3 months	3–12 months	1–5 years	Total
Derivatives held for trading settled on a net basis:					
Exchange rate contracts					
– Inflow/(Outflow)	5	(347)	–	–	(342)
Derivatives held for trading settled on a gross basis:					
Exchange rate contracts					
– Outflow	(40,183,490)	(28,768,386)	(22,480,653)	(504,637)	(91,937,166)
– Inflow	40,157,965	28,776,227	22,515,434	502,861	91,952,487

As at 31 December 2023	Up to 1 month	1–3 months	3–12 months	1–5 years	Total
Derivatives held for trading settled on a net basis:					
Exchange rate contracts					
– Inflow/(Outflow)	264	(1,143)	2	–	(877)
Derivatives held for trading settled on a gross basis:					
Exchange rate contracts					
– Outflow	(52,399,026)	(40,374,100)	(22,369,914)	(156,259)	(115,299,299)
– Inflow	52,375,275	40,351,529	22,387,500	155,333	115,269,637

3.3.6 Off-balance sheet items

The contractual maturity profile of off-balance sheet items including contingent liabilities and commitments is included in Note 36.

3 FINANCIAL RISK MANAGEMENT (CONTINUED)

3.4 Fair value of financial assets and liabilities

(a) Financial instruments not measured at fair value

(i) Balances with banks and placements with banks

Balances with banks and placements with banks include inter-bank placements and are stated net of impairment allowances. The maturities of these financial assets are within one year. The carrying amount at the reporting date approximates their fair value.

(ii) Loans and advances to customers

Loans and advances are stated net of impairment allowances. An insignificant portion of loans and advances to customers bears interest at fixed rate. The carrying amount at the reporting date approximates their fair value.

(iii) Investment securities at amortised cost

The fair value of investment securities at amortised cost is based on market prices or broker/dealer price quotations. Where this information is not available, fair value is estimated using quoted market prices for securities with similar credit, maturity and yield characteristics. For the carrying value of investment securities at amortised cost, please refer to Note 22. The fair value of investment securities at amortised cost is classified under Level 1 (2024: HK$3,678,632,000, 2023: HK$4,828,277,000) and Level 2 (2024: HK$1,239,410,000, 2023: HK$3,175,948,000) in the fair value hierarchy. Please refer to Note 3.4(b) for the definition of fair value hierarchy.

(iv) Deposits and balances from banks and deposits from customers

Substantially all the deposits and balances from banks and deposits from customers will mature within 1 year from the reporting date. Hence, the carrying amount at the reporting date approximates their fair value.

(v) Subordinated debts

The fair value of subordinated debts of HK$2,753,091,000 (2023: HK$5,101,813,000) is classified under Level 2 in the fair value hierarchy.

(b) Fair value hierarchy

Valuation governance

The Group has in place fair valuation policy to ensure adequate governance and control processes for the designation and valuation of financial instruments to be measured at fair value for financial reporting, risk management and regulatory capital purposes. The valuation process is conducted by control units independent of risk taking units.

The Group is to recognise transfers into and transfers out of fair value hierarchy levels as of that date of the event or change in circumstances that caused the transfer.

HKFRS 13 specifies a hierarchy of valuation techniques based on whether the inputs to those valuation techniques are observable or unobservable. Observable inputs reflect market data obtained from independent sources; unobservable inputs reflect the Group's market assumptions. These two types of inputs have created the following fair value hierarchy:

Level 1 – Quoted prices (unadjusted) in active markets for identical assets or liabilities. This level includes listed equity securities and debt securities on exchanges.

Level 2 – Inputs other than quoted prices included within Level 1 that are observable for the assets or liabilities, either directly (that is, as prices) or indirectly (that is, derived from prices). This level includes instruments such as over-the-counter derivative contracts and unlisted debt securities. Observable parameters that are used as input include market data such as interest rate yield curves and exchange rate implied volatilities.

Level 3 – Inputs for the assets or liabilities that are not based on observable market data (unobservable inputs). This level includes unlisted equity securities and unlisted debt securities with significant unobservable components.

This hierarchy requires the use of observable market data when available. The Group considers relevant and observable market prices in its valuations where possible.

(All amounts in HK dollar thousands unless otherwise stated)

3 FINANCIAL RISK MANAGEMENT (CONTINUED)

3.4 Fair value of financial assets and liabilities (Continued)

(b) Fair value hierarchy (Continued)

Recurring fair value measurement

As at 31 December 2024	Level 1	Level 2	Level 3	Total
Financial assets at fair value through profit or loss				
Debt securities	–	151,574	–	151,574
Equity securities	34,952	–	15,519	50,471
Derivative financial instruments				
Exchange rate contracts	–	505,141	–	505,141
Investment securities at fair value through other comprehensive income				
Debt securities	29,995,530	18,404,629	2,874	48,403,033
Equity securities	4,248,620	–	662,143	4,910,763
Total Assets	34,279,102	19,061,344	680,536	54,020,982
Derivative financial instruments				
Exchange rate contracts	–	496,586	–	496,586
Total Liabilities	–	496,586	–	496,586

As at 31 December 2023	Level 1	Level 2	Level 3	Total
Financial assets at fair value through profit or loss				
Debt securities	1,006,135	–	–	1,006,135
Equity securities	35,068	–	13,785	48,853
Derivative financial instruments				
Exchange rate contracts	–	726,213	–	726,213
Investment securities at fair value through other comprehensive income				
Debt securities	22,614,357	14,170,154	2,874	36,787,385
Equity securities	2,936,964	–	688,681	3,625,645
Total Assets	26,592,524	14,896,367	705,340	42,194,231
Derivative financial instruments				
Exchange rate contracts	–	749,830	–	749,830
Total Liabilities	–	749,830	–	749,830

There were no significant transfers of financial assets or liabilities between level 1 and level 2 fair value hierarchy classifications.

(All amounts in HK dollar thousands unless otherwise stated)

3 FINANCIAL RISK MANAGEMENT (CONTINUED)

3.4 Fair value of financial assets and liabilities (Continued)

(b) Fair value hierarchy (Continued)

Level 2 fair values of unlisted debt securities are determined based on quotes from brokers. The most significant input is discount rate of the instruments.

Level 2 fair values of foreign exchange contracts are determined using the appropriate foreign exchange rates, interest rate yield curves and where applicable, the implied option volatility at the reporting date, with the expected cash-flow discounted back to present value.

Level 3 fair values of unlisted equity securities and debentures are determined based on valuation techniques using significant unobservable inputs, which includes the market comparison approach and the dividend discount approach. The fair value is affected by the price to book ratio of appropriate comparables, sustainable growth rate or discount rate.

If the significant unobservable inputs would be shifted by +/- 5%, the impact on other comprehensive income would be increased by HK$11,027,000 (2023: HK$3,669,000) or decreased by HK$9,307,000 (2023: HK$2,509,000) and profit or loss would be increased/decreased by HK$776,000 (2023: HK$687,000) respectively.

The following table presents the changes in level 3 instruments for the years ended 31 December 2023 and 2024 respectively.

	Financial assets at fair value through profit or loss		Investment securities at fair value through other comprehensive income		
	Equity securities	Total	Equity securities	Debt securities	Total
As at 1 January 2023	12,242	12,242	296,463	2,874	299,337
Total gains					
– Profit	1,543	1,543	–	–	–
– Other comprehensive income	–	–	402,779	–	402,779
Exchange adjustments	–	–	(10,561)	–	(10,561)
As at 31 December 2023 and 1 January 2024	**13,785**	**13,785**	**688,681**	**2,874**	**691,555**
Total gains					
– Profit	**1,734**	**1,734**	**–**	**–**	**–**
– Other comprehensive income	**–**	**–**	**(2,670)**	**–**	**(2,670)**
Exchange adjustments	**–**	**–**	**(23,868)**	**–**	**(23,868)**
As at 31 December 2024	**15,519**	**15,519**	**662,143**	**2,874**	**665,017**

(All amounts in HK dollar thousands unless otherwise stated)

3 FINANCIAL RISK MANAGEMENT (CONTINUED)

3.5 Capital management

The Group's policy is to maintain a strong capital base to support the development of the Group's business and to ensure compliance with the statutory capital adequacy ratio requirement, a requirement used to assess the capital adequacy of banks. Capital is allocated to the various activities of the Group depending on the risk taken by each business division. Where the subsidiaries or branches are directly regulated by other regulators, they are required to maintain capital according to the rules of those regulators.

The Group's objectives when managing capital, which is a broader concept than the "equity" on the face of statement of financial position, are:

- To comply with the capital requirements under the Banking (Capital) Rules ("BCR") of the Banking Ordinance;
- To safeguard the Group's ability to continue as a going concern so that it can continue to provide returns for shareholders and benefits for other stakeholders;
- To support the Group's stability and growth;
- To allocate capital in an efficient and risk based approach to optimise risk adjusted return to the shareholders; and
- To maintain a strong capital base to support the development of its business.

Capital adequacy and the use of regulatory capital are monitored daily by the Group's management, employing techniques based on the BCR. The required information is filed with the Hong Kong Monetary Authority ("HKMA") periodically.

The HKMA requires each bank or banking group to maintain a ratio of total regulatory capital to the risk-weighted asset (the capital adequacy ratio) at or above the statutory minimum ratio. Subsidiaries of the Group are also subject to statutory capital requirements from other regulatory authorities, such as the Securities and Futures Commission.

The regulatory capital requirements are strictly observed when managing economic capital. The regulatory capital of the Group comprises the following:

- Common Equity Tier 1 ("CET1") capital and Tier 1 capital: share capital, general reserve, investment revaluation reserve and retained earnings; and

- Tier 2 capital: subordinated debts, Stage 1 and Stage 2 credit impairment allowances and regulatory reserve.

	2024	2023
CET1 capital ratio	**25.1%**	22.5%
Tier 1 capital ratio	**25.1%**	22.5%
Total capital ratio	**28.0%**	26.6%

3.6 Operational risk management

Operational risk is the risk of loss resulting from inadequate or failed internal processes, people and systems or from external events. It is inherent in all material products, activities, processes and systems. The Compliance and Operational Risk Management Committee oversees the Group's operational risk to ensure the operations are in accordance with the controls and procedures laid down in the operational risk management policy approved by the Risk Committee. The Operational Risk Management Department is responsible for the central operational risk management function. Policies and procedures have been established to control exposures and to identify operational risk factors. Insurance policies are taken to mitigate unforeseeable operational risk. No significant operational loss event identified in 2024 (2023: Nil). A Business Continuity Plan and Operational Resilience Framework are established to ensure the Group's ability to operate on an ongoing basis and limit losses in the event of severe business disruption, particularly where the Group's physical, telecommunication, or information technology infrastructures have been damaged or made inaccessible.

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS IN APPLYING ACCOUNTING POLICIES

The Group's financial statements and its financial results are influenced by accounting policies, assumptions, estimates, and management judgements which necessarily have to be made in the course of preparation of the consolidated financial statements.

The Group makes estimates and assumptions that affect the reported amounts of assets and liabilities within the next financial year. Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events.

Accounting policies and management's judgements for certain items are especially critical for the Group's results and financial situation due to their materiality in amount.

Measurement of the expected credit loss ("ECL") allowance

The measurement of the ECL allowance for financial assets measured at amortised cost and fair value through other comprehensive income is an area that requires the use of complex models and significant assumptions about future economic conditions and credit behaviour (e.g. the likelihood of customers defaulting and the resulting losses). Explanation of the inputs, assumptions and estimation techniques used in measuring ECL is further detailed in Note 3.1.1, which also sets out key sensitivities of the ECL to changes in these elements.

A number of significant judgements are required in applying the accounting requirements for measuring ECL, such as:

– Determining criteria for significant increase in credit risk;
– Choosing appropriate models and assumptions for the measurement of ECL;
– Establishing the number and relative weightings of forward-looking scenarios for each type of product/market and the associated ECL;
– Establishing groups of similar financial assets for the purposes of measuring ECL; and
– Assessing data limitation and model uncertainty, and determining post model adjustments.

Fair value of financial instruments

The fair values of certain financial instruments that are not quoted in active markets are determined by using valuation techniques, details of which are set out in Note 3.4(b).

5 SEGMENT REPORTING

(a) By operating segment

Operating segments, and the amounts of each segment item reported in the consolidated financial statements, are identified from the financial information provided regularly to the Group's most senior executive management for the purposes of allocating resources to, and assessing the performance of, the Group's various lines of business and geographical locations.

For the purpose of assessing performance of business activity by class, the allocation of revenue, besides the direct revenue generated by the business, also includes the benefits of funding resources derived from the other businesses by way of internal fund transfer pricing mechanisms. Cost allocation is based on the direct cost incurred by the class of business and internal allocation of management overheads. Asset allocation is based on the assets directly attributable to the class of business and internal allocation of assets.

The Group is engaged predominantly in banking and related financial activities. It comprises retail and corporate banking, trade finance, treasury and other classes of business.

Retail and corporate banking – incorporating banking services to individual and corporate customers such as current accounts, savings accounts, fixed deposits, safe deposit box, credit cards, loans and other credit facilities.

Trade finance – incorporating import and export bills services, invoice discounting/receivable financing and ECIC supported export finance for small and medium enterprises.

Treasury – conducting treasury operations for trading and investment purposes such as foreign exchange, money market and capital market activities and providing treasury products such as yield enhancement and hedging products to retail and corporate customers.

The business activities under "Others" mainly comprise remittance, share dealing, provisions of trustee, wealth management and insurance services, and support services for operations not directly identified under other reportable segments.

As the Group derives a majority of revenue from interest and the senior management relies primarily on net interest income in managing the business, interest income and expense for all reportable segments are presented on a net basis.

(All amounts in HK dollar thousands unless otherwise stated)

5 SEGMENT REPORTING (CONTINUED)

(a) By operating segment (Continued)

2024	Retail and corporate banking	Trade finance	Treasury	Others	Total
Net interest income	4,204,534	28,402	42,475	126,302	4,401,713
Non-interest income	241,616	64,355	311,981	732,168	1,350,120
Operating income	4,446,150	92,757	354,456	858,470	5,751,833
Operating expenses	(1,123,064)	(84,029)	(155,711)	(556,432)	(1,919,236)
Operating profit before credit impairment losses	3,323,086	8,728	198,745	302,038	3,832,597
Credit impairment losses	(3,116,129)	(1,423)	(4,293)	(849)	(3,122,694)
Operating profit after credit impairment losses	206,957	7,305	194,452	301,189	709,903
Share of net profits of associates and joint venture	–	–	–	48,897	48,897
Profit before income tax (after taking into account internal fund transfers and cost allocation)	206,957	7,305	194,452	350,086	758,800
Income tax expense	194,379	1,150	30,847	1,768	228,144
Depreciation expenses and amortisation	158,030	6,627	7,632	53,059	225,348
Total assets	77,127,270	3,309,069	139,398,564	7,596,102	227,431,005
Total liabilities	178,900,485	67,654	8,591,562	1,630,244	189,189,945

2023	Retail and corporate banking	Trade finance	Treasury	Others	Total
Net interest income	4,326,731	31,682	37,961	–	4,396,374
Non-interest income	277,319	74,088	291,399	568,636	1,211,442
Operating income	4,604,050	105,770	329,360	568,636	5,607,816
Operating expenses	(1,026,691)	(82,551)	(143,538)	(597,410)	(1,850,190)
Operating profit/(loss) before credit impairment losses	3,577,359	23,219	185,822	(28,774)	3,757,626
Credit impairment losses	(1,660,525)	(973)	4,515	(144)	(1,657,127)
Operating profit/(loss) after credit impairment losses	1,916,834	22,246	190,337	(28,918)	2,100,499
Share of net losses of associates and joint venture	–	–	–	(34,782)	(34,782)
Profit/(loss) before income tax (after taking into account internal fund transfers and cost allocation)	1,916,834	22,246	190,337	(63,700)	2,065,717
Income tax expense	517,757	3,557	30,536	(54,650)	497,200
Depreciation expenses and amortisation	97,296	7,149	9,910	112,219	226,574
Total assets	90,376,325	3,231,852	130,597,189	5,739,178	229,944,544
Total liabilities	180,731,701	77,268	11,719,942	1,304,812	193,833,723

(All amounts in HK dollar thousands unless otherwise stated)

5 SEGMENT REPORTING (CONTINUED)

(b) By geographical area

The following tables provide information by geographical area, which is determined with reference to the location of the principal operations of the branches and subsidiaries of the Group.

2024	Total assets	Total liabilities	Contingent liabilities and commitments	Total operating income	Profit/(loss) before income tax	Capital expenditure
Hong Kong and mainland China	198,286,269	180,984,879	35,399,405	4,523,295	(85,520)	162,284
United States	24,603,299	6,301,045	890,465	1,119,592	772,402	103
United Kingdom	4,541,437	1,904,021	123,103	108,946	71,918	1,651
Total	227,431,005	189,189,945	36,412,973	5,751,833	758,800	164,038

2023	Total assets	Total liabilities	Contingent liabilities and commitments	Total operating income	Profit before income tax	Capital expenditure
Hong Kong and mainland China	197,441,570	184,456,731	38,256,605	4,255,435	917,204	178,846
United States	27,493,222	7,585,393	1,285,953	1,235,673	1,049,610	1,653
United Kingdom	5,009,752	1,791,599	261,575	116,708	98,903	982
Total	229,944,544	193,833,723	39,804,133	5,607,816	2,065,717	181,481

6 NET INTEREST INCOME

Interest income	2024	2023
Balances with banks and placements with banks	3,507,191	2,982,970
Investment securities at amortised cost	353,924	265,475
Investment securities at fair value through other comprehensive income	1,286,887	781,318
Loans and advances to customers	5,274,339	5,942,077
Others	19,814	15,940
Interest income on financial assets that are not measured at fair value through profit or loss	10,442,155	9,987,780

Interest expense	2024	2023
Deposits and balances from banks	188,539	267,508
Deposits from customers	5,647,497	5,029,502
Subordinated debts	184,596	276,059
Lease liabilities	10,759	8,816
Others	9,051	9,521
Interest expense on financial liabilities that are not measured at fair value through profit or loss	6,040,442	5,591,406

(All amounts in HK dollar thousands unless otherwise stated)

7 NET FEE AND COMMISSION INCOME

	2024	2023
Fee and commission income		
Bills	50,033	55,850
Nominees, custodian and securities brokerage	152,027	136,226
Investment products	74,021	79,984
Remittance	55,093	52,614
Credit cards	56,008	54,539
Retail banking	43,883	43,743
Insurance	54,429	38,655
Loans and advances and facility fees	146,847	180,141
Trust and other commissions	3,621	3,187
Total fee and commission income	635,962	644,939
Less: fee and commission expense	(66,625)	(58,607)
Net fee and commission income	569,337	586,332
Of which:		
Net fee and commission income, other than amounts included in determining the effective interest rate, arising from financial assets or financial liabilities that are not measured at fair value through profit or loss		
– fee and commission income	252,888	290,530
– fee and commission expense	7,595	6,703
Net fee and commission income on trust and other fiduciary activities		
– fee and commission income	23,895	25,011

(All amounts in HK dollar thousands unless otherwise stated)

8 NET TRADING INCOME

	2024	2023
Foreign exchange	238,450	237,239
Interest rate instruments	41,905	43,801
Equity instruments:		
– Trading gains/(losses)	2,175	(2,718)
– Dividend income	1,237	1,082
Other trading income	18,518	9,472
	302,285	288,876

"Foreign exchange" includes gains and losses from spot, forward and option contracts, swaps and translated foreign currency assets and liabilities, which are not designated as qualifying hedging relationship. "Interest rate instruments" include the results of trading in government securities, corporate debt securities, money market instruments and interest rate swaps. "Equity instruments" include equity securities.

9 OTHER OPERATING INCOME

	2024	2023
Gross rental income from investment properties	49,980	53,241
Net losses from disposal of equipment	(119)	(33)
Others	71,390	70,925
	121,251	124,133

Note: Direct operating expenses arising from investment properties of HK$34,000 (2023: HK$715,000) are included in premises management expenses (Note 11).

10 NET (LOSS)/INCOME FROM INSURANCE SERVICES

	2024	2023
Insurance revenue	50,221	50,908
Insurance service expenses	(36,524)	(34,912)
Net expenses from reinsurance contracts held	(10,851)	(8,223)
Net insurance finance expenses	(4,131)	(2,914)
	(1,285)	4,859

(All amounts in HK dollar thousands unless otherwise stated)

11 OPERATING EXPENSES

	2024	2023
Auditor's remuneration		
Audit services (Note a)	13,118	11,859
Non-audit-related services (Note b)	6,613	7,492
Premises management expenses	45,423	48,102
Depreciation expenses		
Properties and equipment	100,679	114,407
Right-of-use assets	99,013	100,006
Investment properties	8,893	8,894
Amortisation of computer software	16,763	3,267
Employee benefit expenses		
Wages and salaries and other costs (Note c)	1,128,738	1,111,990
Pension costs – defined contribution schemes	96,096	87,057
Expenses relating to short-term and low-value leases	3,488	1,970
Information technology and communications	122,530	108,390
Legal and consultancy	51,270	19,124
Printing, stationery and postage	21,425	23,256
Promotion and advertising	30,705	50,439
Others	174,482	153,937
	1,919,236	1,850,190

Note a: The above auditor's remuneration for audit services represents the fee for the audit of the Group's financial information for the interim and annual period to comply with the statutory and regulatory requirements in Hong Kong and Taiwan.

