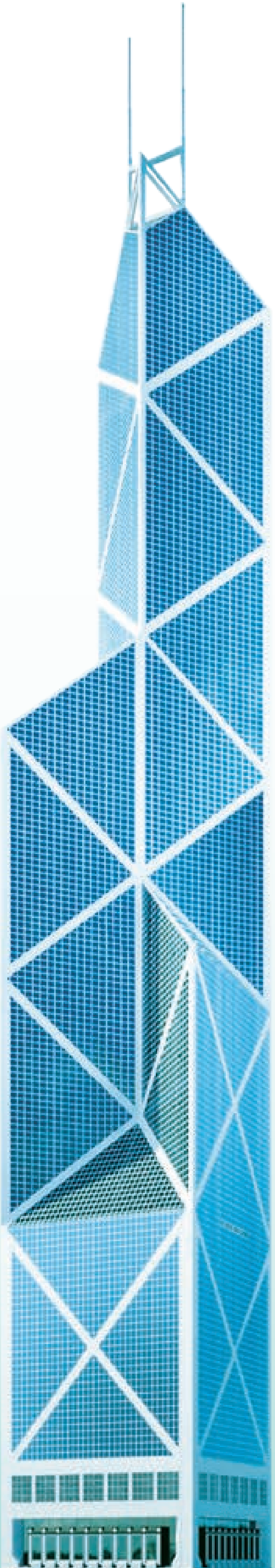
中銀香港(控股)有限公司
BOC HONG KONG (HOLDINGS) LIMITED

Stock Codes: 2388 (HKD counter) and 82388 (RMB counter)

Annual Report 2024

This version of the 2024 Annual Report will be replaced by the printed version available around mid April 2025.



中銀香港(控股)有限公司
BOC HONG KONG (HOLDINGS) LIMITED

BOC Hong Kong (Holdings) Limited ("the Company") is one of the largest listed companies and commercial banking groups in Hong Kong, holding the entire equity interest of Bank of China (Hong Kong) Limited ("BOCHK"), its principal operating subsidiary. Bank of China ("BOC") established its foothold in Hong Kong in September 1917. Following the restructuring of the businesses of Bank of China Group's member banks in Hong Kong, the Company was incorporated in Hong Kong on 12 September 2001 and has been listed on the Main Board of the Stock Exchange of Hong Kong since 25 July 2002. Its stock codes are "2388" (HKD counter) and "82388" (RMB counter), and its ADR OTC Symbol is "BHKLY". BOC holds approximately 66.06% of the equity interest of the Company through BOC Hong Kong (BVI) Limited, an indirect wholly-owned subsidiary of BOC.

As one of the three note-issuing banks and the sole clearing bank for Renminbi ("RMB") business in Hong Kong, BOCHK has strong market positions in all major businesses. We are committed to promoting sustainable development, fully implementing a financial culture with Chinese characteristics and actively advancing high-quality financial development. Capitalising on our advantages as a major commercial banking group in Hong Kong, we endeavour to serve the real economy, continually increase local market penetration, capture business opportunities in the Greater Bay Area and actively expand our business development in Southeast Asia. Adhering to our customer-centric philosophy, we explore every possibility to meet customers' needs. We elevate customer experience with new technology and strive to make green and sustainable development a reality. We provide customers with comprehensive, professional and high-quality services, connecting them with opportunities to achieve more.

In Hong Kong, we offer a comprehensive range of financial, investment and wealth management services to personal, corporate and institutional customers through our diversified service channels. These include the most extensive branch network in the city and efficient digital channels such as online and mobile banking. At the same time, we are actively expanding our business in the Southeast Asian region. With our branches and subsidiaries in Malaysia, Thailand, Indonesia, Cambodia, Vietnam, the Philippines, Laos, Brunei and Myanmar, we support customers in the region with professional and high-quality financial services. Through close cooperation with our parent bank BOC, we provide a full range of high-quality cross-border services to multinationals, cross-border customers, mainland enterprises "Going Global", central banks and super-sovereign organisations.

As a leading commercial and regional bank with deep roots in Hong Kong for over 100 years, BOCHK is committed to "serving where our roots are", undertaking our corporate social responsibilities and delivering greater value for our stakeholders and the community.

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Financial Highlights

	2024	2023
For the year	**HK$'m**	HK$'m
Net operating income before impairment allowances	**71,253**	65,498
Operating profit	**48,677**	42,558
Profit before taxation	**46,754**	40,914
Profit for the year	**39,118**	34,857
Profit attributable to equity holders of the Company and other equity instrument holders	**38,233**	34,115
Per share	**HK$**	HK$
Basic earnings per share	**3.6162**	3.0950
Dividend per share	**1.989**	1.672
At year-end	**HK$'m**	HK$'m
Total assets	**4,194,408**	3,868,783
Issued and fully paid up share capital	**52,864**	52,864
Capital and reserves attributable to equity holders of the Company	**338,716**	320,145
Financial ratios	**%**	%
Return on average total assets[1]	**0.95**	0.90
Return on average shareholders' equity[2]	**11.61**	10.60
Cost to income ratio	**24.55**	25.35
Loan to deposit ratio[3]	**61.55**	67.99
Average value of liquidity coverage ratio[4]		
First quarter	**223.79**	189.68
Second quarter	**250.58**	188.89
Third quarter	**231.81**	193.47
Fourth quarter	**201.06**	207.12
Quarter-end value of net stable funding ratio[4]		
First quarter	**140.36**	134.51
Second quarter	**140.96**	131.56
Third quarter	**140.29**	138.67
Fourth quarter	**141.83**	137.28
Total capital ratio[5]	**22.00**	21.18

1. Return on average total assets $= \dfrac{\text{Profit for the year}}{\text{Daily average balance of total assets}}$

2. Return on average shareholders' equity

   $= \dfrac{\text{Profit attributable to equity holders of the Company and other equity instrument holders}}{\text{Average of the beginning and ending balance of capital and reserves attributable to equity holders of the Company and other equity instruments}}$

3. Loan to deposit ratio is calculated as at year end. Loan represents gross advances to customers. Deposits from customers include structured deposits reported as "Financial liabilities at fair value through profit or loss".
4. Liquidity coverage ratio and net stable funding ratio are computed on the consolidated basis which comprises the positions of BOCHK and certain subsidiaries specified by the HKMA in accordance with the Banking (Liquidity) Rules.
5. Total capital ratio is computed on the consolidated basis for regulatory purposes that comprises the positions of BOCHK and certain subsidiaries specified by the HKMA in accordance with the Banking (Capital) Rules.

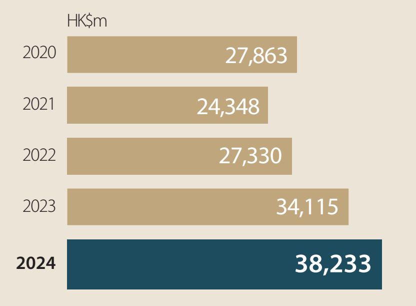
Five-Year Financial Summary

The financial information of the Group for the last five years commencing from 1 January 2020 is summarised below:

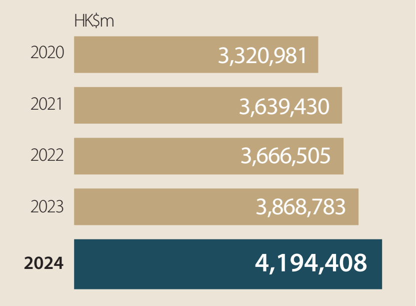
	2024	2023	2022	2021	2020
For the year	**HK$'m**	HK$'m	HK$'m	HK$'m	HK$'m
Net operating income before impairment allowances	**71,253**	65,498	54,215	48,982	54,474
Operating profit	**48,677**	42,558	34,917	30,430	35,420
Profit before taxation	**46,754**	40,914	33,162	29,968	33,583
Profit for the year	**39,118**	34,857	27,230	24,999	28,468
Profit attributable to equity holders of the Company and other equity instrument holders	**38,233**	34,115	27,330	24,348	27,863
Per share	**HK$**	HK$	HK$	HK$	HK$
Basic earnings per share	**3.6162**	3.0950	2.4535	2.1726	2.5052
At year-end	**HK$'m**	HK$'m	HK$'m	HK$'m	HK$'m
Advances and other accounts	**1,666,302**	1,693,144	1,644,113	1,597,194	1,500,416
Total assets	**4,194,408**	3,868,783	3,666,505	3,639,430	3,320,981
Daily average balance of total assets	**4,105,705**	3,863,272	3,636,500	3,589,259	3,295,060
Deposits from customers[1]	**2,724,221**	2,503,841	2,377,207	2,331,155	2,183,709
Total liabilities	**3,852,178**	3,545,354	3,340,670	3,311,969	3,001,326
Issued and fully paid up share capital	**52,864**	52,864	52,864	52,864	52,864
Capital and reserves attributable to equity holders of the Company	**338,716**	320,145	299,788	297,999	290,302
Financial ratios	**%**	%	%	%	%
Return on average total assets	**0.95**	0.90	0.75	0.70	0.86
Cost to income ratio	**24.55**	25.35	31.26	33.50	30.01
Loan to deposit ratio	**61.55**	67.99	69.34	68.60	68.59

1. Deposits from customers include structured deposits reported as "Financial liabilities at fair value through profit or loss".

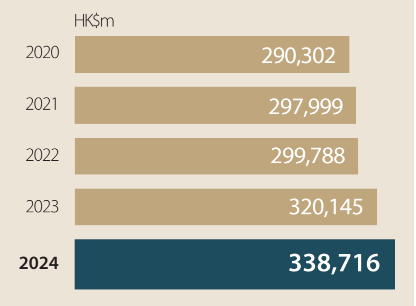
Profit attributable to equity holders of the Company and other equity instrument holders



Total assets



Capital and reserves attributable to equity holders of the Company



Empowering
Fintech Solutions

Message from the Chairman

In 2024, BOCHK proactively seized market opportunities, prudently responded to risks and challenges and continuously enhanced its competitiveness. We played an active role in promoting Hong Kong's integration into the nation's overall development, and consolidating and enhancing the city's position as an international financial centre, with the aim of promoting our own high-quality growth while contributing to Hong Kong's long-term prosperity and stability. As a result, we achieved solid operating performance.

BOCHK witnessed continuous enhancement in its operating efficiency, overall strength and market competitiveness. Total assets achieved a new milestone of over HK$4 trillion, up 8.4% from the end of last year. Net operating income before impairment allowances and operating profit both attained steady growth, up 8.8% and 14.4% year-on-year respectively. Our deposit and loan businesses outperformed the market, exceeding the average market growth. Asset quality remained stable. We maintained robust capital ratios and liquidity indicators, with Common Equity Tier 1 capital ratio standing at 20.02%. The impaired loan ratio was 1.05%, maintaining a satisfactory level compared to local peers. To repay the trust and support of our shareholders, the Board has recommended a final dividend of HK$1.419 per share for 2024. Together with the interim dividend, this takes our annual dividend to HK$1.989 per share, representing year-on-year growth of 19.0%. The dividend payout ratio increased by 1 percentage point to 55.0%. In addition, the Board has proposed to declare dividends on a quarterly basis starting from 2025.

We owe these remarkable achievements to the sustained recovery of Hong Kong's economy as well as business opportunities arising from the Guangdong-Hong Kong-Macao Greater Bay Area ("GBA"), Southeast Asia and other markets. The collective efforts of our management team and colleagues, the trust and recognition of hundreds of thousands of customers, the care and support of our shareholders and the unfailing assistance we have received from various sectors of society have all been instrumental to our success. We would like to take this opportunity to express our heartfelt gratitude.

We deeply cultivated the local market to fully support economic recovery in Hong Kong. The Group's traditional advantages remained solid, with major businesses outperforming market peers. We remained the top mandated arranger in the Hong Kong and Macao syndicated loan market for the 20th consecutive year, ranked first for new residential mortgage loans for the sixth consecutive year and maintained our leading position in cash pooling business. We achieved continuous growth in the number of mid to high-end personal customers and saw a steady increase in payroll account customers, while our bond underwriting volume grew by 25.3% year-on-year. BOCHK supported Hong Kong in consolidating and enhancing its position as an international financial centre, with our annual RMB clearing volumes growing significantly by 49% year-on-year to RMB713 trillion. We executed our first RMB repo transaction collateralised by debt securities under Northbound Bond Connect, promoting the international allocation of RMB assets. In addition, we continued to lead the market in Bond Connect, Stock Connect, Cross-boundary Wealth Management Connect and Swap Connect.

We effectively implemented the "Five Major Tasks" and actively supported the development of new quality productive forces. We strongly supported Hong Kong's development as an international innovation and technology hub by strengthening cooperation with major industrial parks such as Cyberport and Hong Kong Science Park and launching exclusive financing incentive schemes for innovative technology enterprises. Our customer base of innovative technology enterprises grew by 7.9% year-on-year. We expanded financial inclusion among small and medium-sized enterprises (SMEs) by supporting the implementation of the optimisation measures of the SME Financing Guarantee Scheme, being among the first batch of participating banks to connect to the database of the HKMA's Commercial Data Interchange, and launching a new version of iGTB MOBILE, our corporate mobile banking app, to enhance service coverage, availability and convenience. We also devoted efforts to promoting green and sustainable development by enriching our low-carbon finance product and service offering. Our balance of green and sustainability-related loans rose by 28.8%, while the number of ESG funds distributed increased by 37.7%. We provided innovative pension finance products to support the development of Hong Kong's silver economy, achieving the top market share in terms of the number of reverse mortgage applications. We launched a global strategy to serve the wellness and healthcare needs of sojourning retirees, steadily advancing the construction of the elderly care ecosystem. In addition, we bolstered digital technological empowerment, promoting the realisation of ecological, open and scenario-based banking services, product and service integration and a seamless process experience, as well as being among the first in the industry to integrate with the mBridge platform.

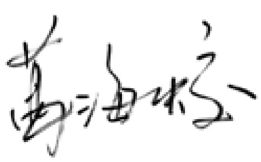
We built financial links to support Hong Kong's role as an important node in the "dual circulation" strategy. In line with Hong Kong's roles as a "super-connector" and "super value-adder", we leveraged our advantages in the GBA and Southeast Asia to optimise Bank of China Group's cross-border financial services in 62 countries and regions. We actively fulfilled our function as a regional headquarters, successfully launching operations at our RMB clearing bank in Cambodia and promoting syndicated loans, cash management, mobile banking and other products across several ASEAN countries with the aim of establishing ourselves as the top-choice bank for China-related businesses in Southeast Asian region. Focusing on Belt and Road cooperation, cross-border e-commerce and commodity trading, we introduced the "RMB Trade Service Solution" to provide one-stop integrated financial services to help enterprises explore global markets. To support the integrated growth of the GBA, we signed a memorandum of understanding on supporting and participating in the Northern Metropolis development. We also enriched cross-border financial service solutions under our GBA-themed series for corporate customers and became the first bank to pilot cross-border corporate credit checks, supporting the development of the innovation and technology industry in the GBA. In addition, we enhanced personal cross-border financial services and optimised financial offerings for the "one-hour living circle". The number of cross-border personal customers recorded notable year-on-year growth and consumption via BoC Pay in the Chinese mainland reached a new high.

We undertook our corporate social responsibilities, proactively serving the community and benefitting people's livelihood. We sponsored events such as the Youth Science & Technology Innovation Competition and actively supported the second cohort of the Strive and Rise Programme, nurturing a new generation imbued with a global perspective, national pride and innovative thinking. We championed our "Everyone Can Volunteer" ethos, receiving the "Top Ten Highest Volunteer Hours Award" and "Outstanding Corporate Award – Merit Award" from the HKSAR Government for the third consecutive year. To support Hong Kong's development into an "East-meets-West" centre for international cultural exchange and a centre for mega international sports events, we sponsored the Hong Kong Palace Museum's "The Origins of Chinese Civilisation" special exhibition, the Hong Kong-Zhuhai-Macao Bridge (Hong Kong Section) Half Marathon and the Bank of China Hong Kong Tennis Open, among others, further enhancing the vibrancy of Hong Kong. We optimised Hong Kong's first one-stop online homebuying platform to help local residents meet their home ownership needs. We also assisted the Hong Kong Housing Society in arranging its largest-ever syndicated loan facilities and the Hong Kong Urban Renewal Authority in issuing a HK$12 billion bond offering, thereby expanding financing options for urban redevelopment and regeneration.

We balanced business growth with strong risk management, effectively addressing risks to ensure steady development. We took preventive measures against various conventional and unconventional risks, elevating our capabilities in terms of foresight, responsiveness and mitigation while maintaining rigorous risk management standards. We strictly controlled credit risk in key areas. Asset quality remained stable, with our non-performing loan ratio maintained at a lower level than that of local peers. We effectively managed market, interest rate and liquidity risks, ensuring that our capital ratios and liquidity indicators remained robust and exceeded regulatory requirements. In addition, we promoted the development of intelligent risk control and compliance technology applications, including leveraging artificial intelligence to combat money laundering risks, to comprehensively improve the quality of our risk management and internal control. Continuing our track record of long-term solid performance, we were recognised as "The Strongest Bank in Hong Kong" by *The Asian Banker* for the fifth consecutive year.

