

(A) CAPITAL ADEQUACY AND LIQUIDITY RATIOS

資本充足及流動資金比率

		2004 二零零四年 %	2003 二零零三年 %
		百分比	百分比
Unadjusted capital adequacy ratio at year end	於年底未經調整資本充足比率	18.46	19.79
Adjusted capital adequacy ratio at year end incorporating market risk	於年底已經調整資本充足比率 (包括市場風險)	18.22	19.72
Average liquidity ratio for December	十二月份平均流動資金比率	50.06	57.89
Average liquidity ratio for the year ended 31 December	截至十二月三十一日止年度之 平均流動資金比率	63.28	59.37

The unadjusted capital adequacy ratio is computed on a consolidated basis as required by the HKMA for its regulatory purposes, and is in accordance with the Third Schedule of the Hong Kong Banking Ordinance. The adjusted capital adequacy ratio incorporating market risk is computed on the same consolidated basis, and is in accordance with the Guideline "Maintenance of Adequate Capital Against Market Risks" issued by the HKMA.

The average liquidity ratio for the year is computed as the simple average of each calendar month's average ratio, as reported in Part I (2) of the "Return of Liquidity Position of an Authorised Institution" (MA(BS)1E) calculated in accordance with the Fourth Schedule of the Hong Kong Banking Ordinance.

未經調整資本充足比率的計算，是根據香港金融管理局訂定之綜合基準及《香港銀行業條例》附表三。本銀行亦根據香港金融管理局發出「就市場風險維持充足資本」指引，以同樣綜合基礎計算經調整資本充足比率（包括市場風險）。

年內平均流動資金比率是每個曆月平均比率的簡單平均數。每個曆月平均比率乃根據《香港銀行業條例》附表四的規定計算並與「認可機構流動資金狀況申報表」(MA(BS)IE)第I(2)部中申報的數字相同。

UNAUDITED SUPPLEMENTARY FINANCIAL INFORMATION

未經審核補充財務資料

144

(B) The components of the total capital base after deductions as reported under Part I of the banking return “Capital Adequacy Return” (MA(BS)3) calculated in accordance with the Third Schedule of the Hong Kong Banking Ordinance are as follows:

根據《香港銀行業條例》附表三的規定計算，在「資本充足比率申報表」(MA(BS)3)第I部中申報的資本基礎總額在扣減後的組成部份如下：

		2004 二零零四年 HK\$'000 千港元	2003 二零零三年 HK\$'000 千港元
Core capital	核心資本		
Paid up ordinary share capital	繳足股款的普通股股本	1,172,160	1,172,160
Reserves (including retained earnings)	儲備(包括保留收益)	1,670,086	1,774,178
Share premium	股份溢價	749,778	749,778
Eligible supplementary capital	可計算的附加資本		
Reserves on revaluation of land and interests in land	土地及土地權益價值重估的儲備	36,868	36,868
Reserves on revaluation of holdings of securities not held for trading purposes	非持作買賣用途證券價值重估的儲備	(4,350)	1,917
General reserves for doubtful debts	一般呆帳準備	145,919	126,239
Total capital base before deductions	扣減前的資本基礎總額	3,770,461	3,861,140
Deductions from total capital base	資本基礎總額的扣減項目	(67,930)	(69,821)
Total capital base after deductions	扣減後的資本基礎總額	3,702,531	3,791,319

(C) MAJOR CUSTOMERS

主要客戶

Total income attributable to the Group's five largest customers combined is substantially less than 30% of the Group's total income for both years 2003 and 2004.

於二零零三年及二零零四年，本集團從其五位最大客戶所得收入遠低於本集團總收入之30%。

(D) ADVANCES TO CUSTOMERS – BY INDUSTRY SECTORS**客戶貸款 – 按行業分類**

The information concerning advances to customers by industry sectors has been classified in accordance with the industry categories contained in the banking returns of “Quarterly Analysis of Loans and Advances and Provisions (MA(BS)2A)” and “Assets and Liabilities of an Authorised Institution (MA(BS)1)” submitted to the HKMA.

有關按行業分類客戶貸款之資料乃依據呈交香港金融管理局的「貸款、墊款及準備金分析季報表」(MA(BS)2A)及「認可機構資產負債表」(MA(BS)1)所載的貸款類別來列入各行業類別。

		2004 二零零四年 HK\$'000 千港元	2003 二零零三年 HK\$'000 千港元
Loans for use in Hong Kong	在香港使用的貸款		
Industrial, commercial and financial	工商金融		
– Property development	– 物業發展	113,061	69,691
– Property investment	– 物業投資	3,322,410	2,860,186
– Financial concerns	– 金融企業	201,525	205,792
– Stockbrokers	– 股票經紀	59,730	28,746
– Wholesale and retail trade	– 批發及零售業	107,505	116,675
– Manufacturing	– 製造業	2,227,544	1,485,924
– Transport and transport equipment	– 運輸及運輸設備	502,927	496,537
– Others	– 其他	1,952,865	2,283,172
Individuals	個人		
– Loans for the purchase of flats in the Home Ownership Scheme and Private Sector Participation Scheme	– 購買「居者有其屋計劃」及「私人參建居屋計劃」樓宇的貸款	17,974	20,626
– Loans for the purchase of other residential properties	– 購買其他住宅物業的貸款	7,729,150	6,857,637
– Credit card advances	– 信用卡貸款	484,604	449,121
– Others	– 其他	610,544	694,619
		17,329,839	15,568,726
Trade finance	貿易融資	360,372	123,223
Loans for use outside Hong Kong	在香港以外使用的貸款	528,362	76,195
		18,218,573	15,768,144

UNAUDITED SUPPLEMENTARY FINANCIAL INFORMATION

未經審核補充財務資料

146

(E) OVERDUE ADVANCES TO CUSTOMERS

逾期客戶貸款

		2004 二零零四年		2003 二零零三年	
		HK\$'000 千港元	% of gross advances 估貸款總額 百分比	HK\$'000 千港元	% of gross advances 估貸款總額 百分比
Overdue advances to customersⁱ	逾期客戶貸款ⁱ				
6 months or less but over 3 months	六個月或以下惟三個月以上	37,959	0.21	50,923	0.32
1 year or less but over 6 months	一年或以下惟六個月以上	20,132	0.11	134,126	0.85
Over 1 year	超過一年	108,909	0.60	100,944	0.64
		167,000	0.92	285,993	1.81
Amount of collateral held in respect of overdue advances ⁱⁱ	就逾期貸款持有之 抵押品價值 ⁱⁱ	108,765		225,913	
Secured overdue advances	有抵押逾期貸款	103,356		218,365	
Unsecured overdue advances	無抵押逾期貸款	63,644		67,628	
		167,000		285,993	
Amount of specific reserves made against overdue advances	就逾期貸款撥出之 特別準備數額	60,724		54,163	

ⁱ Net of suspended interest.