Note b: The above fees for non-audit-related services includes the fee for the review under Hong Kong Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" for the first and third quarter results of the Group in accordance with the regulatory requirements of the ultimate holding company in Taiwan.

Note c: Employee benefit expenses include directors' emoluments (Note 13(a)).

(All amounts in HK dollar thousands unless otherwise stated)

12 CREDIT IMPAIRMENT LOSSES

	2024	2023
Loans and advances to customers	3,050,911	1,669,974
Balances with banks and placements with banks	331	143
Investment securities	3,956	(4,700)
Other assets	42,011	(712)
Loan commitments and financial guarantee contracts	25,485	(7,578)
	3,122,694	1,657,127

13 BENEFITS AND INTERESTS OF DIRECTORS

(a) Directors' emoluments

The emoluments of the Directors of the Bank disclosed pursuant to section 383 of the Hong Kong Companies Ordinance (Cap. 622) and the Companies (Disclosure of Information about Benefits of Directors) Regulation (Cap. 622G) are set out below:

	2024	2023
Fees	7,723	8,433
Basic salaries, allowances and bonus	17,240	20,543
Contributions to retirement benefits schemes	708	1,416
	25,671	30,392

(b) Directors' material interests in transactions, arrangements or contracts

In 2019, the Bank entered into a contract with Hanison Contractors Limited ("Hanison") as the main contractor for a sum of HK$452,880,000 relating to the redevelopment of West Point Branch where Mr. Johnson M. D. CHA is a common director of the Bank and Hanison Construction Holdings Ltd., the holding company of Hanison.

(All amounts in HK dollar thousands unless otherwise stated)

14 INCOME TAX EXPENSE

Hong Kong profits tax has been provided at the rate of 16.5% (2023: 16.5%) on the estimated assessable profits for the year. Taxation on overseas profits has been calculated on the estimated assessable profits for the year at the rates of taxation prevailing in the countries in which the Group operates.

The Group is within the scope of the Organisation for Economic Co-operation and Development ("OECD") Pillar Two model rules. Pillar Two legislation was enacted in the United Kingdom, the jurisdiction in which Shacom Property Holdings (BVI) Limited and London Branch operate, and came into effect on 1 January 2024.

Since the Pillar Two legislation in the United Kingdom was effective at the reporting date, the Group has assessed its exposure to the legislation. Under the legislation, the Group is liable to pay a top-up tax for the difference between the effective tax rate per jurisdiction under the GloBE rules and the 15% minimum rate. Since the United Kingdom has introduced the transitional safe harbour provisions, the Group has fulfilled certain safe harbour conditions and the top-up tax is deemed to be zero. The Group applies the exception to recognising and disclosing information about deferred tax assets and liabilities related to Pillar Two income taxes, as provided in the amendments to HKAS 12 "Income Taxes".

The amount of taxation charged to the statement of profit or loss represents:

	2024	2023
Current income tax:		
– Hong Kong profits tax	397,869	377,034
– Overseas taxation	232,741	350,073
– Over provisions in respect of prior years	(11,707)	(22,910)
Total current income tax	618,903	704,197
Deferred income tax:		
– Hong Kong deferred tax	(351,966)	(233,197)
– Overseas deferred tax	(38,793)	26,200
Total deferred income tax (Note 32)	(390,759)	(206,997)
Income tax expense	228,144	497,200

The tax on the Group's profit before tax differs from the theoretical amount that would arise using the tax rates of the countries in which the Group operates as follows:

	2024	2023
Profit before tax	758,800	2,065,717
Tax calculated at domestic tax rates applicable to profits in the respective countries	201,449	534,213
Tax effects of:		
Income not subject to tax	(75,552)	(37,357)
Expenses not deductible for tax purposes	113,954	23,254
Over provisions in respect of prior years	(11,707)	(22,910)
Income tax expense	228,144	497,200

15 DIVIDEND

No dividend was paid in 2024 (2023: HK$275,000,000 (HK$13.75 per share)).

(All amounts in HK dollar thousands unless otherwise stated)

16 CASH AND BALANCES WITH BANKS

	2024	2023
Cash in hand	985,889	740,597
Balances with central banks and the Hong Kong Monetary Authority	2,491,594	2,602,125
Balances with banks	55,086,425	57,109,846
	58,563,908	60,452,568
Less: Stage 1 credit impairment allowances	(1,360)	(1,197)
	58,562,548	60,451,371
Gross amount of cash and balances with banks	58,563,908	60,452,568
Less: Amount with an original maturity beyond 3 months or deposits with designated banks subject to regulatory requirement	(2,879,241)	(4,921,360)
Amount included in cash and cash equivalents	55,684,667	55,531,208

Included in the gross amount of cash and balances with banks, HK$272,760,000 (2023: HK$137,162,000) were deposited in central banks or designated banks as at 31 December 2024, to comply with the statutory requirements of respective jurisdiction in which the Group is operating the business. As at 31 December 2024, there were no financial assets (2023: HK$1,017,056,000 comprising balances with banks of HK$10,921,000 and financial assets at fair value through profit or loss of HK$1,006,135,000) under collateral arrangement with a shareholder of the Bank as the arrangement was terminated in October 2024. (2023: a collateral arrangement for credit facilities of HK$742,230,000).

17 PLACEMENTS WITH BANKS

	2024	2023
Placements with banks maturing between 1 and 12 months	26,106,706	22,339,699
Less: Stage 1 credit impairment allowances	(616)	(448)
	26,106,090	22,339,251
Gross amount of placements with banks	26,106,706	22,339,699
Less: Amount with an original maturity beyond 3 months or deposits with designated banks subject to regulatory requirement	(11,027,735)	(9,459,089)
Amount included in cash and cash equivalents	15,078,971	12,880,610

Included in the gross amount of placements with banks, HK$200,614,000 (2023: HK$402,378,000) were deposited with designated banks in the mainland China as at 31 December 2024, to comply with the local statutory requirement.

(All amounts in HK dollar thousands unless otherwise stated)

18 LOANS AND ADVANCES TO CUSTOMERS

	2024	2023
Gross loans and advances to customers	76,683,508	89,625,281
Less: credit impairment allowances		
– Stage 1	(84,723)	(122,898)
– Stage 2	(171,470)	(144,968)
– Stage 3	(1,000,560)	(118,954)
	75,426,755	89,238,461
Gross trade bills and other eligible bills included within gross loans and advances to customers	156,155	136,793
Less: credit impairment allowances on trade bills		
– Stage 1	(74)	(72)
– Stage 2	(36)	(28)
	156,045	136,693

The Group accepted listed securities at fair value of HK$2,362,754,000 (2023: HK$2,518,344,000) as collateral for shares financing facilities. These securities are permitted to be sold or re-pledged in the event of default by the borrowers.

19 FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	2024	2023
Debt securities		
Unlisted	151,574	1,006,135
Total debt securities	151,574	1,006,135
Equity securities		
Listed in Hong Kong	34,952	35,068
Unlisted	15,519	13,785
Total equity securities	50,471	48,853
Total	202,045	1,054,988
Type of issuer:		
Sovereigns	–	1,006,135
Public sector entities	5,441	5,885
Banks	151,574	–
Corporates	45,030	42,968
	202,045	1,054,988

As at 31 December 2024, there were no financial assets (2023: HK$1,017,056,000 comprising balances with banks of HK$10,921,000 and financial assets at fair value through profit or loss of HK$1,006,135,000) under collateral arrangement with a shareholder of the Bank as the arrangement was terminated in October 2024. (2023: a collateral arrangement for credit facilities of HK$742,230,000).

(All amounts in HK dollar thousands unless otherwise stated)

20 DERIVATIVE FINANCIAL INSTRUMENTS

The notional amounts of certain types of financial instruments provide a basis for comparison with instruments recognised on the 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 risks. The derivative 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 instruments are favourable or unfavourable, and thus the aggregate fair values of derivative financial assets and liabilities, can fluctuate significantly from time to time. The fair values of derivative instruments held are set out below.

As at 31 December 2024

		Fair values	
	Contract amount	Assets	Liabilities
Derivatives held for trading			
Exchange rate contracts	112,964,131	505,141	(496,586)
Total recognised derivative assets/(liabilities)		505,141	(496,586)

As at 31 December 2023

		Fair values	
	Contract amount	Assets	Liabilities
Derivatives held for trading			
Exchange rate contracts	123,595,757	726,213	(749,830)
Total recognised derivative assets/(liabilities)		726,213	(749,830)

	Credit risk weighted amount	
	2024	2023
Derivatives held for trading	771,075	404,316

The contract amounts of these instruments indicate the volume of transactions outstanding as at the reporting date, they do not represent the amounts at risk.

The credit risk weighted amounts are calculated in accordance with the standardised (counterparty credit risk) approach as stipulated in the Banking (Capital) Rules.

The above fair values have not taken into account the effect of bilateral netting arrangements and accordingly the amounts disclosed are shown on a gross basis.

(All amounts in HK dollar thousands unless otherwise stated)

20 DERIVATIVE FINANCIAL INSTRUMENTS (CONTINUED)

The Group uses the following derivative strategies:

– Trading purposes (customer needs)
  The Group offers its customers derivatives in connection with their risk management actions to transfer, modify or reduce their interest rate, foreign exchange and other market/credit risks or for their own trading purposes. As part of this process, the Group considers the customers' suitability for the risk involved, and the business purpose for the transaction. The Group also manages its derivative-risk positions through offsetting trade activities, controls focused on price verification, and daily reporting of positions to senior managers.

– Trading purposes (own account)
  The Group trades derivatives for its own account. These derivatives entered into in order to take proprietary positions. Trading limits and price verification controls are key aspects of this activity.

21 INVESTMENT SECURITIES AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

	2024	2023
Debt securities		
Listed in Hong Kong	7,846,693	7,896,266
Listed outside Hong Kong	17,142,854	12,254,975
Unlisted	23,413,486	16,636,144
Total debt securities	48,403,033	36,787,385
Equity securities		
Listed outside Hong Kong	4,248,620	2,936,964
Unlisted	662,143	688,681
Total equity securities	4,910,763	3,625,645
Total	53,313,796	40,413,030
Type of issuer:		
Sovereigns	5,013,083	3,289,817
Public sector entities	4,536,672	2,101,170
Banks	30,460,154	17,980,920
Corporates	13,303,887	17,041,123
	53,313,796	40,413,030

As at 31 December 2024, equity securities designated at fair value through other comprehensive income amounting to HK$4,910,763,000 (2023: HK$3,625,645,000) were for long term investment purpose, of which HK$4,141,966,000 (2023: HK$2,801,525,000) were the fair value of the Bank's investment in Bank of Shanghai, China. In addition, listed and unlisted Exchange Fund Bills and Notes at fair value through other comprehensive income of HK$2,978,498,000 (2023: HK$1,437,919,000) were pledged to the Hong Kong Monetary Authority to facilitate settlement operations. There were no related liabilities at the year end.

(All amounts in HK dollar thousands unless otherwise stated)

22 INVESTMENT SECURITIES AT AMORTISED COST

	2024	2023
Debt securities		
Listed in Hong Kong	634,467	1,080,191
Listed outside Hong Kong	2,621,339	2,508,601
Unlisted	1,654,204	4,420,859
	4,910,010	8,009,651
Less: Stage 1 credit impairment allowances	(130)	(244)
	4,909,880	8,009,407
Type of issuer:		
Sovereigns	1,636,864	2,338,494
Public sector entities	1,851,706	3,264,950
Banks	1,421,310	2,206,056
Corporates	–	199,907
	4,909,880	8,009,407

As at 31 December 2024, certain of the Bank's branches in the United States have pledged investment securities at amortised cost amounting to HK$262,004,000 (2023: HK$339,266,000) to the State of California and with the Office of the Comptroller of the Currency in compliance with local regulatory requirements. In addition, listed and unlisted Exchange Fund Bills and Notes at amortised cost of HK$414,701,000 (2023: HK$1,535,887,000) were pledged to the Hong Kong Monetary Authority to facilitate settlement operations. There were no related liabilities at the year end.

23 PROPERTIES FOR SALE

	2024	2023
Property development		
Leasehold land held for development for sale	381,187	381,188
Building development cost	531,892	482,530
	913,079	863,718

The Group has undertaken a project to redevelop the properties located in West Point where the pre-sale of the residential units of the project commenced on 12 June 2024. As at 31 December 2024, the net book amount of land and building incurred for this project were HK$1,134,052,000 (2023: HK$1,073,017,000), of which HK$913,079,000 (2023: HK$863,718,000) were classified as properties held for sale while the remaining HK$220,973,000 (2023: HK$209,299,000) as bank premises under development (Note 26) in accordance with the redevelopment plan. Deposits were received from the buyers based on payment schedules established in contracts. Such deposits received are recognised as contract liabilities (Note 31) until the Group satisfies its performance obligations by transferring the control of the residential units to the buyers, at which time the contract liabilities are recognised as income.

(All amounts in HK dollar thousands unless otherwise stated)

24 SUBSIDIARIES

The following is a list of the subsidiaries as at 31 December 2024:

Name	Place of incorporation	Principal activities and place of operation	Particulars of issued share capital	Percentage of ordinary share capital held	2024 Total assets	2024 Total equity	2023 Total assets	2023 Total equity
Shanghai Commercial Bank (Nominees) Limited	Hong Kong	Nominee services Hong Kong	100 ordinary shares	100%[1]	10	10	10	10
Shanghai Commercial Bank Trustee Limited	Hong Kong	Trustee services Hong Kong	1,000 ordinary shares	60%[2]	16,783	16,607	16,238	16,030
Shacom Futures Limited	Hong Kong	Advising and dealing in futures contracts Hong Kong	600,000 ordinary shares	100%[1]	80,392	53,302	80,731	54,269
Shacom Investment Limited	Hong Kong	Investment in Exchange Fund Bills and Notes Hong Kong	10,000 ordinary shares	100%[1]	4,089,194	13,389	3,716,406	12,988
Shacom Property Holdings (BVI) Limited	British Virgin Islands	Property holding United Kingdom	2 ordinary shares of US$1 each	100%[1]	25,285	3,254	27,596	4,307
Shacom Property (NY), Inc.	United States of America	Property holding United States of America	10 ordinary shares of US$1 each	100%[1]	5,392	5,392	5,480	5,480
Shacom Property (CA), Inc.	United States of America	Property holding United States of America	10 ordinary shares of US$1 each	100%[1]	2,752	2,752	2,714	2,714
Shacom Assets Investments Limited	Hong Kong	Investment in notes and bonds Hong Kong	10,000 ordinary shares	100%[1]	1,086,938	4,965	1,085,691	3,734
Infinite Financial Solutions Limited	Hong Kong	Information technology services provider Hong Kong	500,000 ordinary shares	100%[1]	36,648	26,470	33,463	24,006
Shacom Insurance Brokers Limited	Hong Kong	Insurance broker Hong Kong	1,000,000 ordinary shares	100%[1]	3,538	2,108	4,004	2,028
Shacom Securities Limited	Hong Kong	Securities brokerage services Hong Kong	2,000,000 ordinary shares	100%[1]	443,210	271,753	469,702	269,586
Hai Kwang Property Management Company Limited	Hong Kong	Property management Hong Kong	2 ordinary shares	100%[1]	989	826	917	778

(All amounts in HK dollar thousands unless otherwise stated)

24 SUBSIDIARIES (CONTINUED)

Name	Place of incorporation	Principal activities and place of operation	Particulars of issued share capital	Percentage of ordinary share capital held	2024		2023	
					Total assets	Total equity	Total assets	Total equity
Paofoong Insurance Company (Hong Kong) Limited	Hong Kong	Insurance Hong Kong	500,000 ordinary shares	60%[2]	363,395	279,352	348,436	258,111
Right Honour Investments Limited	British Virgin Islands	Property holding Hong Kong	1 ordinary share of US$1 each	100%[1]	8	(243)	7	(221)
Glory Step Westpoint Investments Limited	British Virgin Islands	Property holding Hong Kong	1 ordinary share of US$1 each	100%	527,969	(46,893)	424,432	(38,560)
Silver Wisdom Westpoint Investments Limited	British Virgin Islands	Property holding Hong Kong	1 ordinary share of US$1 each	100%	1,733,125	(128,693)	1,305,629	(94,555)
KCC 23F Limited	British Virgin Islands	Property holding Hong Kong	1 ordinary share of HK$1 each	100%[1]	253,208	78,884	288,475	104,449
KCC 25F Limited	British Virgin Islands	Property holding Hong Kong	1 ordinary share of HK$1 each	100%[1]	254,340	79,922	289,566	105,453
KCC 26F Limited	British Virgin Islands	Property holding Hong Kong	1 ordinary share of HK$1 each	100%[1]	255,446	81,149	290,633	106,647

1 Ordinary share capital is held directly by the Bank.

2 60% of ordinary share capital is held directly by the Bank and 40% of ordinary share capital is held by non-controlling interests in equity.

(All amounts in HK dollar thousands unless otherwise stated)

25 INVESTMENTS IN ASSOCIATES AND JOINT VENTURE

Movement in investments in associates and joint venture

	2024			2023		
	Investment in associates	Investment in joint venture	Total	Investment in associates	Investment in joint venture	Total
As at 1 January	392,512	38,508	431,020	449,531	37,991	487,522
Share of profits/(losses), net of tax	48,215	682	48,897	(35,199)	417	(34,782)
Dividends paid	(29,180)	(150)	(29,330)	(21,820)	(35)	(21,855)
Other equity movement	2,118	(174)	1,944	–	135	135
Reclassify to assets held for sale (Note)	(129,664)	–	(129,664)	–	–	–
As at 31 December	284,001	38,866	322,867	392,512	38,508	431,020

Note: On 27 December 2024, the Bank entered into an agreement with Yue Xiu Enterprises (Holdings) Limited to sell its interests in Hong Kong Life Insurance Limited ("Hong Kong Life") at a consideration of HK$295 million. The completion of the transaction is subject to certain conditions including obtaining the necessary approvals from the relevant regulators. Accordingly, the Bank's interests in Hong Kong Life were reclassified from "Investments in associates and joint venture" to "Assets held for sale".

The Group's interests in its associates and joint venture for the years ended 2024 and 2023, which are unlisted, are as follows:

Name of entity	Principle activities	Place of incorporation and operation	Proportion of voting power	% of ownership interest	Nature of relationship
Bank Consortium Holding Limited	Investment holding and provision of trustee, administration and custodian services for retirement schemes	Hong Kong	14.29% of "A" shares (Note a)	13.33%	Associate
BC Reinsurance Limited	Underwriting of general reinsurance business	Hong Kong	21%	21%	Associate
Joint Electronic Teller Services Limited	Provision of ATM network services	Hong Kong	20% of "A" shares (Note b)	2.74%	Joint venture

Note a: The Group is able to exercise significant influence over the entity because it has the power to appoint and remove director(s) and the right to vote in general meetings of the entity.

Note b: The Group is able to exercise significant influence over the entity because it has the power to appoint and remove director(s) and the right to vote in general meetings of the entity. The Group has the right to vote on the distribution of the entity's asset upon the winding up of the entity.

(All amounts in HK dollar thousands unless otherwise stated)

25 INVESTMENTS IN ASSOCIATES AND JOINT VENTURE (CONTINUED)

Summarised financial information for associates and joint venture which are accounted for using the equity method is set out below:

2024

Name	Assets	Liabilities	Revenue	Profit	Other comprehensive income/(loss)	Total comprehensive income	Dividends received
Bank Consortium Holding Limited	1,377,646	174,579	986,060	234,233	–	234,233	24,980
BC Reinsurance Limited	973,891	266,406	68,123	108,753	10,643	119,396	4,200
Joint Electronic Teller Services Limited	409,409	34,713	122,278	24,891	(6,334)	18,557	150
	2,760,946	475,698	1,176,461	367,877	4,309	372,186	29,330

2023

Name	Assets	Liabilities	Revenue	Profit/(loss)	Other comprehensive income	Total comprehensive income/(loss)	Dividends received
Bank Consortium Holding Limited	1,267,094	147,209	864,500	204,388	–	204,388	20,140
BC Reinsurance Limited	844,566	267,708	107,219	58,849	–	58,849	1,680
Hong Kong Life Insurance Limited	14,462,777	13,649,669	143,765	(448,854)	–	(448,854)	–
Joint Electronic Teller Services Limited	396,966	35,219	123,361	15,237	4,912	20,149	35
	16,971,403	14,099,805	1,238,845	(170,380)	4,912	(165,468)	21,855

Note: The balances with the associates and joint venture arise from normal business transactions and are included in Note 39.