Going forward, we expect to see a continuation in the long-term positive trajectory of the country's economic and social development, as well as ongoing expansion in high-level opening up. The prospects for Hong Kong's advancement from stability to prosperity have become brighter, and the integrated development of the GBA is gaining momentum. This is an opportune time for Hong Kong to focus on pursuing economic growth and advancing development, and we are filled with confidence for its prosperous and stable future.

BOCHK is committed to serving where its roots are. With 2025 marking the conclusion of the country's 14th Five-Year Plan, BOCHK will stay true to its original aspiration and pursue excellence, further supporting Hong Kong in consolidating and enhancing its competitive advantages as well as its integration into the nation's overall development. We aim to forge a new path for high-quality development, making significant contributions to the great practice of "One Country, Two Systems" and creating a brilliant new future for Hong Kong.



GE Haijiao
Chairman

Message from the Chief Executive

2024 witnessed weak global economic growth, with various central banks cautiously commencing rate-cutting cycles amid rising trade protectionism. The Chinese mainland economy made steady progress and Hong Kong continued its economic recovery despite challenges in the retail market and subdued corporate loan demand. In this complex and changing external environment, we followed the decisions and plans made by Bank of China Group and our Board of Directors, and actively fulfilled our pivotal role in the group's globalisation strategy. We strengthened risk control, solidified our banking infrastructure and expanded our earnings sources in order to vigorously promote high-quality development, with satisfactory performance in various tasks. For the fifth consecutive year, we were recognised as "The Strongest Bank in Hong Kong" by *The Asian Banker*, as well as again being named "Bank of the Year in Hong Kong" by *The Banker* and awarded "Best Renminbi Bank in Hong Kong" by *The Asset*.

We steadily enhanced operating efficiency and further increased our earnings capability. As at the end of 2024, the Group's total assets grew by 8.4% from the previous year-end to HK$4,194,408 million. Total deposits from customers increased by 8.8% to HK$2,724,221 million, and total advances to customers amounted to HK$1,676,886 million, contributing to a further increase in market share. Net operating income before impairment allowances and profit for the year of 2024 reached HK$71,253 million and HK$39,118 million, respectively, representing year-on-year growth of 8.8% and 12.2%. We maintained robust financial and risk indicators, with return on average shareholders' equity and return on average total assets standing at 11.61% and 0.95%, respectively, increasing by 1.01 percentage points and 0.05 percentage point respectively year-on-year. Net interest margin (including the funding income or cost of foreign currency swap contracts) steadily widened, and net fee and commission income returned to positive growth. The cost-to-income ratio was 24.55% while the impaired loan ratio was 1.05%, both outperforming the market average. Capital ratio and liquidity indicators remained solid, exceeding regulatory requirements.

We concentrated on the core Hong Kong market and comprehensively boosted our competitive edge. We served the higher-level opening up and fully supported Hong Kong in consolidating and enhancing its position as an international financial centre. We built on our existing competitive advantages while developing new ones, driving business growth to maintain our leadership as the mandated arranger in the Hong Kong and Macao syndicated loan market, as well as in new residential mortgage and cash pooling businesses. We improved our dedicated services for high-end customers and focused on developing family and youth customer segments, leading to a rapid increase in our new-to-bank high-end personal customers and new-to-bank young customers. Additionally, we effectively expanded our payroll account customer base. We deepened cooperation with government entities, solidified our first-mover advantage as a market maker with the HKEX and successfully launched a central counterparty client clearing business at LCH. **We made steady progress in RMB business,** by fully supporting Hong Kong to strengthen its role as a global offshore RMB business hub. The service hours of our RMB clearing bank in Hong Kong were further extended, and its clearing volume for the year increased by nearly 50%. We became one of the first authorised institutions under the HKMA's initiative of "Expansion of Eligible Collateral for the Renminbi (RMB) Liquidity Facility", and completed the first RMB repo transaction collateralised by debt securities under the Northbound Bond Connect. We consistently led the market in terms of RMB customer deposits and loans, as well as offshore RMB public bond underwriting while achieving market leadership for twelve consecutive years in terms of RMB standard new premiums. Additionally, we again issued Panda bonds, contributing to the further opening up of China's bond market.

We strengthened coordination and collaboration in our regional business, enhancing both regional and comprehensive operational capabilities. We focused on Belt and Road cooperation and Chinese enterprises going global while optimising our product and service offerings. **BOCHK reinforced and radiated its impact as a regional headquarters** and adopted a "One Branch, One Policy" approach in our Southeast Asian entities to drive their high-quality development. As at the end of 2024, customer deposits and loans in our Southeast Asian entities grew by 16.5% and 9.9%, respectively, from the end of 2023. Net operating income before impairment provisions increased by 16.7% year-on-year. The RMB clearing bank in Cambodia successfully commenced operations, while RMB transaction volume of our Southeast Asian entities steadily increased, reflecting the further strengthening of our RMB clearing and trading capabilities. **We continued to deepen the development of our cross-border financial business in the Guangdong-Hong Kong-Macao Greater Bay Area (GBA),** maintaining our leading position in mutual market access programmes such as Stock Connect, Northbound and Southbound Bond Connect, Cross-boundary Wealth Management Connect and Swap Connect. Capitalising on the opportunities presented by the relaxation of the Individual Visit Scheme and various initiatives launched by the HKSAR Government to attract talent and capital, we optimised our cross-border financial service solutions and further expanded our cross-border customer base in both personal and corporate banking. **We enhanced our comprehensive service capabilities** to support Hong Kong's development as an international asset management centre, with total assets under management and advisory within our asset management business growing by 16%, and assets under custody increasing by 30% from the end of 2023. For the first nine months of the year, BOC Life ranked second in the market in terms of standard new premiums. Through intra-group collaboration and by leveraging family offices and the New Capital Investment Entrant Scheme as entry points, we strengthened our ability to acquire high-end customers while improving our private banking service ecosystem. We also assisted the development of Hong Kong's offshore RMB gold market and promoted the establishment of a gold trading centre in Asia.

We supported the development of Hong Kong's financial infrastructure through our digital transformation efforts. We implemented a Digital Transformation Metrics system, **comprehensively accelerating our digital development.** Our number of active mobile banking customers increased by 18%, while our "Home Expert" mobile app added a special "Property Purchase for Talent Schemes" feature. We grew the transaction volume of our intelligent Global Transaction Banking (iGTB) platform by 59% and assisted SMEs in advancing digitalisation with registered users of BOC Connect doubled in number. We enhanced our digital service capabilities to meet the demand for southbound and northbound consumption, growing the number of BoC Pay customers by 18% from the end of 2023, and increasing the settlement volume of BoC Bill by 10% year-on-year. Focusing on the **development of digital finance and technology finance,** we deepened cooperation with high-tech enterprises and major industrial parks, launching a brand-new corporate service initiative to support innovative and technological development as well as talent cultivation. We sponsored the "BOCHK Science and Technology Innovation Prize" for three consecutive years and organised "BOCHK Challenge" for the eighth consecutive year. We assisted in **upgrading Hong Kong's financial infrastructure,** supporting the HKSAR Government's arrangements for maintaining securities market trading during severe weather, and cooperating with the HKMA to complete testing of Interbank Account Data Sharing programme ("IADS"). We actively promoted cross-border applications of e-CNY, became the first bank to provide e-CNY services via local payment tools and launched e-CNY acquiring services with famous local retailers, achieving key breakthroughs in retail application scenarios. We were the first commercial bank in Hong Kong to connect with the mBridge platform, supporting end-to-end remittance transactions via automated processing across the entire procedure. As a founding member of Project Ensemble Architecture Community, a wholesale CBDC project led by the HKMA, we successfully completed the proof-of-concept for tokenised money market fund transactions, achieving real-time and synchronised settlement between tokenised deposits and tokenised assets.

We showed our care for society and strived for sustainable development. We vigorously **developed green finance,** with green and sustainability related loans increasing by nearly 30% year-on-year. We assisted Guangdong Provincial Government in issuing its first 5-year green bonds in Hong Kong, Hainan Provincial Government in issuing its first 10-year blue bonds and Shenzhen Municipal Government in issuing its first green and sustainable development bonds themed on the low-carbon city. We developed the BOCHK Taxonomy for Green and Sustainable Finance and Implementation Plan, and continuously optimised our disclosure for the Task Force on Climate-related Financial Disclosures ("TCFD") report. In addition, we completed carbon neutrality certification for Bank of China Tower and the Bank of China Building, making us the first bank in Hong Kong to obtain such certificates for self-owned properties. For three consecutive years, we received the "Asia-Pacific Climate Leaders" award from the *Financial Times*, while our MSCI ESG rating has remained stable at "AA". We effectively **promoted inclusive finance and pension finance,** participating in various financing initiatives of the HKSAR Government and reinforcing the HKMA's support measures for SMEs with diversified financial services. We proactively built a pension financial service ecosystem that combines integrated financial products and diversified retirement services, achieving the top market share in terms of the number of reverse mortgage applications as well as setting a new record for subscription amount for HKSAR Government silver bonds. **We engaged in a wide range of charitable activities,** strengthening support for social service projects such as The Community Chest's Walk for Millions, Hong Kong Tree Planting Day 2024, and the M+ Museum's "I.M.Pei: Life Is Architecture" exhibition, while also expanding sponsorship for large-scale events such as the Hong Kong visits of Antarctic research icebreaker Xuelong 2 and research vessel Shen Hai Yi Hao, which carried the manned submersible Jiaolong, and the World Games Series 2024 Hong Kong. We remained dedicated to youth development, actively participating in the second phase of the HKSAR Government's "Strive and Rise Programme", sponsoring the "Secondary School Model UNESCO International Conference" and the "Youth Science & Technology Innovation Competition", while continuously providing internship and employment opportunities for young people in Hong Kong. Throughout the year, we organised 160 volunteer activities, recording a cumulative total of 29,000 volunteer service hours. For consecutive years, we received volunteer awards from the HKSAR Government, and were bestowed "Outstanding Volunteer Hours Gold Award" and the "Volunteer Bravery Award" for the first time.

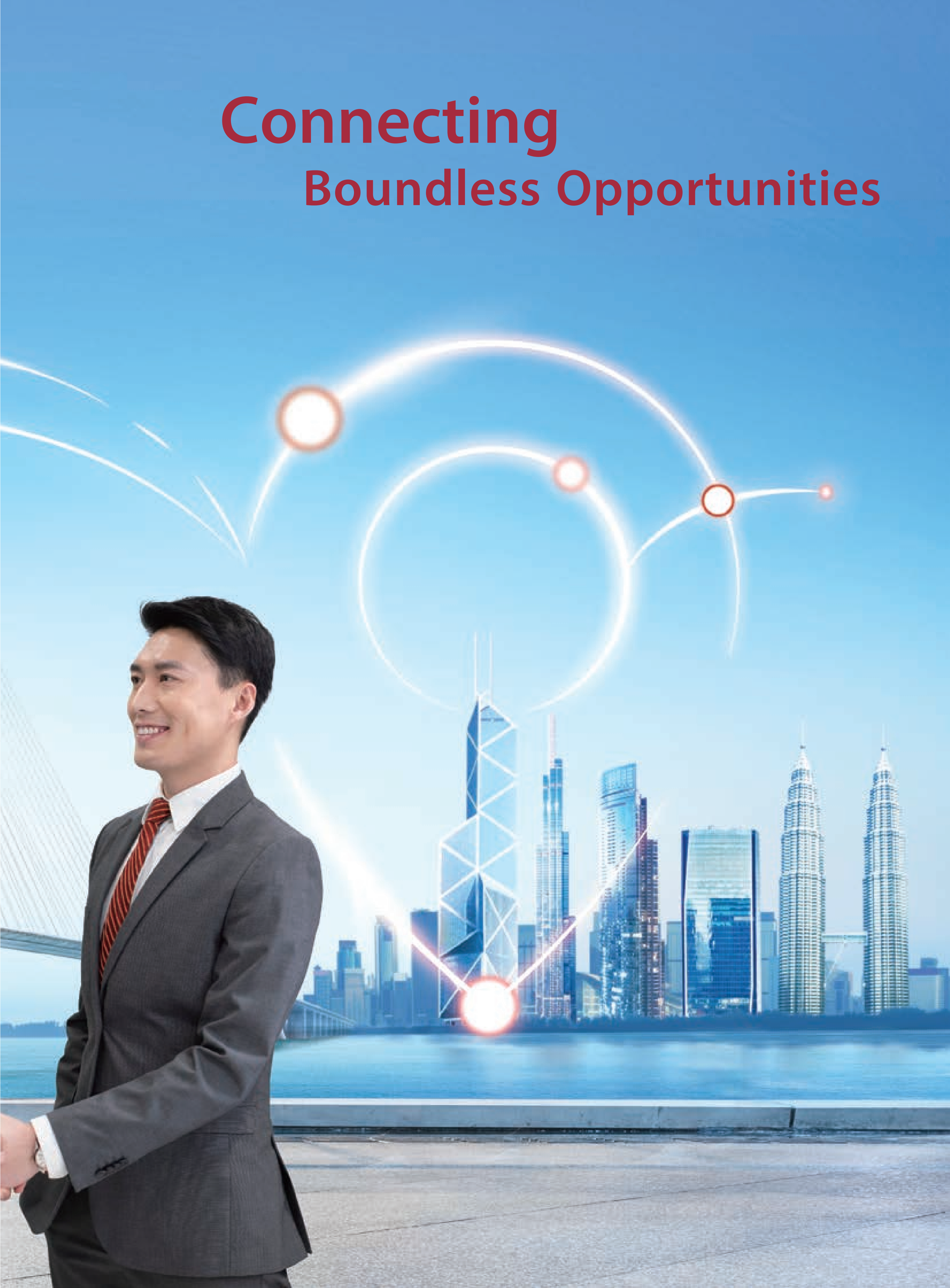
We promoted corporate culture development and strengthened comprehensive risk management. We deeply advanced the local promotion of a financial culture with Chinese characteristics, accelerated the formation of common values and behavioural standards, and transformed cultural concepts into new momentum for strategic implementation. We enhanced talent recruitment and development, cared for our employees, actively supported Hong Kong's efforts to build an international hub for high-calibre talents, and cultivated an adaptable and professional workforce that can thrive in market competition. Taking risk prevention and control as our eternal theme, **we continuously reinforced comprehensive risk management** and served as an anchor for maintaining Hong Kong's financial safety and stability. We coordinated prevention efforts against various types of risks and increased awareness of potential crises, fostering a risk-conscious mindset, "bottom-line" thinking and extreme thinking so as to firmly guard against systemic risks.

Looking ahead to 2025, the global political and economic landscape is expected to undergo profound changes, with international trade tensions and regional market fluctuations posing challenges to the banking industry. Key meetings such as the 20th Central Committee's Third Plenary Session and the Central Economic Work Conference have been successfully convened. A package of incremental economic stabilisation policies have injected strong momentum into the motherland's economy, while the latest Policy Address of the HKSAR Government focused on reform and change, which will help enhance Hong Kong's overall competitiveness. These factors will provide ample market and development opportunities for the banking industry.

In the future, with the strong support of all sectors of society and the relentless efforts of our colleagues, BOCHK will harness momentum to shape a new landscape, forge a new chapter of advancement and achieve high-quality growth as we promote Hong Kong's long-term prosperity and regional economic development, thus creating greater value for all stakeholders.

SUN Yu
Vice Chairman & Chief Executive

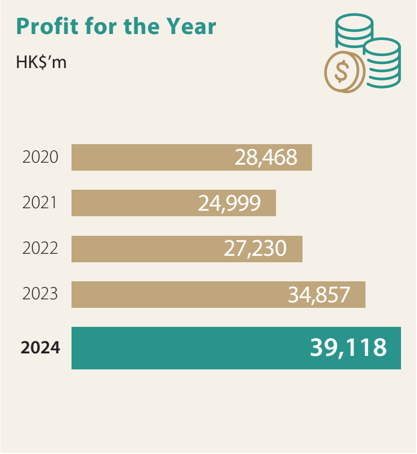
Connecting
Boundless Opportunities

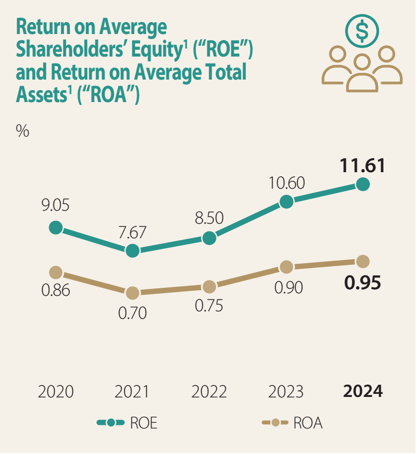


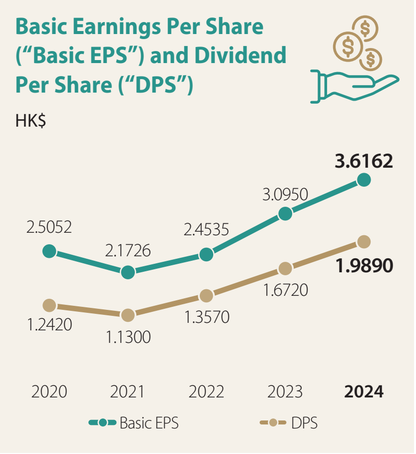
Management Discussion and Analysis

Financial Performance and Conditions at a Glance

The following table is a summary of the Group's key financial results for 2024 in comparison with the previous four years. The average value of the Group's liquidity coverage ratio and net stable funding ratio for 2024 are reported on a quarterly basis.