ⁱⁱ Including expected recoveries of HK\$8.83 million (2003: HK\$10.42 million) from companies in liquidation.

ⁱ 已扣除懸帳利息。

ⁱⁱ 包括預期可從清盤中公司收回之8,830,000港元(二零零三年：10,420,000港元)。

(E) OVERDUE ADVANCES TO CUSTOMERS *(continued)*

逾期客戶貸款 (續)

		2004 二零零四年 HK\$'000 千港元	2003 二零零三年 HK\$'000 千港元
Advances overdue for more than 3 months and on which interest is still being accrued ("Interest accrual overdue advances")	三個月以上有關利息仍然累計之逾期貸款(「利息累計之逾期貸款」)	0	221
Advances overdue for 3 months or less and on which interest is being placed in suspense or on which interest accrual has ceased ("Interest non-accrual but not overdue advances")	三個月或三個月以下有關利息已被懸帳或停止累計之逾期貸款(「利息停止累計但非逾期之貸款」)	90,818	114,111

**(F) RECONCILIATION BETWEEN OVERDUE
ADVANCES TO CUSTOMERS AND
NON-PERFORMING ADVANCES****逾期客戶貸款與不履行合約客
戶貸款間之對帳**

		2004 二零零四年 HK\$'000 千港元	2003 二零零三年 HK\$'000 千港元
Overdue advances to customers	逾期客戶貸款	167,000	285,993
Less : Interest accrual overdue advances	減：利息累計之逾期貸款	0	(221)
Add : Interest non-accrual but not overdue advances	加：利息停止累計但非逾期之貸款	90,818	114,111
Non-performing advances	不履行合約貸款	257,818	399,883

UNAUDITED SUPPLEMENTARY FINANCIAL INFORMATION

未經審核補充財務資料

(G) RESCHEDULED ADVANCES TO CUSTOMERS

重定還款期之客戶貸款

		2004 二零零四年		2003 二零零三年	
		HK\$'000 千港元	% of gross advances 估貸款總額 百分比	HK\$'000 千港元	% of gross advances 估貸款總額 百分比
Rescheduled advances to customersⁱ	重定還款期之客戶貸款ⁱ				
Interest accrual rescheduled advances	利息累計之重定還款期貸款	94,891	0.52	198,272	1.26
Interest non-accrual rescheduled advances	利息停止累計之重定還款期貸款	65,281	0.36	85,631	0.54
		160,172	0.88	283,903	1.80
Amount of collateral held in respect of rescheduled advances	就重定還款期貸款持有之抵押品價值	148,794		246,574	
Secured rescheduled advances	有抵押重定還款期貸款	135,181		234,620	
Unsecured rescheduled advances	無抵押重定還款期貸款	24,991		49,283	
		160,172		283,903	
Amount of specific reserves made against rescheduled advances	就重定還款期貸款撥出之特別準備數額	6,808		16,208	

i. Net of rescheduled advances which have been overdue for over three months and were reported in Note (E) Overdue advances to customers.

i. 已扣除逾期三個月以上及已在附註(E)逾期客戶貸款中匯報之重定還款期貸款。

UNAUDITED SUPPLEMENTARY FINANCIAL INFORMATION

未經審核補充財務資料

150

(H) ANALYSIS OF OVERDUE ASSETS

逾期資產分析

		Loans 貸款 HK\$'000 千港元	Accrued interest 應計利息 HK\$'000 千港元	Total overdue assets 逾期資產總額 HK\$'000 千港元
2004	二零零四年			
Overdue for	逾期			
6 months or less but over 3 months	六個月或以下惟三個月以上	37,959	0	37,959
1 year or less but over 6 months	一年或以下惟六個月以上	20,132	0	20,132
Over 1 year	超過一年	108,909	0	108,909
		167,000	0	167,000
2003	二零零三年			
Overdue for	逾期			
6 months or less but over 3 months	六個月或以下惟三個月以上	50,923	6	50,929
1 year or less but over 6 months	一年或以下惟六個月以上	134,126	0	134,126
Over 1 year	超過一年	100,944	0	100,944
		285,993	6	285,999

(I) REPOSSESSED ASSETS AND ASSETS ACQUIRED UNDER LENDING AGREEMENTS

The total repossessed assets and assets acquired under lending agreements of the Group as at 31 December 2004 amounted to HK\$186,740,000 (2003: HK\$591,033,000).

收回資產及根據貸款協議所得資產

於二零零四年十二月三十一日，本集團收回資產及根據貸款協議所得資產總額合共186,740,000港元（二零零三年：591,033,000港元）。

(J) CROSS-BORDER CLAIMS

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

跨境債權

外資金融機構之跨境債權資料須根據經計及任何風險轉移後該機構所在地所出現及產生之最終風險作出披露。一般而言，倘該等債權由該機構所屬國家以外之其他國家之任何人士作出擔保或倘該等債權乃由一家總辦事處位於另一國家之海外分行持有，則須進行風險轉移。

UNAUDITED SUPPLEMENTARY FINANCIAL INFORMATION

未經審核補充財務資料

(J) CROSS-BORDER CLAIMS (continued)

跨境債權 (續)