(All amounts in HK dollar thousands unless otherwise stated)

26 PROPERTIES AND EQUIPMENT

	Leasehold land	Bank premises	Furniture, fittings and equipment	Property under development: Leasehold land	Property under development: Development cost	Right-of-use assets	Total
As at 1 January 2023							
Cost	1,391,522	1,078,846	1,019,861	97,823	90,238	603,223	4,281,513
Accumulated depreciation	(230,497)	(383,041)	(831,448)	(1,189)	–	(378,962)	(1,825,137)
Net book amount	1,161,025	695,805	188,413	96,634	90,238	224,261	2,456,376
Year ended 31 December 2023							
Opening net book amount	1,161,025	695,805	188,413	96,634	90,238	224,261	2,456,376
Additions	–	–	20,184	–	22,532	98,064	140,780
Adjustments	–	–	–	–	–	(277)	(277)
Disposals/write-off/expiry							
Cost	–	–	(24,512)	–	–	(109,190)	(133,702)
Accumulated depreciation	–	–	24,456	–	–	109,190	133,646
Depreciation charge	(17,432)	(25,806)	(71,064)	(105)	–	(100,006)	(214,413)
Exchange adjustments	–	1,176	431	–	–	(4)	1,603
Closing net book amount	1,143,593	671,175	137,908	96,529	112,770	222,038	2,384,013
As at 31 December 2023							
Cost	1,391,522	1,080,719	1,016,690	97,823	112,770	590,838	4,290,362
Accumulated depreciation	(247,929)	(409,544)	(878,782)	(1,294)	–	(368,800)	(1,906,349)
Net book amount	1,143,593	671,175	137,908	96,529	112,770	222,038	2,384,013
Year ended 31 December 2024							
Opening net book amount	1,143,593	671,175	137,908	96,529	112,770	222,038	2,384,013
Additions	–	–	19,458	–	11,784	79,039	110,281
Disposals/write-off/expiry							
Cost	–	–	(30,010)	–	–	(246,940)	(276,950)
Accumulated depreciation	–	–	29,625	–	–	246,940	276,565
Depreciation charge	(17,432)	(25,796)	(57,341)	(110)	–	(99,013)	(199,692)
Exchange adjustments	–	(823)	(246)	–	–	(246)	(1,315)
Closing net book amount	1,126,161	644,556	99,394	96,419	124,554	201,818	2,292,902
As at 31 December 2024							
Cost	1,391,522	1,079,352	1,004,829	97,823	124,554	418,529	4,116,609
Accumulated depreciation	(265,361)	(434,796)	(905,435)	(1,404)	–	(216,711)	(1,823,707)
Net book amount	1,126,161	644,556	99,394	96,419	124,554	201,818	2,292,902

The Group has undertaken a project to redevelop the properties located in West Point where the pre-sale of the residential units of the project commenced on 12 June 2024 (Note 23). As at 31 December 2024, the net book amount of land and building incurred for this project were HK$1,134,052,000 (2023: HK$1,073,017,000), of which HK$913,079,000 (2023: HK$863,718,000) were classified as properties held for sale (Note 23) while the remaining HK$220,973,000 (2023: HK$209,299,000) as bank premises under development in accordance with the redevelopment plan.

As at 31 December 2024, interests in freehold land outside Hong Kong amounted to HK$33,385,000 (2023: HK$33,804,000) are included as bank premises above.

(All amounts in HK dollar thousands unless otherwise stated)

27 INVESTMENT PROPERTIES

	Leasehold land	Buildings	Total
As at 1 January 2023			
Cost	725,305	335,666	1,060,971
Accumulated depreciation	(13,001)	(54,192)	(67,193)
Net book amount	712,304	281,474	993,778
Year ended December 2023			
Opening net book amount	712,304	281,474	993,778
Depreciation charge	(866)	(8,028)	(8,894)
Closing net book amount	711,438	273,446	984,884
As at 31 December 2023			
Cost	725,305	335,666	1,060,971
Accumulated depreciation	(13,867)	(62,220)	(76,087)
Net book amount	711,438	273,446	984,884
Year ended December 2024			
Opening net book amount	**711,438**	**273,446**	**984,884**
Depreciation charge	**(865)**	**(8,028)**	**(8,893)**
Closing net book amount	**710,573**	**265,418**	**975,991**
As at 31 December 2024			
Cost	**725,305**	**335,666**	**1,060,971**
Accumulated depreciation	**(14,732)**	**(70,248)**	**(84,980)**
Net book amount	**710,573**	**265,418**	**975,991**

(a) Fair value measurement of investment properties

As at 31 December 2024, the Group's investment properties were valued at HK$2,024,500,000 (2023: HK$2,413,000,000) by an independent firm of chartered surveyors, Cushman & Wakefield Limited, who has among their staff Fellows of the Hong Kong Institute of Surveyors with recent experience in the location and category of properties being valued. The valuations were performed on an open market value basis.

The basis of the valuation of property was market value which is consistent with the definition of fair value under HKFRS 13 "Fair value measurement" and takes into account the highest and best use of the property from the perspective of market participants.

The major key input used in valuing the investment properties was the unit sale rate taking into account of time, location, and individual factors such as size and levels of buildings, which ranged from HK$20,000 (2023: HK$23,000) to HK$55,000 (2023: HK$63,000) per square foot. A decrease in unit sale rate would result in the decrease in fair value measurement of the investment properties by the same percentage and vice versa.

Investment properties are classified as Level 3 under the fair value hierarchy as defined in HKFRS 13 "Fair value measurement" as at 31 December 2024 and 2023.

(All amounts in HK dollar thousands unless otherwise stated)

27 INVESTMENT PROPERTIES (CONTINUED)

(b) Information about Level 3 fair value measurement

	Valuation technique(s)	Unobservable input(s)	Range 2024	Range 2023
Investment properties	Income capitalisation approach	Market yields	**3.125–3.25%**	2.875%
		Market rental	**HK$53 to HK$144 per square foot**	HK$56 to HK$152 per square foot

For investment properties of which the fair value is determined using the income capitalisation approach, the assessment is conducted on the basis of capitalisation of net income with due allowance for outgoings and reversionary income potential. The fair value measurement is positively correlated to the market rental and inversely correlated to the market yields.

(c) Operating lease commitments as a lessor

Where a group company is the lessor, the future minimum lease receivables under non-cancellable leases are as follows:

	2024	2023
Not later than 1 year	**49,437**	49,564
1 to 2 years	**33,583**	37,809
2 to 5 years	**64,198**	17,743
	147,218	105,116

The Group leases its investment properties under operating lease arrangements, with leases typically for a period from 2 to 5 years. The terms of the leases generally require the tenants to pay security deposits and provide for rent adjustments according to the prevailing market conditions at the expiration of the lease.

(All amounts in HK dollar thousands unless otherwise stated)

28 OTHER ASSETS

	2024	2023
Accounts receivable and prepayments	1,368,201	907,785
Interest receivable	1,255,328	1,446,132
Computer software	74,362	37,434
Others	366,422	225,687
	3,064,313	2,617,038
Less: credit impairment allowances		
– Stage 1	(2,996)	(1,749)
– Stage 3	(40,764)	–
	3,020,553	2,615,289

The movements in computer software are summarised as follows:

	2024	2023
Year ended December		
Opening net book amount	37,434	–
Additions	53,757	40,701
Amortisation	(16,763)	(3,267)
Exchange adjustments	(66)	–
Closing net book amount	74,362	37,434
As at 31 December		
Cost	94,381	40,701
Accumulated amortisation	(20,019)	(3,267)
Net book amount	74,362	37,434

29 DEPOSITS FROM CUSTOMERS

	2024	2023
Demand deposits and current accounts	12,992,850	12,721,104
Savings deposits	36,907,811	36,115,883
Time, call and notice deposits	127,136,558	129,780,997
Deposits from Hong Kong Government Exchange Fund	388,183	390,648
	177,425,402	179,008,632

(All amounts in HK dollar thousands unless otherwise stated)

30 SUBORDINATED DEBTS

	2024	2023
US$300 million fixed rate subordinated notes issued due 2029 at amortised cost (Note a)	–	2,335,113
US$350 million fixed rate subordinated notes issued due 2033 at amortised cost (Note b)	2,692,532	2,706,573
	2,692,532	5,041,686

Note a: This represents US$300,000,000 Basel III compliant 10-year subordinated fixed rate notes qualifying as Tier 2 capital of the Bank in accordance with the Banking (Capital) Rules ("BCR"), which are listed on the Hong Kong Stock Exchange. The notes will mature on 17 January 2029 with an optional redemption date falling on 17 January 2024. Interest at 5.00% p.a. is payable semi-annually from the issue date to the optional redemption date. Thereafter, if the notes are not redeemed, the interest rate will be reset and the notes will bear interest at the prevailing 5-year U.S. Treasury Rate plus 250 basis points. The Bank may, subject to receiving the prior approval of the Hong Kong Monetary Authority ("HKMA"), redeem the notes at the option of the Bank in whole but not in part, at par either on the optional redemption date or for tax or regulatory reasons at any time prior to maturity of the notes. The Bank fully redeemed the notes on 17 January 2024.

Note b: This represents US$350,000,000 Basel III compliant 10-year subordinated fixed rate notes qualifying as Tier 2 capital of the Bank in accordance with the BCR, which are listed on the Hong Kong Stock Exchange. The notes will mature on 28 February 2033 with an optional redemption date falling on 28 February 2028. Interest at 6.375% p.a. is payable semi-annually from the issue date to the optional redemption date. Thereafter, if the notes are not redeemed, the interest rate will be reset and the notes will bear interest at the prevailing 5-year U.S. Treasury Rate plus 240 basis points. The Bank may, subject to receiving the prior approval of the HKMA, redeem the notes at the option of the Bank in whole but not in part, at par either on the optional redemption date or for tax or regulatory reasons at any time prior to maturity of the notes.

31 OTHER LIABILITIES

	2024	2023
Accounts payable and accruals	698,564	673,556
Deferred income	86,920	108,106
Interest payable	1,082,769	1,298,522
Lease liabilities (Note 35)	206,204	224,732
Insurance contract liabilities (Note a)	90,632	94,664
Property sales contract liabilities (Note b)	462,591	–
Margin deposits	268,392	296,973
Credit impairment allowances for undrawn commitments and financial guarantee contracts:		
– Stage 1 and Stage 2	16,512	20,193
– Stage 3	29,166	–
Others	797,854	843,154
	3,739,604	3,559,900

Note a: Amounts recoverable from reinsurance of liabilities under insurance contracts issued amounting to HK$7,639,000 (2023: HK$8,160,000) are included in "Others" in Note 28.

Note b: The pre-sale of the residential units of the redevelopment project located in West Point commenced on 12 June 2024. Deposits were received from the buyers based on payment schedules established in contracts. Such deposits received are recognised as contract liabilities until the Group satisfies its performance obligations by transferring the control of the residential units to the buyers, at which time the contract liabilities are recognised as income. On 9 January 2025, the occupancy permit is obtained from the Buildings Department of Government of the Hong Kong Special Administrative Region. All of the above balance is expected to be recognized as revenue within one year.

(All amounts in HK dollar thousands unless otherwise stated)

32 DEFERRED INCOME TAX

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current income tax assets against current income tax liabilities and when the deferred income taxes relate to the same fiscal authority. The offset amounts are as follows:

Deferred income tax assets	Credit impairment allowances	Accelerated tax depreciation	Fair value losses/(gains) on investment securities at fair value through other comprehensive income	Others	Total
As at 1 January 2023	161,873	(49,144)	350,174	23,126	486,029
Credited/(charged) to the statement of profit or loss (Note a)	195,817	(911)	–	13,519	208,425
Exchange adjustments	(235)	(284)	–	16	(503)
Charged to other comprehensive income	–	–	(261,310)	–	(261,310)
Reclassified (to)/from deferred income tax liabilities	(364)	622	–	–	258
As at 31 December 2023 and 1 January 2024	357,091	(49,717)	88,864	36,661	432,899
Credited/(charged) to the statement of profit or loss (Note a)	405,200	5,763	–	(18,984)	391,979
Exchange adjustments	(2,528)	144	–	(173)	(2,557)
Charged to other comprehensive income	–	–	(72,662)	–	(72,662)
Reclassified (to)/from deferred income tax liabilities	(2)	–	(29)	66	35
As at 31 December 2024	759,761	(43,810)	16,173	17,570	749,694

Deferred income tax liabilities	Credit impairment allowances	Accelerated tax depreciation	Fair value losses/(gains) on investment securities at fair value through other comprehensive income	Others	Total
As at 1 January 2023	1	(17,281)	–	9,965	(7,315)
(Charged)/credited to the statement of profit or loss (Note a)	–	(1,714)	–	286	(1,428)
Reclassified from/(to) deferred income tax assets	364	(622)	–	–	(258)
As at 31 December 2023 and 1 January 2024	365	(19,617)	–	10,251	(9,001)
(Charged)/credited to the statement of profit or loss (Note a)	(11)	(1,861)	–	652	(1,220)
Exchange adjustments	(7)	16	–	–	9
Reclassified from/(to) deferred income tax assets	2	–	29	(66)	(35)
As at 31 December 2024	349	(21,462)	29	10,837	(10,247)

Note a: Total deferred income tax credited to the statement of profit or loss arising from: (Note 14)

	2024	2023
Deferred income tax assets	391,979	208,425
Deferred income tax liabilities	(1,220)	(1,428)
	390,759	206,997

(All amounts in HK dollar thousands unless otherwise stated)

33 SHARE CAPITAL

	2024	2023
Issued and fully paid: 20,000,000 shares	2,000,000	2,000,000

34 RESERVES ATTRIBUTABLE TO EQUITY HOLDERS

	Regulatory reserve (Note a)	Investment revaluation reserve (Note b)	General and other reserves (Note c)	Total
As at 1 January 2023	935,463	(422,876)	7,181,634	7,694,221
Net change in fair value of investment securities at fair value through other comprehensive income (Note d)	–	1,301,248	–	1,301,248
Currency translation difference arising from overseas operations	(1,147)	–	(18,466)	(19,613)
Share of reserves of associates and joint venture	–	66	551	617
As at 31 December 2023 and 1 January 2024	934,316	878,438	7,163,719	8,976,473
Net change in fair value of investment securities at fair value through other comprehensive income (Note d)	–	1,701,162	–	1,701,162
Currency translation difference arising from overseas operations	(2,544)	–	(30,438)	(32,982)
Share of reserves of associates and joint venture	–	2,065	398	2,463
As at 31 December 2024	931,772	2,581,665	7,133,679	10,647,116

Nature and purpose of reserves:

(a) Regulatory reserve

The regulatory reserve is maintained to satisfy the provisions of the Hong Kong Banking Ordinance and local regulatory requirements of overseas branches for prudent supervision purpose. Any movements in the regulatory reserve for Hong Kong operations are made in consultation with the Hong Kong Monetary Authority.

As at 31 December 2024, the regulatory reserves for Hong Kong and overseas branches operations were HK$812,455,000 (2023: HK$812,455,000) and HK$119,317,000 (2023: HK$121,861,000) respectively.

(b) Investment revaluation reserve

Investment revaluation reserve represents the cumulative net change in the fair value of investment securities at fair value through other comprehensive income until these investments are derecognised or impaired as stated in the accounting policy for financial assets (Note 2.6).

(c) General and other reserves

General and other reserves comprise previous years' transfers from retained earnings and translation reserve arising from translation of foreign operations during consolidation and share of changes in equity of associates and joint venture.

(d) Net change in fair value of investment securities at fair value through other comprehensive income

For the year ended 31 December 2024, net change in fair value of investment securities at fair value through other comprehensive income was a gain of HK$1,701,162,000 (2023: gain of HK$1,301,248,000) due to the net increase in fair value of HK$1,292,516,000 (2023: net increase in fair value of HK$318,070,000) on equities holdings and HK$408,646,000 (2023: net increase of HK$983,178,000) from debt securities portfolio. As at 31 December 2024, the debt securities at fair value through other comprehensive income had 98% (31 December 2023: 96%) in investment grade based on Standard & Poor's ratings or their equivalents (please refer to Note 3.1.5 for an analysis of the credit rating of these investments) while 90% (31 December 2023: 92%) of the portfolio maturing within 3 years.

(All amounts in HK dollar thousands unless otherwise stated)

35 OTHER CASH FLOW INFORMATION

Reconciliation of liabilities arising from financing activities

	Subordinated debts	
	2024	2023
As at 1 January	**5,041,686**	2,328,890
Cash outflow for redemption of subordinated debts	**(2,346,945)**	–
Cash inflow from issuance of subordinated debts	**–**	2,714,169
Non-cash changes:		
– Foreign exchange movement	**(14,027)**	(6,257)
– Amortisation of discount and issuance cost	**11,818**	4,884
As at 31 December	**2,692,532**	5,041,686

	Lease liabilities	
	2024	2023
As at 1 January	**224,732**	236,557
Payment of lease liabilities	**(100,202)**	(109,133)
Non-cash changes:		
– Additions	**71,437**	88,762
– Adjustments	**–**	(277)
– Other changes	**10,237**	8,823
As at 31 December	**206,204**	224,732

(All amounts in HK dollar thousands unless otherwise stated)

36 CONTINGENT LIABILITIES AND COMMITMENTS

(a) Credit commitments

The contract and credit risk weighted amounts of the Group's off-balance sheet financial instruments that commit it to extend credit to customers are as follows:

Contract amounts	2024	2023
Direct credit substitutes	1,543,658	1,904,173
Trade-related contingencies	1,296,331	2,151,488
Forward forward deposits placed	216,545	–
Other commitments with an original maturity of:		
– under 1 year	2,232,294	455,986
– 1 year and over	3,364,907	4,609,125
– unconditionally cancellable	27,759,238	30,683,361
	36,412,973	39,804,133

The contractual maturity profile of credit commitments is analysed as follows:

	2024	2023
No later than 1 year	33,445,629	35,738,872
Later than 1 year and no later than 5 years	1,329,029	2,269,996
Later than 5 years	1,638,315	1,795,265
	36,412,973	39,804,133

	2024	2023
Credit risk weighted amounts	2,908,698	3,902,249

(b) Capital commitments

Capital expenditure for the acquisition of properties and equipment outstanding as at the reporting date but not yet incurred is as follows:

	2024	2023
Contracted but not provided for	84,524	195,688

(c) Other contingent liabilities

The Group is involved in legal actions which are in relation to its normal business operations. No material provision was made for those actions against the Group because the management believes that the Group has adequate grounds to defend against the claimants or the amounts involved in those actions are not expected to be material.

(All amounts in HK dollar thousands unless otherwise stated)

37 OFFSETTING FINANCIAL INSTRUMENTS

The following tables present details of financial instruments subject to offsetting, enforceable master netting arrangements and similar agreements.

As at 31 December 2024

	Gross amounts of recognised financial assets	Gross amounts of recognised financial liabilities set off in the statement of financial position	Net amounts of financial assets presented in the statement of financial position	Related amounts not set off in the statement of financial position		Net amounts
				Financial instruments	Cash collateral received	
Assets						
Derivative financial instruments	420,544	–	420,544	(329,737)	(67,399)	23,408
Other assets	338,350	(209,609)	128,741	–	–	128,741
Total	758,894	(209,609)	549,285	(329,737)	(67,399)	152,149

	Gross amounts of recognised financial liabilities	Gross amounts of recognised financial assets set off in the statement of financial position	Net amounts of financial liabilities presented in the statement of financial position	Related amounts not set off in the statement of financial position		Net amounts
				Financial instruments	Cash collateral pledged	
Liabilities						
Derivative financial instruments	491,974	–	491,974	(329,737)	(138,891)	23,346
Other liabilities	216,708	(209,609)	7,099	–	–	7,099
Total	708,682	(209,609)	499,073	(329,737)	(138,891)	30,445

(All amounts in HK dollar thousands unless otherwise stated)

37 OFFSETTING FINANCIAL INSTRUMENTS (CONTINUED)

As at 31 December 2023

	Gross amounts of recognised financial assets	Gross amounts of recognised financial liabilities set off in the statement of financial position	Net amounts of financial assets presented in the statement of financial position	Related amounts not set off in the statement of financial position		Net amounts
				Financial instruments	Cash collateral received	
Assets						
Derivative financial instruments	694,966	–	694,966	(578,986)	(104,811)	11,169
Other assets	264,715	(91,305)	173,410	–	–	173,410
Total	959,681	(91,305)	868,376	(578,986)	(104,811)	184,579

	Gross amounts of recognised financial liabilities	Gross amounts of recognised financial assets set off in the statement of financial position	Net amounts of financial liabilities presented in the statement of financial position	Related amounts not set off in the statement of financial position		Net amounts
				Financial instruments	Cash collateral pledged	
Liabilities						
Derivative financial instruments	730,410	–	730,410	(578,986)	(130,426)	20,998
Other liabilities	91,348	(91,305)	43	–	–	43
Total	821,758	(91,305)	730,453	(578,986)	(130,426)	21,041

Derivative financial instruments disclosed above are recorded on a gross basis in the statement of financial position. Since master netting agreements have been entered into for these derivative financial instruments, the net settlement amounts if an event of default or other precedent events occurred are disclosed under “Net amounts” to comply with the accounting requirements.

(All amounts in HK dollar thousands unless otherwise stated)

37 OFFSETTING FINANCIAL INSTRUMENTS (CONTINUED)

The tables below reconcile the amounts of derivative financial instruments, net amounts of other assets and other liabilities presented in the statement of financial position.

	2024	2023
Assets		
Net amounts of derivative financial instruments after offsetting as stated above	420,544	694,966
Derivative financial instruments not in scope of offsetting disclosures	84,597	31,247
Total derivative financial instruments	505,141	726,213
Net amounts of other assets after offsetting as stated above	128,741	173,410
Other assets not in scope of offsetting disclosures	2,891,812	2,441,879
Total other assets	3,020,553	2,615,289
Liabilities		
Net amounts of derivative financial instruments after offsetting as stated above	491,974	730,410
Derivative financial instruments not in scope of offsetting disclosures	4,612	19,420
Total derivative financial instruments	496,586	749,830
Net amounts of other liabilities after offsetting as stated above	7,099	43
Other liabilities not in scope of offsetting disclosures	3,732,505	3,559,857
Total other liabilities	3,739,604	3,559,900

38 INFORMATION ABOUT LOANS, QUASI-LOANS AND OTHER DEALINGS IN FAVOUR OF DIRECTORS, CONTROLLED BODIES CORPORATE AND CONNECTED ENTITIES

Balances below are disclosed pursuant to Section 383 of the Hong Kong Companies Ordinance (Cap. 622) and Companies (Disclosure of Information about Benefits of Directors) Regulation (Cap. 622G).