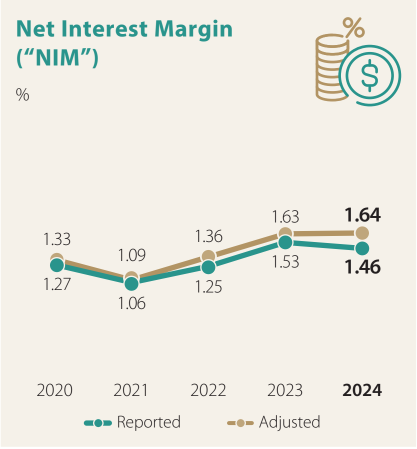


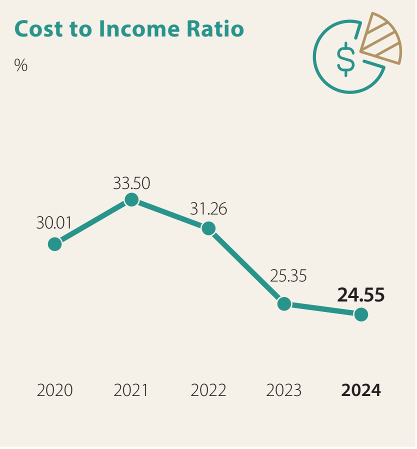


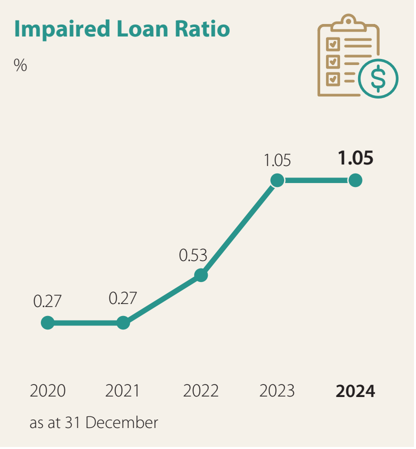


Profit for the year recorded steady growth

- Profit for the year increased by 12.2% year-on-year to HK$39,118 million.
- ROE and ROA were 11.61% and 0.95% respectively, up 1.01 percentage points and 0.05 percentage points year-on-year respectively.
- Basic EPS was HK$3.6162. DPS was HK$1.9890.







Achieved a steady increase in NIM by proactively managing assets and liabilities

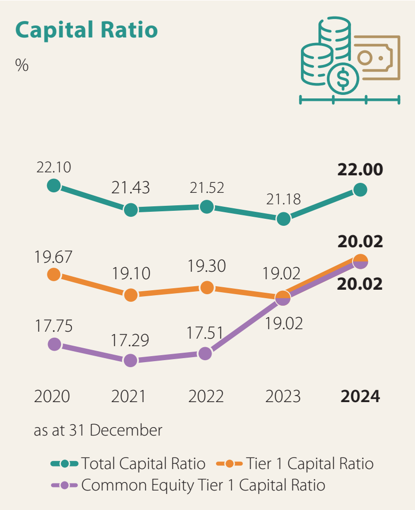
- NIM was 1.46%. If the funding income or cost of foreign currency swap contracts[2] were included, NIM would have been 1.64%, up 1 basis point year-on-year. This was primarily due to the Group's efforts to seize opportunities from the market interest rate cycle while dynamically managing its assets and liabilities, resulting in an increase in asset yield. It also proactively controlled deposit costs. Together, this resulted in an increase in NIM.

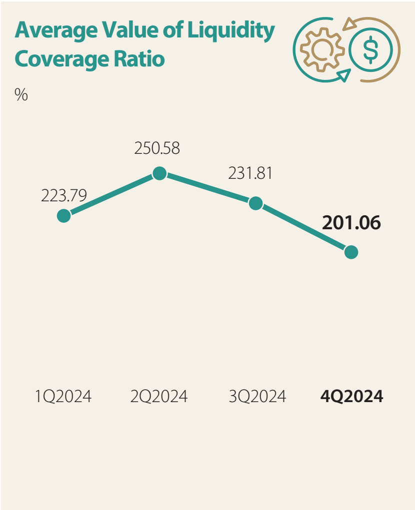
Enhanced operational efficiency by optimising cost management

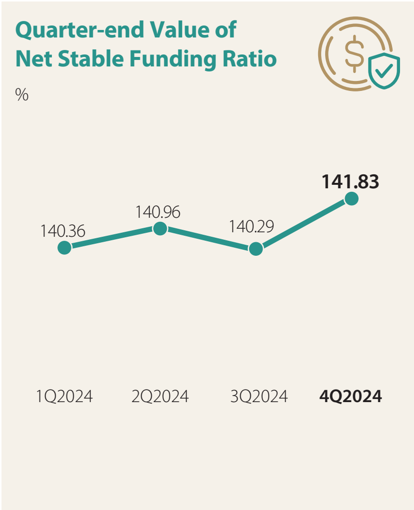
- The Group prioritised and allocated resources towards key business areas according to its strategic planning and business development needs, while carrying out low-carbon operational initiatives. Operating expenses increased by 5.3% year-on-year, while net operating income before impairment allowances grew by 8.8% compared to last year. As a result, the Group's cost to income ratio improved by 0.80 percentage points year-on-year to 24.55%, remaining at a satisfactory level compared to industry peers.

Maintained benign asset quality through comprehensive risk management

- The impaired loan ratio was 1.05%, remaining below the market average.







Maintained solid capital ratios by enhancing capital management

- The total capital ratio was 22.00%. Tier 1 capital ratio and Common Equity Tier 1 capital ratio both stood at 20.02%.

Liquidity remained ample

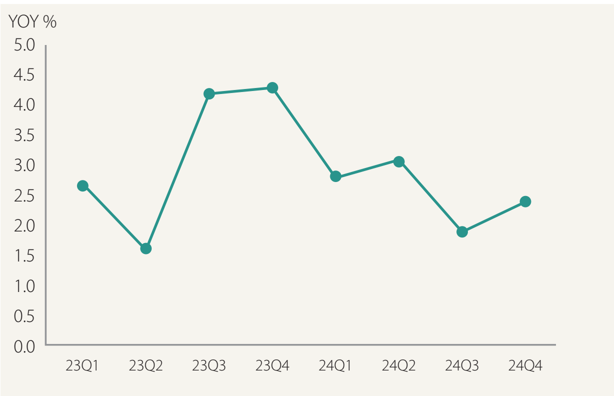
- The average value of the Group's liquidity coverage ratio and the quarter-end value of its net stable funding ratio in each quarter of 2024 met regulatory requirements.

1. Return on average shareholders' equity and return on average total assets as defined in "Financial Highlights".
2. Foreign exchange swap contracts are normally used for the Group's liquidity management and funding activities. In foreign exchange swap contracts, the Group exchanges one currency (original currency) for another (swapped currency) at the spot exchange rate (spot transaction) and commits to reverse the spot transaction by exchanging the same currency pair at a future maturity date at a predetermined rate (forward transaction). In this way, surplus funds in the original currency are swapped into another currency for liquidity and funding purposes with minimal foreign exchange risk. The exchange difference (funding income or cost) between the spot and forward contracts is recognised as a foreign exchange gain or loss (as included in "net trading gain"), while the corresponding interest differential between the surplus funds in the original currency and swapped currency is reflected in net interest income.

Operating Environment

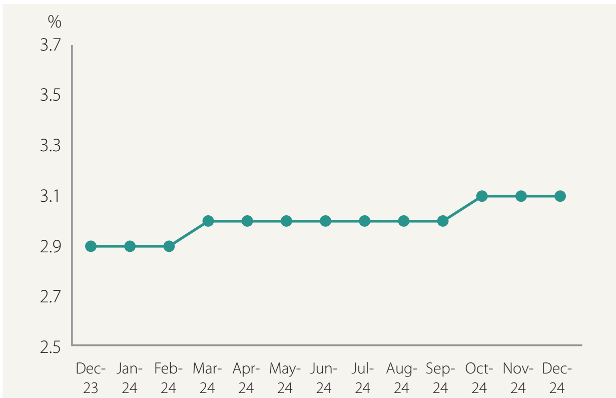
In 2024, the global economy experienced recovery, albeit with divergence in the economic performance of Europe and the US. The US economy achieved relatively rapid growth despite the high interest rate environment, inflation eased but remained above the US Federal Reserve's target. By contrast, the Eurozone economy grew at a slower pace, weighed down by both internal and external negative factors, creating uncertainty in its overall growth trend. Meanwhile, economic growth in the Chinese mainland continued at a steady pace and the economy performed well overall. In terms of economic fundamentals, the Chinese mainland's trade saw rapid growth while consumer demand and production supply steadily recovered, supported by coordination between monetary and fiscal policies.

Hong Kong GDP Growth Rate



Source: HKSAR Census and Statistics Department

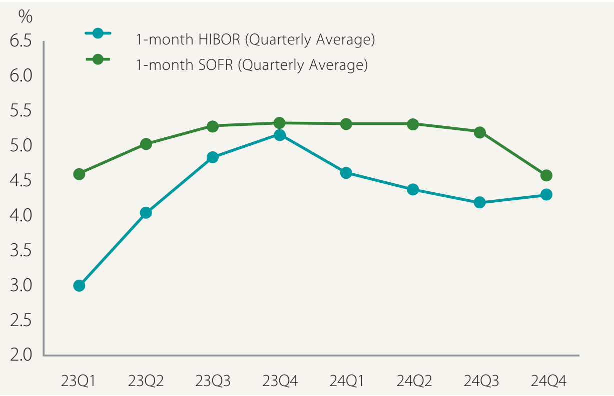
Hong Kong Unemployment Rate (seasonally adjusted)



Source: HKSAR Census and Statistics Department

Hong Kong's economy recorded steady growth in 2024, with the unemployment rate staying at a relatively low level and exports of goods continued to grow as benefitted from strong external demand. The central government introduced policies to boost the economy and stabilise market expectations, including various support measures for Hong Kong, which bolstered the city's economic conditions and financial markets. In addition, the tourism sector continued its recovery.

HIBOR and SOFR



Source: Bloomberg

Hong Kong's financial markets operated in an orderly manner. The exchange rate of the Hong Kong dollar against the US dollar strengthened, with Hong Kong dollar interest rates remaining at a relatively high level. As at the end of 2024, the closing aggregate balance of the banking sector decreased slightly from the prior year-end to HK$44.802 billion. Hong Kong's banking system remained robust, recording a rise in total customer deposits, although loan demand weakened.

Investment sentiment in Hong Kong's stock market improved following the US Federal Reserve's decision to cut its benchmark rate in September and the introduction of a series of economic stimulus policies in the Chinese mainland. As at the end of 2024, the Hang Seng Index rose by 17.7% from the end of 2023. Total funds raised by IPOs and the average daily turnover in the Hong Kong stock market increased by 88.9% and 25.5% respectively year-on-year.

In 2024, Hong Kong's residential property market remained sluggish, with persistent weakness in residential property prices. Market sentiment showed signs of improvement, however, after the US Federal Reserve's benchmark rate cut in September, which was followed by a rebound in both residential transactions and property prices. Transaction volumes of the commercial property market weakened and vacancy rates rose amid increased market supply.

Consolidated Financial Review

Financial Highlights

HK$'m, except percentages	2024	2023	Change (%)
Net operating income before impairment allowances	**71,253**	65,498	8.8
Operating expenses	**(17,494)**	(16,607)	5.3
Operating profit before impairment allowances	**53,759**	48,891	10.0
Operating profit after impairment allowances	**48,677**	42,558	14.4
Profit before taxation	**46,754**	40,914	14.3
Profit for the year	**39,118**	34,857	12.2
Profit attributable to equity holders of the Company	**38,233**	32,723	16.8

In 2024, the Group remained committed to "bottom-line" thinking in its risk management. It seized market opportunities arising from the HKSAR Government's active response to the nation's development strategies, its policies and measures to promote local economic development, the development of the Guangdong-Hong Kong-Macao Greater Bay Area, the growth of mutual financial market access between the Chinese mainland and Hong Kong, RMB internationalisation, and the Regional Comprehensive Economic Partnership ("RCEP"). As a result, it achieved satisfactory growth in income and earnings. In 2024, the Group's net operating income before impairment allowances amounted to HK$71,253 million, an increase of HK$5,755 million or 8.8% year-on-year. If the funding income or cost of foreign currency swap contracts were included, net interest income would have recorded year-on-year growth, which was mainly attributable to an increase in average interest-earning assets. Net interest margin rose year-on-year as the Group seized opportunities from the market interest rate cycle while dynamically managing its assets and liabilities. Net fee and commission income increased year-on-year as the Group captured opportunities from the resumption of economic activities, improved investor sentiment in the market, and a recovery in tourism. Operating expenses increased in line with the Group's strategic planning and business development needs, with resources prioritised and allocated to key development areas such as digitalisation, regional development and business integration. Meanwhile, the net charge of impairment allowances decreased year-on-year. Profit for the year amounted to HK$39,118 million, an increase of HK$4,261 million or 12.2% year-on-year. Profit attributable to equity holders was HK$38,233 million, an increase of HK$5,510 million or 16.8% year-on-year.

Second Half Performance

In the second half of 2024, the Group's net operating income before impairment allowances increased by HK$581 million or 1.6%, compared to the first half of 2024. This was mainly attributable to an increase in net interest income, including the funding income or cost of foreign currency swap contracts, a rise in net trading gain, and a decrease in net loss on other financial instruments, all of which more than offset the decrease in net fee and commission income. However, there was an increase in operating expenses and a higher net charge of impairment allowances and net loss from fair value adjustments on investment properties from the first half of the year. As a result, the Group's profit after taxation decreased by HK$1,808 million or 8.8% on a half-on-half basis.

Income Statement Analysis

Net Interest Income and Net Interest Margin

HK$'m, except percentages	2024	2023	Change (%)
Interest income	**139,439**	128,489	8.5
Interest expense	**(87,105)**	(77,411)	12.5
Net interest income	**52,334**	51,078	2.5
Average interest-earning assets	**3,577,886**	3,334,799	7.3
Net interest spread	**1.07%**	1.12%	
Net interest margin	**1.46%**	1.53%	
Net interest margin (adjusted)[1]	**1.64%**	1.63%	

Net interest income amounted to HK$52,334 million in 2024. If the funding income or cost of foreign currency swap contracts[2] were included, net interest income would have increased by 8.0% year-on-year to HK$58,856 million, which was mainly due to growth in average interest-earning assets and an increase in net interest margin. Average interest-earning assets expanded by HK$243,087 million or 7.3% year-on-year. If the funding income or cost of foreign currency swap contracts were included, net interest margin would have been 1.64%, up 1 basis point year-on-year. This was mainly attributable to the Group's efforts in seizing opportunities from the market interest rate cycle while dynamically managing its assets and liabilities, resulting in an increase in asset yield. It also controlled an increase in deposit costs by continuously managing deposit pricing and mix.

Second Half Performance

Compared with the first half of 2024, net interest income would have increased by HK$1,222 million or 4.2% if the funding income or cost of foreign currency swap contracts were included, which was mainly due to improvement in net interest margin. In the second half of 2024, the Group continued to manage its deposit costs, contributing to a relatively rapid decrease in funding costs. However, this positive impact was partially offset by a drop in asset yield resulting from a decrease in market interest rates. As a result, net interest margin widened by 6 basis points from the first half of the year to 1.67%.

1. Including the funding income or cost of foreign currency swap contracts.
2. Foreign exchange swap contracts are normally used for the Group's liquidity management and funding activities. In foreign exchange swap contracts, the Group exchanges one currency (original currency) for another (swapped currency) at the spot exchange rate (spot transaction) and commits to reverse the spot transaction by exchanging the same currency pair at a future maturity date at a predetermined rate (forward transaction). In this way, surplus funds in the original currency are swapped into another currency for liquidity and funding purposes with minimal foreign exchange risk. The exchange difference (funding income or cost) between the spot and forward contracts is recognised as a foreign exchange gain or loss (as included in "net trading gain"), while the corresponding interest differential between the surplus funds in the original currency and swapped currency is reflected in net interest income.