2004 Figures in HK\$Million	二零零四年 百萬港元	The Group 本集團			Total 總額
		Banks and other financial institutions 銀行及其他 金融機構	Public sector entities 公營機構	Others 其他	
Asia Pacific excluding Hong Kong	亞洲太平洋地區(不包括香港)				
- Australia	- 澳洲	297	0	332	629
- Singapore	- 新加坡	2,314	0	53	2,367
- Others	- 其他	647	4	381	1,032
North America	北美洲				
- Canada	- 加拿大	7	0	5	12
- United States	- 美國	430	1,172	53	1,655
Caribbean	加勒比				
- Cayman Islands	- 開曼群島	0	0	428	428
- Others	- 其他	0	0	131	131
Western Europe	西歐				
- Belgium	- 比利時	127	0	0	127
- France	- 法國	261	0	0	261
- Germany	- 德國	320	0	0	320
- Italy	- 意大利	97	156	0	253
- Luxembourg	- 盧森堡	18	0	19	37
- Switzerland	- 瑞士	527	0	0	527
- United Kingdom	- 英國	1,967	0	1	1,968
- Others	- 其他	1	0	5	6
		7,013	1,332	1,408	9,753

UNAUDITED SUPPLEMENTARY FINANCIAL INFORMATION

未經審核補充財務資料

(J) CROSS-BORDER CLAIMS (continued)

跨境債權 (續)

2003 Figures in HK\$Million	二零零三年 百萬港元	The Group 本集團			Total 總額
		Banks and other financial institutions 銀行及其他 金融機構	Public sector entities 公營機構	Others 其他	
Asia Pacific excluding Hong Kong	亞洲太平洋地區 (不包括香港)				
- Australia	- 澳洲	562	0	211	773
- Singapore	- 新加坡	1,478	0	45	1,523
- Japan	- 日本	15	0	0	15
- Others	- 其他	3	0	71	74
North America	北美洲				
- Canada	- 加拿大	107	0	1	108
- United States	- 美國	200	1,632	34	1,866
Caribbean	加勒比				
- Bermuda	- 百慕達	0	0	12	12
- Cayman Islands	- 開曼群島	0	0	81	81
- Others	- 其他	0	0	80	80
Middle East - Bahrain	中東 - 巴林	233	0	0	233
Western Europe	西歐				
- Belgium	- 比利時	15	0	0	15
- Germany	- 德國	11	0	0	11
- Italy	- 意大利	2	156	0	158
- Luxembourg	- 盧森堡	41	0	19	60
- Netherlands	- 荷蘭	458	0	0	458
- Switzerland	- 瑞士	227	0	0	227
- United Kingdom	- 英國	1,237	0	7	1,244
- Others	- 其他	5	0	0	5
		4,594	1,788	561	6,943

UNAUDITED SUPPLEMENTARY FINANCIAL INFORMATION

未經審核補充財務資料

154

(K) FOREIGN EXCHANGE EXPOSURES

外匯風險

The net positions or net structural positions in foreign currencies are disclosed as follows:

外幣之倉盤淨額或結構性倉盤淨額之披露如下：

		The Group 本集團 2004 二零零四年					
<i>Equivalent in HK\$ Million</i>	百萬港元等值	US Dollars 美元	New Zealand Euros 歐元	Australian Dollars 紐元	Australian Dollars 澳元	Others 其他	Total 總額
Spot assets	現貨資產	10,713	23	367	1,446	1,423	13,972
Spot liabilities	現貨負債	(10,005)	(206)	(352)	(1,416)	(1,055)	(13,034)
Forward purchases	遠期買入	2,078	369	8	381	838	3,674
Forward sales	遠期賣出	(2,781)	(187)	(21)	(393)	(1,206)	(4,588)
Net option position	期權盤淨額	0	0	0	0	0	0
Net long/(short) position	長/(短)盤淨額	5	(1)	2	18	0	24
		US Dollars 美元	New Zealand Euros 歐元	Australian Dollars 紐元	Australian Dollars 澳元	Others 其他	Total 總額
Net structural position	結構性倉盤淨額	0	0	0	0	0	0

UNAUDITED SUPPLEMENTARY FINANCIAL INFORMATION

未經審核補充財務資料

(K) FOREIGN EXCHANGE EXPOSURES

外匯風險 (續)

(continued)

		The Group 本集團 2003 二零零三年					
Equivalent in HK\$ Million	百萬港元等值	US Dollars 美元	Euros 歐元	New Zealand Dollars 紐元	Australian Dollars 澳元	Others 其他	Total 總額
Spot assets	現貨資產	5,467	914	547	1,290	947	9,165
Spot liabilities	現貨負債	(7,008)	(606)	(447)	(1,199)	(809)	(10,069)
Forward purchases	遠期買入	6,050	1,640	42	677	1,011	9,420
Forward sales	遠期賣出	(4,579)	(1,951)	(132)	(737)	(1,149)	(8,548)
Net option position	期權盤淨額	0	0	0	0	0	0
Net long/(short) position	長/(短)盤淨額	(70)	(3)	10	31	0	(32)
		US Dollars 美元	Euros 歐元	New Zealand Dollars 紐元	Australian Dollars 澳元	Others 其他	Total 總額
Net structural position	結構性倉盤淨額	0	0	0	0	0	0

(L) CORPORATE GOVERNANCE**公司管治**

IBA is a long-time practitioner of sound corporate governance. Priority is given to investor relations and transparency. Independent directors were elected to the Board prior to listing on The Stock Exchange of Hong Kong Limited and their number has since been increased to three. The Audit Committee comprises three non-executive directors, the majority of whom are independent, and is a committee of the Board of Directors. The Audit Committee oversees the work of the Group's internal auditors and thereby monitors the effectiveness of the Group's internal control system and compliance with policies approved by the Board of Directors and the requirements of the regulatory authorities. The Audit Committee meets regularly with the Group's external auditors and reviews the Group's financial reports prior to approval by the Board of Directors. The Audit Committee reviews the reports of both external and internal auditors, and reports to the full board on credit quality, provisions, charge-offs and key balance sheet and income statement figures. The Remuneration Committee, which is composed of the Board's non-executive Chairman, non-executive Vice Chairman and includes two independent non-executive directors, reviews and approves the remuneration of the senior officers of the Bank.

The full board meets a minimum of four times a year. These meetings are supplemented by meetings of the Executive Committee of the Board, as well as frequent communication between management and non-executive directors. The Board plays a supervisory role, delegating executive authority to professional managers. The Board approves Bank policies recommended by management. The Board approves the Asset and Liability Policy and the Investment Policy of the Bank, and amendments to these policies. All directors are provided with periodic reports on asset and liability management and investment performance both at board meeting and through direct communication in the period between board meetings.