	Balance outstanding as at 31 December		Maximum balance during the year	
	2024	2023	2024	2023
Aggregate amount outstanding in respect of principal and interest	1,185,141	960,206	1,225,208	1,168,113

(All amounts in HK dollar thousands unless otherwise stated)

39 RELATED PARTY TRANSACTIONS

A number of banking transactions were entered into with related parties by the Group in the normal course of business and at arm's length basis. The outstanding balances of the related party transactions at the reporting date, and related expense and income for the year are as follows:

2024	Ultimate holding company and fellow subsidiaries	Associates and joint venture	Key management personnel (Note a)	Other related parties (Note b)	Total
Aggregate amounts outstanding at the year end					
– Loans and advances	–	–	28,036	–	28,036
– Cash and balances with banks	23,455	–	–	89,767	113,222
– Deposits and balances from banks and customers	227,434	387,846	433,970	760,579	1,809,829
– Investment securities at fair value through other comprehensive income	106,654	–	–	–	106,654
– Stage 1 and Stage 2 credit impairment allowances	1	–	39	2	42
– Contingent liabilities and other commitments	268	2,000	43,178	–	45,446
Interest income received from related parties	803	–	1,981	5,885	8,669
Interest expenses paid to related parties	11,190	21,830	14,912	40,431	88,363
Net fee and commission (expense)/income (to)/from related parties	(23,032)	66,551	2	(2,007)	41,514
Net other operating income/(expense) from/(to) related parties	29	(4,403)	(275)	–	(4,649)

(All amounts in HK dollar thousands unless otherwise stated)

39 RELATED PARTY TRANSACTIONS (CONTINUED)

2023

	Ultimate holding company and fellow subsidiaries	Associates and joint venture	Key management personnel (Note a)	Other related parties (Note b)	Total
Aggregate amounts outstanding at the year end					
– Loans and advances	–	–	42,710	–	42,710
– Cash and balances with banks	21,087	–	–	92,260	113,347
– Deposits and balances from banks and customers	225,134	722,710	446,045	1,146,005	2,539,894
– Investment securities at fair value through other comprehensive income	135,872	–	–	–	135,872
– Stage 1 and Stage 2 credit impairment allowances	–	–	84	1	85
– Contingent liabilities and other commitments	–	2,000	60,477	–	62,477
Interest income received from related parties	621	–	2,632	15,486	18,739
Interest expenses paid to related parties	7,913	15,575	11,280	99,493	134,261
Net fee and commission (expense)/income (to)/from related parties	(16,056)	50,824	–	(2,012)	32,756
Net other operating income/(expense) from/(to) related parties	30	(3,965)	(300)	–	(4,235)

Note a: Include key management personnel and Directors of the Bank and the ultimate holding company, their close family members and entities that are controlled or jointly controlled, directly or indirectly, by key management personnel or Directors.

Note b: Include other shareholders of the Group.

Key management personnel compensation

The compensation for Directors and key management personnel of the Bank is as follows:

	2024	2023
Salaries and other short-term employee benefits	105,918	116,372

(All amounts in HK dollar thousands unless otherwise stated)

40 STATEMENT OF FINANCIAL POSITION AND RESERVE MOVEMENT OF THE BANK

(a) Statement of Financial Position of the Bank

	As at 31 December	
	2024	2023
ASSETS		
Cash and balances with banks	58,560,524	60,450,018
Placements with banks	26,106,090	22,339,251
Loans and advances to customers	75,426,755	89,238,461
Financial assets at fair value through profit or loss	167,093	1,019,920
Derivative financial instruments	505,141	726,213
Investment securities at fair value through other comprehensive income	53,257,543	40,413,030
Investment securities at amortised cost	4,892,137	7,809,500
Investments in associates and joint venture	43,000	188,000
Investments in and net amounts due from subsidiaries	2,299,926	2,348,572
Properties and equipment	1,586,992	1,629,911
Investment properties	1,003,852	1,013,174
Deferred income tax assets	752,117	435,330
Assets held for sale	145,000	–
Other assets	2,498,268	2,563,649
TOTAL ASSETS	227,244,438	230,175,029
LIABILITIES		
Deposits and balances from banks	4,690,900	5,066,976
Deposits from customers	177,425,402	179,008,632
Derivative financial instruments	496,586	749,830
Subordinated debts	2,692,532	5,041,686
Other liabilities	3,183,136	3,430,105
Current income tax liabilities	134,214	397,491
Deferred income tax liabilities	421	258
TOTAL LIABILITIES	188,623,191	193,694,978
EQUITY		
CAPITAL AND RESERVES ATTRIBUTABLE TO EQUITY HOLDERS		
Share capital	2,000,000	2,000,000
Retained earnings	25,993,500	25,520,548
Reserves	10,627,747	8,959,503
	38,621,247	36,480,051
TOTAL EQUITY AND LIABILITIES	227,244,438	230,175,029

Approved and authorised for issue by the Board of Directors on 7 March 2025.

Stephen Ching Yen LEE
Chairman

John Con-sing YUNG
Director

Gordon Che Keung KWONG
Director

Charles Chi Man MA
Executive Director

(All amounts in HK dollar thousands unless otherwise stated)

40 STATEMENT OF FINANCIAL POSITION AND RESERVE MOVEMENT OF THE BANK (CONTINUED)

(b) Reserve movement of the Bank

	Regulatory reserve	Investment revaluation reserve	General reserve	Total
As at 1 January 2023	935,463	(437,621)	7,180,020	7,677,862
Net change in fair value of investment securities at fair value through other comprehensive income	–	1,301,248	–	1,301,248
Currency translation difference arising from overseas operations	(1,147)	–	(18,460)	(19,607)
As at 31 December 2023 and 1 January 2024	**934,316**	**863,627**	**7,161,560**	**8,959,503**
Net change in fair value of investment securities at fair value through other comprehensive income	**–**	**1,701,248**	**–**	**1,701,248**
Currency translation difference arising from overseas operations	**(2,544)**	**–**	**(30,460)**	**(33,004)**
As at 31 December 2024	**931,772**	**2,564,875**	**7,131,100**	**10,627,747**

(All amounts in HK dollar thousands unless otherwise stated)

The Regulatory Disclosures, together with the disclosures in this Annual Report, contain all the disclosures required by the Banking (Disclosure) Rules issued by the Hong Kong Monetary Authority ("HKMA").

This Annual Report and the Regulatory Disclosures are prepared according to the Group's disclosure policy. The disclosure policy sets out a robust mechanism for the Group's disclosures of financial information on a legitimate and compliant basis. It depicts the principles and internal control measures to ensure the timeliness, fairness, accuracy, integrity, completeness and legitimacy of financial disclosures.

The following disclosures are prepared under regulatory scope of consolidation to comply with the Banking (Disclosure) Rules and do not form part of the audited financial statements.

1 Key prudential ratios

		31 December 2024	30 September 2024	30 June 2024	31 March 2024	31 December 2023
Regulatory capital (amount)						
1	Common Equity Tier 1 (CET1)	34,677,399	35,164,236	34,287,866	34,810,317	34,098,470
2	Tier 1	34,677,399	35,164,236	34,287,866	34,810,317	34,098,470
3	Total capital	38,593,247	39,172,718	38,358,671	38,835,402	40,380,857
Risk Weighted Amounts (RWA)						
4	Total RWA	138,045,799	141,577,614	138,800,632	144,058,520	151,571,670
Risk-based regulatory capital ratios (as a percentage of RWA)						
5	CET1 ratio (%)	25.1%	24.8%	24.7%	24.2%	22.5%
6	Tier 1 ratio (%)	25.1%	24.8%	24.7%	24.2%	22.5%
7	Total capital ratio (%)	28.0%	27.7%	27.6%	27.0%	26.6%
Additional CET1 buffer requirements (as a percentage of RWA)						
8	Capital conservation buffer requirement (%)	2.5%	2.5%	2.5%	2.5%	2.5%
9	Countercyclical capital buffer requirement (%)	0.34%	0.67%	0.65%	0.65%	0.65%
10	Higher loss absorbency requirements (%) (applicable only to G-SIBs or D-SIBs)	N/A	N/A	N/A	N/A	N/A
11	Total AI-specific CET1 buffer requirements (%)	2.8%	3.2%	3.2%	3.2%	3.2%
12	CET1 available after meeting the AI's minimum capital requirements (%)	19.1%	18.8%	18.7%	18.2%	16.5%
Basel III leverage ratio						
13	Total leverage ratio (LR) exposure measure	231,925,255	239,453,474	233,905,700	233,204,050	236,222,005
14	LR (%)	15.0%	14.7%	14.7%	14.9%	14.4%
Liquidity Coverage Ratio (LCR)/Liquidity Maintenance Ratio (LMR)						
	Applicable to category 1 institution only:					
15	Total high quality liquid assets (HQLA)	N/A	N/A	N/A	N/A	N/A
16	Total net cash outflows	N/A	N/A	N/A	N/A	N/A
17	LCR (%)	N/A	N/A	N/A	N/A	N/A
	Applicable to category 2 institution only:					
17a	LMR (%)	76.8%	90.1%	80.4%	81.1%	62.8%
Net Stable Funding Ratio (NSFR)/Core Funding Ratio (CFR)						
	Applicable to category 1 institution only:					
18	Total available stable funding	N/A	N/A	N/A	N/A	N/A
19	Total required stable funding	N/A	N/A	N/A	N/A	N/A
20	NSFR (%)	N/A	N/A	N/A	N/A	N/A
	Applicable to category 2A institution only:					
20a	CFR (%)	295.9%	301.5%	272.8%	264.9%	252.2%

(All amounts in HK dollar thousands unless otherwise stated)

2 Capital structure and adequacy

The calculation of the capital adequacy ratio as at 31 December 2024 is based on the Banking (Capital) Rules ("BCR"). The capital adequacy ratio represents the consolidated ratio of the Bank's Hong Kong offices and its overseas branches, Shacom Property (CA), Inc., Shacom Property (NY), Inc., Shacom Property Holdings (BVI) Limited, Shacom Investment Limited, Shacom Assets Investments Limited, Right Honour Investments Limited, Glory Step Westpoint Investments Limited, Silver Wisdom Westpoint Investments Limited, Shacom Insurance Brokers Limited, KCC 23F Limited, KCC 25F Limited, and KCC 26F Limited computed in accordance with Section 3C(1) of the BCR.

For accounting purposes, the basis of consolidation is described in Note 2.2 to the consolidated financial statements.

The table below shows the balance sheet based on accounting scope of consolidation and the regulatory scope of consolidation, and the reconciliation of the capital components from balance sheet based on regulatory scope of consolidation to the Composition of Regulatory Capital as at 31 December 2024.

Reconciliation of regulatory capital to balance sheet

	Balance sheet as in published financial statements	Under regulatory scope of consolidation	Cross-referenced to Composition of Regulatory Capital
Assets			
Cash and balances with banks	58,562,548	58,560,524	
of which: Stage 1 and Stage 2 impairment allowances reflected in regulatory capital	–	(1,360)	(1)
Placements with banks	26,106,090	26,106,090	
of which: Stage 1 and Stage 2 impairment allowances reflected in regulatory capital	–	(616)	(2)
Loans and advances to customers	75,426,755	75,426,755	
of which: Stage 1 and Stage 2 impairment allowances reflected in regulatory capital	–	(256,193)	(3)
Financial assets at fair value through profit or loss	202,045	167,093	
of which: insignificant capital investments in financial sector entities exceeding 10% threshold	–	3,957	(4)
Derivative financial instruments	505,141	505,141	
Investment securities at fair value through other comprehensive income	53,313,796	53,257,543	
of which: insignificant capital investments in financial sector entities exceeding 10% threshold	–	1,225,033	(5)
Investment securities at amortised cost	4,909,880	4,909,880	
of which: Stage 1 and Stage 2 impairment allowances reflected in regulatory capital	–	(130)	(6)
Properties for sale	913,079	913,079	
Investments in associates and joint venture	322,867	43,000	
Investments in and amounts due from subsidiaries	–	322,779	
of which: Stage 1 and Stage 2 impairment allowances reflected in regulatory capital	–	(15,027)	(7)
Properties and equipment	2,292,902	2,271,245	
Investment properties	975,991	1,003,852	
Deferred income tax assets	749,694	752,117	(8)
Assets held for sale	129,664	145,000	
Other assets	3,020,553	2,973,888	
of which: Stage 1 and Stage 2 impairment allowances reflected in regulatory capital	–	(1,706)	(9)
Total assets	227,431,005	227,357,986	

(All amounts in HK dollar thousands unless otherwise stated)

2 Capital structure and adequacy (Continued)

Reconciliation of regulatory capital to balance sheet (Continued)

	Balance sheet as in published financial statements	Under regulatory scope of consolidation	Cross-referenced to Composition of Regulatory Capital
Liabilities			
Deposits and balances from banks	4,690,900	4,690,900	
Deposits from customers	177,425,402	177,425,402	
Derivative financial instruments	496,586	496,586	
Amounts due to subsidiaries	–	623,510	
Subordinated debts	2,692,532	2,692,532	(10)
Other liabilities	3,739,604	3,596,585	
of which: Stage 1 and Stage 2 impairment allowances reflected in regulatory capital	–	16,512	(11)
Current income tax liabilities	134,674	134,207	
Deferred income tax liabilities	10,247	10,159	
Total liabilities	189,189,945	189,669,881	
Equity			
Share capital	2,000,000	2,000,000	(12)
Retained earnings	25,475,571	25,060,336	(13)
Reserves	10,647,116	10,627,769	
of which: accumulated other comprehensive income/(loss), other than regulatory reserve	–	9,695,997	(14)
regulatory reserve	–	931,772	(15)
Non-controlling interests in equity	118,373	–	
Total equity	38,241,060	37,688,105	
Total equity and liabilities	227,431,005	227,357,986	

(All amounts in HK dollar thousands unless otherwise stated)

2 Capital structure and adequacy (Continued)

Composition of regulatory capital

The Bank has already applied full capital deductions under the BCR. The Composition of Regulatory Capital as at 31 December 2024 is shown below:

		Component of regulatory capital reported by bank	Cross-referenced to balance sheet under regulatory scope of consolidation
CET1 capital: instruments and reserves			
1	Directly issued qualifying CET1 capital instruments plus any related share premium	2,000,000	(12)
2	Retained earnings	25,060,336	(13)
3	Disclosed reserves	10,627,769	(14) + (15)
4	Directly issued capital subject to phase-out arrangements from CET1 (only applicable to non-joint stock companies)	Not applicable	
5	Minority interests arising from CET1 capital instruments issued by consolidated bank subsidiaries and held by third parties (amount allowed in CET1 capital of the consolidation group)	–	
6	**CET1 capital before regulatory deductions**	**37,688,105**	
CET1 capital: regulatory deductions			
7	Valuation adjustments	1,253	
8	Goodwill (net of associated deferred tax liabilities)	–	
9	Other intangible assets (net of associated deferred tax liabilities)	96,574	
10	Deferred tax assets (net of associated deferred tax liabilities)	752,117	(8)
11	Cash flow hedge reserve	–	
12	Excess of total EL amount over total eligible provisions under the IRB approach	–	
13	Credit-enhancing interest-only strip, and any gain-on-sale and other increase in the CET1 capital arising from securitization transactions	–	
14	Gains and losses due to changes in own credit risk on fair valued liabilities	–	
15	Defined benefit pension fund net assets (net of associated deferred tax liabilities)	–	
16	Investments in own CET1 capital instruments (if not already netted off paid-in capital on reported balance sheet)	–	
17	Reciprocal cross-holdings in CET1 capital instruments	–	
18	Insignificant LAC investments in CET1 capital instruments issued by financial sector entities that are outside the scope of regulatory consolidation (amount above 10% threshold)	1,228,990	(4) + (5)
19	Significant LAC investments in CET1 capital instruments issued by financial sector entities that are outside the scope of regulatory consolidation (amount above 10% threshold)	–	
20	Mortgage servicing rights (net of associated deferred tax liabilities)	Not applicable	
21	Deferred tax assets arising from temporary differences (net of associated deferred tax liabilities)	Not applicable	
22	Amount exceeding the 15% threshold	Not applicable	
23	of which: significant investments in the ordinary share of financial sector entities	Not applicable	

(All amounts in HK dollar thousands unless otherwise stated)

2 Capital structure and adequacy (Continued)

Composition of regulatory capital (Continued)

		Component of regulatory capital reported by bank	Cross-referenced to balance sheet under regulatory scope of consolidation
24	of which: mortgage servicing rights	Not applicable	
25	of which: deferred tax assets arising from temporary differences	Not applicable	
26	National specific regulatory adjustments applied to CET1 capital	931,772	
26a	Cumulative fair value gains arising from the revaluation of land and buildings (own-use and investment properties)	–	
26b	Regulatory reserve for general banking risks	931,772	(15)
26c	Securitization exposures specified in a notice given by the Monetary Authority	–	
26d	Cumulative losses below depreciated cost arising from the institution's holdings of land and buildings	–	
26e	Capital shortfall of regulated non-bank subsidiaries	–	
26f	Capital investment in a connected company which is a commercial entity (amount above 15% of the reporting institution's capital base)	–	
27	Regulatory deductions applied to CET1 capital due to insufficient AT1 capital and Tier 2 capital to cover deductions	–	
28	**Total regulatory deductions to CET1 capital**	**3,010,706**	
29	**CET1 capital**	**34,677,399**	
AT1 capital: instruments			
30	Qualifying AT1 capital instruments plus any related share premium	–	
31	of which: classified as equity under applicable accounting standards	–	
32	of which: classified as liabilities under applicable accounting standards	–	
33	Capital instruments subject to phase-out arrangements from AT1 capital	–	
34	AT1 capital instruments issued by consolidated bank subsidiaries and held by third parties (amount allowed in AT1 capital of the consolidation group)	–	
35	of which: AT1 capital instruments issued by subsidiaries subject to phase-out arrangements	–	
36	**AT1 capital before regulatory deductions**	–	
AT1 capital: regulatory deductions			
37	Investments in own AT1 capital instruments	–	
38	Reciprocal cross-holdings in AT1 capital instruments	–	
39	Insignificant LAC investments in AT1 capital instruments issued by financial sector entities that are outside the scope of regulatory consolidation (amount above 10% threshold)	–	
40	Significant LAC investments in AT1 capital instruments issued by financial sector entities that are outside the scope of regulatory consolidation	–	
41	National specific regulatory adjustments applied to AT1 capital	–	
42	Regulatory deductions applied to AT1 capital due to insufficient Tier 2 capital to cover deductions	–	
43	**Total regulatory deductions to AT1 capital**	–	
44	**AT1 capital**	–	
45	**Tier 1 capital (Tier 1 = CET1 + AT1)**	**34,677,399**	

(All amounts in HK dollar thousands unless otherwise stated)

2 Capital structure and adequacy (Continued)

Composition of regulatory capital (Continued)

		Component of regulatory capital reported by bank	Cross-referenced to balance sheet under regulatory scope of consolidation
Tier 2 capital: instruments and provisions			
46	Qualifying Tier 2 capital instruments plus any related share premium	2,692,532	(10)
47	Capital instruments subject to phase-out arrangements from Tier 2 capital	–	
48	Tier 2 capital instruments issued by consolidated bank subsidiaries and held by third parties (amount allowed in Tier 2 capital of the consolidation group)	–	
49	of which: capital instruments issued by subsidiaries subject to phase-out arrangements	–	
50	Collective provisions and regulatory reserve for general banking risks eligible for inclusion in Tier 2 capital	1,223,316	(11) + (15) – (1) – (2) – (3) – (6) – (7) – (9)
51	**Tier 2 capital before regulatory deductions**	**3,915,848**	
Tier 2 capital: regulatory deductions			
52	Investments in own Tier 2 capital instruments	–	
53	Reciprocal cross-holdings in Tier 2 capital instruments and non-capital LAC liabilities	–	
54	Insignificant LAC investments in Tier 2 capital instruments issued by, and non-capital LAC liabilities of, financial sector entities that are outside the scope of regulatory consolidation (amount above 10% threshold and, where applicable, 5% threshold)	–	
54a	Insignificant LAC investments in non-capital LAC liabilities of financial sector entities that are outside the scope of regulatory consolidation (amount formerly designated for the 5% threshold but no longer meets the conditions) (for institutions defined as "section 2 institution" under § 2(1) of Schedule 4F to BCR only)	–	
55	Significant LAC investments in Tier 2 capital instruments issued by financial sector entities that are outside the scope of regulatory consolidation (net of eligible short positions)	–	
55a	Significant LAC investments in non-capital LAC liabilities of financial sector entities that are outside the scope of regulatory consolidation (net of eligible short positions)	–	
56	National specific regulatory adjustments applied to Tier 2 capital	–	
56a	Add back of cumulative fair value gains arising from the revaluation of land and buildings (own-use and investment properties) eligible for inclusion in Tier 2 capital	–	
56b	Regulatory deductions applied to Tier 2 capital to cover the required deductions falling within § 48(1)(g) of BCR	–	
57	**Total regulatory adjustments to Tier 2 capital**	–	
58	**Tier 2 capital**	**3,915,848**	
59	**Total regulatory capital (TC = Tier 1 + Tier 2)**	**38,593,247**	
60	**Total risk weighted assets**	**138,045,799**	