The table below summarises the average balances and average interest rates of individual categories of assets and liabilities:

	2024		2023	
ASSETS	Average balance HK$'m	Average yield %	Average balance HK$'m	Average yield %
Balances and placements with banks and other financial institutions	**646,302**	**2.15**	430,345	2.03
Debt securities investments and other debt instruments	**1,264,395**	**3.74**	1,208,912	3.37
Advances to customers and other accounts	**1,654,660**	**4.66**	1,682,932	4.65
Other interest-earning assets	**12,529**	**5.39**	12,610	6.80
Total interest-earning assets	**3,577,886**	**3.89**	3,334,799	3.85
Non interest-earning assets	**527,819**	**–**	528,473	–
Total assets	**4,105,705**	**3.39**	3,863,272	3.33

LIABILITIES	Average balance HK$'m	Average rate %	Average balance HK$'m	Average rate %
Deposits and balances from banks and other financial institutions	**288,524**	**2.30**	267,957	1.89
Current, savings and time deposits	**2,610,964**	**2.84**	2,403,303	2.78
Subordinated liabilities	**75,255**	**3.24**	76,571	3.28
Other interest-bearing liabilities	**104,929**	**3.44**	91,343	3.24
Total interest-bearing liabilities	**3,079,672**	**2.82**	2,839,174	2.73
Shareholders' funds* and other non interest-bearing deposits and liabilities	**1,026,033**	**–**	1,024,098	–
Total liabilities	**4,105,705**	**2.12**	3,863,272	2.00

* Shareholders' funds represent capital and reserves attributable to the equity holders of the Company.

Net Fee and Commission Income

HK$'m, except percentages	2024	2023	Change (%)
Credit card business	**2,559**	2,430	5.3
Securities brokerage	**2,266**	1,826	24.1
Loan commissions	**2,236**	2,413	(7.3)
Insurance	**1,018**	651	56.4
Trust and custody services	**909**	790	15.1
Payment services	**745**	714	4.3
Funds distribution	**669**	431	55.2
Currency exchange	**540**	398	35.7
Bills commissions	**444**	481	(7.7)
Safe deposit box	**290**	290	–
Funds management	**42**	28	50.0
Others	**1,567**	1,735	(9.7)
Fee and commission income	**13,285**	12,187	9.0
Fee and commission expense	**(3,392)**	(3,020)	12.3
Net fee and commission income	**9,893**	9,167	7.9

In 2024, net fee and commission income amounted to HK$9,893 million, up HK$726 million or 7.9% year-on-year. Improved investor sentiment in the market led to a 24.1% year-on-year increase in commission income from securities brokerage. The Group captured opportunities from the resumption of economic activities and tourism, consolidated its high-end and cross-border customer base, and enhanced its product and service capabilities in insurance and funds. As a result, commission income from insurance, funds distribution, currency exchange, trust and custody services as well as payment services increased by 56.4%, 55.2%, 35.7%, 15.1% and 4.3% year-on-year respectively. Commission income from funds management also rose by 50.0%. However, loan commissions fell by 7.3% year-on-year amid dampened credit demand, alongside a decrease in bills commissions. Fee and commission expenses increased, mainly due to higher credit card business volume leading to an increase in related expenses.

Second Half Performance

Compared with the first half of 2024, net fee and commission income decreased by HK$107 million or 2.1%, mainly owing to a decrease in loan commissions, while fee and commission income from other major businesses increased.

Net Trading Gain

HK$'m, except percentages	2024	2023	Change (%)
Net trading gain	**10,988**	8,315	32.1

Net trading gain amounted to HK$10,988 million, an increase of HK$2,673 million or 32.1% year-on-year. This was mainly attributable to a year-on-year increase in swap income from foreign currency swap contracts.

Second Half Performance

Compared with the first half of 2024, net trading gain increased by HK$438 million or 8.3%, mainly owing to an increase in swap income from foreign currency swap contracts, which was partially offset by a decrease in net trading gain from interest rate instruments.

Net (Loss)/Gain on Other Financial Instruments at Fair Value through Profit or Loss

HK$'m, except percentages	2024	2023	Change (%)
Net (loss)/gain on other financial instruments at fair value through profit or loss	**(782)**	2,277	N/A

The Group recorded a net loss of HK$782 million on other financial instruments at fair value through profit or loss in 2024, compared to a net gain of HK$2,277 million in 2023. The change was primarily due to a drop in the mark-to-market value of BOC Life's debt securities investments, caused by market interest rate movements. However, this drop in the mark-to-market value of debt securities investments related to BOC Life's participating insurance business was offset by changes to its insurance contract liabilities, also caused by market interest rate movements, which have been reflected in insurance finance expenses.

Second Half Performance

The Group recorded a net gain of HK$86 million on other financial instruments at fair value through profit or loss in the second half of 2024, compared to a net loss of HK$868 million in the first half of the year. The change was primarily due to a rise in the mark-to-market value of BOC Life's debt securities investments, caused by market interest rate movements.

Operating Expenses

HK$'m, except percentages	2024	2023	Change (%)
Staff costs	**11,470**	10,725	6.9
Premises and equipment expenses (excluding depreciation and amortisation)	**1,525**	1,394	9.4
Depreciation and amortisation	**2,867**	2,919	(1.8)
Other operating expenses	**2,839**	2,721	4.3
Less: Costs directly attributable to insurance contracts	**(1,207)**	(1,152)	4.8
Operating expenses	**17,494**	16,607	5.3

	At 31 December 2024	At 31 December 2023	Change (%)
Staff headcount measured in full-time equivalents	**15,309**	14,916	2.6

Operating expenses amounted to HK$17,494 million, an increase of HK$887 million or 5.3% year-on-year. In line with its strategic planning and business development needs, the Group prioritised and allocated resources towards key development areas including digitalisation, regional development and business integration. During the year, the Group strengthened the cultivation of its professional and talented teams. It continued to promote automated business processes, online transaction channels, an optimised branch network and low-carbon operational initiatives. At the same time, it refined its cost management mechanisms to enhance resource efficiency and utilise internal resources to meet additional requirements. The cost to income ratio was 24.55%, remaining at a satisfactory level relative to industry peers.

Staff costs increased by 6.9% year-on-year, mainly due to an increase in salary and performance-related remuneration.

Premises and equipment expenses were up 9.4%, primarily due to increased investment in information technology, and a lower base for comparison in terms of rental payments for short-term leases in 2023.

Depreciation and amortisation decreased by 1.8%, mainly due to the completion of depreciation on certain computer systems and lower depreciation charges on right-of-use assets.

Other operating expenses increased by 4.3%, primarily owing to an increase in business promotion, communication and charitable donation expenses, as well as professional consultancy fees.

Second Half Performance

Compared with the first half of 2024, operating expenses increased by HK$1,252 million or 15.4%. The increase was mainly due to higher staff costs, investment in information technology, advertising, business promotion, communication, charitable donation expenses and professional consultancy fees.

Net Charge of Impairment Allowances on Advances and Other Accounts

HK$'m, except percentages	2024	2023	Change (%)
Stage 1	**1,262**	53	2281.1
Stage 2	**753**	2,475	(69.6)
Stage 3	**2,930**	3,891	(24.7)
Net charge of impairment allowances on advances and other accounts	**4,945**	6,419	(23.0)

Total Loan Impairment Allowances as a Percentage of Advances to Customers

	At 31 December 2024	At 31 December 2023
Total loan impairment allowances as a percentage of advances to customers	**0.89%**	0.87%

In 2024, the Group's net charge of impairment allowances on advances and other accounts amounted to HK$4,945 million, a decrease of HK$1,474 million or 23.0% year-on-year. Impairment allowances at Stage 1 recorded a net charge of HK$1,262 million, up HK$1,209 million year-on-year. This was mainly due to a lower base for comparison in 2023. Meanwhile, there was an increase in impairment allowances in 2024 resulting from the Group updating the parameter values of its expected credit loss model in response to a change in macroeconomic outlook, in addition to changes in its loan portfolio and downgrades to the internal ratings of certain customers. Impairment allowances at Stage 2 recorded a net charge of HK$753 million, a decrease of HK$1,722 million year-on-year, mainly due to a higher base for comparison in 2023 resulting from an increase in impairment allowances resulting from downgrades to certain customers' internal ratings. Impairment allowances at Stage 3 amounted to a net charge of HK$2,930 million, a decrease of HK$961 million year-on-year. This was mainly attributable to a higher base for comparison in 2023 owing to the downgrading of certain customers, and an increase in impairment allowances made in relation to certain non-performing customers. The credit cost of advances to customers and other accounts was 0.30%, down 0.08 percentage points year-on-year. As at 31 December 2024, the Group's total loan impairment allowances as a percentage of advances to customers was 0.89%.

Second Half Performance

Compared with the first half of 2024, the Group's net charge of impairment allowances on advances and other accounts increased by HK$811 million, mainly owing to an increase in impairment allowances made in relation to certain non-performing customers and the downgrading of certain customers in the second half of 2024.

Analysis of Assets and Liabilities

The table below summarises the Group's asset composition. Please refer to Note 24 to the Financial Statements for the contract/notional amounts and fair values of the Group's derivative financial instruments. Please refer to Note 41 to the Financial Statements for the contractual amounts of each significant class of contingent liability and commitment, and the aggregate credit risk-weighted amounts.

Asset Composition

	At 31 December 2024		At 31 December 2023		
HK$'m, except percentages	Balance	% of total	Balance	% of total	Change (%)
Cash and balances and placements with banks and other financial institutions	**609,935**	**14.5**	406,571	10.5	50.0
Hong Kong SAR Government certificates of indebtedness	**223,510**	**5.3**	213,000	5.5	4.9
Securities investments and other debt instruments[1]	**1,456,278**	**34.7**	1,351,730	34.9	7.7
Advances and other accounts	**1,666,302**	**39.7**	1,693,144	43.8	(1.6)
Properties, plant and equipment as well as investment properties	**52,288**	**1.3**	56,613	1.5	(7.6)
Other assets[2]	**186,095**	**4.5**	147,725	3.8	26.0
Total assets	**4,194,408**	**100.0**	3,868,783	100.0	8.4

1. Securities investments and other debt instruments comprise investment in securities and financial assets at fair value through profit or loss.
2. Other assets comprise derivative financial instruments, interests in associates and joint ventures, current tax assets and deferred tax assets.

As at the end of 2024, the total assets of the Group amounted to HK$4,194,408 million, an increase of HK$325,625 million or 8.4% compared with the prior year-end. Cash and balances and placements with banks and other financial institutions increased by HK$203,364 million or 50.0%, mainly due to an increase in balances with banks and central banks. Securities investments and other debt instruments increased by HK$104,548 million or 7.7%, as the Group increased its investments in government-related bonds. Advances and other accounts decreased by HK$26,842 million or 1.6%, with advances to customers decreasing HK$25,416 million or 1.5%, and trade bills decreasing by HK$1,597 million or 42.6%.

Advances to Customers

HK$'m, except percentages	At 31 December 2024		At 31 December 2023		Change (%)
	Balance	% of total	Balance	% of total	
Loans for use in Hong Kong	**1,253,401**	**74.7**	1,253,163	73.6	0.0
Industrial, commercial and financial	**669,434**	**39.9**	683,604	40.1	(2.1)
Individuals	**583,967**	**34.8**	569,559	33.5	2.5
Trade financing	**44,850**	**2.7**	47,691	2.8	(6.0)
Loans for use outside Hong Kong	**378,635**	**22.6**	401,448	23.6	(5.7)
Total advances to customers	**1,676,886**	**100.0**	1,702,302	100.0	(1.5)

In 2024, demand for loans remained weak amid persistently elevated market interest rates. The Group actively explored market opportunities and secured its foothold in the Hong Kong, Greater Bay Area, Southeast Asian and key overseas markets to promote solid development in its loan business. Adhering to its customer-centric philosophy, it deepened cross-departmental collaboration and strengthened service capabilities across its entire product line, aiming to meet customers' comprehensive business needs through professional services. It enhanced cooperation with blue-chip enterprises, industry leaders and financial institutions in Hong Kong by offering diversified financing solutions. Seizing business opportunities arising from the development of national policies and strengthening economic and trade ties with Southeast Asia, it bolstered its cooperation with BOC's entities in the Greater Bay Area and Asia-Pacific region, as well as its Southeast Asian entities. In addition, the Group met the financing needs of large multinational corporations, Chinese enterprises expanding overseas and large corporates in Southeast Asia, catering to their diverse offshore RMB financing requirements by fully leveraging its advantages in RMB business and enriching the application scenarios of RMB in trade and capital markets. It remained the top mandated arranger in the Hong Kong-Macao syndicated loan market. The Group met the financing needs of SME customers by enriching its digital products. By refining the functionality of its "Home Expert" mobile application, including enhancing and optimising the online approval process, the Group provided customers with comprehensive home purchase planning and online mortgage services. As a result, the Group retained its leading market position in terms of the total number of new residential mortgage loans in Hong Kong. As at the end of 2024, advances to customers amounted to HK$1,676,886 million, down HK$25,416 million or 1.5% from the end of 2023.

Loans for use in Hong Kong increased by HK$238 million.

- Lending to the industrial, commercial and financial sectors decreased by HK$14,170 million or 2.1%, reflecting a decrease in loans for use in property development and investment, manufacturing and financial concerns.

- Lending to individuals increased by HK$14,408 million or 2.5%, mainly driven by growth in loans for the purchase of flats in the Home Ownership Scheme and other government-sponsored home purchase schemes, as well as for other residential properties.

Trade financing decreased by HK$2,841 million or 6.0%. Loans for use outside Hong Kong decreased by HK$22,813 million or 5.7%, mainly due to a decrease in loans for use in the Chinese mainland.

Loan Quality

HK$'m, except percentages	At 31 December 2024	At 31 December 2023
Advances to customers	**1,676,886**	1,702,302
Impaired loan ratio	**1.05%**	1.05%
Total impairment allowances[1]	**14,961**	14,750
Total impairment allowances as a percentage of advances to customers	**0.89%**	0.87%
Residential mortgage loans[2] – delinquency and rescheduled loan ratio[3]	**0.06%**	0.02%
Card advances – delinquency ratio[3]	**0.31%**	0.32%

	2024	2023
Card advances – charge-off ratio[4]	**1.82%**	1.39%

1. Total impairment allowances include those for advances at fair value through other comprehensive income.
2. Residential mortgage loans exclude those under the Home Ownership Scheme and other government-sponsored home purchasing schemes.
3. The delinquency ratio is the ratio of the total amount of overdue advances (more than three months) to total outstanding advances.
4. The charge-off ratio is the ratio of total write-offs made during the year to average of the beginning and ending balance of card receivables.

In 2024, the economies of both the Chinese mainland and Hong Kong experienced steady recovery. However, the banking sector faced ongoing challenges in risk management owing to increasing pressure on customers' loan repayment abilities as a result of elevated market interest rates. The Group continued to closely monitor market developments and industry trends in order to strengthen its control over higher-risk credit portfolios. It conducted timely reviews of customers' internal ratings and continuously enhanced its credit risk management mechanisms and measures to maintain solid asset quality. As at 31 December 2024, the Group's impaired loan ratio was 1.05%, unchanged from the prior year-end. Impaired loans decreased by HK$145 million from the prior year-end to HK$17,652 million. The combined delinquency and rescheduled loan ratio of the Group's residential mortgage loans was 0.06%. The charge-off ratio of card advances stood at 1.82%, up 0.43 percentage points year-on-year.

Deposits from Customers*

HK$'m, except percentages	At 31 December 2024		At 31 December 2023		Change (%)
	Balance	% of total	Balance	% of total	
Demand deposits and current accounts	**230,347**	**8.5**	216,366	8.6	6.5
Savings deposits	**1,033,457**	**37.9**	971,113	38.8	6.4
Time, call and notice deposits (excluding structured deposits)	**1,449,606**	**53.2**	1,314,203	52.5	10.3
	2,713,410	**99.6**	2,501,682	99.9	8.5
Structured deposits	**10,811**	**0.4**	2,159	0.1	400.7
Total deposits from customers	**2,724,221**	**100.0**	2,503,841	100.0	8.8

* Including structured deposits

In 2024, the Group continued to maintain a balance between scale and cost control in its customer deposits business while consolidating and expanding its high-quality customer base amid persistently elevated market interest rates. It grew its deposits business by actively promoting its Cross-boundary Wealth Management Connect services and developing cross-border businesses related to Southbound services and the Top Talent Pass Scheme. At the same time, it introduced more online applications and products, increased collaboration among its business units and strengthened cooperation with government authorities, large corporates and major central banks in order to better understand and meet clients' settlement, custody and treasury needs, with a view to attracting more operating funds by providing tailored products and services. As at the end of 2024, total deposits from customers amounted to HK$2,724,221 million, an increase of HK$220,380 million or 8.8% from the prior year-end. Demand deposits and current accounts increased by 6.5%. Savings deposits rose by 6.4%. Time, call and notice deposits (excluding structured deposits) increased by 10.3%. The CASA ratio was 46.4%, down 1.0 percentage point from the prior year-end.

Capital and Reserves Attributable to Equity Holders of the Company

HK$'m, except percentages	At 31 December 2024	At 31 December 2023	Change (%)
Share capital	**52,864**	52,864	–
Premises revaluation reserve	**34,853**	36,899	(5.5)
Reserve for financial assets at fair value through other comprehensive income	**(5,105)**	(6,470)	21.1
Regulatory reserve	**6,028**	7,974	(24.4)
Translation reserve	**(2,199)**	(1,883)	(16.8)
Insurance finance reserve	**1,132**	1,637	(30.8)
Retained earnings	**251,143**	229,124	9.6
Reserves	**285,852**	267,281	6.9
Capital and reserves attributable to equity holders of the Company	**338,716**	320,145	5.8

Capital and reserves attributable to equity holders of the Company amounted to HK$338,716 million as at 31 December 2024, an increase of HK$18,571 million or 5.8% from the end of 2023. The premises revaluation reserve decreased by 5.5%. The deficit in the reserve for financial assets at fair value through other comprehensive income decreased by 21.1%, mainly due to changes in market interest rates. The regulatory reserve decreased by 24.4%, mainly driven by a decrease in advances to customers and a change in the net charge of impairment allowances. Retained earnings rose by 9.6% from the end of 2023.