Directors are provided with a copy of the "Corporate Governance of Locally Incorporated Authorised Institutions" under the Supervisory Policy Manual issued by the HKMA.

本銀行一直落實良好公司管治，更尤為注重投資者關係及透明度。本銀行於香港聯合交易所有限公司上市前已挑選獨立董事加盟董事會，其後人數更增至三名。審核委員會由三位非執行董事組成，大部份為獨立人士。該委員會附屬董事會，負責監督本集團內部核數師之工作，並監察本集團之內部監控系統能否有效地運作並且遵從由董事會批准之政策及監管機構的規例。審核委員會定期與本集團外部核數師舉行會議，在財務報告書交予董事會審批前，審核委員會會審閱有關報告。審核委員會審核外部及內部核數師報告，並向全體董事會匯報信貸質素、撥備、註銷、以及主要資產負債表及損益表帳目。薪酬委員會由非執行主席、非執行副主席組成並包括兩名獨立非執行董事，該委員會負責檢討及批核本銀行高級管理層之酬金。

本銀行每年最少舉行四次全體董事會會議。除該等大會以外，董事會執行委員會亦會舉行會議，而管理層及非執行董事會亦會經常相互溝通。董事會擔任監管角色，並把執行權力授予專業經理。董事會亦會批核管理層推薦之政策，以及批核本銀行之資產及負債政策及投資政策，以及對該等政策所作出之修訂。所有董事將於董事會會議以及在董事會會議以外期間透過直接溝通，定期獲得有關資產負債管理及投資表現之報告。

董事亦會獲得一份香港金融管理局頒佈之監管政策手冊內「本地註冊認可機構的公司管治」指引。

(L) CORPORATE GOVERNANCE *(continued)*

In addition to the Audit Committee and the reports of both external and internal auditors, the Board has access to the reports of the Corporate Governance and Compliance Unit, an independent body established to verify the Bank's adherence to the Hong Kong Banking Ordinance, regulations and directives of the HKMA and the Securities and Futures Commission, as well as the regulations of Hong Kong Exchanges and Clearing Company Limited. This supplements the annual Capital, Asset Quality, Management Quality, Earnings and Liquidity ("CAMEL") rating by HKMA which is also reported to the Board.

The Bank is an equal opportunity employer and is environmentally aware and has issued policies on both of these issues. Service to the community is one of the cardinal principles of the Bank.

(M) KEY SPECIALISED COMMITTEES

The Board of Directors has established a number of governing committees including the Executive Committee, Management Committee, Credit Committee, Asset and Liability Committee, Audit Committee, and Remuneration Committee.

(i) Executive Committee

The Executive Committee comprises independent, executive and non-executive directors and is delegated the authority to act on behalf of the Board of Directors. The Committee meets as required to review and approve the Bank's risk management strategy and various policies which include, but are not limited to credit and lending policies, capital investment policy and other ad hoc general management issues. It also serves as the credit committee of the Board to review and approve credit applications within limits assigned by the Board.

公司管治 *(續)*

除審核委員會和外部及內部核數師之報告外，董事會亦可取得公司管治及合規部之報告。公司管治及合規部乃一獨立部門，以確保本銀行遵守《香港銀行業條例》、香港金融管理局和證券及期貨事務監察委員會之規定及指引以及香港交易及結算所有有限公司之規例。同時，亦會向董事會匯報香港金融管理局對本銀行每年評定的資本、資產質素、管理質素、盈利及資金流動性("CAMEL")評級。

本銀行為平等機會僱主，而且注重環保，並已就上述兩項問題制訂有關政策。此外，為社會服務一向為本銀行其中一項堅定不移之原則。

主要專責委員會

董事會已成立若干管治委員會，包括執行委員會、管理委員會、信貸委員會、資產及負債委員會、審核委員會以及薪酬委員會。

(i) 執行委員會

執行委員會由獨立、執行及非執行董事組成，獲授權代表董事會行事。委員會按規定審閱及批准銀行的風險管理策略及各項政策，包括但不限於信貸及借貸政策、資本投資政策及其他特定一般管理事宜。委員會亦為董事會的信貸委員會，負責審閱及批核董事會指定限額以內的信貸申請。

(M) KEY SPECIALISED COMMITTEES*(continued)***主要專責委員會 (續)****(ii) Management Committee**

The Management Committee comprises the Bank's Chief Executive, executive directors, chief financial officer, chief compliance officer, internal auditor and senior managers as appointed by the Chief Executive. The Committee is the key decision making body for the Bank and is responsible mainly for formulation of the Bank's business strategies in all major business units. The Committee also coordinates among business units during the implementation process, monitors the implementation of the approved business strategies and reviews the achievement of business targets and objectives.

(iii) Credit Committee

The Credit Committee has been established by the Board to carry out the Bank's credit risk management functions. It meets twice a week and is responsible for approving, advising and recommending to the Chief Executive the approval of credit exposures in accordance with the credit authority limits. The Credit Committee reviews and implements measures on credit risk management and controls and plays a key role in credit monitoring. It reviews loans extended by lending officers and provides guidelines to all lending officers to assist them in monitoring the credit risk of the loan portfolio.

(ii) 管理委員會

管理委員會由本銀行的行政總裁、執行董事、財務總監、公司管治及合規部主管、內部核數師及由行政總裁委任的高級管理人員組成。該委員會乃本銀行的重要決策部門，主要負責籌劃本銀行一切主要部門的業務策略。該委員會亦負責於推行業務策略時協調各部門工作、監察落實已批核的策略，以及檢討達致業務目標與目的之表現。

(iii) 信貸委員會

信貸委員會由董事會成立，負責本銀行之信貸風險管理工作。該委員會每星期舉行兩次會議，專責根據信貸授權限額就信貸風險批核信貸建議；並向行政總裁提供意見及推薦建議。信貸委員會審閱及實施信貸風險管理及控制之措施，在信貸監控方面扮演著重要之角色。該委員會審閱貸款主任所批出之貸款，並向全體借貸主任提供指引，協助彼等監控貸款組合之信貸風險。

(M) KEY SPECIALISED COMMITTEES*(continued)***(iv) Asset and Liability Committee**

The Asset and Liability Committee comprises the Bank's Chief Executive, executive director, chief financial officer, head of treasury, and senior managers as appointed by the Chief Executive. The Committee meets on a weekly basis with the internal auditor and chief compliance officer attending the meeting as observers to ensure overall compliance with the governing policies. The Committee's main responsibilities include regular review of the Bank's operations relating to interest rate risk and liquidity risk and in particular the Bank's ability to meet its funding obligations, and its compliance with statutory liquidity and capital adequacy requirements. The Committee regularly reviews and endorses, for the Board's approval, the Bank's policies governing asset and liability management, investment, and other risk management issues. It also formulates both long term strategy for the sources and uses of funds and short term directives to address prevailing conditions and monitors the implementation of these strategies and directives. In addition, the Asset and Liability Committee assesses the risk and profitability of a new product proposed by respective business units and approves new products.