(All amounts in HK dollar thousands unless otherwise stated)

2 Capital structure and adequacy (Continued)

Composition of regulatory capital (Continued)

		Component of regulatory capital reported by bank	Cross-referenced to balance sheet under regulatory scope of consolidation
Capital ratios (as a percentage of risk weighted assets)			
61	**CET1 capital ratio**	**25.1%**	
62	**Tier 1 capital ratio**	**25.1%**	
63	**Total capital ratio**	**28.0%**	
64	**Institution-specific buffer requirement (capital conservation buffer plus countercyclical capital buffer plus higher loss absorbency requirements)**	**2.8%**	
65	of which: capital conservation buffer requirement	2.5%	
66	of which: bank specific countercyclical capital buffer requirement	0.34%	
67	of which: higher loss absorbency requirement	–	
68	**CET1 (as a percentage of RWA) available after meeting minimum capital requirements**	**19.1%**	
National minima (if different from Basel 3 minimum)			
69	National CET1 minimum ratio	Not applicable	
70	National Tier 1 minimum ratio	Not applicable	
71	National Total capital minimum ratio	Not applicable	
Amounts below the thresholds for deduction (before risk weighting)			
72	Insignificant LAC investments in CET1, AT1 and Tier 2 capital instruments issued by, and non-capital LAC liabilities of, financial sector entities that are outside the scope of regulatory consolidation	3,590,640	
73	Significant LAC investments in CET1 capital instruments issued by financial sector entities that are outside the scope of regulatory consolidation	765,780	
74	Mortgage servicing rights (net of associated deferred tax liabilities)	Not applicable	
75	Deferred tax assets arising from temporary differences (net of associated deferred tax liabilities)	Not applicable	
Applicable caps on the inclusion of provisions in Tier 2 capital			
76	Provisions eligible for inclusion in Tier 2 in respect of exposures subject to the BSC approach, or the STC approach and SEC-ERBA, SEC-SA and SEC-FBA (prior to application of cap)	1,223,316	
77	Cap on inclusion of provisions in Tier 2 under the BSC approach, or the STC approach, and SEC-ERBA, SEC-SA and SEC-FBA	1,531,811	
78	Provisions eligible for inclusion in Tier 2 in respect of exposures subject to the IRB approach and SEC-IRBA (prior to application of cap)	–	
79	Cap for inclusion of provisions in Tier 2 under the IRB approach and SEC-IRBA	–	

(All amounts in HK dollar thousands unless otherwise stated)

2 Capital structure and adequacy (Continued)

Composition of regulatory capital (Continued)

		Component of regulatory capital reported by bank	Cross-referenced to balance sheet under regulatory scope of consolidation
Capital instruments subject to phase-out arrangements (only applicable between 1 January 2018 and 1 January 2022)			
80	Current cap on CET1 capital instruments subject to phase-out arrangements	Not applicable	
81	Amount excluded from CET1 capital due to cap (excess over cap after redemptions and maturities)	Not applicable	
82	Current cap on AT1 capital instruments subject to phase-out arrangements	–	
83	Amount excluded from AT1 capital due to cap (excess over cap after redemptions and maturities)	–	
84	Current cap on Tier 2 capital instruments subject to phase-out arrangements	–	
85	Amount excluded from Tier 2 capital due to cap (excess over cap after redemptions and maturities)	–	

Note to the template:

Element where a more conservative definition has been applied in the BCR relative to that set out in Basel III capital standards:

Row No.	Description	Hong Kong basis	Basel III basis
10	**Deferred tax assets ("DTA") (net of associated deferred tax liabilities)**	**752,117**	–
	Explanation As set out in paragraphs 69 and 87 of the Basel III text issued by the Basel Committee (December 2010), DTAs of the bank to be realized are to be deducted, whereas DTAs which relate to temporary differences may be given limited recognition in CET1 capital (and hence be excluded from deduction from CET1 capital up to the specified threshold). In Hong Kong, an AI is required to deduct all DTAs in full, irrespective of their origin, from CET1 capital. Therefore, the amount to be deducted as reported in row 10 may be greater than that required under Basel III. The amount reported under the column "Basel III basis" in this box represents the amount reported in row 10 (i.e. the amount reported under the "Hong Kong basis") adjusted by reducing the amount of DTAs to be deducted which relate to temporary differences to the extent not in excess of the 10% threshold set for DTAs arising from temporary differences and the aggregate 15% threshold set for mortgage servicing rights, DTAs arising from temporary differences and significant investments in CET1 capital instruments issued by financial sector entities (excluding those that are loans, facilities or other credit exposures to connected companies) under Basel III.		
Remarks: The amount of the 10% threshold mentioned above is calculated based on the amount of CET1 capital determined in accordance with the deduction methods set out in BCR Schedule 4F. The 15% threshold is referring to paragraph 88 of the Basel III text issued by the Basel Committee (December 2010) and has no effect to the Hong Kong regime.			

2 Capital structure and adequacy (Continued)

Main features of regulatory capital instruments

The main features of regulatory capital instruments as at 31 December 2024 are shown below. Full terms and conditions are published in the Bank's website of http://www.shacombank.com.hk and are accessible via the following direct link: http://www.shacombank.com.hk/eng/about/regulatory/20241231.jsp

		Ordinary shares	Subordinated notes due 2033
1	Issuer	Shanghai Commercial Bank Limited	Shanghai Commercial Bank Limited
2	Unique identifier (e.g. CUSIP, ISIN or Bloomberg identifier for private placement)	N/A	ISIN: XS2531672892
3	Governing law(s) of the instrument	Laws of Hong Kong	English Law, except that the subordination provisions shall be governed by the laws of Hong Kong.
	Regulatory treatment		
4	Transitional Basel III rules#	N/A	N/A
5	Post-transitional Basel III rules+	Common Equity Tier 1	Tier 2
6	Eligible at solo*/group/solo and group	Solo and Group	Solo and Group
7	Instrument type (types to be specified by each jurisdiction)	Ordinary shares	Other Tier 2 instruments
8	Amount recognised in regulatory capital (Currency in million, as of most recent reporting date)	HK$2,000 million	HK$2,693 million
9	Par value of instrument	N/A	US$350 million
10	Accounting classification	Shareholders' equity	Liability-amortised cost
11	Original date of issuance	1951, 1968, 1969, 1970, 1972, 1973, 1975, 1979, 1981, 1985, 1988, 1990, 1991, 1996, 2000	28 February 2023
12	Perpetual or dated	Perpetual	Dated
13	Original maturity date	No maturity	28 February 2033
14	Issuer call subject to prior supervisory approval	No	Yes
15	Optional call date, contingent call dates and redemption amount	N/A	One-off call date: 28 February 2028. Additional optional redemption in whole at 100% of principal amount with accrued interest for taxation reasons, tax deductions reasons and regulatory reasons. Redemption amount subject to adjustment following occurrence of a Non-Viability Event. Redemption subject to prior written consent of the HKMA.
16	Subsequent call dates, if applicable	N/A	N/A
	Coupons/dividends		
17	Fixed or floating dividend/coupon	Floating	Fixed

(All amounts in HK dollar thousands unless otherwise stated)

2 Capital structure and adequacy (Continued)

Main features of regulatory capital instruments (Continued)

		Ordinary shares	Subordinated notes due 2033
18	Coupon rate and any related index	N/A	6.375% p.a. Fixed until 28 February 2028 and thereafter reset to a new fixed rate equal to the sum of the then prevailing U.S. Treasury Rate and the Spread at Pricing.
19	Existence of a dividend stopper	No	No
20	Fully discretionary, partially discretionary or mandatory	Fully discretionary	Mandatory
21	Existence of step up or other incentive to redeem	No	No
22	Non-cumulative or cumulative	Non-cumulative	Cumulative
23	Convertible or non-convertible	Non-convertible	Non-convertible
24	If convertible, conversion trigger (s)	N/A	N/A
25	If convertible, fully or partially	N/A	N/A
26	If convertible, conversion rate	N/A	N/A
27	If convertible, mandatory or optional conversion	N/A	N/A
28	If convertible, specify instrument type convertible into	N/A	N/A
29	If convertible, specify issuer of instrument it converts into	N/A	N/A
30	Write-down feature	No	Yes
31	If write-down, write-down trigger(s)	N/A	The earlier of the HKMA notifying the issuer in writing: (i) that the HKMA is of the opinion that a write-off or conversion is necessary, without which the Issuer would become non-viable or (ii) that a decision has been made by the government body, a government officer or other relevant regulatory body with the authority to make such a decision, that a public sector injection of capital or equivalent support is necessary, without which the Issuer would become non-viable.
32	If write-down, full or partial	N/A	May be in part or in full

2 Capital structure and adequacy (Continued)

Main features of regulatory capital instruments (Continued)

		Ordinary shares	Subordinated notes due 2033
33	If write-down, permanent or temporary	N/A	Permanent
34	If temporary write-down, description of write-up mechanism	N/A	N/A
35	Position in subordination hierarchy in liquidation (specify instrument type immediately senior to instrument in the insolvency creditor hierarchy of the legal entity concerned).	N/A	The rights of the holders will, in the event of the winding up of the Bank, rank (i) subordinate and junior in right of payment to, and of all claims of, (a) all unsubordinated creditors of the Issuer (including its depositors), and (b) all other Subordinated Creditors of the Issuer whose claims are stated to rank senior to the Notes or rank senior to the Notes by operation of law or contract; (ii) pari passu in right of payment to and of all claims of the holders of Parity Obligations; and (iii) senior in right of payment to, and of all claims of, (a) the holders of Junior Obligations, and (b) holders of Tier 1 Capital Instruments of the Issuer.
36	Non-compliant transitioned features	No	No
37	If yes, specify non-compliant features	N/A	N/A

Footnote:

Regulatory treatment of capital instruments subject to transitional arrangements provided for in Schedule 4H to the BCR

+ Regulatory treatment of capital instruments not subject to transitional arrangements provided for in Schedule 4H to the BCR

* Include solo-consolidated

3 Overview of risk management and RWA

(a) Overview of risk management

The Group's risk management framework is designed to cover all business processes and ensure various risks are properly managed and controlled in the course of conducting business. The key financial risks related to the Group's business include credit risk, counterparty credit risk, market risk, liquidity risk, interest rate risk and operational risk. Further information on the management of these risks is set out within the Regulatory Disclosures and Notes to the Consolidated Financial Statements as follows:

– Credit risk	– Note 7 of Regulatory Disclosures and Note 3.1 of Notes to the Consolidated Financial Statements
– Counterparty credit risk	– Note 8 of Regulatory Disclosures
– Market risk	– Note 9 of Regulatory Disclosures and Note 3.2 of Notes to the Consolidated Financial Statements
– Liquidity risk	– Note 10 of Regulatory Disclosures and Note 3.3 of Notes to the Consolidated Financial Statements
– Interest rate risk in the banking book	– Note 11 of Regulatory Disclosures and Note 3.2.4 of Notes to the Consolidated Financial Statements
– Operational risk	– Note 3.6 of Notes to the Consolidated Financial Statements

Risk culture

The Group has long recognised the importance of a strong risk culture which is the core value of the Group and is endorsed by the Board of Directors ("the Board") and being followed by the senior management. The risk culture of the Group is created through setting and complying with the risk management strategies and core risk management principles as well as establishing a sound risk management systems and effective risk management process to address material risks under normal and stressed conditions in a forward-looking approach. Risk awareness is promoted to all staff to enhance the Group's overall risk management through appropriate training. The Group's risk culture is further reinforced by the Group's remuneration system that is established to ensure that incentives would not create excessive or undue risk exposure and unethical behaviour which could threaten the reputation as well as safety and soundness of the Group.

Risk governance

The Board has the ultimate responsibility for the effective management of risk and approves and oversees the Group's overall risk management framework. The Board delegates its power to oversee the Group's major functional areas, including treasury, retail banking, corporate banking, risk management, wealth management, credit control and financial control, and the risks associated with them to the Risk Committee, the Audit Committee, the Executive Committee, and the Sustainability Committee. The Risk Committee in particular has the authority and responsibility to oversee and guide the overall management of the bank-wide risks undertaken by the Group.

The Chief Executive, Chief Risk Officer and the senior management have the responsibility to ensure various risk limits are appropriately established according to the risk management strategies set by the Board, and to oversee the effectiveness of managing and controlling risk in the day-to-day management of the Group.

Various business and functional units of the Group have their respective risk management responsibilities. Business units act as the first line of defence in risk management while other functional units, in particular Risk Management Division and Credit Division, which are independent from the business units and act as the second line of defence, assist in managing different kinds of risks.

The Internal Audit Department as the third line of defence, is responsible for providing independent assurance through conducting internal audits, and reporting to the Audit Committee on the quality of risk controls and management, and the adequacy and effectiveness of internal control environment of the Group.

3 Overview of risk management and RWA (Continued)

(a) Overview of risk management (Continued)

Risk appetite

The Group's Risk Appetite Statement is reviewed and approved by the Board from time to time but at least annually with reference to evolving industry and market development, which describes the level of risk that the Group is prepared to accept in pursuit of the Group's strategic objectives. The Group adopts a low risk appetite in managing and controlling risks in a prudent manner with a view to achieving steady growth and reasonable returns.

Various ratios and risk limits are set with reference to the legal and regulatory requirements to limit and control the risk exposure of the Group under a risk tolerance level acceptable to the Group and commensurate with the risk adverse culture as well as prudent management practice.

Stress testing

Stress testing is a risk management tool and involves the use of various techniques to assess the Group's potential vulnerability to adverse changes in market conditions. It is conducted with hypothetical as well as historical assumptions. With the establishment of various alerting levels under different scenarios, it helps to alert the management to adverse unexpected outcomes related to a variety of risks and provides an indication to the amount of financial resources (including capital and liquidity) that might be necessary for absorbing losses caused by, or to withstand, severe stressed conditions.

Risk measurement and information reporting

The Group has developed various systems for risk measurement and reporting for different risk exposures. Further information on the measurement and reporting of credit risk, market risk, liquidity risk and interest rate risk in the banking book exposures are provided in Note 7(a), Note 9(a), Note 10 and Note 11 of Regulatory Disclosures respectively.

A detailed report on risk exposures and risk management activities of the Group, which covers the assessment on major risk exposures including credit risk, market risk, interest rate risk in the banking book, liquidity risk, legal risk, compliance and regulatory risk, operational risk, reputation risk, strategic risk, technology risk and climate risk is presented to the Risk Committee for review on a quarterly basis. Besides, the results of stress tests, maintenance of regulatory risk limits and risk monitoring on overseas branches are also presented.

The Group continues to invest significant resources in IT systems and processes in order to maintain and improve the risk management capabilities. A number of key initiatives and projects to enhance consistent data aggregation, reporting and management, and work towards meeting new regulatory standards are in progress.

Risk mitigation

The Group applies different strategies and processes to hedge and mitigate different risks. Exposure to credit risk is usually mitigated by obtaining collateral and corporate and personal guarantees. The Group further mitigates credit risk by entering into netting arrangements with financial institutions to cover derivatives instruments while obtaining margin deposits from non-financial counterparties. For liquidity risk management, apart from establishing liquidity cushion, the Group uses results of stress-testing and reverse stress-testing to strengthen resilience to liquidity stress and serve as early-warning triggers for the formulation of management actions and contingency funding plan to mitigate potential stress and vulnerability which the Group might face.

(All amounts in HK dollar thousands unless otherwise stated)

3 Overview of risk management and RWA (Continued)

(b) Overview of RWA

The table below shows the breakdowns of RWA for various risks as at 31 December 2024 and 30 September 2024 and the minimum capital requirements as at 31 December 2024 which are calculated by multiplying the Group's RWA by 8%.

		RWA		Minimum capital requirements
		31 December 2024	30 September 2024	31 December 2024
1	Credit risk for non-securitization exposures	119,859,336	121,582,853	9,588,747
2	Of which STC approach	119,859,336	121,582,853	9,588,747
2a	Of which BSC approach	–	–	–
3	Of which foundation IRB approach	–	–	–
4	Of which supervisory slotting criteria approach	–	–	–
5	Of which advanced IRB approach	–	–	–
6	Counterparty default risk and default fund contributions	771,075	624,434	61,686
7	Of which SA-CCR approach	771,075	624,434	61,686
7a	Of which CEM	–	–	–
8	Of which IMM(CCR) approach	–	–	–
9	Of which others	–	–	–
10	Credit valuation adjustment ("CVA") risk	160,650	134,913	12,852
11	Equity positions in banking book under the simple risk-weight method and internal models method	–	–	–
12	Collective investment scheme ("CIS") exposures – LTA	–	–	–
13	CIS exposures – MBA	–	–	–
14	CIS exposures – FBA	–	–	–
14a	CIS exposures – combination of approaches	–	–	–
15	Settlement risk	–	–	–
16	Securitization exposures in banking book	–	–	–
17	Of which SEC-IRBA	–	–	–
18	Of which SEC-ERBA (including IAA)	–	–	–
19	Of which SEC-SA	–	–	–
19a	Of which SEC-FBA	–	–	–
20	Market risk	5,001,725	5,241,613	400,138
21	Of which STM approach	5,001,725	5,241,613	400,138
22	Of which IMM approach	–	–	–
23	Capital charge for switch between exposures in trading book and banking book (not applicable before the revised market risk framework takes effect)	N/A	N/A	N/A
24	Operational risk	10,338,563	10,047,388	827,085
24a	Sovereign concentration risk	–	–	–
25	Amounts below the thresholds for deduction (subject to 250% RW)	1,914,450	3,946,413	153,156
26	Capital floor adjustment	–	–	–
26a	Deduction to RWA	–	–	–
26b	Of which portion of regulatory reserve for general banking risks and collective provisions which is not included in Tier 2 Capital	–	–	–
26c	Of which portion of cumulative fair value gains arising from the revaluation of land and buildings which is not included in Tier 2 Capital	–	–	–
27	**Total**	138,045,799	141,577,614	11,043,664

(All amounts in HK dollar thousands unless otherwise stated)

4 Linkages between financial statements and regulatory exposures

(a) Differences between accounting and regulatory scopes of consolidation and mapping of financial statement categories with regulatory risk categories

	Carrying values as reported in published financial statements	Carrying values under scope of regulatory consolidation	Carrying values of items:				
			Subject to credit risk framework	Subject to counterparty credit risk framework	Subject to the securitisation framework	Subject to market risk framework	Not subject to capital requirements or subject to deduction from capital
Assets							
Cash and balances with banks	58,562,548	58,560,524	58,560,524	–	–	–	–
Placements with banks	26,106,090	26,106,090	26,106,090	–	–	–	–
Loans and advances to customers	75,426,755	75,426,755	75,426,755	–	–	–	–
Financial assets at fair value through profit or loss	202,045	167,093	11,562	–	–	151,574	3,957
Derivative financial instruments	505,141	505,141	–	505,141	–	505,141	–
Investment securities at fair value through other comprehensive income	53,313,796	53,257,543	52,032,510	–	–	–	1,225,033
Investment securities at amortised cost	4,909,880	4,909,880	4,909,880	–	–	–	–
Properties for sale	913,079	913,079	913,079	–	–	–	–
Investments in associates and joint venture	322,867	43,000	43,000	–	–	–	–
Investments in and amounts due from subsidiaries	–	322,779	322,779	–	–	–	–
Properties and equipment	2,292,902	2,271,245	2,271,245	–	–	–	–
Investment properties	975,991	1,003,852	1,003,852	–	–	–	–
Deferred income tax assets	749,694	752,117	–	–	–	–	752,117
Assets held for sale	129,664	145,000	145,000	–	–	–	–
Other assets	3,020,553	2,973,888	2,580,198	–	–	–	393,690
Total assets	**227,431,005**	**227,357,986**	**224,326,474**	**505,141**	**–**	**656,715**	**2,374,797**
Liabilities							
Deposits and balances from banks	4,690,900	4,690,900	–	–	–	–	4,690,900
Deposits from customers	177,425,402	177,425,402	–	–	–	–	177,425,402
Derivative financial instruments	496,586	496,586	–	–	–	–	496,586
Amounts due to subsidiaries	–	623,510	–	–	–	–	623,510
Subordinated debts	2,692,532	2,692,532	–	–	–	–	2,692,532
Other liabilities	3,739,604	3,596,585	–	–	–	–	3,596,585
Current income tax liabilities	134,674	134,207	–	–	–	–	134,207
Deferred income tax liabilities	10,247	10,159	–	–	–	–	10,159
Total liabilities	**189,189,945**	**189,669,881**	**–**	**–**	**–**	**–**	**189,669,881**

(All amounts in HK dollar thousands unless otherwise stated)

4 Linkages between financial statements and regulatory exposures (Continued)

(b) Main sources of differences between regulatory exposure amounts and carrying values in financial statements

	Total	Items subject to: credit risk framework	securitisation framework	counterparty credit risk framework	market risk framework
Asset carrying value amount under scope of regulatory consolidation (as per Regulatory Disclosures Note 4(a))	224,983,189	224,326,474	–	505,141	656,715
Liabilities carrying value amount under regulatory scope of consolidation (as per Regulatory Disclosures Note 4(a))	–	–	–	–	–
Total net amount under regulatory scope of consolidation	224,983,189	224,326,474	–	505,141	656,715
Off-balance sheet amounts	36,383,807	4,119,216	–	–	–
Differences due to consideration of provisions	275,033	275,033	–	–	–
Differences due to potential exposures for counterparty risk	945,692	–	–	945,692	–
Differences due to replacement cost for counterparty risk	(257,681)	–	–	(257,681)	–
Other differences	7,586	7,586	–	–	–
Exposure amounts considered for regulatory purposes	262,337,626	228,728,309	–	1,193,152	656,715

(c) Explanations of differences between accounting and regulatory exposure amount

Basis of consolidation

The basis of consolidation for regulatory purposes is different from that for accounting purposes. Subsidiaries included in the consolidation for regulatory purposes are specified by the Hong Kong Monetary Authority. Subsidiaries not included in consolidation for regulatory purposes are mainly securities and insurance companies that are authorised and supervised by the Securities and Futures Commission and Insurance Authority respectively.