Capital Ratio

HK$'m, except percentages	At 31 December 2024	At 31 December 2023
Consolidated capital after deductions		
Common Equity Tier 1 capital	**266,651**	247,109
Tier 1 capital	**266,651**	247,109
Total capital	**292,980**	275,145
Total risk-weighted assets	**1,331,828**	1,298,956
Common Equity Tier 1 capital ratio	**20.02%**	19.02%
Tier 1 capital ratio	**20.02%**	19.02%
Total capital ratio	**22.00%**	21.18%

As at 31 December 2024, Common Equity Tier 1 ("CET1") capital increased by 7.9% from the prior year-end, which was primarily attributable to profits recorded for 2024. Total capital increased by 6.5% from the end of 2023. Total risk-weighted assets ("RWAs") increased by 2.5% from the end of 2023. The Group's adoption of a new residential mortgage default rate model in 2024 and the HKMA's relaxation for calculating the capital requirement of residential mortgage loans led to a lower risk weighting for residential mortgages, which partially offset the increase in RWAs driven by business growth. The CET1 capital ratio and the Tier 1 capital ratio both stood at 20.02%. The total capital ratio was 22.00%. The Group dynamically optimised its capital resources allocation and cautiously managed its RWAs to improve its return on capital, with a view to maintaining an appropriate capital level for meeting regulatory requirements and balancing sustainable business development with returns to equity holders.

Liquidity Coverage Ratio and Net Stable Funding Ratio

	2024	2023
Average value of liquidity coverage ratio		
First quarter	**223.79%**	189.68%
Second quarter	**250.58%**	188.89%
Third quarter	**231.81%**	193.47%
Fourth quarter	**201.06%**	207.12%

	2024	2023
Quarter-end value of net stable funding ratio		
First quarter	**140.36%**	134.51%
Second quarter	**140.96%**	131.56%
Third quarter	**140.29%**	138.67%
Fourth quarter	**141.83%**	137.28%

The Group's liquidity position remained sound, with the average value of its liquidity coverage ratio and the quarter-end value of its net stable funding ratio meeting regulatory requirements for all four quarters of 2024.

Business Review

In 2024, the Group continued to focus on its three major markets of Hong Kong, the Guangdong-Hong Kong-Macao Greater Bay Area ("GBA") and Southeast Asia. It strengthened its regional development, deepened digital empowerment, enhanced its comprehensive service capabilities and consolidated its customer base and business foundations. The Group capitalised on national policies and HKSAR Government measures for economic stimulus to capture market opportunities, foster collaboration and grow key customer segments, so as to comprehensively enhance its competitive advantages. It advanced ecosystem construction and financial innovation, grasped cross-border business opportunities and solidly pushed forward the development of its RMB business. The Group optimised its regional management mechanism in Southeast Asia to enhance its brand influence in the region. It developed its corporate culture, nurtured talent, implemented intelligent operations and reinforced its comprehensive risk management and control capabilities so as to ensure strong business support. At the same time, the Group maintained an appropriate balance between business development and risk management while incorporating the concept of sustainable development into its businesses and operations, thus promoting high-quality and sustainable growth and consistently adding value for stakeholders.

Business Segment Performance

Profit before Taxation by Business Segment

HK$'m, except percentages	2024	% of total	2023	% of total	Change (%)
Personal Banking	**14,264**	**30.5**	14,681	35.9	(2.8)
Corporate Banking	**16,195**	**34.7**	15,866	38.8	2.1
Treasury	**12,681**	**27.1**	6,968	17.0	82.0
Insurance	**1,744**	**3.7**	1,198	2.9	45.6
Others	**1,870**	**4.0**	2,201	5.4	(15.0)
Total profit before taxation	**46,754**	**100.0**	40,914	100.0	14.3

Note: For additional segmental information, see Note 45 to the Financial Statements.

Personal Banking

Financial Results

Personal Banking achieved a profit before tax of HK$14,264 million in 2024, a decrease of HK$417 million or 2.8% year-on-year. This was mainly due to a decrease in net interest income and an increase in operating expenses, although this was partially offset by an increase in net fee and commission income. Net interest income decreased by 4.2%, owing to a narrowing in deposit spread. Net fee and commission income increased by 18.7%, mainly because of higher commission income from securities brokerage, funds distribution and insurance amid improved investor sentiment in the market. Operating expenses rose by 4.2%, mainly due to higher staff costs and an increase in business-related expenses.

Business Operations

Cultivating the green finance sector to realise sustainable development concepts

In line with market and customer trends towards low-carbon transition, the Group actively captured opportunities from the development of green finance and enriched its green and low-carbon financial products and services. It introduced an equity fund themed on China's net-zero transition, providing retail investors with additional green investment opportunities. The Group also extended green personal loan offers via the BOC "Express Cash" Instalment Loan scheme to personal banking customers participating in eligible green and sustainable finance courses. The number of green personal loan applications grew 48% year-on-year in 2024. The Group stepped up its digital green transformation efforts by launching "BeLeaf", Hong Kong's first carbon footprint tracking function, within its mobile banking platform. This feature uses artificial intelligence to integrate and categorise transaction data from various accounts, helping customers to understand the environmental impact of their financial habits and guiding them to adopt green and low-carbon lifestyles. The Group also implemented the concept of green banking by introducing environmentally friendly and lightweight uniforms made of different recycled fibres for BOCHK branch staff, thus actively integrating sustainability into its daily operations and contributing to low-carbon transformation.

Enhancing product and service competitiveness to provide high-quality and efficient digital banking services

The Group accelerated its development as a digital bank, leveraging innovative technology to enhance its online service capabilities and safeguard the effectiveness and continuity of its business operations. In 2024, both the customer base and transaction volumes of the Group's digital service channels recorded steady growth. This included an increase in mobile banking customers as well as higher transaction volumes for funds, BOC Remittance Plus and foreign exchange trading. The Group improved the online banking experience by introducing new features to its mobile banking applications. This included offering certificate of deposit trading, cheque deposit and precious metals account opening services, enabling customers to enjoy convenient banking services from the comfort of their homes, as well as extending its mobile banking account opening functionality to visitors from the Chinese mainland to Hong Kong. It enriched the range of insurance product categories available on its mobile banking platform and expanded travel insurance product coverage on its mobile banking and online banking channels, enhancing customers' online application experience. BOCHK ranked first in the market share of standard new premiums from online channels in the first three quarters of 2024, maintaining its leading position for the third consecutive year. It enhanced the functionality of its Home Expert mobile application to provide customers with comprehensive property purchase planning and online mortgage services, including adding a "Property Purchase for Talent Schemes" feature to help customers entering Hong Kong under the Top Talent Pass Scheme to better understand the local property purchase process. As at the end of 2024, the Home Expert mobile application had been cumulatively downloaded of approximately 192,000 times, with the proportion of online mortgage applications to total mortgage applications rising to over 80% for the year, an increase of over 20 percentage points year-on-year. In 2024, BOCHK was honoured with the "Best Home Loan Financing" award at the Hong Kong Excellence in Retail Finance and Technology Innovation Awards 2024 organised by *The Asian Banker*. At the same time, the Group continued to enhance brand promotion for BOC Credit Card. It organised promotional activities in collaboration with several large merchants, successfully secured exclusive priority ticketing services for a popular singer's concert, and sponsored conservation activities related to giant pandas, making BOC Credit Card's brand image more distinctive and prominent. The marketing campaigns for "BOC Chill Card" and "BOC Cheers Card", along with the "Amazing Rewards" gift point reward programme and the "Enjoy Amazing Rewards in the GBA" promotional campaign series achieved notable results during the year. In 2024, overseas transaction volumes reached double-digit growth year-on-year, while transaction amounts from customers using BoC Pay in the Chinese mainland rose by 111.8% year-on-year. The Group's total retail cardholder spending and merchant acquiring business transaction volumes of its credit card business in Hong Kong increased by 7.9% and 9.8% respectively year-on-year.

Enriching exclusive service experiences for targeted customer segments to meet their comprehensive needs

The Group focused on building a high-end wealth management brand to meet the financial management needs of high-end customers and their families. It also seized opportunities in the young customer segment, proactively attracting and cultivating the high-end customer groups of the future. To meet the comprehensive wealth management needs of high-net-worth customers, the Group enhanced the exclusive products and services of its premium "Private Wealth" brand. It expanded its service network by establishing its sixth Private Wealth centre at Bank of China Tower, offering one-stop services for wealth management, integrated business value-added services and business registration services, thus allowing customers to simultaneously manage their daily business operations and personal financial management needs. As at the end of 2024, the number of Private Wealth customers had grown by over 10% from the end of 2023. The Group enhanced the brand image of its family financial planning service. It provided customers with family financial management services and holistic development activities through collaboration with internal and external entities. It launched the BOC Mastercard® Debit Card, further optimising its family financial management functions. This product offers the digitally-enabled advantage of immediate usage upon activation, delivering a convenient and seamless payment experience for customers. It is designed to meet customers' needs for overseas spending and cash withdrawal, as well as supporting wealth management planning for young family members studying abroad, thus enabling cross-regional service coverage for family wealth management. The Group continued to develop its "Banking can be TrendyToo" brand, which targets the young customer segment, by further exploring service channels and products tailored to young customers' needs, boosting multi-dimensional social media publicity, introducing different scenarios for sales and service promotions and launching new, large-scale branding activities, all of which led to increased penetration into the young customer market. In 2024, the number of newly-opened "Banking can be TrendyToo" accounts rose by over 40% year-on-year, continuing the steady growth in customer numbers achieved since the brand's launch. During the year, BOCHK was awarded "Best Wealth Management Bank" at the Hong Kong Excellence in Retail Finance and Technology Innovation Awards 2024 organised by *The Asian Banker*.

The Group's private banking business maintained steady growth by comprehensively serving the needs of high-net-worth clients. By enhancing collaboration with other business units within the Group, its Southeast Asian entities and BOC, it optimised its service chain and provided professional and comprehensive products and services to private banking clients. The Group organised a series of exclusive seminars and cultural activities to strengthen private banking client relationships. In line with the HKSAR Government's policies to promote the development of family offices, it worked with third-party experts such as accounting firms, insurance advisors and trust consultants to assist clients around the globe to settle in Hong Kong, so as to establish a family office ecosystem by leveraging its service strengths. To promote the high-quality and sustainable development of its private banking business, the Group provided clients with tailor-made and exclusive products as well as professional wealth management services through innovative service models and enhanced digital platforms, thereby continuously improving customer experience. In 2024, the Group's private banking business achieved steady growth in operating income and assets under management.

Seizing cross-border opportunities to steadily promote the development of RMB business

Building on its strengths in cross-border financial services, the Group continued to leverage business opportunities from residents travelling abroad and to the Chinese mainland for retail consumption, as well as the HKSAR Government's various migrant admission schemes. It demonstrated its commitment to creating value for customers by optimising its product screening, service offering and customer experience, strengthening its brand reputation. The Group launched "BOC Cross-boundary Wealth Management Connect 2.0", introducing more qualified investment products to help customers capture cross-border wealth management opportunities. As at the end of 2024, the number of qualified investment products offered under the Southbound scheme of the BOC Cross-boundary Wealth Management Connect service exceeded 330, cross-border customer numbers recorded a steady increase compared to the end of 2023, and the aggregate number of accounts opened and the volume of funds remitted or transferred under Southbound and Northbound services ranked among the top tier in Hong Kong. The Group closely monitored market trends and customer preferences so as to innovate products that meet customers' investment demands. This included adding its first RMB money market fund as a qualified fund under the Wealth Management Connect Scheme and New Capital Investment Entrant Scheme. Capitalising on policy opportunities, the Group provided comprehensive financial services to SME customers. During the year, it established its ninth commercial financial management centre, offering a suite of commercial finance solutions tailored to customers' entrepreneurial and operational needs. The Group was among the first batch of banks to launch services related to the New Capital Investment Entrant Scheme, offering eligible individuals planning to move to Hong Kong a range of investment products, including funds, bonds, equity, certificates of deposit and other products, to help them capture more investment opportunities and meet their asset allocation needs. In line with the facilitative measures announced by the HKMA and the People's Bank of China regarding cross-border remittances for property purchases by Hong Kong and Macao residents in the Greater Bay Area, the Group enhanced the payment and financing options of its "Greater Bay Area Loan" service by introducing cross-border direct remittance services. This enabled Hong Kong residents to remit HKD, RMB or other foreign currencies directly from Hong Kong to mainland bank accounts in order to settle their Greater Bay Area home purchase payments. The Group also introduced Chinese fixed-income funds to provide retail investors with investment opportunities in the Chinese mainland's onshore bond market. In 2024, the sales volume of RMB funds more than doubled year-on-year. The Group further consolidated its leading position in RMB insurance business. In the first three quarters of 2024, RMB insurance standard new premiums grew by over 10% year-on-year, ranking first in the market for the 12th consecutive year. The Group accelerated its digital development and functional optimisation. By enhancing features such as local real-time payments, cross-border payments and QR code interconnectivity, it improved the customer experience. Leveraging its regional brand advantages, the Group realised mutual recognition of rights and interests for wealth management customers with designated provincial and municipal BOC branches in the Chinese mainland as well as BOC Singapore Branch, and introduced diversified wealth management products in the Southeast Asian market, satisfying its customers' various financial service needs.

Enhancing digital empowerment in Southeast Asia to advance regional businesses

The Group deeply engaged in UnionPay International's cross-border QR Interconnection Programme in Southeast Asia to facilitate the development of payment interconnection among China and Southeast Asian countries. During the year, the Ho Chi Minh City Branch and Jakarta Branch became the cross-border interconnection settlement bank for UnionPay QR code with VietQR in Vietnam and Quick Response Code Indonesian Standard (QRIS) in Indonesia respectively. In addition, BOC Thailand and the Vientiane Branch successfully launched UnionPay QR code payment services on their mobile banking platforms.

Corporate Banking

Financial Results

Corporate Banking achieved a profit before tax of HK$16,195 million, an increase of HK$329 million or 2.1% year-on-year. This was mainly attributable to a decrease of HK$1,884 million in the Group's net charge of impairment allowances. Net operating income before impairment allowances decreased by 5.4% year-on-year while net interest income decreased by 6.2% year-on-year, primarily due to a decrease in the average balance of loans and a narrowing in deposit spread. Net fee and commission income decreased by 1.5%, mainly due to a decline in loan commissions.

Business Operations

Comprehensively enhancing service quality and efficiency to constantly sharpen competitive advantage

The Group stepped up its efforts to enhance its professional financial services capabilities and meet the demands of corporate customers from Hong Kong, the Chinese mainland, Southeast Asia and other overseas countries. It remained the top mandated arranger in the Hong Kong-Macao syndicated loan market for the 20th consecutive year, and underwrote a number of bond issues with significant market influence. The Group deepened cooperation with key customer groups in the cash pooling business and strived to expand its business scale, consolidating its leading position in the market. It further advanced the development of its key businesses, including trade finance, payroll, and payment and settlement services, in order to improve customers' service experience. Leveraging its advantages in RMB business, the Group launched a range of RMB trade service solutions, including services for e-commerce, commodities, Chinese brands "Going Global" efforts and Belt and Road projects, to provide steady support to RMB internationalisation. The Group is committed to providing efficient and professional RMB clearing services. During the year, the Hong Kong RMB Clearing Bank extended its service hours for cross-border RMB clearing to provide Hong Kong and overseas participating banks with a 24-hour real-time cross-border RMB clearing service from Monday to Friday (Hong Kong time), reinforcing Hong Kong's position as an offshore RMB business hub. The total clearing volume of the Hong Kong RMB Clearing Bank in 2024 increased 49% year-on-year. In recognition of its excellent and highly professional services, BOCHK was named "Best Cash Management Bank in Hong Kong" for the 10th time and "Best Transaction Bank in Hong Kong" for the sixth time by *The Asian Banker*. It was awarded "Hong Kong Domestic Cash Management Bank of the Year" for the 11th consecutive year by *Asian Banking & Finance*, and received the "CorporateTreasurer Awards – Best Transaction Bank in Hong Kong" from *CorporateTreasurer*. In addition, the Group's cash management projects designated for a large clean energy corporate and a conglomerate enterprise won the "Adam Smith Awards Asia: Best in Class Treasury Solution in China – Highly Commended" organised by *Treasury Today*.

Improving synergic benefits to promote regional business development

The Group strengthened collaboration with BOC's entities in the Chinese mainland and leveraged business opportunities from the comprehensive integration of the Greater Bay Area and the global service resources of Bank of China Group, promptly responding to customer needs through financial services that allow customers to access global expertise from any point of contact. During the year, it signed a memorandum of understanding on participating in the Northern Metropolis development with the HKSAR Government, and joined 9 enterprises in adopting the Strategic Cooperation Framework Memorandum, pledging its collaborative support towards the development of the Northern Metropolis. The Group made concerted efforts to enhance its service capabilities in technology finance, strengthening cooperation with Cyberport and the Hong Kong Science and Technology Parks Corporation by providing diversified products and services to support the development of innovative technology enterprises. As at the end of 2024, the number of innovative technology customers grew by 7.9% from the end of 2023. The Group also enriched its cross-border financial service solutions to meet the diverse business needs of customers in the Greater Bay Area.