(v) Audit Committee

The Audit Committee comprises of three non-executive directors, of whom two are independent. It meets at least four times a year and additionally when deemed necessary. The Audit Committee ensures adequate supervision of the Bank's financial reporting processes. The Committee also reviews the internal audit programme and reports, ensures co-ordination between the internal and external auditors, and monitors compliance with internal policies, statutory regulations and recommendations made by the external auditors.

主要專責委員會 (續)**(iv) 資產及負債委員會**

資產及負債委員會由本銀行的行政總裁、執行董事、財務總監、司庫主管、以及行政總裁委任的高級管理人員組成。委員會與內部核數師每星期舉行一次會議，公司管治及合規部主管會列席會議作觀察員，確保全面符合管治政策。委員會的主要職責包括定期檢討本銀行涉及利率風險及流動資金風險的業務，特別針對本銀行應付債務的能力以及遵守法定流動資金及資本充足要求事宜。委員會定期審閱及批核本銀行有關資產及負債管理、投資及其他風險管理事宜的政策，以報董事會批准。委員會亦制定資源及資金運用的長遠政策、應付當時狀況的短期方針以及監察該等政策及方針的推行。此外，資產及負債委員會亦評估有關營業部門所提出新產品的風險及盈利能力，並批審有關新產品。

(v) 審核委員會

審核委員會由三名非執行董事組成，其中兩名為獨立人士。該委員會每年最少舉行四次會議，並在認為有需要時加開會議。審核委員會確保充分監察本銀行之財務申報過程。該委員會亦負責審閱內部審核計劃及報告、確保內部及外聘核數師之間之聯絡，以及監控是否遵守內部政策、法定規則及由外聘核數師作出之推薦意見。

(M) KEY SPECIALISED COMMITTEES*(continued)***(vi) Remuneration Committee**

The Remuneration Committee comprises of the Board's non-executive Chairman, non-executive Vice Chairman and two independent non-executive directors. The Committee meets as required to review and approve the remuneration packages for senior executives which include the Chief Executive, executive director, and executive vice presidents. Executive directors do not play a part in decisions on their own remuneration.

主要專責委員會 (續)**(vi) 薪酬委員會**

薪酬委員會由董事會之非執行主席、非執行副主席及兩名獨立非執行董事組成。該委員會按需要舉行會議，以審閱及批准高級行政人員(包括行政總裁、執行董事及執行副總裁)之薪酬方案。執行董事並無參與彼等本身薪酬之決策。

(N) MANAGEMENT OF RISKS

The Group has established policies and procedures for the control and monitoring of credit risk, liquidity, capital and market risk. The risk management policy is formulated by the Executive Committee, which also monitors risk and regularly reviews the effectiveness of the Group's risk management policies. The internal auditors also perform regular audits to ensure compliance with the policies and procedures.

(i) Credit risk management

Credit risk arises from the potential that a borrower or counterparty will fail to perform under an obligation. It arises from the lending, trading, treasury, derivatives and other activities.

The Group's credit policy incorporates prudent underwriting standards. The policy defines the credit extension criteria, the credit approval authorities delegated from the Board, the credit monitoring processes, the loan grading system and provisioning policy. It also takes into account the requirements in the Hong Kong Banking Ordinance and the guidelines issued by the HKMA with respect to large exposures and provisioning requirements.

風險管理

本集團已設有管理及監察信貸風險、流動資金、資本及市場風險的政策及程序。風險管理政策由執行委員會制定，委員會亦實行風險監察，並定期檢討本集團風險政策之有效性。內部核數師亦定期進行核數以確保符合政策及程序。

(i) 信貸風險管理

信貸風險源於貸款人或交易對手未能履行其承擔，可來自本集團之貸款、貿易融資、財資、衍生工具及其他業務。

本集團之信貸政策融合審慎貸款標準。有關政策對信貸條件、董事會指定之信貸審批職權、信貸監管程序、貸款分類系統及撥備政策作出界定，並參考香港銀行條例內之規定及香港金融管理局就大額放款限度及撥備規定頒佈之指引。

(N) MANAGEMENT OF RISKS *(continued)***風險管理** *(續)***(i) Credit risk management** *(continued)*

The Executive Committee of the Board has been delegated the power to approve credits on behalf of the Board. The Chief Executive, who has been delegated by the Board a lower credit approval authority than the Executive Committee, has in turn delegated lower authorities to the Credit Committee as approved by the Board of Directors. Approval takes into account facility structure, tenor, the repayment ability of the prospective borrower and available security.

The credit departments, Corporate and Retail Banking Risk Management Unit and Consumer Finance Risk Management Unit, receive their authority and delegated responsibilities from the Credit Committee to provide centralised management of credit risk. They are responsible for:

- independent evaluation of credit applications, which covers facility details, credit grade determination, risk review and analysis and financial spreads;
- control of cross-border exposures, as well as those to banks and financial institutions;
- portfolio management of risk concentrations;
- maintenance of the loan grading system; and
- reporting to the Risk Management Committee regularly on aspects of the loan portfolio. This includes information on large credit exposures, industry exposures, country exposures and levels of bad debt provisioning.

The Group has established guidelines to ensure that each new product is designed and reviewed by a product committee. All relevant internal departments are required to put in place the appropriate processes, systems and controls before the product is approved by the Asset and Liability Committee.