Most of the principal subsidiaries of the Group are included under scope of regulatory consolidation that there are no material differences between the carrying values of assets as reported in published financial statements and under scope of regulatory consolidation.

Exposure amounts considered for regulatory purposes require adjustments to be made to the carrying value of assets as reported in published financial statements. The main adjustments taken by the Group include the consideration of provisions, off-balance sheet exposures and potential exposure of default risk.

The Group uses the standardised approach to calculate the risk-weighted assets for its credit risk and market risk exposures. For operational risk, the Group uses the basic indicator approach to calculate its operational risk capital charge. During the reporting period, the Group did not have any securitisation exposure. Stage 1 and Stage 2 credit impairment allowances that are deducted from the carrying amount of exposures in the financial statements need to be reintegrated in the regulatory exposure value under the standardised approach. Off-balance sheet contracts, such as guarantees and commitments, also carry credit risks. These exposures are converted to credit equivalent amounts and added to the regulatory exposure amounts. The default risk exposures of OTC derivative contracts as reported in the published financial statements include their fair value only. Potential exposures for counterparty credit risk of OTC derivative contracts are therefore needed to be added to the regulatory exposure amount.

The Group operates subsidiaries in different countries where capital is governed by local rules and there may be restrictions on the transfer of funds or regulatory capital between members of the Group.

4 Linkages between financial statements and regulatory exposures (Continued)

(c) Explanations of differences between accounting and regulatory exposure amount (Continued)

Valuation control framework

The Group has in place fair valuation policy to ensure adequate governance and control processes for the designation and valuation of financial instruments to be measured at fair value for financial reporting, risk management and regulatory capital purposes.

The Risk Committee is delegated by the Board to approve the fair valuation policy and to review the governance structure and control framework to ensure that fair values are either determined or validated by control units independent of risk taking units. Control units have the overall responsibility for determination of valuation or independent verification of valuation results and ensuring the valuation process for financial instruments is conducted effectively and appropriately. Revaluation reports of trading and non-trading positions are compiled regularly and submitted to senior management for review. Any significant valuation issues are reported to senior management, Asset and Liability Committee and Risk Committee.

Valuation methodologies and process

Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction in the principal (or most advantageous) market at the measurement date under current market conditions (i.e. an exit price) regardless whether the price is directly observable or estimated using another valuation technique.

For financial instrument with bid-offer close-out price, its fair value can be the price within the bid-offer price that is the most representative of fair value. All bid-offer market prices of the financial products, including foreign exchange, equities, debt securities and interest rate swap will be obtained from designated financial data service providers.

For financial instrument without bid-offer close-out price, the Group uses valuation techniques to establish the fair value of instruments including the use of recent arm's length market transactions between knowledgeable and willing parties, reference to the current fair value of another financial instrument that is substantially the same, discounted cash flow analysis, option pricing models and other valuation techniques commonly used by market participants.

Valuation adjustments

Valuation adjustments are an integral part of the valuation process. Appropriate valuation adjustments are made when the Group considers that there are additional factors that are not incorporated within the valuation methodologies or models such as illiquidity adjustment and valuation uncertainty adjustment.

Illiquidity adjustment may be taken if the securities are deemed illiquid, such as where the Group holds a security that has a significant concentration ratio (ratio of amount of security held by the Group to the total issuance size). To adopt illiquidity adjustment, securities with the same issuer and having nearby maturities as the security in subject would be selected and the yields of these securities would be extracted and interpolated as the yield of security in subject and the price of the illiquid security would then be calculated and compared with the price calculated by the usual valuation methodologies and processes.

The prices of certain debt securities may be less readily determinable from market data. If there is no quotation from designated financial data service providers, other sources will be sought such as the prices of most recent executed transactions. Standard deviation of the prices of the debt securities quoted by different rate sources will be calculated as the uncertainty of the prices quoted of the securities. The fair value of the debt securities will be adjusted by the standard deviation of the prices of the corresponding securities.

(All amounts in HK dollar thousands unless otherwise stated)

4 Linkages between financial statements and regulatory exposures (Continued)

(d) Prudent valuation adjustments

As at 31 December 2024, bid-offer spread valuation adjustment was made on certain assets and instruments to take into account the cost that would be incurred when closing out the positions. Other valuation adjustments are not required as most of the Group's investments were debt securities of straight bonds that did not contain any complex features.

		Equity	Interest rates	FX	Credit	Commodities	Total	Of which: In the trading book	Of which: In the banking book
1	Close-out uncertainty, of which:	–	–	1,253	–	–	1,253	1,253	–
2	Mid-market value	–	–	–	–	–	–	–	–
3	Close-out costs	–	–	1,253	–	–	1,253	1,253	–
4	Concentration	–	–	–	–	–	–	–	–
5	Early termination	–	–	–	–	–	–	–	–
6	Model risk	–	–	–	–	–	–	–	–
7	Operational risks	–	–	–	–	–	–	–	–
8	Investing and funding costs						–	–	–
9	Unearned credit spreads						–	–	–
10	Future administrative costs	–	–	–	–	–	–	–	–
11	Other adjustments	–	–	–	–	–	–	–	–
12	**Total adjustments**	**–**	**–**	**1,253**	**–**	**–**	**1,253**	**1,253**	**–**

5 Countercyclical capital buffer ("CCyB") ratio

CCyB ratio is calculated as the weighted average of the applicable jurisdictional CCyB ("JCCyB") ratio effective at the date for which the determination is made, in respect of the jurisdictions (including Hong Kong) where the Bank has private sector credit exposures. The weight to be attributed to a given jurisdiction's applicable CCyB ratio is the ratio of the Bank's aggregate RWA for its private sector credit exposures (in both the banking book and the trading book) in that jurisdiction where the location of the exposures is determined as far as possible on an ultimate risk basis to the sum of the Bank's aggregate RWA across all jurisdictions in which the Bank has private sector credit exposures.

Key drivers for the changes in exposure amounts include asset quality, credit growth and credit portfolio. The applicable JCCyB ratio for Hong Kong is determined by the Hong Kong Monetary Authority based on the Initial Reference Calculator that is transparently calculated and made public, while the applicable JCCyB ratio in respect of a given jurisdiction outside Hong Kong may differ from the JCCyB ratio as determined by the relevant authority in that jurisdiction if the Hong Kong Monetary Authority has determined and announced the application of a higher or lower rate.

The following table shows the CCyB ratio, the geographical breakdown of the RWA in relation to private sector credit exposures that are relevant to the calculation of CCyB ratio and which have an applicable JCCyB ratio greater than zero as at 31 December 2024.

	Jurisdiction	Applicable JCCyB ratio in effect	Total RWA used in computation of CCyB ratio	CCyB ratio	CCyB amount
		%	HK$'000	%	HK$'000
1	Hong Kong SAR	0.50%	57,716,871		
2	Australia	1.00%	431,173		
3	Belgium	1.00%	1,729		
4	Chile	0.50%	5		
5	France	1.00%	29		
6	Germany	0.75%	109		
7	Ireland	1.50%	42		
8	Netherlands	2.00%	11,313		
9	South Korea	1.00%	20,772		
10	United Kingdom	2.00%	675,352		
	Sum		**58,857,395**		
	Total		**89,224,490**	**0.34%**	**469,356**

6 Leverage ratio

The leverage ratio ("LR") represents the consolidated ratio computed in the same regulatory consolidation basis as the capital adequacy ratio. The table below presents the summary comparison of accounting assets against leverage ratio exposure measure as at 31 December 2024.

Item		Value under the LR framework
1	Total consolidated assets as per published financial statements (before adjustments for specific and collective provisions)	228,793,039
2	Adjustment for investments in banking, financial, insurance or commercial entities that are consolidated for accounting purposes but outside the scope of regulatory consolidation	(73,019)
2a	Adjustment for securitised exposures that meet the operational requirements for the recognition of risk transference	–
3	Adjustment for fiduciary assets recognised on the balance sheet pursuant to the applicable accounting standard but excluded from the LR exposure measure	–
3a	Adjustments for eligible cash pooling transactions	–
4	Adjustments for derivative contracts	653,669
5	Adjustment for SFTs (i.e. repos and similar secured lending)	–
6	Adjustment for off-balance sheet ("OBS") items (i.e. conversion to credit equivalent amounts of OBS exposures)	6,924,306
6a	Adjustments for prudent valuation adjustments and specific and collective provisions that are allowed to be excluded from exposure measure	(1,362,034)
7	Other adjustments	(3,010,706)
8	**Leverage ratio exposure measure**	**231,925,255**

(All amounts in HK dollar thousands unless otherwise stated)

6 Leverage ratio (Continued)

The leverage ratios as at 31 December 2024 and 30 September 2024 are shown below:

		31 December 2024	30 September 2024
On-balance sheet exposures			
1	On-balance sheet exposures (excluding those arising from derivative contracts and SFTs, but including collateral)	228,214,879	230,796,362
2	Less: Asset amounts deducted in determining Tier 1 capital	(3,010,706)	(2,409,271)
3	**Total on-balance sheet exposures (excluding derivative contracts and SFTs)**	225,204,173	228,387,091
Exposures arising from derivative contracts			
4	Replacement cost associated with all derivative contracts (where applicable net of eligible cash variation margin and/or with bilateral netting)	159,579	84,704
5	Add-on amounts for PFE associated with all derivative contracts	999,231	926,378
6	Gross-up for collateral provided in respect of derivative contracts where deducted from the balance sheet assets pursuant to the applicable accounting framework	–	–
7	Less: Deductions of receivables assets for cash variation margin provided under derivative contracts	–	–
8	Less: Exempted CCP leg of client-cleared trade exposures	–	–
9	Adjusted effective notional amount of written credit-related derivative contracts	–	–
10	Less: Adjusted effective notional offsets and add-on deductions for written credit-related derivative contracts	–	–
11	**Total exposures arising from derivative contracts**	1,158,810	1,011,082
Exposures arising from SFTs			
12	Gross SFT assets (with no recognition of netting), after adjusting for sale accounting transactions	–	2,800,000
13	Less: Netted amounts of cash payables and cash receivables of gross SFT assets	–	–
14	CCR exposure for SFT assets	–	11,822
15	Agent transaction exposures	–	–
16	**Total exposures arising from SFTs**	–	2,811,822
Other off-balance sheet exposures			
17	Off-balance sheet exposure at gross notional amount	36,412,973	42,053,760
18	Less: Adjustments for conversion to credit equivalent amounts	(29,488,667)	(33,730,974)
19	**Off-balance sheet items**	6,924,306	8,322,786
Capital and total exposures			
20	**Tier 1 capital**	34,677,399	35,164,236
20a	**Total exposures before adjustments for specific and collective provisions**	233,287,289	240,532,781
20b	**Adjustments for specific and collective provisions**	(1,362,034)	(1,079,307)
21	**Total exposures after adjustments for specific and collective provisions**	231,925,255	239,453,474
Leverage ratio			
22	**Leverage ratio**	15.0%	14.7%

Abbreviations:
CCP Central counterparty
CCR Counterparty credit risk
PFE Potential future exposure
SFT Securities financing transactions

7 Credit risk

(a) General information about credit risk

The Group takes on exposure to credit risk, which is the risk that a counterparty will cause a financial loss for the Group by failing to discharge an obligation. The Group's exposure to credit risk arises from a range of customer and product types, including exposures to corporate, retail and high net worth customers. The major corporate banking products offered by the Group include commercial loans and trade finance. The retail loans cover mortgage loans, consumer loans and credit cards.

The approach used for defining credit risk management policy and setting credit risk limits is described in Note 3.1 of Notes to the Consolidated Financial Statements.

Various analytical reports on credit risk exposures and credit risk management are provided monthly to senior management; including reports on loans and advances to customers, the credit risk profile of the Group, the portfolio distribution and credit quality, credit portfolio risk monitoring and compliance, impairment allowance and large exposures and risk concentrations.

Credit risk management framework

The Group's organization structure establishes a clear set of authority and responsibility for monitoring compliance with policies, procedures and limits.

The Credit Committee is responsible for establishing credit policies, monitoring loan portfolio quality and impairment charge, ensuring compliance with statutory and internal lending limits, evaluating credit applications, making credit decisions and etc. Further information on the Credit Committee is set out in the Corporate Governance Report included in the 2024 Annual Report.

The Chief Risk Officer takes charge of the Group's overall credit risk management. He is responsible for ensuring that the Group's risk management framework, all related policies and control procedures, and business processes are effective, adequate and properly implemented and consistent with the overall risk appetite of the Group and credit related regulatory requirements. He is also responsible for assessing, evaluating and monitoring the use of risk limits and ensuring that quantifiable risks are within the approved limits.

Various units of the Group have their respective credit risk management responsibilities. Business units including branches and business departments, being the first line of defence, are responsible for performing on-going 'know your customer' checks. The Credit Appraisal Department, Credit Control Department, Credit Review & Policy Department, Market Risk & Risk Analytics Department and the Compliance Department, which are independent from the business units, act as the second line of defence. The Credit Appraisal Department is responsible for independent evaluation of credit applications, Credit Review & Policy Department is responsible for performing periodic credit review and formulating and reviewing credit risk policies and guidelines while Credit Control Department is responsible for performing credit control and monitoring. The Market Risk & Risk Analytics Department is responsible for monitoring the day-to-day management of the credit risk related to treasury operation. The Compliance Department is responsible for monitoring and ensuring that all the relevant regulatory and statutory requirements and limits are complied with by the Group. The Internal Audit Department is responsible for conducting regular review on the adequacy and effectiveness of the credit risk control and governance processes of the Group, and compliance with regulatory and statutory requirements.

(All amounts in HK dollar thousands unless otherwise stated)

7 Credit risk (Continued)

(b) Credit quality of exposures as at 31 December 2024

	Gross carrying amounts of				Of which ECL accounting provisions for credit losses on STC approach exposures		Of which ECL accounting provisions for credit losses on IRB approach exposures	
		Defaulted exposures	Non-defaulted exposures	Allowances/ impairments	Allocated in regulatory category of specific provisions	Allocated in regulatory category of collective provisions		Net values
1	Loans	2,889,340	73,794,168	1,256,753	1,000,560	256,193	–	75,426,755
2	Debt securities	–	53,256,790	130	–	130	–	53,256,660
3	Off-balance sheet exposures	–	8,653,735	33,546	29,166	4,380	–	8,620,189
4	**Total**	**2,889,340**	**135,704,693**	**1,290,429**	**1,029,726**	**260,703**	**–**	**137,303,604**

(c) Changes in defaulted loans and debt securities

		Amount
1	Defaulted loans and debt securities as at end June 2024	2,146,699
2	Loans and debt securities that have defaulted since the last reporting period	2,167,279
3	Returned to non-defaulted status	(13,750)
4	Amounts written off	(711,771)
5	Other changes*	(699,117)
6	**Defaulted loans and debt securities as at end December 2024**	**2,889,340**

* Other changes include loan repayment, disposal of impaired loans and exchange rate difference.

(d) Additional disclosures related to credit quality of exposures

The accounting definition of impaired exposures and the regulatory definition of defaulted exposures are generally aligned. In general, loans and advances overdue for more than 90 days are considered impaired unless other information is available to indicate the contrary. Loans and advances with a specific repayment date are classified as overdue when the principal or interest is past due and remains unpaid. Loans and advances repayable by regular instalments are classified as overdue when an instalment payment is past due and remains unpaid. Loans and advances repayable on demand are classified as overdue when a demand for repayment has been served on the borrower but repayment has not been made in accordance with the instruction.

The approach for determining impairment of financial assets is provided in Notes 2.6 and 3.1.1 of Notes to the Consolidated Financial Statements.

As at 31 December 2024, loans and advances which were past due for more than 90 days were all impaired.

Rescheduled loans and advances to customers are those loans and advances that have been rescheduled or renegotiated for reasons related to the borrower's financial difficulties. A rescheduled loan will normally require an adverse classification under the loan classification system (i.e. substandard or doubtful).

(All amounts in HK dollar thousands unless otherwise stated)

7 Credit risk (Continued)

(d) Additional disclosures related to credit quality of exposures (Continued)

(i) Breakdown of credit risk exposures as at 31 December 2024 by industry sector, geographical region and residual maturity

	Total	Impaired exposure	Stage 3 impairment allowances	Amounts written-off
Credit risk exposure – By industry sector				
– Property development	20,593,149	562,354	275,199	75,812
– Property investment	17,585,972	1,159,449	39,216	67,604
– Banks and financial institutions	33,981,249	4,303	–	258,809
– International, wholesale and retail trade	11,472,712	1,087,640	460,301	11,457
– Personal	11,763,375	154,212	2,166	5,609
– Others*	41,907,147	749,522	252,844	1,823,027
Total	**137,303,604**	**3,717,480**	**1,029,726**	**2,242,318**
Credit risk exposure – By geographical region				
– Hong Kong	65,223,182	2,080,005	468,521	1,813,127
– Mainland China	8,805,201	558,954	561,205	232,388
– United States	27,425,209	1,074,011	–	196,803
– Others	35,850,012	4,510	–	–
Total	**137,303,604**	**3,717,480**	**1,029,726**	**2,242,318**
Credit risk exposure – By residual maturity				
– Repayable on demand	6,380,755			
– Up to 1 month	12,103,790			
– 1–3 months	12,365,044			
– 3–12 months	40,012,609			
– 1–5 years	45,180,902			
– Over 5 years	16,813,256			
– Indefinite	4,447,248			
Total	**137,303,604**			

* Others include exposures to manufacturing, hotels, catering, telecommunication, transport and other commercial and industrial activities where exposure to each of these sectors is less than 10% of the Group's total RWA for credit risk.

(ii) Aging analysis of accounting past due exposures as at 31 December 2024

	Gross carrying amount
Past due over 3 months but less than 6 months	1,407,035
Past due over 6 months but less than 1 year	1,171,350
Past due over 1 year	310,955
Total	**2,889,340**

(iii) Breakdown of restructured exposures between impaired and non-impaired exposures as at 31 December 2024

	Gross carrying amount of	
	Impaired	Not impaired
Rescheduled loans and advances	1,783	–

7 Credit risk (Continued)

(e) Qualitative disclosures related to credit risk mitigation

Collateral

The Group employs a range of policies and practices to mitigate credit risk which is described in Note 3.1.4(a) of Notes to the Consolidated Financial Statements.

Revaluation and management of collateral

To ascertain the estimated fair value of the collateral offered to the Group, collateral other than the bank deposits is revalued according to the Guideline on Management of Collateral and Guarantees for monitoring the collateral position against relevant credit exposure.

The revaluation frequency depends on the collateral type but at least annually such as real estate, debt securities and equities. More frequent revaluation is needed for certain products, such as listed stocks which are revalued at least twice daily. The collateral value may be adjusted to reflect the likely net realizable value of such collateral.

Advice and service will be sought and employed from external legal professional whenever required to ensure all documentation creating the collateral and providing for the obligation of the parties with respect to each other in respect of the collateral is binding on all parties and legally enforceable in all relevant jurisdictions.

Recognition of risk mitigation under the standardised approach

The Group applies the simple approach for credit risk mitigation to all its on- and off-balance sheet banking book exposures that are subject to risk mitigation. Where a claim on a counterparty is secured against eligible collateral, the secured portion of the claim must be weighted according to the risk-weight applicable to the collateral (unless that produces a higher risk-weight than would be applicable to the original counterparty, in which case the risk-weight applicable to that counterparty should apply). The unsecured portion of the claim must be weighted according to the risk-weight applicable to the original counterparty. The main types of recognised credit risk mitigant used by the Group include deposits and bank guarantee. In addition, real estate collateral is also recognised for past due exposures.

Where a claim on a counterparty is secured by a guarantee from an eligible guarantor, the portion of the claim that is supported by the guarantee is to be weighted according to the risk-weight applicable to the guarantor (unless the risk-weight applicable to the original counterparty is lower). The unsecured portion of the claim must be weighted according to the risk-weight applicable to the original counterparty.

For capital calculation, the Group has not used any on-balance sheet or off-balance sheet recognised netting for credit risk mitigation.

Concentrations within credit risk mitigations

Concentrations within credit risk mitigations taken may occur if a number of guarantors and collaterals with similar economic characteristics are engaged in comparable activities with changes in economic or industry conditions affecting their ability to meet contractual obligations. A range of quantitative tools is used to monitor the Group’s credit risk mitigating activities including dedicated stress tests.

Stress-tests and scenario analysis are conducted on the Group’s portfolio of collateral to assess the impact under unusual market conditions and relevant reports are submitted to the senior management for review in accordance with the Stress-Testing Policy of the Group.

The credit concentrations within the credit risk mitigation (recognised collateral and guarantees for capital calculation) used by the Group are within acceptable levels.