The Group continued to optimise its regional integrated management mechanism in Southeast Asia and capitalised on growth opportunities arising from the Chinese mainland's new development paradigm and global trends in industrial relocation. It strengthened collaboration with policy financial institutions and BOC's entities in the Chinese mainland, prioritising the development of the Belt and Road and "Going Global" projects as well as serving large corporate customers in the region, with the aim of expanding its customer base and recording new business achievements in Southeast Asia. The Group also facilitated collaboration among BOC's entities in the Asia-Pacific region and actively led or participated in regional syndicated loan projects. It continuously optimised its regional product offering, including enhancing the service capabilities of its intelligent Global Transaction Banking (iGTB) platform by launching a number of featured functions tailored to the needs of the Southeast Asian market, which in turn strengthened the diversified service capabilities of its Southeast Asian entities.

Deepening cooperation with commercial and SME customers to promote the development of inclusive finance

The Group fully supported the business development of commercial and SME customers by providing customised financial solutions based on its specialist industry expertise and digital servicing capabilities. It played an active role in various financing schemes propelled by the HKSAR Government and implemented the HKMA's nine supportive measures for SMEs through its participation in the Banking Sector SME Lending Coordination Mechanism, with the aim of supporting the continuous development of SME customers. The Group was one of the first financial institutions to connect with the HKMA's Commercial Data Interchange (CDI) in order to access commercial data from the Commercial Credit Reference Agency and Company Registry, utilising the alternative data offered by the platform to optimise account opening, loan approval and post-lending management processes, thus enhancing service efficiency. These ongoing efforts to provide high-quality SME services won wide acclaim and recognition, with the Group receiving the "Best SME's Partner Award" from the Hong Kong General Chamber of Small & Medium Business for the 17th consecutive year, the "Award of Excellence – SME Banking Service" at the Financial Services Award of Excellence organised by *Hong Kong Economic Journal* for the sixth consecutive year and the "Outstanding Innovative SME Banking Services" at the Fintech Awards – Corporate Banking organised by *etnet* for the third consecutive year.

Driving sustainable development by enhancing green products and services

Sustainable development is one of the Group's core strategic objectives. The Group refined its green finance product and service offering for corporates, positioning itself as a reliable partner for their low-carbon transitions. During the year, it assisted the Hong Kong Housing Society in organising a social loan to fund designated affordable housing projects for people from different walks of life, supporting housing construction and creating long-term value for the sustainable development of the community. It also deepened cooperation with customers in the hotel and transportation industries by providing sustainability-linked loans to support their low-carbon transitions. Acting as joint global coordinator, it assisted the HKSAR Government in successfully issuing multi-currency digital green bonds, thereby supporting green and sustainable finance development in Hong Kong. As at the end of 2024, the balance of the Group's green and sustainability-related loans to corporate customers grew 32.5% compared to the end of last year. BOCHK's efforts in supporting sustainable development were recognised by the market, with the Bank named the "Biggest ESG Impact Bank – Hong Kong SAR (Domestic Category)" in the FinanceAsia Awards 2024 by *FinanceAsia*.

Advancing steady growth in trust and custody business by providing premier services

The Group enhanced its joint marketing efforts with BOC's domestic and overseas entities to deepen collaboration with target customers. It acquired several new portfolio mandates via transfer to the Group. As at the end of 2024, its assets under custody grew by 30% from the end of 2023. Meanwhile, it continuously promoted the construction of its global custody network and expanded its business coverage in key regions, gradually enhancing its market competitiveness. During the year, the Group acted as bond trustee and agent for Airport Authority Hong Kong's retail bond issuance, as well as being appointed as custodian of the digital green bond issued by the HKSAR Government for the second consecutive year. In recognition of its excellent custody services, BOCHK was awarded "Best Custody Specialist, Insurance (Greater China)" in the Triple A Asset Servicing Awards 2024 organised by *The Asset*, and "Northbound Top Custodian" by Bond Connect Company Limited.

BOCI-Prudential Trustee Limited ("BOCI-Prudential Trustee") recorded steady business growth. As at the end of 2024, MPF assets under its trusteeship amounted to HK$95.7 billion, ranking among the top tier in the MPF market. It advanced its business development and diversified its revenue streams by enhancing its fund administration services and custody business. During the year, BOCI-Prudential Trustee was appointed as the custodian or fund administrator for 34 new funds, including 6 spot Bitcoin and Ether ETFs. It received multiple accolades in recognition of its professional service capabilities, including several honours in the 2024 LSEG Lipper Fund Awards jointly organised by *Hong Kong Economic Journal* and London Stock Exchange Group, as well as the "Best Fund Administrator, Retail Funds – Highly Commended" award in the Triple A Sustainable Investing Awards 2024 for Institutional Investors, ETFs, and Asset Servicing Providers 2024 organised by *The Asset*.

Treasury

Financial Results

Treasury recorded a profit before tax of HK$12,681 million, up HK$5,713 million or 82.0% year-on-year, which was mainly attributable to an increase in net trading gain from its global markets business and an increase in net interest income from its banking book investments.

Business Operations

Strengthening the business infrastructure of global markets by expanding its innovative product and service suite while optimising product mix

The Group continuously expanded its treasury product offerings and consolidated its system infrastructure to enhance its treasury services for clients and market-making capabilities. It effectively responded to market changes and actively seized market opportunities. At the same time, it focused on customers' demand for treasury services under cross-border business scenarios, maintaining its market-leading position across all mutual market access schemes. The Group supported more customer issuance of long-term RMB-denominated bonds, enriching the offshore RMB long-term yield curve and consolidating its advantages in offshore RMB business. It actively pushed forward digital transformation, expanded product and service innovation and optimised product mix in order to support its long-term development. This included launching market-making businesses for interest rates, options and non-deliverable forwards (NDF) in the China Foreign Exchange Trade System (CFETS), becoming the first offshore institution to successfully participate in CFETS's standard interest rate swap transaction, introducing a market-making service for RMB futures on Bursa Malaysia Derivatives Berhad, and completing the first cross-border trade-related currency exchange transaction conducted on the mBridge platform. The Group received a number of awards in recognition of its professional expertise in treasury business, including "Best RMB FX Offshore Member", "Best Foreign Currency Market Maker" and "Best Foreign Currency Offshore Market Maker" from CFETS, "2024 Excellent International Member", "Excellent Innovator of International Business" and "Excellent Market Maker of International Board Price Matching Market" from Shanghai Gold Exchange, and "OTC Clear Awards – Top HKD Clearing Member", "OTC Clear Awards – Top Swap Connect Clearing Member" and "Fixed Income and Currencies Awards – Top Key Partner – Currency Futures" from Hong Kong Exchanges and Clearing Limited.

Maintaining a solid and risk-aware investment strategy and balancing risk and return in its banking book

The Group closely monitored changes in worldwide market interest rates adjustments and adopted a cautious approach to managing its banking book investments. It proactively managed risks and deployed pre-emptive measures, while seeking fixed-income investment opportunities to enhance returns. In 2024, in light of the HKMA's measures with regard to the "Expansion of Eligible Collateral for the Renminbi (RMB) Liquidity Facility", the Group executed Hong Kong's first repo transaction collateralised by onshore RMB-denominated debt securities under Northbound Bond Connect.

Actively promoting product innovation and providing diverse investment options for investors

BOCHK Asset Management Limited ("BOCHK AM") remained committed to fostering the steady development of its asset management business. It offered a diverse range of asset management products to meet customers' various investment needs and help them seize market investment opportunities. BOCHK AM recorded a steady growth in both assets under management and operating income for the year. To enrich its offshore RMB investment product offerings, BOCHK AM launched the BOCHK All Weather RMB Money Market Fund. It also introduced a series of new funds covering major global asset classes, providing investors with diversified investment options. BOCHK AM's professional expertise was widely recognised by the market. It was awarded "Best RMB Manager in Hong Kong" and "Best Asia Absolute Return Fund (3 years) – BOCHK All Weather Short Term Bond Fund" at the 2024 Best of the Best Region Awards organised by *Asia Asset Management*. It also received the "Best Multi-Asset Strategy" award at *AsianInvestor's* Asset Management Awards 2024 for its BOCHK All Weather Global Opportunities Fund.

Insurance

Financial Results

In 2024, the Group's insurance segment proactively optimised its product structure and service offerings. The value of standard new premiums increased by 49.5% year-on-year to HK$17,295 million and continued to rank among the top tier in the market. The value of new business grew by 65.4% year-on-year to HK$3,117 million. Profit before tax was up 45.6% year-on-year to HK$1,744 million, mainly driven by business growth and an increase in investment income.

Business Operations

Constantly strengthening multi-channel advantages to balance quality and scale in business development

BOC Life fully leveraged its multi-channel advantages to expand its insurance business while enhancing business collaboration within the Group. It deepened its sales referral model with the Corporate Banking segment and introduced various exclusive customer activities and promotions. It also optimised products and services to meet the wealth inheritance and diversified asset allocation needs of high-net-worth customers, with a view to growing its private banking business. BOC Life expanded its brokerage partnerships by adding brokerage firms with premier banking backgrounds and Chinese mainland business networks, and expanded and strengthened its tied agent workforce. It catered to the diverse needs of different customer segments by targeting different channels and customer segments, and optimising its suite of products. These included the "Star Legacy Private Wealth Whole Life Plan", specifically designed for "Private Wealth" customers, as well as multi-currency products such as "Glamourous Glow Global Whole Life Insurance Plan" and "Eternal Fortune Global Whole Life Insurance Plan". BOC Life continued to develop its wellness ecosystem. Its "Live Young" Rewards App has accumulated over 120,000 users and 80 third-party partners, offering a unique health and social experience. It pushed forward the implementation of its silver economy scenario ecosystem, kick-starting its global sojourn living and wellness strategic network by signing partnership agreements related to cross-border sojourn living and wellness at the 7th China International Import Expo, and driving the development of cross-border pension finance. BOC Life also launched the "RetireCation" experience programme, offering selected customers a new cross-border retirement experience. Taking the lead in establishing the "Assure2gether" Alliance, BOC Life encouraged seniors and caregivers to pay attention to the early prevention of aging-related health risks. As the title sponsor of the BOC Life 9th Golden Age Expo and Summit, BOC Life supported the development of the local silver economy by fully leveraging its unique strengths in "Banking + Insurance", thus building its brand image as an expert in elderly care.

BOC Life is dedicated to benefitting the community and integrating sustainable development into its business strategies and operations, and proactively fulfilled its social responsibilities. Its flagship charity project, "BOC Life New Generation Financial and Technology Designers' Programme", offers underprivileged students a fully subsidised learning and competition programme which includes STEAM and environmental protection elements. The programme has benefitted more than 600 students since 2021. BOC Life continued its partnership with the Business School of the University of Hong Kong by launching the "Future Leadership Scholarship Programme" to reward local undergraduate students who have shown outstanding academic performance, forging the leaders of tomorrow by cultivating their leadership skills, forward vision and sense of social responsibility. As the title sponsor of the "BOC Life 6th Trampoline Asian Championships 2024" and the Hong Kong Premier League, BOC Life helped to nurture the next generation of Hong Kong athletes and promote sports development in the Greater Bay Area. BOC Life adhered to its "people-oriented" philosophy and actively cultivated a pleasant working environment for its staff by organising different forms of experiential learning, promoting cross-departmental mutual understanding and enhancing collaboration among colleagues. Moreover, BOC Life encouraged its staff to participate in charitable activities in an effort to give back and contribute to society, with its employees cumulatively contributing over 870 volunteer service hours in 2024. BOC Life received multiple accolades from Hong Kong's insurance sector in recognition of its high-quality products and services. It was awarded the "2024 Wealth Insurer of the Year" in the 10Life 5-Star Insurance Award 2024, as well as being awarded "Excellent Performer in High Net Worth (Product)" and "Outstanding Performer in Life & Wealth Insurance (Product/Service)" in the insurance category of the Financial Institution Awards 2024 organised by *Bloomberg Businessweek Chinese Edition*. It was also awarded the "Green Office Awards" label and "Eco-Healthy Workplace" label by the World Green Organisation for the third consecutive year.

Southeast Asian business

The Group continued to blend integrated regional development with market-by-market strategies to form a differentiated management approach across its regional entities. Its Southeast Asian entities* recorded steady business growth. As at the end of 2024, deposits from customers and advances to customers amounted to HK$86,180 million and HK$58,744 million respectively, up 16.5% and 9.9% from the end of 2023, excluding the impact of foreign exchange rates. Driven by an improvement in net interest margin, net operating income before impairment allowances stood at HK$4,932 million, an increase of 16.7% year-on-year, excluding the impact of foreign exchange rates. As at the end of 2024, the non-performing loan ratio was 2.78%, down 0.08 percentage points from the end of 2023.

* Referring to the nine Southeast Asian entities of BOC Thailand, BOC Malaysia, Ho Chi Minh City Branch, Manila Branch, Jakarta Branch, Phnom Penh Branch, Vientiane Branch, Brunei Branch and Yangon Branch. Net operating income before impairment allowances and the balances of deposits from customers and advances to customers represent the combined data which were prepared in accordance with Hong Kong Financial Reporting Standards. The non-performing loan ratio was calculated in accordance with local regulatory requirements.

Optimising products and services in Southeast Asia to promote the collaborative development of its regional business

The Group continued to optimise its products and services in Southeast Asia to promote the rapid development of its regional business. It continued to optimise its RMB clearing network in Southeast Asia to support the adoption and development of bilateral local currencies. The RMB Clearing Bank in Cambodia officially commenced business, dedicated to providing premier financial channels and services for Chinese and Cambodian enterprises. The Phnom Penh Branch was authorised by the National Bank of Cambodia to become the clearing bank for the cross-border QR code payment of Alipay and the local payment system, Bakong. It also became the first bank in Cambodia to launch a co-branded debit card compatible with both Cambodian Shared Switch (CSS) and UnionPay, and was authorised by the CFETS to become a member of the interbank RMB foreign exchange market as an overseas clearing bank. The Group successfully signed a memorandum of understanding with UnionPay International, laying the foundation to serve as a settlement bank for cross-border payment interconnection between China and Vietnam. The Group's regional brand influence was continuously enhanced. BOC Malaysia ranked first in the "Eminent Eagles" category of the Golden Eagle Award held by *Nanyang Siang Pau*, while the Jakarta Branch was awarded "Conventional Banks Best Supporters of Foreign Exchange Monetary Control" by Bank Indonesia.

Strictly adhering to the risk "bottom line" and comprehensively strengthening regional risk management capabilities

The Group continued to improve regional risk management, stringently adhered to the risk "bottom line", implemented the "Three Lines of Defence" control mechanism, and firmly upheld the principle of strict control over its Southeast Asian entities. It comprehensively reinforced the credit risk management and control capabilities of its Southeast Asian entities by strengthening the construction of risk management systems, enhancing systematic risk sorting and improving monitoring. It deepened research of Southeast Asian markets and industries, carried out risk investigations on key customers and major projects, and optimised its credit portfolio structure in Southeast Asia. This provided the Group with greater flexibility in identifying and controlling risks, strengthened its capacity to resolve potential adverse risks, and supported high-quality development. By leveraging its systems and technological expertise, the Group advanced system automation and improved the capability and accuracy of its risk management and control processes.

Digital Transformation

In 2024, the Group remained committed to advancing the "BOCHK 2021-2025 Digital Transformation Strategy" and implementing digital transformation. It ensured high-quality and sustainable development by establishing robust work mechanisms and workflows, promoting the integration of business and technology, strengthening its technological foundations and driving innovation and research and development. Upholding a customer-centric approach, the Group continuously enhanced its all-round digital banking services through data-driven, intelligence-driven and ecosystem-driven approaches, promoting open and scenario-based financial service ecosystems, integrated products and services and seamless process experiences. Focusing on its three major markets, it deepened technological empowerment, fostered a strong corporate and innovation culture and nurtured digital talent, with the aim of providing both customers and staff with high-quality digital services and experiences while laying a solid foundation for its long-term development.

Developing ecological, open and scenario-based banking services

The Group actively developed digital services for a range of customer segments and ecosystems. It participated in the construction of various digital ecosystems in Hong Kong, including becoming the first commercial bank in Hong Kong to integrate its internal systems with the mBridge platform, enabling fully automated end-to-end processing abilities for inward and outward remittance transactions. BOCHK is deeply engaged in the development of digital currencies. It has been selected for Phase 2 of the HKMA's e-HKD Pilot Programme and leveraged its blockchain infrastructure to further explore the programmable features of e-HKD for scenarios such as prepayment and the earmarking of dedicated funds for specific purposes. As one of the pioneer banks participating in the HKMA's wholesale central bank digital currency (wCBDC) Project Ensemble Sandbox, the Group successfully completed a proof-of-concept for tokenised money market fund transactions, achieving real-time and synchronised settlement of tokenised deposits and assets and thus deepening understanding of the potential value of tokenised financial asset transactions. At the same time, the Group continued to support the construction of the education ecosystem by improving the content of the one-stop comprehensive education platform ECzone, including "School Corner", "Financial Education", "Career Planning", "Employment for Youth in the Greater Bay Area" and "Mainland Education", encouraging students to learn independently. All these initiatives helped to enhance BOCHK's brand influence.