(i) 信貸風險管理 *(續)*

董事會執行委員會獲授權負責代表董事會審批信貸申請。行政總裁則獲董事會授予較次於執行委員會之審批信貸權力，而行政總裁亦經董事會批准授予信貸委員會權力批出信貸。信貸之審批均會考慮貸款種類、貸款年期、有關未來借款人之還款能力及抵押擔保。

信貸部門、企業及零售銀行風險管理部、消費信貸風險管理部獲授權並代表信貸委員會進行統一信貸風險管理，負責下列各項職責：

- 獨立審核信貸申請，包括信貸詳情、信貸評級釐定、風險評審及分析以及息差；
- 跨境債權以及銀行及財務機構的風險監控；
- 管理組合內風險，以避免風險過份集中；
- 維持貸款評級制度；及
- 定期向風險管理委員會匯報貸款組合情況，包括高信貸風險、行業風險、國家風險以及壞帳撥備程度等資料。

本集團同時亦制定政策以確保每項新產品經由產品發展委員會設計及審閱。所有有關之部門必須於產品獲得資產及負債委員會批准前，制定有關工作流程、系統及監控措施。

(N) MANAGEMENT OF RISKS *(continued)***風險管理** *(續)***(i) Credit risk management** *(continued)*

Performance of loans is monitored through regular reviews and management reports submitted to the Chief Executive as well as the Internal Control Department. To avoid concentration of risk, credit exposures to individual customer groups and advances to industry sectors are carefully managed to achieve a balanced loan portfolio. Analysis of advances to customers by industry sector is disclosed in Note (D) above.

Unlike on-balance sheet instruments, where the credit risk is generally represented by the principal value, the credit risk for derivatives is the positive replacement cost together with an estimate for the potential future change in its market value. The credit risk exposure on derivatives is disclosed in Note 35(b) of the financial statements.

(ii) Liquidity management

Liquidity risk is the risk that not enough cash will be generated from either assets or liabilities to meet deposit withdrawals or contractual loan funding. The Group manages the liquidity structure of its assets, liabilities and commitments so as to ensure that all group operations can meet their funding needs and that the statutory liquidity ratio is complied with. As disclosed in Note (A) above, both the Group's consolidated liquidity ratio of 50.06% for December 2004 and the average liquidity ratio of 63.28% for the year ended 31 December 2004 were well above the statutory minimum ratio of 25%.

(i) 信貸風險管理 *(續)*

貸款履行情況乃透過定期檢討，以及向行政總裁及內部審稽部門提交的管理層報告進行監察。為避免風險過份集中，個別客戶群的信貸風險，以及向各行業所提供的貸款乃經審慎處理，以達致一個平衡的貸款組合。按行業分類的客戶貸款分析乃於上述附註(D)內披露。

與資產負債表上的金融工具不同，因其信貸風險一般以信貸本金顯示，而衍生工具之信貸風險則指正面之重置成本加上對其日後潛在變動之市值估計。衍生工具信貸風險於財務表附註35(b)予以披露。

(ii) 流動資金風險管理

流動資金風險是指從資產或負債方面未能提供足夠現金以應付存款提取或合約貸款需要的風險。本集團會緊密監察集團的流動資金，以保證集團資金結構中的資產、負債及合約承諾能達到其融資需求，並能經常符合法定的流動資金比率。在以上附註(A)中披露，本集團二零零四年十二月份綜合流動資金比率為50.06%，截至二零零四年十二月三十一日止年度的平均流動資金比率為63.28%，遠高於法定的25%最低要求。

(N) MANAGEMENT OF RISKS *(continued)***風險管理** *(續)***(ii) Liquidity management** *(continued)*

The Asset and Liability Committee reviews the current and prospective funding requirements for all operations through daily monitoring of the liquidity ratio and the maturity mismatch profile. The liquidity risk is managed by holding sufficient liquid assets (e.g. cash and short term funds and securities) of appropriate quality to ensure that short term funding requirements are covered within prudent limits.

Current, fixed, and other deposits of customers form a significant part of the Group's overall funding. Its composition has remained relatively diversified and stable. In order to lengthen the duration of the funding, the Bank periodically issues certificates of deposits with maturities of not more than 5 years.

The liquidity ratios are disclosed in Note (A).

(iii) Capital management

The Group's policy is to maintain a strong capital base to support the development of the Group's operations prudently, with the aim of diversifying its business activities, including the future expansion of the branch network, increasing the customer base, introducing new financial products and meeting the statutory capital adequacy ratio. As disclosed in Note (A) above, both the Group's adjusted capital adequacy ratio incorporating market risk of 18.22% and the unadjusted ratio of 18.46% as at 31 December 2004 was well above the statutory minimum ratio.

(ii) 流動資金風險管理 *(續)*

資產及負債委員會透過日常流動資金比率及到期資金錯配的監察，審閱目前及未來整體運作的資金需求。流動資金風險以持充裕的流動資產(如現金及短期資金及證券)至合適水平的方式管理，以確保在審慎的資金限額內得以應付短期的資金需求。

客戶的往來、定期及各類型的存款構成本集團整體資金的重要部分。其資金組合仍屬多元化及穩定。為延長資金的存款期，本銀行定期發出年期不超過5年的存款證。

流動資金比率於附註(A)披露。

(iii) 資本管理

本集團擬維持雄厚的資本來支持本集團審慎地開拓業務，務求使本集團之業務更多元化，其中包括在未來擴大分行網絡、增強客戶基礎，以及提供更多全新金融產品等，及符合法定之資本充足比率。在以上附註(A)披露，本集團於二零零四年十二月三十一日之經調整資本充足比率(包括市場風險)為18.22%及未經調整比率則為18.46%，實已遠高於法定最低要求。

(N) MANAGEMENT OF RISKS *(continued)***風險管理** *(續)***(iii) Capital management** *(continued)*

Capital is allocated to the various activities of the Bank depending on the risk taken by each business division. Where the subsidiaries are directly regulated by other regulators, they are required to maintain minimum capital according to the regulators' rules. Certain financial subsidiaries, as specified by the HKMA, are subject to the HKMA's capital requirements for its regulatory purposes.

Capital adequacy ratios and components of the capital base are disclosed in Note (A) and Note (B) respectively.