(All amounts in HK dollar thousands unless otherwise stated)

7 Credit risk (Continued)

(f) Overview of recognised credit risk mitigation as at 31 December 2024

		Exposures unsecured: carrying amount	Exposures to be secured	Exposures secured by recognised collateral	Exposures secured by recognised guarantees	Exposures secured by recognised credit derivative contracts
1	Loans	71,829,596	3,597,159	3,587,843	9,316	–
2	Debt securities	53,256,660	–	–	–	–
3	**Total**	**125,086,256**	**3,597,159**	**3,587,843**	**9,316**	**–**
4	Of which defaulted	200,856	1,963,227	1,963,227	–	–

(g) Qualitative disclosures on use of ECAI ratings under STC approach

Under the standardised approach ("STC") for the calculation of credit risk within the Basel capital framework, banks are required to use credit assessments provided by external credit assessment institutions ("ECAIs"), recognised by the Hong Kong Monetary Authority for the purposes of regulatory capital calculation, to determine the risk-weights of the banks' credit exposures.

S&P Global Ratings, Moody's Investors Service, Fitch Ratings and Rating and Investment Information, Inc. are the ECAIs that the Group has used for the determination of risk weightings for the following classes of exposure:

– Sovereign exposures;
– Public sector entity exposures;
– Bank exposures;
– Securities firm exposures; and
– Corporate exposures

The mapping of ECAI ratings of the above five classes of exposure to the risk weights under STC follows the process as prescribed in Part 4 of the Banking (Capital) Rules. Where an exposure of debt securities has an issue-specific external credit assessment, such assessment will be used. In case there is no specific issue rating published by the ECAI, the issuer rating is applied to the senior unsecured claims of that issuer subject to the conditions prescribed by the BCR.

(All amounts in HK dollar thousands unless otherwise stated)

7 Credit risk (Continued)

(h) Credit risk exposures and effects of recognised credit risk mitigation – for STC approach as at 31 December 2024

		Exposures pre-CCF and pre-CRM		Exposures post-CCF and post-CRM		RWA and RWA density	
	Exposure classes	On-balance sheet amount	Off-balance sheet amount	On-balance sheet amount	Off-balance sheet amount	RWA	RWA density
1	Sovereign exposures	9,146,222	–	9,148,790	–	12,499	0%
2	PSE exposures	6,726,708	164,286	6,724,140	82,143	1,361,257	20%
2a	Of which: domestic PSEs	4,860,333	164,286	4,857,765	82,143	987,982	20%
2b	Of which: foreign PSEs	1,866,375	–	1,866,375	–	373,275	20%
3	Multilateral development bank exposures	6,002,946	–	6,002,946	–	–	0%
4	Bank exposures	103,022,460	2,439,624	103,022,353	661,161	28,292,240	27%
5	Securities firm exposures	29,816	776,109	29,816	–	14,908	50%
6	Corporate exposures	72,837,043	23,511,581	71,807,812	2,377,610	68,961,554	93%
7	CIS exposures	–	–	–	–	–	–
8	Cash items	1,056,320	–	2,680,936	–	192,383	7%
9	Exposures in respect of failed delivery on transactions entered into on a basis other than a delivery-versus-payment basis	–	–	–	–	–	–
10	Regulatory retail exposures	2,785,593	2,122,246	2,701,596	125,117	2,120,035	75%
11	Residential mortgage loans	6,098,767	1,707,597	6,098,767	853,799	3,160,716	45%
12	Other exposures which are not past due exposures	13,973,355	5,662,364	13,462,074	19,386	13,481,460	100%
13	Past due exposures	2,164,083	–	2,164,083	–	2,262,284	105%
14	Significant exposures to commercial entities	–	–	–	–	–	–
15	**Total**	**223,843,313**	**36,383,807**	**223,843,313**	**4,119,216**	**119,859,336**	**53%**

(All amounts in HK dollar thousands unless otherwise stated)

7 Credit risk (Continued)

(i) Credit risk exposures by asset classes and by risk weights – for STC approach as at 31 December 2024

	Exposure class \ Risk Weight	0%	10%	20%	35%	50%	75%	100%	150%	250%	Others	Total credit risk exposures amount (post CCF and post CRM)
1	Sovereign exposures	9,086,295	–	62,495	–	–	–	–	–	–	–	**9,148,790**
2	PSE exposures	–	–	6,806,283	–	–	–	–	–	–	–	**6,806,283**
2a	Of which: domestic PSEs	–	–	4,939,908	–	–	–	–	–	–	–	**4,939,908**
2b	Of which: foreign PSEs	–	–	1,866,375	–	–	–	–	–	–	–	**1,866,375**
3	Multilateral development bank exposures	6,002,946	–	–	–	–	–	–	–	–	–	**6,002,946**
4	Bank exposures	–	–	78,498,391	–	25,185,123	–	–	–	–	–	**103,683,514**
5	Securities firm exposures	–	–	–	–	29,816	–	–	–	–	–	**29,816**
6	Corporate exposures	–	–	185,979	–	10,150,169	–	63,849,274	–	–	–	**74,185,422**
7	CIS exposures	–	–	–	–	–	–	–	–	–	–	**-**
8	Cash items	2,000,615	–	609,923	–	–	–	70,398	–	–	–	**2,680,936**
9	Exposures in respect of failed delivery on transactions entered into on a basis other than a delivery-versus-payment basis	–	–	–	–	–	–	–	–	–	–	**-**
10	Regulatory retail exposures	–	–	–	–	–	2,826,713	–	–	–	–	**2,826,713**
11	Residential mortgage loans	–	–	–	5,785,736	–	124,487	1,042,343	–	–	–	**6,952,566**
12	Other exposures which are not past due exposures	–	–	–	–	–	–	13,481,460	–	–	–	**13,481,460**
13	Past due exposures	2,227	–	–	–	–	–	1,961,000	200,856	–	–	**2,164,083**
14	Significant exposures to commercial entities	–	–	–	–	–	–	–	–	–	–	**-**
15	**Total**	**17,092,083**	**-**	**86,163,071**	**5,785,736**	**35,365,108**	**2,951,200**	**80,404,475**	**200,856**	**-**	**-**	**227,962,529**

(All amounts in HK dollar thousands unless otherwise stated)

8 Counterparty credit risk

(a) Qualitative disclosures related to counterparty credit risk (including those arising from clearing through CCPs)

Counterparty credit risk arises from over-the-counter ("OTC") derivative contracts and securities financing transactions both in trading and banking books, and is subject to the same risk management framework. Credit equivalent amount and capital charge for the relevant counterparty credit exposures are determined following the regulatory capital requirements. The Group adopts the standardised (counterparty credit risk) approach ("SA-CCR") to measure the credit equivalent amount, which comprises replacement cost and potential future exposure, multiplied by a scaling factor of 1.4. The relevant counterparty default risk capital charge is calculated under the standardised approach. The Group also adopts the standardised credit valuation adjustment ("CVA") method to calculate the relevant counterparty CVA capital charge.

The Group exercises strict control over counterparty credit risk exposure, including central counterparty ("CCP"). All credit limits are established in advance of transaction. Credit and settlement risk is captured, monitored and reported in accordance with the Group risk methodologies. The credit risk exposures associated with these contracts are predominantly their positive marked-to-market values. These credit risk exposures together with potential exposures from market movements are managed as part of the overall lending limits allowed to counterparties. In instance of financial institutions, close-out netting agreement (International Swaps and Derivatives Association "ISDA") and/or collateral netting agreement (Credit Support Annex "CSA") are used, while the Group generally requires margin deposits from corporate, commercial and retail customers for risk mitigation purpose. Under the terms of the ISDA and CSA with counterparties, there is no linkage between the Group's credit ratings and collateral requirements. As such, the impact of downgrade of the Group's credit rating to the collateral is minimal.

Wrong-way risk occurs when the probability of default of a counterparty is positively correlated with general market risk factors (general wrong-way risk), and when exposure to a counterparty is positively correlated with the probability of default of the counterparty due to the nature of the transactions with the counterparty (specific wrong-way risk). The Group monitors and mitigates wrong-way risk by restricting the receipt of eligible collateral to low-risk and high-liquidity cash and bonds issued by sovereigns, central banks and multilateral development banks.

(b) Analysis of counterparty default risk exposures (other than those to CCPs) by approaches as at 31 December 2024

		Replacement cost (RC)	PFE	Effective EPE	Alpha (α) used for computing default risk exposure	Default risk exposure after CRM	RWA
1	SA-CCR approach (for derivative contracts)	176,757	675,494		1.4	1,193,152	771,075
1a	CEM (for derivative contracts)	–	–		1.4	–	–
2	IMM (CCR) approach			–	–	–	–
3	Simple approach (for SFTs)					–	–
4	Comprehensive approach (for SFTs)					–	–
5	VaR (for SFTs)					–	–
6	**Total**						**771,075**

(All amounts in HK dollar thousands unless otherwise stated)

8 Counterparty credit risk (Continued)

(c) CVA capital charge as at 31 December 2024

		EAD post CRM	RWA
	Netting sets for which CVA capital charge is calculated by the advanced CVA method		
1	(i) VaR (after application of multiplication factor if applicable)		–
2	(ii) Stressed VaR (after application of multiplication factor if applicable)		–
3	Netting sets for which CVA capital charge is calculated by the standardized CVA method	1,193,152	160,650
4	**Total**	**1,193,152**	**160,650**

(d) Counterparty default risk exposures (other than those to CCPs) by asset classes and by risk weights – for STC approach as at 31 December 2024

	Exposure class \ Risk Weight	0%	10%	20%	35%	50%	75%	100%	150%	250%	Others	Total default risk exposure after CRM
1	Sovereign exposures	–	–	–	–	–	–	–	–	–	–	-
2	PSE exposures	–	–	–	–	–	–	–	–	–	–	-
2a	Of which: domestic PSEs	–	–	–	–	–	–	–	–	–	–	-
2b	Of which: foreign PSEs	–	–	–	–	–	–	–	–	–	–	-
3	Multilateral development bank exposures	–	–	–	–	–	–	–	–	–	–	-
4	Bank exposures	–	–	132,294	–	583,866	–	–	–	–	–	**716,160**
5	Securities firm exposures	–	–	–	–	–	–	–	–	–	–	-
6	Corporate exposures	–	–	–	–	48,617	–	242,477	–	–	–	**291,094**
7	CIS exposures	–	–	–	–	–	–	–	–	–	–	-
8	Regulatory retail exposures	–	–	–	–	–	–	–	–	–	–	-
9	Residential mortgage loans	–	–	–	–	–	–	–	–	–	–	-
10	Other exposures which are not past due exposures	–	–	–	–	–	–	185,898	–	–	–	**185,898**
11	Significant exposures to commercial entities	–	–	–	–	–	–	–	–	–	–	-
12	**Total**	**–**	**–**	**132,294**	**–**	**632,483**	**–**	**428,375**	**–**	**–**	**–**	**1,193,152**

(All amounts in HK dollar thousands unless otherwise stated)

8 Counterparty credit risk (Continued)

(e) Composition of collateral for counterparty default risk exposures (including those for contracts or transactions cleared through CCPs) as at 31 December 2024

		Derivative contracts				SFTs	
		Fair value of recognised collateral received		Fair value of posted collateral		Fair value of recognised collateral received	Fair value of posted collateral
		Segregated	Unsegregated	Segregated	Unsegregated		
1	Cash – other currencies	–	78,408	–	147,655	–	–
2	Debt securities	–	65,105	–	72,820	–	–
3	**Total**	**–**	**143,513**	**–**	**220,475**	**–**	**–**

(f) Credit-related derivatives contracts

The Group did not have any credit-related derivatives contracts as at 31 December 2024.

(g) Exposures to CCPs

The Group did not have any exposures to CCPs as at 31 December 2024.

9 Market risk

(a) Qualitative disclosures related to market risk

Market risk is the risk that interest rates, foreign exchange rates, equity or commodity prices will move relative to positions taken, resulting in profits or losses. In the ordinary course of business, the Group enters into various types of financial instruments, mainly foreign exchange contracts, that comprise transactions initiated for the Group's own account and customer needs.

The Group's positions are managed by the Treasury Division under the limits and guidelines laid down in the relevant policies, which are approved by the Risk Committee. The Risk Management Division is responsible for monitoring the transactions to ensure the activities are within the relevant limits and guidelines.

Further information on the management of foreign exchange risk and interest rate risk is provided in Note 3.2.3 and Note 3.2.4 of Notes to the Consolidated Financial Statements respectively.

Market risk measurement

The measuring procedures and limit structure used for market risk management have been approved by the Risk Committee. Limits on notional, stop loss and sensitivity are set for trading positions which are marked-to-market daily. Stress tests provide an indication of the potential size of losses that could arise in extreme conditions. The stress testing is tailored to the business and typically uses scenario analysis. The results of the stress tests are reviewed by management, the Asset and Liability Committee, the Risk Committee and the Board.

The Group measures the exposure of its assets and liabilities to fluctuations in interest rates primarily by way of gap analysis which provides the Group with a static view of the maturity and re-pricing characteristics of balance sheet positions. An interest rate gap report is prepared by classifying all assets and liabilities into various time period categories according to contracted maturities or anticipated re-pricing dates whichever is earlier. The difference in the amount of assets and liabilities maturing or being re-priced in any time period category would then give the Group an indication of the extent to which the Group is exposed to the risk of potential changes in the net interest income.

The Group uses different types of derivatives to manage foreign exchange and interest rate sensitivity primarily by hedging its underlying positions. The derivatives used by the Group including foreign exchange and interest rate contracts which are typically made over-the-counter and are managed within limits approved by the Risk Committee. The Group has not designated any derivatives in any hedge relationship for the application of hedge accounting.

9 Market risk (Continued)

(b) Market risk under STM approach as at 31 December 2024

		RWA
	Outright product exposures	
1	Interest rate exposures (general and specific risk)	479,125
2	Equity exposures (general and specific risk)	–
3	Foreign exchange (including gold) exposures	4,515,000
4	Commodity exposures	–
	Option exposures	
5	Simplified approach	–
6	Delta-plus approach	7,600
7	Other approach	–
8	Securitization exposures	–
9	**Total**	**5,001,725**

10 Liquidity risk

(a) Qualitative disclosure related to liquidity risk management

Governance of liquidity risk management

The Group's risk tolerance describes the level of risk that the Group is prepared to accept to achieve its strategic and business objectives. The risk tolerance is reviewed and approved by the Board periodically but at least annually with reference to changing industry and market developments. An acceptable risk tolerance is adopted in managing and controlling risks in a prudent manner with a view to achieving steady growth and reasonable returns. Various ratios and risk limits are set with reference to the legal and regulatory requirements to limit and control the risk exposure under an acceptable risk tolerance level and commensurate with prudent liquidity risk management practices.

The Board is ultimately responsible for overseeing the Group's liquidity risk management structure. The Risk Committee is delegated by the Board to oversee the Group's liquidity risk management, including approval of liquidity risk management policies and risk limits. The Asset and Liability Committee is delegated by the Board to oversee the Group's investment and funding strategies, particularly to ensure that the Bank has adequate funds to meet its obligations.

The Group's liquidity is managed by the Treasury Division in accordance with the guidelines and procedures outlined in the liquidity risk management policy. The Risk Management Division is responsible for day-to-day liquidity risk management.

Liquidity risk management

The Bank's operation is mainly funded by customer deposits and shareholders' funds. Diversified and stable funding sources are maintained by determining the appropriate mix of liabilities and building strong and lasting relationships with key fund providers in accordance with the liquidity risk management policy.

Liquidity is managed on a group basis, covering both the local and overseas operations as well as all related entities of the Bank. The formulation and management of the Group's funding strategy is centralised at the Treasury Division.

Adequate liquidity will be maintained at all times to meet obligations when they fall due in normal circumstances and an appropriate mix of additional stock of high quality liquid assets will be maintained to provide contingent liquidity in the event of a funding crisis. The normal borrowing capacity to obtain funds in the interbank market is estimated based on past experience and the wholesale funding need for both local and foreign currencies are limited to the amount which are comfortably within that borrowing capacity.

10 Liquidity risk (Continued)

(a) Qualitative disclosure related to liquidity risk management (Continued)

Liquidity risk management (Continued)

Liquidity risk is managed with regard to a variety of factors, including the liquidity maintenance ratio, core funding ratio, loan to deposit ratio, size of the liquidity cushion, maturity mismatch profile, the diversity and stability of the deposit base, and the ability to borrow in the interbank market to ensure that both the funding liquidity and market liquidity are properly handled. An adequate stock of high quality liquid assets is maintained at all times in order to enable the Group to meet deposit withdrawals, to repay interbank borrowings, and to make new loans and investments as and when required in a timely and cost effective manner under both normal business conditions and emergency situations.

Stress testing

The stress-testing results form an important component in assisting the Risk Committee in reviewing and endorsing the Group's risk tolerance levels, which are defined by internal limits on various risk ratios, as well as assisting the Asset and Liability Committee in managing the overall liquidity of the Group and to make informed strategic business decisions.

Contingency funding plan

The Contingency Funding Plan is a component of the Group's Business Continuity Plan, and describes the Group's strategy for dealing with any liquidity problems, and the procedures for making up cash flow deficits in emergency situations.

(b) Quantitative disclosure

Customised measurement tools or metrics

A cash-flow approach is adopted to managing liquidity risk by ensuring that a net positive cash-flow position is maintained or otherwise sufficient cash can be generated from assets or funding sources to cover any funding shortfalls. The starting point for the projection is an analysis of the contractual maturity of the financial liabilities and the expected collection date of the financial assets. The projection is forward-looking and covers liquidity risks stemming from on-balance sheet assets and liabilities and off-balance sheet positions. Cash-flow projection is made over daily time bands of up to 7 days ahead and wider time bands of up to 1 year ahead. Internal limits are set to control the size of the cumulative net mismatch positions for the shorter-term time bands. Cash-flow projection covers positions in HK dollar and in all currencies in aggregate. Separate cash-flow projections are also performed for individual foreign currencies in which there are significant positions, such as US dollar and the renminbi.

Concentration limits on collateral pools and sources of funding

Retail deposits account for an important part of the Group's funding base, and the composition and quality of such deposits are carefully monitored and managed. Core deposits are characterised by their stability and reliability and are identified based on internally defined criteria. An internal target is set for the proportion of core deposits against total deposits.

Liquidity exposures and funding needs at the level of individual legal entities, foreign branches and subsidiaries

The Group is not required to calculate the liquidity coverage ratio ("LCR") and net stable funding ratio ("NSFR") under the Banking (Liquidity) Rules. Instead, the Liquidity Maintenance Ratio ("LMR") and the Core Funding Ratio ("CFR") are used to measure respectively the short-term and long-term liquidity exposures of the Group against its funding needs. The LMR is the ratio of liquefiable assets to qualifying liabilities for the coming one month. Under the Banking (Liquidity) Rules, the Group is subject to the statutory limit of the LMR, which is prescribed at 25%. The CFR is the ratio of the amount of available core funding to the amount of required core funding and measures the availability of funding from capital and liabilities to cover the amount of assets and off-balance sheet obligations that need to be funded. Under the Banking (Liquidity) Rules, the Group is under regulation to maintain a CFR of not less than 75% on average in each calendar month. Funding or liquidity support is provided to all branches outside of Hong Kong and such support is appropriately accounted for. The funding positions of the branches outside of Hong Kong are closely monitored and any regulatory or legal impediments to accessing liquidity will be addressed on a group basis. Other than branches outside of Hong Kong, the liquidity needs of other group companies are insignificant.

(All amounts in HK dollar thousands unless otherwise stated)

10 Liquidity risk (Continued)

(b) Quantitative disclosure (Continued)

Contractual maturity profile

	Next day	Within 1 month	> 1 month up to 3 months	> 3 months up to 1 year	> 1 year up to 5 years	Over 5 years	Balancing amount
Currency notes and coins	985,888	–	–	–	–	–	–
Amount receivable arising from derivative contracts	3,879	193,978	150,230	113,086	10,933	–	–
Due from MA for a/c of Exchange Fund	981,254	–	–	–	–	–	–
Due from overseas central banks	1,457,115	–	–	–	–	–	57,861
Due from banks	12,627,970	42,529,480	20,391,524	5,715,183	–	–	–
Debt securities, prescribed instruments and structured financial instruments held (net of short positions)	52,111,667	109,522	552,295	342,973	297,064	–	2,874
Acceptances and bills of exchange held	129,025	19,209	7,671	250	–	–	–
Loans and advances to non-bank customers	6,387,074	6,357,230	4,593,117	17,905,180	21,324,220	14,521,251	7,930,258
Other assets	440,763	557,519	208,891	512,080	888,344	50,664	8,746,347
Total on-balance sheet assets	**75,124,635**	**49,766,938**	**25,903,728**	**24,588,752**	**22,520,561**	**14,571,915**	**16,737,340**
Total off-balance sheet claims	**155,273**	**1,333,079**	**1,106,545**	**–**	**–**	**–**	**632,910**
Deposits from non-bank customers	54,974,749	38,590,556	64,476,162	19,267,437	346,984	11,348	–
Amount payable arising from derivative contracts	5,873	217,647	139,796	88,173	10,582	–	–
Due to MA for a/c of Exchange Fund	–	–	388,183	–	–	–	–
Due to banks	1,859,286	2,137,591	806,582	361,110	–	–	–
Other liabilities	512,408	1,046,246	564,171	571,485	121,406	70,810	–
Capital and reserves	–	–	–	–	2,692,532	–	38,581,182
Total on-balance sheet liabilities	**57,352,316**	**41,992,040**	**66,374,894**	**20,288,205**	**3,171,504**	**82,158**	**38,581,182**
Total off-balance sheet obligations	**3,976,294**	**2,291,906**	**3,303,947**	**9,071,106**	**1,528,658**	**1,532,522**	**–**
Contractual Maturity Mismatch	**13,951,298**	**6,816,071**	**(42,668,568)**	**(4,770,559)**	**17,820,399**	**12,957,235**	
Cumulative Contractual Maturity Mismatch	**13,951,298**	**20,767,369**	**(21,901,199)**	**(26,671,758)**	**(8,851,359)**	**4,105,876**	

(All amounts in HK dollar thousands unless otherwise stated)

11 Interest rate risk in the banking book ("IRRBB")

Qualitative disclosure and quantitative disclosure are described in Note 3.2.4 of Notes to the Consolidated Financial Statements.