Promoting integrated products and services

The Group remained committed to developing high-quality integrated financial products and services to improve payment efficiency, transaction transparency and customer experience. Deepening its "mobile first" strategy, the Group supported the linking of BOCHK ATM cards to the UnionPay QuickPass mobile application, allowing customers to make instant payments to merchants in the Chinese mainland, Hong Kong, Macao and overseas using the QuickPass QR code, thus enjoying convenient mobile payments across regions. In addition, customers can travel on designated public transport in the Chinese mainland and Hong Kong using the UnionPay mobile application Transit QR code, offering a smoother travel experience. The Group continued to expand its BoC Pay mobile payment business to align with the HKSAR Government's digitalisation policy. It expanded its payment scenarios to include the Hospital Authority's "HA GO" mobile application and Hong Kong Customs' entry and exit control points. With the e-CNY pilot programme now extended to Hong Kong, the Group launched e-CNY services via BoC Pay. It developed a pioneering e-CNY online top-up function for Tourist Octopus cards to further facilitate customers' cross-border payments. At the same time, it provided e-CNY merchant acquiring services for renowned local retailers in a bid to scale up e-CNY application scenarios. BoC Pay, the e-wallet in Hong Kong with the highest UnionPay Mobile QuickPass transaction volume, supported all QR payment codes for "WeChat Pay" in the Chinese mainland, enhancing payment convenience for customers in the Chinese mainland. In January 2025, a new version of BoC Pay+ was successfully launched, upgrading into a one-stop integrated platform for payment, credit card management and gift point rewards. As at the end of 2024, the number of BoC Pay users increased by 17.9% compared with the end of 2023, while the total transaction amount in 2024 increased by 3.7% year-on-year. Meanwhile, the Group actively expanded BoC Bill's billing services, steadily increasing the number of cooperating merchants and acceptance points. BoC Bill participated in large-scale public transportation billing projects by enabling VISA, Mastercard and UnionPay contactless credit cards and debit cards to be used as payment for Hong Kong MTR fares. The total transaction amount of BoC Bill in 2024 grew by 9.8% year-on-year. The Group comprehensively upgraded the functions of its iGTB corporate mobile banking to meet the mobile financial management needs of SME customers, including one-click instructions and authorisation for foreign exchange transactions, quick payments to frequently-used beneficiaries and mobile cheque deposit. It also included a personalised interface that allows customers to customise frequently-used functions and manage to-do lists, helping SME customers to implement digital business operations. At the same time, it supported commercial customers to open accounts remotely through iGTB MOBILE, thus enhancing the customer experience.

Providing a seamless process experience

The Group implemented process optimisation and innovation, achieving end-to-end digital transformation of its processes and providing customers with cross-regional, omni-channel and seamless services. It improved its online banking and mobile banking services, joined hands with BOC Life to provide "BOC iMortgage-Linked Term Life Insurance Plan" insurance services and launched the market's first online mortgage life insurance product via mobile banking. To comprehensively improve its online service levels, it enhanced bill payment limit functions for online banking and mobile banking, including adding limits for educational institutions. As one of the first batch of participating banks in the Interbank Account Data Sharing (IADS) programme introduced by the HKMA, the Group was the first participating bank to provide account information across banks, and implemented the interbank account overview function for selected customers in 2024. In the first quarter of 2025, the relevant function was fully opened to all customers and more partner banks were connected in succession, facilitating customers to have an overview of their bank account information and financial conditions across different banks, and the sharing of account data with other banks, subject to customers' consent and preferences, and providing a more flexible and convenient financial management service for customers. The Group proactively promoted digital transformation in its Southeast Asian business. It consolidated the integrated funding system infrastructure of the Ho Chi Minh City Branch, Phnom Penh Branch and Vientiane Branch, and increased process automation in its business operations and management across the front, middle and back offices. The Vientiane Branch launched its scan-to-pay and real-time transfer services in support of Laos' national payment network (LAPNet), becoming the country's first local 24-hour small-value real-time payment system.

Deepening technological empowerment by promoting intelligent operations that enhance operational efficiency

The Group continued to advance the development of intelligent operations through process digitalisation, internal operational automation and operational centralisation in order to mitigate operational risks caused by manual handling and improve operational efficiency and capacity, thus achieving a more cost-effective operating model. The Group comprehensively improved its operational management level as well as staff and customer experience. It continuously expanded the application of artificial intelligence (AI) in fraud prevention. By combining AI models with robotic process automation (RPA) technology, it improved identification accuracy of fraudulent cases in credit card and e-channel transactions, ensuring the security of transactions. The Group innovatively utilised generative AI technology to extract and analyse public financial reports, creating a pilot application for relationship managers to use as an internal knowledge base for enterprise information enquiries. The Group enhanced its level of data governance through a series of management measures, including improving data management regulations, strengthening data security management and enhancing data quality.

Optimising innovative mechanisms and cultivating digital-savvy talent

The Group continuously refined its digital transformation policies and systems by cultivating digital-savvy talents, promoting technological empowerment and deepening an innovative corporate culture. These efforts provided a strong foundation for strategic implementation and high-quality development. To meet its strategic and business development needs, the Group actively recruited digital and innovative IT talent through broadening recruitment methods and sources such as job boards, campus recruitment, cross-industry and cross-border hiring, specialised internship programmes launched in collaboration with external organisations and academic institutions, the hosting of technology and innovation competitions, and participation in the HKSAR Government's Greater Bay Area Youth Employment Scheme and the HKMA's Fintech Career Accelerator Scheme (FCAS). The Group also expanded and cultivated its digital talent pool through targeted development plans, including job enrichment, technology and innovation projects, and exchange programmes between business units. It leveraged its "Innovation and Digital Academy" online learning platform to initiate a diversified series of training programmes with the theme of "Business IT Alignment" through learning, practice, competition, site visits and research. The programmes included seminars on digital intelligence and digital currency, co-creation workshop, digital qualification and certification programmes and bank-wide digital skills competition, all with the aim of further enhancing employees' digital awareness. Meanwhile, the Group supported prospective staff members to take part in the HKMA's "Pilot Scheme on Training Subsidy for Fintech Practitioners" in order to increase practitioners' competency levels. In addition, as a theme sponsor of "Hong Kong FinTech Week 2024", the Group convened discussions about financial services and innovative technologies with its peers, promoting the development of Hong Kong's financial ecosystem. It also organised "BOCHK Challenge 2024", covering the four designated application scenarios of wealth management, silver-hair, risk management and ESG, to encourage students from higher education institutions in Hong Kong and working professionals in start-up enterprises to unleash their potential, thus tapping into the innovative promise of every industry through cross-sectoral technological solutions and laying a solid foundation for digital development.

Outlook and Business Focus for 2025

Looking ahead to 2025, central banks are expected to continue loosening monetary policies, but the path of interest rate cuts may show certain divergence. Furthermore, the international situation may become increasingly complex, bringing more uncertainty to global economic and trade conditions. The Chinese mainland's economic fundamentals remain relatively resilient as the country's multiple economic stimulus policies are expected to boost areas such as domestic demand, industrial production and services. In Hong Kong, the economy is projected to recover steadily, building on the foundations established in 2024. The country's vigorous stimulus measures will boost confidence in Hong Kong's financial markets and benefit various local macroeconomic sectors. The Third Plenary Session of the 20th CPC Central Committee proposed to "consolidate and enhance Hong Kong's status as an international financial, shipping and trade centre, and support Hong Kong in building a highland for the gathering of international high-end talents". Central government policies to benefit and support Hong Kong have been successively implemented, and the HKSAR Chief Executive's 2024 Policy Address has proposed a series of strong initiatives to promote economic growth and inject new impetus into Hong Kong's economic development.

The Group will take further concrete steps to enhance its global reach, sharpen its international competitiveness and steadily advance its globalisation strategy. It will enhance its ability to serve its global customer base and strengthen its products and services, and continue to capture business opportunities in its strategic markets of Hong Kong, the Greater Bay Area and Southeast Asia. The Group will deepen market penetration in Hong Kong by tapping the potential of targeted customer segments and enhancing collaboration with institutions in the Greater Bay Area with a view to jointly developing cross-border business opportunities. It will optimise its regional management model in Southeast Asia to improve its regional integrated business services and market competitiveness. At the same time, the Group will enhance its integrated service capabilities and strengthen coordination between its internal and external circulation flows to further expand its non-interest income business, with a view to effectively navigating changes in the operating environment brought about by the start of the interest rate cut cycle. It will improve its integrated RMB services and consolidate its RMB business advantages. It will translate sustainable development concepts into growth momentum, deepen digital transformation, as well as prioritise safe operation, new technological applications and the empowerment of its businesses to achieve a balanced development. At the same time, it will continue to adhere to the risk "bottom line" and further strengthen its staffing, corporate culture and operational resources.

Credit Ratings

As at 31 December 2024	Long-term	Short-term
Standard & Poor's	A+	A-1
Moody's	Aa3	P-1
Fitch	A+	F1+

On 14 November, 2024, Fitch Ratings upgraded BOCHK's long-term issuer default rating to 'A+' and affirmed 'F1+' short-term issuer default rating.

RISK MANAGEMENT

Banking Group

Overview

The Group believes that sound risk management is crucial to the success of any organisation. In its daily operation, the Group attaches a high degree of importance to risk management and emphasises that a balance must be struck between risk control and business development. The principal types of risk inherent in the Group's businesses are credit risk, market risk, interest rate risk, liquidity risk, operational risk, reputation risk, legal and compliance risk, and strategic risk. The Group's risk management objective is to enhance shareholder value by maintaining risk exposures within acceptable limits. The Group has a defined risk appetite statement approved by the Board, which is an expression of the types and level of risk that the Group is willing to take in a controllable way in order to achieve its business goals and to meet the expectations of its stakeholders. For details of the Group's risk management governance structure, please refer to Note 4 to the Financial Statements.

Credit risk management

Credit risk is the risk of loss that a customer or counterparty is unable to or unwilling to meet its contractual obligations. Credit risk exists in the trading book and banking book, as well as from on- and off-balance sheet transactions of the Group. It arises principally from lending, trade finance and treasury businesses. For details of the Group's Credit Risk Management, please refer to Note 4.1 to the Financial Statements.

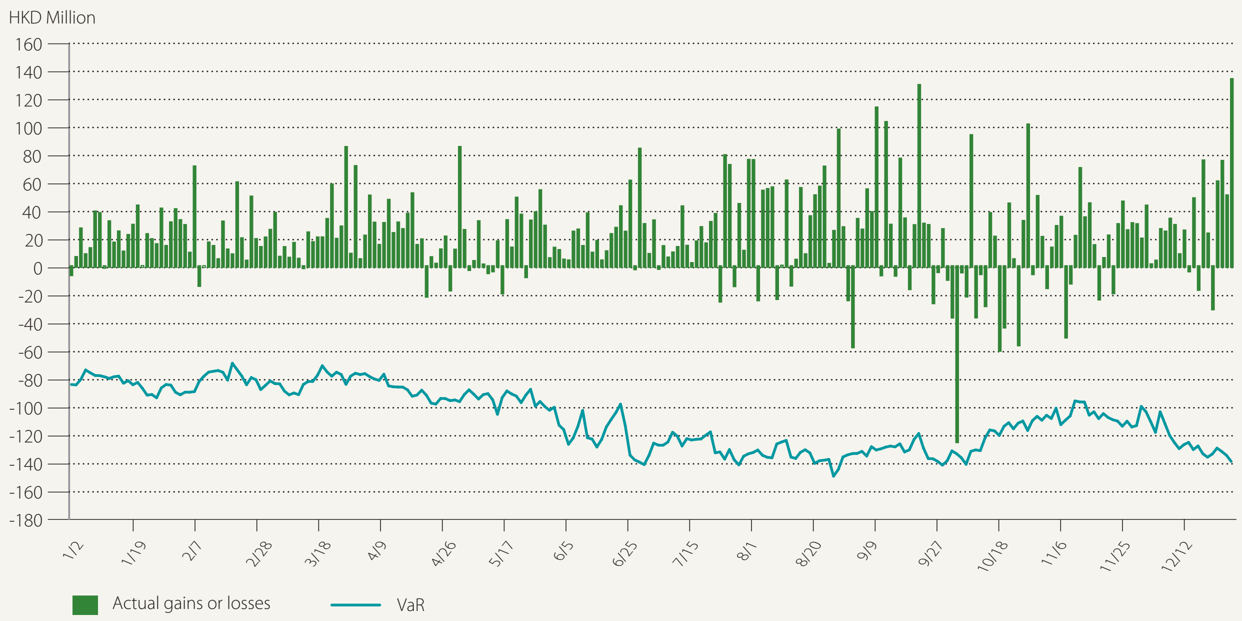
Market risk management

Market risk refers to the risk of loss arising from movements in the value of foreign exchange, interest rate, equity and commodity positions held by the Group due to the volatility of financial market price (foreign exchange rate, interest rate, credit spreads, equity price, commodity price). The Group adopts a moderate market risk appetite to achieve a balance between risk and return. For details of the Group's Market Risk Management, please refer to Note 4.2 to the Financial Statements.

The Group uses the VaR to measure and report general market risks to the Risk Committee ("RC") and senior management on a periodic basis. The Group adopts a uniformed VaR calculation model, using a historical simulation approach and two years of historical market data, to calculate the VaR of the Group and its subsidiaries over a one-day holding period with a 99% confidence level, and sets up the VaR limit of the Group and its subsidiaries.

The Group adopts back-testing to measure the accuracy of VaR model results. The back-testing compares the calculated VaR figure of market risk positions of each business day with the actual and hypothetical gains or losses arising from those positions on the next business day. Generally speaking, the number of back-testing exceptions in a rolling 12-month period will not exceed four times, given a 99% confidence level. The graph below shows the back-testing result of the VaR against actual gains or losses of the Group.

Daily Back-testing in 2024



There were no actual losses exceeding the VaR for the Group in 2024 as shown in the back-testing results.

Interest rate risk management

Interest rate risk means the risks of loss to a bank's earnings and economic value arising from movements in interest rate and term structures of the bank's asset and liability positions. The Group's interest rate risk exposures are mainly from structural positions. The major types of interest rate risk from structural positions are gap risk, basis risk and option risk. For details of the Group's Interest Rate Risk Management, please refer to Note 4.2 to the Financial Statements.

Liquidity risk management

Liquidity risk is the risk that banks may not be able to obtain sufficient and timely funding at a reasonable cost to meet their obligations as they fall due. The Group maintains a sound liquidity risk appetite to provide stable, reliable and adequate sources of cash to meet liquidity needs under normal circumstances and stressed scenarios. For details of the Group's Liquidity Risk Management, please refer to Note 4.3 to the Financial Statements.

Operational risk management

Operational risk is the risk of loss resulting from inadequate or failed internal process, people and system, or from external events. The risk is inherent in all banking products, activities, processes and systems and confronted by the Group in its day-to-day operational activities.

The Group has implemented the "Three Lines of Defence" system for its operational risk management. All departments as the first line of defence are the primary parties responsible for operational risk management, and carry out the duties and functions of risk management in the process of business operation through self assessment, self checking, self correction and self development. The Legal & Compliance and Operational Risk Management Department ("LCO"), together with certain specialist functional units in relation to operational risk management within the Group, including the Human Resources Department, Corporate Services Department, Financial Crime Compliance Department, Financial Management Department, Treasury and General Accounting & Accounting Policy Department (collectively known as "specialist functional units"), are the second line of defence. They are responsible for assessing and monitoring the operational risk conditions in the first line of defence, and providing them with guidance. The LCO, being independent from the business units, is responsible for assisting the Management in managing the Group's operational risk, including the establishment and review of the operational risk management policy and framework, designing the operational risk management tools and reporting mechanism, reviewing and contributing to the monitoring and reporting the overall operational risk profile to the Management and RC. Specialist functional units are required to carry out their leading managerial duties of the second line of defence with respect to some specific aspects of operational risk and its related issues. Apart from taking charge of operational risk management in their own units, these units are also required to provide other units with professional advice/training in respect of certain operational risk categories and to lead the group-wide operational risk management. Group Audit is the third line of defence which provides independent assessment to the effectiveness and adequacy of the operational risk management framework and is required to conduct risk-based review of the operational risk management activities of various departments within the Group regarding their compliance and effectiveness and to put forward recommendations for remedial actions.

The Group has put in place an effective internal control process which requires the establishment of policies and control procedures for all the key activities. The Group adheres to the fundamental principle of proper segregation of duties and authorisation. The Group adopts various operational risk management tools or methodologies such as key risk indicators, self-assessment, operational risk events reporting and review to identify, assess, monitor and control the risks inherent in business activities and products, as well as purchase of insurance, etc. to mitigate unforeseeable operational risks. In addition, each new product/service initiative and outsourcing arrangement is subject to a risk assessment and governance process, where risks are firstly identified and assessed by business unit, and reviewed and challenged by relevant second lines of defence, in accordance with the risk-based principle. Subsequent changes on the existing products, services and outsourcing arrangements are also subject to a similar process. Business continuity plans are established to support business operations in the event of an emergency or disaster. Adequate backup facilities are maintained and periodic drills are conducted.