(iv) Market risk management**Market risk**

Market risk is the risk that movements in market rates and prices, such as interest rates and foreign exchange rates on the Bank's assets, liabilities and commitments will result in profits or losses to the Group. Market risk arises on financial instruments which are valued at current market prices ("marked to market") and those valued at cost plus any accrued interest ("accruals basis").

The Bank transacts in the money market, foreign exchange market, equity market and capital market giving rise to market risk exposures. Positions are taken as a result of the execution of customers' orders, market making activities, and positions taken in order to hedge the Bank's open position. The Bank does not engage in proprietary trading of foreign exchange, but merely executes customer orders.

(iii) 資本管理 *(續)*

本銀行因應各部門所面對的風險程度將資本應用在不同業務上。若其附屬公司由其他監管機構所管核，該附屬公司須持有相關監管機構所規定的最低資本水平。香港金融管理局所指定的若干從事財務活動的附屬公司，須遵守香港金融管理局要求的資本規定。

資本充足比率及資本基礎組成部分分別於附註(A)及(B)披露。

(iv) 市場風險管理**市場風險**

市場風險指市場息率及價格波動之風險，如本銀行資產、負債及承擔的息率及匯率等，會為本集團帶來溢利或虧損。市場風險產生於以目前市價計值（「按市價計值」）及以成本加任何應計利息計值（「權責發生制」）的金融工具。

本銀行於貨幣市場、外匯市場、股本市場以及資本市場進行業務，因而面對市場風險。本銀行因應客戶的交易、市場作價活動、為對沖本銀行的未平倉盤而建立持倉。本銀行並無進行自營外匯交易，僅會按客戶需求而進行該類交易。

(N) MANAGEMENT OF RISKS *(continued)***風險管理** *(續)***(iv) Market risk management** *(continued)***(iv) 市場風險管理** *(續)***Market risk** *(continued)***市場風險** *(續)*

Financial instruments traded include debt, equity and other securities and certain derivatives. Derivatives are contracts whose value is derived from one or more underlying financial instruments or indices defined in the contract. They include swaps, forward rate agreements, futures, options and combinations of these instruments. Derivatives are used to manage the Bank's own exposures to market risk as part of its asset and liability management process. The principal derivatives instruments used by the Bank are interest, equity and foreign exchange rate related contracts, which are primarily over-the-counter derivatives. Most of the Bank's derivatives positions have been entered into to meet customer demand and to hedge these and other trading positions.

財務工具交易會以包括債務、股本及其他證券以及若干衍生工具進行。衍生工具乃以合約所訂明的某一種或多種相關財務工具或指數而產生價值的合約。衍生工具包括掉期、遠期匯率協議、期貨、期權以及上述工具的組合。衍生工具的用途是管理本銀行本身的市場風險，作為其資產及負債管理程序的一部分。本銀行所採用的衍生工具主要為利率、股本及匯率相關合約等場外交易衍生工具。本銀行大部分衍生工具倉盤目的乃應付客戶需求及對沖該等及其他買賣倉盤。

Risk management**風險管理**

The Group has established clear market risk policies, including limits, reporting lines and control procedures, which are reviewed regularly and approved by the directors. Market risk is managed within various limits approved by the Executive Committee. These limits are determined for each financial instrument and include limits on product volume, gross and net positions, position concentrations, mark to market limits, stop loss limits and risk position limits.

本集團已成立清晰的市場風險政策，包括風險限額、呈報範圍及控制程序，並由董事定期檢討及審批。市場風險乃按執行委員會所通過的不同限額加以管理。此等限額乃為各項金融工具而釐定，包括各類產品限額、持倉總額及淨額、持倉集中限額、按市值計算的產品限額、止蝕限額，以及持倉風險限額。

(N) MANAGEMENT OF RISKS (continued)**風險管理** (續)**(iv) Market risk management** (continued)**(iv) 市場風險管理** (續)**Risk management** (continued)**風險管理** (續)

The Group uses a value-at-risk ("VaR") measure as a mean of controlling the Bank's market risk. The VaR is an estimate, with a defined confidence level, of the potential loss which might arise due to changes in the value of investment portfolios, if positions were held unchanged for one business day. The calculation uses the variance-covariance model as the means to estimate the statistical confidence level. The Bank estimates the VaR of its investment portfolios with a confidence level of 95% and 99%. In addition, stress testing is performed on the portfolios and on a consolidated basis to assess the potential income statement impact as a result of extreme movements in market prices. The 95% and 99% VaR for the Bank's investment portfolio, including Hong Kong Exchange Fund Bills, at 31 December 2004 were HK\$5,105,726 (2003: HK\$15,357,335) and HK\$7,221,123 (2003: HK\$21,720,165) respectively. The average VaR at 95% and 99% confidence level for 2004 were HK\$11,707,428 (2003: HK\$11,738,378) and HK\$16,558,034 (2003: HK\$16,601,808) respectively.

本集團採取風險值(「風險值」)措施，以控制本銀行市場風險的方法。風險值乃一項對潛在虧損估計數字(其中包括明確的信心水平)。假設持倉量於一個營業日內維持不變，有關潛在虧損可能因投資組合的價值變動而上升。計算方式乃使用方差與協方差模式估計統計數字信心水平。本銀行預期其投資組合的方差與協方差的信心水平為95%及99%。此外，投資組合須接受壓力測試，並以綜合基準評估因市場價格極端變動對收益表的潛在影響。本銀行投資組合(包括香港外匯基金票據)之95%及99%水平風險值於二零零四年十二月三十一日分別為5,105,726港元(二零零三年：15,357,335港元)及7,221,123港元(二零零三年：21,720,165港元)。二零零四年度95%及99%信心水平之平均風險值分別為11,707,428港元(二零零三年：11,738,378港元)及16,558,034港元(二零零三年：16,601,808港元)。

Market risk exposure**市場風險承擔**

The Group adopts a prudent approach to managing its trading portfolios, and reduces any excessive market risk by executing offsetting transactions or hedging contracts with other market counterparties. Market risk ensues once the Group takes positions in markets such as foreign exchange, interest rates, securities and equities. Such positions are driven by execution of customer orders, proprietary trading and hedging.