12 Non-bank mainland exposures

The Bank	2024			2023		
Types of counterparties	On-balance sheet exposures	Off-balance sheet exposures	Total	On-balance sheet exposures	Off-balance sheet exposures	Total
1. Central government, central government-owned entities and their subsidiaries and joint ventures	1,927,666	5,874	1,933,540	2,674,278	72,613	2,746,891
2. Local governments, local government-owned entities and their subsidiaries and joint ventures	–	–	–	–	–	–
3. PRC nationals residing in mainland China or other entities incorporated in mainland China and their subsidiaries and joint ventures	7,291,296	556,579	7,847,875	8,411,780	1,117,658	9,529,438
4. Other entities of central government not reported in item 1 above	371,145	–	371,145	354,024	–	354,024
5. Other entities of local governments not reported in item 2 above	142,316	–	142,316	140,067	–	140,067
6. PRC nationals residing outside mainland China or entities incorporated outside mainland China where the credit is granted for use in mainland China	4,350,673	192,124	4,542,797	5,492,634	763,260	6,255,894
7. Other counterparties where the exposures are considered by the reporting institution to be non-bank mainland China exposures	979,094	–	979,094	1,603,260	6	1,603,266
Total	15,062,190	754,577	15,816,767	18,676,043	1,953,537	20,629,580
Total assets after provisions	217,731,890			221,673,471		
On-balance sheet exposures as percentage of total assets	6.92%			8.43%		

(All amounts in HK dollar thousands unless otherwise stated)

13 Currency concentrations

	2024						
Equivalent in Hong Kong Dollars	Spot assets	Spot liabilities	Forward purchases	Forward sales	Net options position	Net long/(short) position	Net structural position
US Dollars	91,976,000	(92,153,000)	40,583,000	(34,037,000)	3,000	6,372,000	7,010,000
Pound Sterling	6,507,000	(5,458,000)	1,739,000	(2,845,000)	–	(57,000)	3,000
Euro Dollars	1,020,000	(1,004,000)	1,561,000	(1,585,000)	–	(8,000)	–
Renminbi	15,628,000	(14,646,000)	9,219,000	(9,605,000)	–	596,000	4,752,000
Canadian Dollars	1,326,000	(1,273,000)	216,000	(223,000)	(1,000)	45,000	–
Australian Dollars	2,429,000	(2,408,000)	1,405,000	(1,406,000)	–	20,000	–
Other currencies and gold	2,638,000	(2,094,000)	7,551,000	(7,841,000)	(2,000)	252,000	–
	121,524,000	(119,036,000)	62,274,000	(57,542,000)	–	7,220,000	11,765,000

	2023						
Equivalent in Hong Kong Dollars	Spot assets	Spot liabilities	Forward purchases	Forward sales	Net options position	Net long/(short) position	Net structural position
US Dollars	93,411,000	(92,494,000)	47,660,000	(46,189,000)	(115,000)	2,273,000	6,469,000
Pound Sterling	8,314,000	(5,588,000)	3,064,000	(5,891,000)	–	(101,000)	4,000
Euro Dollars	1,230,000	(1,296,000)	1,582,000	(1,517,000)	(21,000)	(22,000)	–
Renminbi	18,850,000	(17,864,000)	8,975,000	(9,055,000)	–	906,000	3,888,000
Canadian Dollars	1,405,000	(1,393,000)	11,000	(14,000)	–	9,000	–
Australian Dollars	2,738,000	(2,740,000)	2,172,000	(2,126,000)	–	44,000	–
Other currencies and gold	2,015,000	(1,702,000)	8,211,000	(8,592,000)	136,000	68,000	–
	127,963,000	(123,077,000)	71,675,000	(73,384,000)	–	3,177,000	10,361,000

The net options position is calculated based on the delta-weighted positions of all foreign exchange option contracts.

The above disclosure is based on the significance of the Group's foreign currency exposures of the current year.

14 Disclosure on remuneration

Guiding principles

The Bank aims to sustain long-term capital preservation and financial strength for the benefits of all stakeholders and is committed to promoting a sound corporate culture of prudent risk-taking at all levels of the Bank, with staff at all times conscientiously serving the Bank by adhering to the established values. The Remuneration Policy (the "Policy") of the Bank is designed to promote fairness and consistency in the compensation approach; to attract, motivate and retain talents, to create and sustain a strong corporate culture that would drive performance prudently and appropriately as well as to help achieve the business goals under prudent risk management principles.

The Policy applies to the Bank in Hong Kong and its subsidiaries, where appropriate. While the basic principles are applicable to foreign branches, they are also subject to their local regulatory requirements in respective jurisdictions.

Nomination and Remuneration Committee

The Nomination and Remuneration Committee (the "Committee") is established with written Terms of Reference defining its authority and duties, regarding the remuneration aspect, to oversee the formulation and implementation of a sound remuneration policy by the Bank, and to ensure its consistency with the Bank's culture, long-term business and risk appetite, performance and control environment, the best practices and applicable legal and regulatory requirements; to review and make recommendations to the Board on the remuneration packages of all Directors, Chief Executive, senior management and key personnel of the Bank; to ensure a regular review on the Bank's remuneration system and its operation; to ensure that no Director, Chief Executive or any of their associates is involved in deciding their own remuneration; and to review and make recommendations to the Board on culture-related matters of the Bank.

Directly appointed by the Board of the Bank, majority of the members of the Committee are Independent Non-executive Directors. The Committee is chaired by Mr. Johnson Mou Daid CHA. The other members are Mr. Stephen Ching-yen LEE and Mr. Gordon Che-keung KWONG.

In 2024, the Committee held four physical meetings. Major tasks performed by the Committee include to review and approve the annual independent review report on the Bank's remuneration system carried out by Internal Audit Department; to review and endorse the Remuneration Policy with revisions mainly about elaboration on performance goal setting and different risk considerations inherent in individual staff members' financial and non-financial goals and activities, and the applicable remuneration disclosure requirements in accordance with the Hong Kong Monetary Authority Supervisory Policy Manual CG-5 "Guideline on a Sound Remuneration System" ("CG-5"); to review the annual performance evaluation of Chief Executive and Deputy Chief Executives; to review and recommend to the Board discretionary bonus mechanism and the remuneration packages of senior management and key personnel (inclusive of the vesting of the previous years' deferred portion); and to review the culture-related matters of the Bank.

14 Disclosure on remuneration (Continued)

Remuneration policy

The Committee reviews the Policy and the remuneration system at least annually and any material changes to the Policy will be submitted to the Board for approval. The review in 2024 mainly enhanced the elaboration related to the performance goal setting and remuneration disclosure requirements in the Policy to ensure its consistency with the expectation outlined in the CG-5, leading to a more prudent remuneration system that is consistent with the Bank's risk appetite.

The Committee may at its discretion seek information and recommendations from relevant departments, committees or independent consultant as appropriate when conducting the review. In 2024, the Bank has engaged Ernst & Young Advisory Services Limited to advise on the performance management systems, multi-year measures applying on individual staff members' performance evaluation for adequate alignment of variable remuneration with long-term objectives of the Bank and reflecting the time horizon of the associated risks, and the structured mechanism to consider conduct issues in performance and remuneration evaluation. Internal Audit Department would continue to conduct regular independent review on the effectiveness of the Bank's remuneration system to ensure compliance with the principles set out in CG-5.

Remuneration of directors, senior management and key personnel

The Committee is responsible for making recommendations to the Board on the formulation and review of the remuneration packages for Directors, the Chief Executive, senior management and key personnel, with reference to the Bank's financial condition and future prospect, risk management framework, reward and people strategies. Such packages are subject to the final approval of the Board.

The following groups of employees have been identified as the "Senior Management" and "Key Personnel" as defined in CG-5:

"Senior management" of the Bank includes the Chief Executive, Deputy Chief Executives and Division Chiefs of the Bank who report directly to Chief Executive and are responsible for the development and execution of Bank-wide strategy and/or activities and are collectively responsible for the risks that may arise.

"Key personnel" refers to individual staff member whose duties or activities in the course of the employment involve the assumption of material risks or the taking on of material exposures on behalf of the Bank.

No individual director/staff or any of his/her associates shall be involved in deciding his/her own remuneration package.

Remuneration structure

The remuneration package is a combination of fixed and variable remuneration. Fixed remuneration consists of basic salary, allowances and provident fund contribution. Variable remuneration takes into account the overall financial and non-financial performance of the Bank and individual business units, while individual performance is measured against the established key performance indicators, adherence to risk management policies, compliance with legal and regulatory requirements and ethical standards. The variable remuneration is awarded in the form of cash bonus and/or cash incentives.

A proportion of the variable remuneration of senior management and key personnel will be deferred and the vesting criteria of the deferred payment are subject to the impact of financial and non-financial factors over a period of time.

14 Disclosure on remuneration (Continued)

Performance measurements and the distribution of variable remuneration

The Bank maintains a performance evaluation scheme to ensure individual staff performance, which covers financial, non-financial and risk factors, would be differentiated into various levels, and be adequately and effectively evaluated. Adverse performance in non-financial factors, such as non-adherence to risk management policies, non-compliance with internal and regulatory standards, shall outweigh financial achievements. Final approval of the discretionary bonus which is all cash-based is determined by various quantitative and qualitative assessment criteria set out in the performance appraisal system.

The employees within risk control functions are remunerated independently. The performance of business units where they oversee does not affect their remuneration. Management of business units should not be involved in determining the remuneration of the employees in risk control functions.

When deciding the remuneration measures, the Bank shall also take into account certain key risk factors such as its asset quality, liquidity position, business environments, respective staff performance, the overall business results as well as long-term financial position. When reviewing and determining the discretionary bonus scheme, various financial and non-financial criteria including the individual performance of the staff by measuring against key performance indicators, adherence to the Bank's established values, implementation and accomplishment of business strategies, goals and objectives of the business and/or functional units under his/her supervision, compliance with regulatory requirements, adherence to risk management policies, code of conduct and ethical standards shall be taken into account. The overall performance of the Bank, and other factors that might have an impact on the future profitability, liquidity, financials and payout of the Bank should also be considered. The criteria of discretionary incentive payment shall include non-financial factors such as adherence to compliance and quality assurance requirements, positive customer outcomes including but not limited to customer satisfaction, providing accurate and sufficient information, offering right products and service offered, meeting customer reasonable expectation, and etc. which outweigh the quantitative targets. The established remuneration measures continued to apply in 2024. The timing and the portion of the performance related bonus distribution are vested in the Committee and finally with the Board. The bonus (or part of it) may be withheld if the Bank's performance is not justified, or if the business objectives are not achieved, or when it is necessary to protect the financial soundness of the Bank. In the event that a staff is accountable for serious misconduct behaviour, including but not limited to, non-compliance with applicable laws, rules, regulations, policies, guidelines, etc. that leads to significant loss for the Bank, fraud or serious breach of internal rules, the performance evaluation of the staff should record the incident. Further, the salary and variable remuneration reviews (bonus and/or incentive payment), if any, should consider to reflect the misconduct outcome such as a reduction in variable remuneration, after taking into account the relevant indicators of the severity of the impact to the Bank.

Deferral arrangements

In view of the Bank's existing business model and organization structure, a portion of the discretionary bonus payment of senior management and key personnel is subject to an incremental deferral percentage to reflect their seniority, roles and responsibilities and bonus quantum, and vesting by equal portions over a period of three years in order to align with the long-term value creation and time horizons of risk. In circumstances where it is later established that any performance measurement is proven to have been manifestly misstated or based on erroneous assumptions, or it is later established that the employee concerned has committed fraud, malfeasance, or has violated material internal control policies or breached the relevant rules and regulations, all or part of the unvested deferred variable remuneration for a particular year shall be foregone.

(All amounts in HK dollar thousands unless otherwise stated)

14 Disclosure on remuneration (Continued)

Senior management and key personnel remuneration

Quantitative information on remuneration for the Bank's senior management and key personnel during the financial year of 2024, split into fixed and variable remuneration, is set out below:

Remuneration amount and quantitative information		Senior management	Key personnel
Fixed remuneration	Number of employees	11	13
	Total fixed remuneration	**35,500**	**25,728**
	Cash-based	35,500	25,728
	Of which: deferred	–	–
	Other forms	–	–
	Of which: deferred	–	–
Variable remuneration	Number of employees	11	12
	Total variable remuneration	**16,960**	**10,685**
	Cash-based	16,960	10,685
	Of which: deferred	7,817	4,234
	Other forms	–	–
	Of which: deferred	–	–
Total remuneration		**52,460**	**36,413**

Notes:

(i) Remuneration refers to all remuneration payable to employees during the year when being appointed as senior management or key personnel under the Remuneration Policy.

(ii) For the purpose of Remuneration Policy, "senior management" of the Bank includes the Chief Executive, Deputy Chief Executives and Division Chiefs of the Bank who report directly to Chief Executive and are responsible for the development and execution of Bank-wide strategy and/or activities and are collectively responsible for the risks that may arise. "Key personnel" refers to employees whose duties or activities in the course of the employment involve the assumption of material risks or the taking on of material exposures on behalf of the Bank.

(All amounts in HK dollar thousands unless otherwise stated)

14 Disclosure on remuneration (Continued)

Senior management and key personnel remuneration (Continued)

Special payments	Guaranteed bonuses		Sign-on awards		Severance payments	
	Number of employees	Total amount	Number of employees	Total amount	Number of employees	Total amount
Senior management	–	–	–	–	–	–
Key personnel	–	–	–	–	–	–

Deferred and retained remuneration in 2024	Total amount of outstanding deferred remuneration	Of which: Total amount of outstanding deferred and retained remuneration exposed to ex post explicit and/or implicit adjustments	Total amount of amendment during the year of 2024 due to ex post explicit adjustments	Total amount of amendment during the year of 2024 due to ex post implicit adjustments	Total amount of deferred remuneration paid out in 2024
Senior management					
Cash	18,834	18,834	3,884	–	6,973
Other	–	–	–	–	–
Key personnel					
Cash	7,819	7,819	65	–	2,503
Other	–	–	–	–	–
Total	**26,653**	**26,653**	**3,949**	**–**	**9,476**

Note:

(i) The outstanding deferred remuneration in the financial year relates to the 2022, 2023 and 2024 variable remuneration.

BRANCHES AND SUBSIDIARIES

Management and Administration

Shanghai Commercial Bank Tower, 12 Queen's Road Central, Hong Kong
Telephone: (852) 2818 0282
Fax: (852) 2810 4623
SWIFT: SCBK HK HH
Web Site: www.shacombank.com.hk

Hong Kong Island Branches

Central Head Office	Lobby Floor, Shanghai Commercial Bank Tower, 12 Queen's Road Central
Aberdeen Branch	118 Aberdeen Main Road, Aberdeen
Causeway Bay Branch	18 Pennington Street, Causeway Bay
Connaught Road Branch	G/F & 1/F Southland Building, 48 Connaught Road Central, Central
Hennessy Road Branch	Shop LG16, C. C. Wu Building, 302 Hennessy Road, Wanchai
North Point Branch	486 King's Road, North Point
President Theatre Branch	Shop A, G/F., 517 Jaffe Road, Causeway Bay
Shaukiwan Branch	136 Shaukiwan Main Street East, Shaukiwan
Sheung Wan Branch	G/F., 41–47 Jervois Street, Sheung Wan
Siu Sai Wan Branch	Shop 9, G/F., Harmony Garden, 9 Siu Sai Wan Road, Chai Wan
Taikoo Shing Branch	G502 Tai Yue Avenue, Taikoo Shing, Quarry Bay
Victoria Centre Branch	G7 Victoria Centre, 15 Watson Road, Causeway Bay
Wanchai Branch	19–21 Hennessy Road, Wanchai
West Point Branch	Shop 2, G/F, 57–61 Belcher's Street, West Point

Kowloon Branches

Jordan Road Branch	Shop 2, G/F., Sino Cheer Plaza, 23 Jordan Road, Jordan
Kowloon Bay Branch	Telford House, 16 Wang Hoi Road, Kowloon Bay
Kowloon Tong Branch	G28 Franki Centre, 320 Junction Road, Kowloon Tong
Kwun Tong Branch	57–61 Hong Ning Road, Kwun Tong
Laichikok Branch	Shops 5–8, G/F., Lai Kwan Court, 438 Castle Peak Road
Mei Foo Sun Chuen (Stage 1) Branch	29D Broadway, Mei Foo Sun Chuen, Laichikok
Mei Foo Sun Chuen (Stage 4) Branch	83B Broadway, Mei Foo Sun Chuen, Laichikok
Mody Road Branch	Units 101–103, 1/F., Wing On Plaza, 62 Mody Road, Tsimshatsui East
Mongkok Branch	666 Nathan Road, Mongkok

Kowloon Branches (Continued)

Ping Shek Estate Branch	115 Tsuen Shek House, Ping Shek Estate, Ngau Chi Wan
Sanpokong Branch	28 Hong Keung Street, Sanpokong
Sham Shui Po Branch	141 Cheung Sha Wan Road, Sham Shui Po
Tokwawan Branch	60 Tokwawan Road, Tokwawan
Tsimshatsui Branch	7 Hankow Road, Tsimshatsui
Tsimshatsui East Branch	G27 Houston Centre, 63 Mody Road, Tsimshatsui East
Waterloo Road Branch	84K Waterloo Road, Homantin
Whampoa Garden Branch	Shop 9, Palm Mansions, Whampoa Garden, Site 4, Hunghom
Wong Tai Sin Branch	Shop N117, 1/F., Temple Mall North, 136 Lung Cheung Road, Wong Tai Sin

New Territories and Outlying Island Branches

Kingswood Villa Branch	Shop G08, G/F., +WOO Phase 2, 18 Tin Yan Road, Tin Shui Wai
Kwai Chung Branch	Shop 3, Hutchison Estate, 482 Castle Peak Road, Kwai Chung
Ma On Shan Branch	Shop 308, Level 3, Ma On Shan Plaza, 608 Sai Sha Road, Ma On Shan
Sheung Shui Branch	82 San Fung Avenue, Sheung Shui
Tai Po Branch	Shop 4, G/F., Mee Tak Building, Nos. 27–31, 35–43 Kwong Fuk Road, Tai Po
Texaco Road Branch	Units B128-B131, G/F., East Asia Gardens, 36–60 Texaco Road, Tsuen Wan
Tseung Kwan O Branch	Shops G1–2, G/F., Metro City Plaza III, The Metropolis, 8 Mau Yip Road, Tseung Kwan O
Tsuen Wan Branch	405 Castle Peak Road, Tsuen Wan
Tuen Mun Branch	Shops 1–3, G/F., Ming Wai Building, 4–26 Tuen Mun Heung Sze Wui Road, Tuen Mun (Closed on 6 July 2024 onward.)
Tung Chung Branch	Shops 1–2, Block 5, Tung Chung Crescent, Tung Chung, Lantau
TVB Office	2/F., Workshop Block, TVB City, 77 Chun Choi Street, Tseung Kwan O Industrial Estate
Yuen Long Branch	17 Hong Lok Road, Yuen Long

Overseas Branches

London Branch	65 Cornhill, London, EC3V 3NB, U.K.
Los Angeles Branch	383 East Valley Boulevard, Alhambra, CA 91801, U.S.A.
New York Branch	125 East 56th Street, New York, NY 10022, U.S.A.
San Francisco Branch	231 Sansome Street, San Francisco, CA 94104, U.S.A.

Mainland Branches

Shanghai Branch	Room 913, China Merchants Tower, 161 Lu Jia Zui Road (E), Pu Dong, Shanghai 200120, P.R.C.
Shanghai FTZ Sub-Branch	Room 03–05, 15/F, 55 Ji Long Rd, Pu Dong, Shanghai 200131, P.R.C.
Shenzhen Branch	Room 01–03, 20/F, Tower One, Kerry Plaza, No.1 Zhong Xin Si Road, Futian District, Shenzhen 518048, P.R.C.

Wholly-owned Subsidiaries

Glory Step Westpoint Investments Limited
Hai Kwang Property Management Company Limited
Infinite Financial Solutions Limited
KCC 23F Limited
KCC 25F Limited
KCC 26F Limited
Right Honour Investments Limited
Shacom Assets Investments Limited
Shacom Futures Limited
Shacom Insurance Brokers Limited
Shacom Investment Limited
Shacom Property (CA), Inc.
Shacom Property (NY), Inc.
Shacom Property Holdings (BVI) Limited
Shacom Securities Limited
Shanghai Commercial Bank (Nominees) Limited
Silver Wisdom Westpoint Investments Limited

Subsidiaries

Paofoong Insurance Company (Hong Kong) Limited
Shanghai Commercial Bank Trustee Limited

In case of inconsistency between the English and Chinese versions of this report, the English version shall prevail.