本集團採納一套謹慎的方法，以管理其交易組合，並透過其他市場同業簽訂抵銷交易或對沖合約，以減低任何過度市場風險。若本集團於外匯市場，利率市場或證券及股票市場持倉時便會產生市場風險，而這是因應客戶的交易指示、自營買賣及對沖活動時進行的交易。

(N) MANAGEMENT OF RISKS (continued)

風險管理 (續)

(iv) Market risk management (continued)

(iv) 市場風險管理 (續)

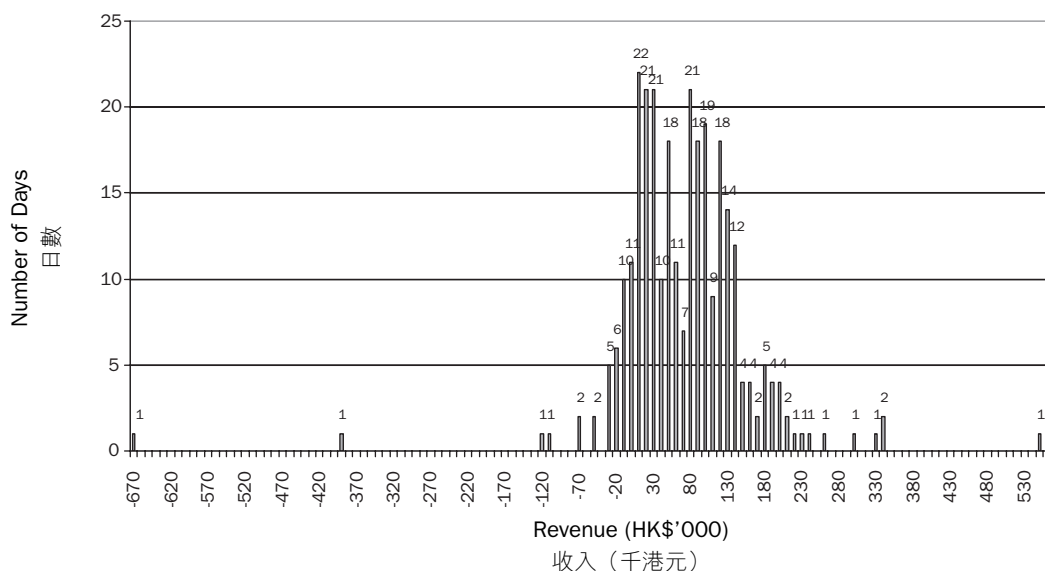
Market risk exposure (continued)

市場風險承擔 (續)

The Group's maximum market risk exposures are set by the Asset and Liability Committee. Exposures are monitored and reported to the management regularly. The average daily revenue generated from the treasury's trading activities for the year was HK\$75,775 (2003: HK\$62,120) and the standard deviation was HK\$90,323 (2003: HK\$65,785). An analysis of the Group's trading revenue is shown below:

本集團之最高市場風險承擔由資產及負債委員會訂定。並定期監控及向管理層匯報。年度內由財資交易活動中獲得的平均每日收益為75,775港元(二零零三年: 62,120港元)，標準偏差為90,323港元(二零零三年: 65,785港元)。本集團之交易收益分析如下：

Daily Distribution of Trading Revenue for the Year ended December 2004
截至二零零四年十二月止年度每日交易收益分佈



(N) MANAGEMENT OF RISKS (continued)

風險管理 (續)

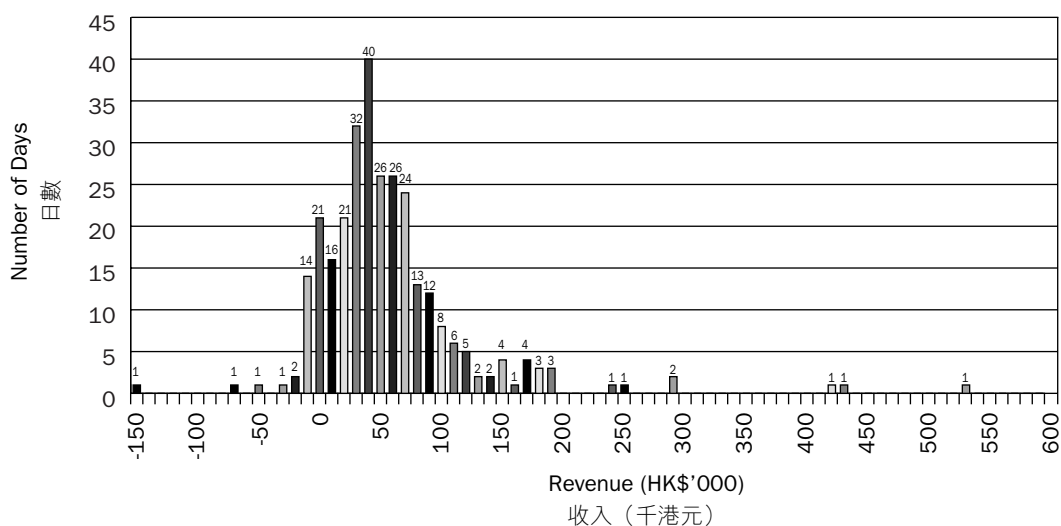
(iv) Market risk management (continued)**(iv) 市場風險管理** (續)

Market risk exposure (continued)

市場風險承擔 (續)

Daily Distribution of Trading Revenue for the Year ended December 2003

截至二零零三年十二月止年度每日交易收益分佈



This shows a maximum daily loss of HK\$662,554 (2003: HK\$146,714) with 29 days (2003: 20 days) out of 295 days (2003: 296 days) showing losses. The most frequent result was a daily revenue falling between HK\$10,000 to HK\$20,000 (2003: HK\$40,000 to HK\$50,000) with 22 occurrences (2003: 40 occurrences). The highest daily revenue was HK\$552,245 (2003: HK\$538,710).

以上圖表顯示於295天(二零零三年：296天)成交日中，29天(二零零三年：20天)錄得虧損，最高每日虧損662,554港元(二零零三年：146,714港元)。最頻密交易成績為每日收益為10,000港元至20,000港元(二零零三年：40,000港元至50,000港元)，並出現了22次(二零零三年：40次)。最高每日收益為552,245港元(二零零三年：538,710港元)。