Reputation risk management

Reputation risk is the risk that negative publicity about the Group's business practices, whether genuine or not, will cause a potential decline in the customer base, or lead to costly litigation or revenue decrease. Reputation risk is inherent in other types of risk and every aspect of business operation and covers a wide spectrum of issues.

In order to mitigate reputation risk, the Group has formulated and duly followed its Reputation Risk Management Policy. The policy aims to identify and prevent reputation risk proactively at an early stage when an incident occurs. Since reputation risk is often caused by various types of operational and strategic issues that negatively impact the trust and perception of the Group, all operational and key risks identified are assessed through the established Key Control Self-Assessment framework, including risk assessment tools, to evaluate the severity of their impact on the Group, including the damage to reputation.

In addition, the Group has put in place a comprehensive framework to continuously monitor reputation risk incidents in the financial industry. This continuous monitoring enables the Group to effectively manage, control and mitigate any potential adverse impact from an incident. The Group also adopts robust disclosure practices to keep our stakeholders informed at all times, which helps build confidence in the Group and establish a strong public image.

Legal and compliance risk management

Legal risk is the risk that unenforceable contracts, lawsuits or adverse judgments may disrupt or otherwise negatively affect the operations or financial conditions of the Group. Compliance risk is the risk of legal or regulatory sanctions, financial losses or losses in reputation the Group may suffer as a result of its failure to comply with applicable laws and regulations. Legal and compliance risks are managed by the LCO, while the risks related to money laundering, terrorist financing, fraud, bribery and corruption are managed and monitored by the Financial Crime Compliance Department ("FCC"). Both LCO and FCC report directly to the CRO. As part of the Group's corporate governance framework, the policies for the management of legal and compliance risks, and money laundering, terrorist financing and financial crime compliance risks are approved by the RC as delegated by the Board.

Strategic risk management

Strategic risk generally refers to the risks that may cause current or future negative impacts on the earnings, or capital or reputation or market position of the Group because of poor business decisions, improper implementation of strategies and inadequacies in the response to the changing market condition. The Board reviews and approves the Strategic Risk Management Policy. Key strategic issues have to be fully evaluated and properly endorsed by the senior management and the Board.

The Group regularly reviews its business strategies to cope with the latest market situation and developments.

Capital management

The major objective of the Group's capital management is to maximise total shareholders' return while maintaining a capital adequacy position in relation to the Group's overall risk profile. The Asset and Liability Management Committee ("ALCO") periodically reviews the Group's capital structure and adjusts the capital mix where appropriate to maintain an optimal balance among risk, return and capital adequacy.

To comply with the HKMA's requirements as stated in the Supervisory Policy Manual "Supervisory Review Process", the Group adopts the internal capital adequacy assessment process ("ICAAP") and reviews it annually. Based on the HKMA's guidelines on Pillar II, ICAAP has been initiated to assess the extra capital needed to cover the material risks not captured or not adequately captured under Pillar I, and therefore minimum Common Equity Tier 1 capital ratio, minimum Tier 1 capital ratio and minimum Total capital ratio are determined.

The HKMA has classified BOCHK as a material subsidiary of the BOC resolution group and required BOCHK to comply with the applicable internal loss-absorbing capacity requirements under the Financial Institutions (Resolution) (Loss-absorbing Capacity Requirements – Banking Sector) Rules ("LAC Rules"), with compliance period starting from 1 January 2023.

Stress testing

The Group supplements the analysis of various types of risks with stress testing. Stress testing is a risk management tool for estimating risk exposures under stressed conditions arising from extreme but plausible market or macroeconomic movements. These tests are conducted on a regular basis by the Group's various risk management units in accordance with the principles stated in the Supervisory Policy Manual "Stress-testing" published by the HKMA. The ALCO monitors the results against the key risk limits approved by the RC. The Financial Management Department reports the combined stress test results of the Group to the Board and RC regularly.

BOC Life

BOC Life's principal business underwrites long-term insurance business in participating business, non-participating business, linked long term business, retirement scheme management and other businesses as defined under the Insurance Ordinance in Hong Kong. Major types of risk arising from BOC Life's insurance business are insurance risk, interest rate risk, liquidity risk, credit risk, equity and fund price risk, currency risk and compliance risk. BOC Life closely monitors these risks and reports to its Risk Management Committee on a regular basis. Furthermore, BOC Life has regular communication with the Group to ensure consistency with the Group's risk management strategy. The key risks of its insurance business and related risk control process are as follows:

Insurance risk management

BOC Life is in the business of insuring against the risk of mortality, morbidity, disability, critical illness, accidents and related risks. These risks are managed through the application of underwriting strategy, reinsurance arrangements and regular experience monitoring.

The underwriting strategy is intended to set premium pricing at an appropriate level that corresponds with the underlying exposure of the risks underwritten, and BOC Life's underwriting procedures include screening processes, such as the review of health condition and family medical history, to ensure alignment with the underwriting strategy.

Uncertainty in the estimation of future benefit payments and premium receipts for long-term insurance contracts arises from the unpredictability of long-term changes in overall levels of mortality, morbidity and persistency. In this regard, BOC Life has conducted relevant experience studies and researches regularly to identify emerging trends. Results would be taken into account in pricing and underwriting management.

For details of the Group's Insurance Risk Management, please refer to Note 4.4 to the Financial Statements.

Interest rate risk management

An increase in interest rates may result in the depreciation of the value of BOC Life's investment assets. A decrease in interest rates may result in an increase in insurance liability and customer dissatisfaction due to decrease in returns. BOC Life manages the matching of assets and liabilities of its portfolios within an asset liability management framework that has been developed to achieve investment returns that match its obligations under insurance contracts; and to manage the adverse impact due to interest rate movement.

Liquidity risk management

BOC Life's liquidity risk is the risk of not being able to meet payment obligations as they fall due. BOC Life's asset and liability management framework includes stress tests and cash flow management to preserve liquidity to fulfil policy payment obligations from time to time.

Credit risk management

BOC Life has exposure to credit risk that a customer, debtor or counterparty will be unable to or unwilling to meet a commitment that they have entered into. Key areas to which BOC Life's insurance business is exposed include:

- Default risk associated with financial instruments or counterparties
- Credit spread widening as a result of credit migration (downgrade)
- Reinsurers' share of unpaid insurance contract liabilities
- Amounts due from reinsurers in respect of claims already paid
- Amounts due from insurance contract holders
- Amounts due from insurance intermediaries

BOC Life manages credit risk by placing limits on its exposure to each investment counterparty or issuer. Such limits are subject to review by the Management at least once a year.

The reinsurance arrangement transfers the insurance risk associated with the insurance contracts to the third party. It does not, however, discharge BOC Life's liability as the primary insurer. If a reinsurer fails to pay a claim for any reasons, BOC Life remains liable for the payment to the policyholder. The creditworthiness of reinsurers is considered by reviewing the reinsurers' financial strength prior to finalisation of any reinsurance contract. Management of BOC Life directs its reinsurance placement policy and assesses the creditworthiness of all reinsurers and intermediaries by reviewing credit grades provided by rating agencies and other publicly available financial information. BOC Life also monitors the reinsurance counterparty risk exposure on an ongoing basis.

Equity and fund price risk management

BOC Life's equity and fund price risk refers to the risk of loss due to volatility of market price in equity securities, investments on fund (including segregated unit-linked fund) and other alternative investments. BOC Life's asset and liability management framework includes managing the adverse impact due to equity price movement through stress test and exposure limit.

Currency risk management

BOC Life's currency risk refers to the risk of loss due to volatility of exchange rate. BOC Life's asset and liability management framework includes managing the adverse impact due to exchange rate movement through stress test, exposure limit and risk limit.

Embracing Green Initiatives

Corporate Information

Board of Directors

Chairman

GE Haijiao#

Vice Chairmen

ZHANG Hui#

SUN Yu

Directors

CHENG Eva*

CHOI Koon Shum*

FUNG Yuen Mei Anita*

LAW Yee Kwan Quinn*

LEE Sunny Wai Kwong*

LIP Sai Wo*

MA Si Hang Frederick*

Non-executive Directors
* Independent Non-executive Directors

Senior Management

Chief Executive

SUN Yu

Deputy Chief Executive and Chief Financial Officer

LIU Chenggang

Deputy Chief Executive and Chief Risk Officer

XU Haifeng

Deputy Chief Executives

XING Guiwei

WANG Huabin

CHAN Man

LI Tong

Company Secretary

HUANG Xuefei

Registered Office

53rd Floor
Bank of China Tower
1 Garden Road
Hong Kong

Auditor

Ernst & Young
Certified Public Accountants
Registered Public Interest Entity Auditor

Share Registrar

Computershare Hong Kong Investor Services Limited
17M Floor, Hopewell Centre
183 Queen's Road East
Wan Chai, Hong Kong

ADR Depositary Bank

Citibank, N.A.
388 Greenwich Street
26th Floor
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United States of America

WEBSITE

www.bochk.com

Board of Directors and Senior Management

DIRECTORS

Mr GE Haijiao

Aged 53

Chairman

Board appointments: Mr GE was appointed as Chairman of the Board, Non-executive Director and Chairman of the Strategy and Budget Committee of the Company and BOCHK since April 2023.

Positions and experience: Mr GE is currently the Chairman and Executive Director of BOC, and Director of BOC (BVI) and BOCHKG. Prior to joining BOC in 2023, he served as a member of the Standing Committee of Hebei Provincial Committee, Executive Vice Governor of Hebei Province, Secretary of the Commission for Science, Technology, and Industry for National Defense under Hebei Provincial Committee, and Head of the Office of Leading Group for Xiong'an New Area Planning and Construction under Hebei Provincial Committee from November 2021 to March 2023, Vice Governor of Hebei Province from September 2019 to November 2021. Mr GE served as Executive Director of China Everbright Group Ltd. from December 2018 to September 2019, Executive Director and President of China Everbright Bank Company Limited (a company listed in Shanghai and Hong Kong) from January 2019 to September 2019, he served as Deputy General Manager of China Everbright Group Ltd. from December 2016 to December 2018. Prior to that, Mr GE held various positions in Agricultural Bank of China Limited (a company listed in Shanghai and Hong Kong) including General Manager of the International Banking Department of Liaoning Branch, General Manager of Liaoyang Branch, Deputy General Manager of Dalian Branch, General Manager of Singapore Branch, Deputy General Manager (department general manager level) of the International Banking Department of Head Office, senior executive of Sydney Branch, and General Manager of Heilongjiang Branch. Mr GE is a delegate to the 14th National People's Congress, and was a delegate to the 13th and 14th Hebei Provincial People's Congress and to the 12th Heilongjiang Provincial People's Congress.

Qualifications: Mr GE obtained a double Bachelor's Degree in Laws and in Economics from the Department of International Economics of Liaoning University in 1993, major in International Finance, a Master's Degree in Economics from the Department of Economics of Jilin University in 1999, major in World Economics, a Master's Degree in Management from Nanjing Agricultural University in 2000, and a Doctor's Degree in Management from Nanjing Agricultural University in 2008. He holds the qualifications of Senior Economist and International Business Engineer.

Skills and expertise: Mr GE has extensive experience in the banking, financial services and policy, substantial knowledge in business management, strategy and corporate governance, with deep understanding of the macroeconomic and regulatory environment.

Mr ZHANG Hui

Aged 52

Vice Chairman

Board appointments: Mr ZHANG was appointed as Vice Chairman, Non-executive Director and member of each of the Nomination and Remuneration Committee as well as the Strategy and Budget Committee of the Company and BOCHK in February 2025.

Positions and experience: Mr ZHANG is currently the Vice Chairman, President and Executive Director of BOC, and Director of BOC (BVI) and BOCHKG. Prior to joining BOC in 2024, he served as Executive Vice President of China Development Bank from February 2021 to November 2024. Mr ZHANG had worked in Bank of Communications Co., Ltd (a company listed in Shanghai and Hong Kong) for many years, and he served as Chief Risk Officer from July 2020 to November 2020. Mr ZHANG served as General Manager of the Risk Management Department and Director of the Internal Control and Crime Prevention Office from February 2019 to November 2020, General Manager of the Risk Management (Asset Preservation) Department from February 2017 to February 2019, and President of Guizhou Branch from November 2016 to February 2017. Before that, he held a number of other positions at Bank of Communications, including Assistant General Manager, Deputy General Manager, Deputy General Manager (presiding over daily work) and General Manager of the Asset Preservation Department, Deputy General Manager of the Risk Management (Asset Preservation) Department, Vice President of Shanghai Branch, and Vice President (performing president's duty) of Guizhou Branch.

Qualifications: Mr ZHANG graduated from Shaanxi Institute of Finance and Economics (currently known as Xi'an Jiaotong University) in 1993 and obtained a Bachelor's Degree in Economics.

Skills and expertise: Mr ZHANG has extensive experience in the banking and financial services industry with substantial knowledge in business management and strategy, corporate governance and risk management.

Mr SUN Yu

Aged 52

Vice Chairman and Chief Executive

Board appointments: Mr SUN has been re-designated as Executive Director and appointed as Vice Chairman and Chief Executive of the Company and BOCHK since December 2020. He is a member of each of the Strategy and Budget Committee as well as the Sustainability Committee, Chairman of BOCHK Charitable Foundation, and Chairman of BOC Life since February 2021. Prior to the re-designation, Mr SUN was a Non-executive Director and a member of the Risk Committee of the Company and BOCHK from March 2020 to December 2020.

Positions and experience: Mr SUN joined BOC in 1998. He served as Executive Vice President of BOC from February 2019 to December 2020, and as Chief Overseas Business Officer of BOC from September 2018 to February 2019. From March 2015 to November 2018, Mr SUN served as General Manager of London Branch of BOC, CEO of Bank of China (UK) Limited, and also served as General Manager of London Trading Center of BOC from December 2015 to November 2018. Mr SUN previously served as Director of Global Financial Markets Department, Director of Financial Markets Unit (Client Business), Director of Financial Markets Unit (Securities Investments) and Deputy General Manager of the Shanghai Branch of BOC. He served as General Manager of Global Markets of BOCHK from July 2012 to December 2014. He was also a Board Director of Bank of China (UK) Limited from March 2015 to September 2021, Chairman of the Board of Directors of Bank of China (UK) Limited from December 2018 to September 2021, Chairman of the Board of Directors of BOC Aviation Limited (listed in Hong Kong) from February 2019 to December 2020, President of Shanghai RMB Trading Unit of BOC from November 2019 to December 2020 and General Manager of Beijing Branch of BOC from December 2019 to December 2020.

Mr SUN also holds a number of public offices in Hong Kong. He is Honorary President of the Hong Kong Chinese Enterprises Association, Chairman of the Chinese Banking Association of Hong Kong, and sits on the Exchange Fund Advisory Committee, the Banking Advisory Committee, and the Council of the Treasury Markets Association. Mr SUN sits on the Advisory Committee on the Northern Metropolis and the Advisory Committee on Attracting Strategic Enterprises of the Government of the HKSAR. He is a member of the Shenzhen-Hong Kong Financial Co-operation Committee, Co-Chairman of Guangdong-HK-Macao Bay Area Entrepreneurs Union, Advisor of Hong Kong Alliance of Technology and Innovation, and sits on the General Committee of the Hong Kong General Chamber of Commerce, the Belt and Road and Greater Bay Area Committee of the Hong Kong Trade Development Council, the Risk Management Committee of the Hong Kong Exchanges and Clearing Limited, and is also Vice President of the Hong Kong Institute of Bankers, etc.

Qualifications: Mr SUN graduated from Nankai University with a Master's Degree in Economics in 1998.

Skills and expertise: Mr SUN has extensive experience in the banking and financial services industry with substantial knowledge in business management and strategy, corporate governance, risk management and sustainable development.

Mdm CHENG Eva

Aged 64

Independent Non-executive Director

Board appointments: Mdm CHENG was appointed as Independent Non-executive Director of the Company and BOCHK in October 2014. She is Chairlady of the Sustainability Committee and a member of each of the Audit Committee as well as the Strategy and Budget Committee.

Positions and experience: Mdm CHENG was former Secretary for Transport and Housing of the Government of the HKSAR. She joined the government's Administrative Service in August 1983 and was posted to various bureaus and departments, including serving as Permanent Secretary for Economic Development and Labour (Economic Development) and Commissioner for Tourism. She retired from the Government of the HKSAR on 30 June 2012.

Qualifications: Mdm CHENG holds a Bachelor's Degree in Social Sciences from The University of Hong Kong.

Skills and expertise: Mdm CHENG has broad knowledge in business strategy, corporate governance, sustainable development as well as environmental, social and governance.

Dr CHOI Koon Shum

Aged 67

Independent Non-executive Director

Board appointments: Dr CHOI was appointed as Independent Non-executive Director of the Company and BOCHK in June 2016. He is Chairman of the Nomination and Remuneration Committee and a member of each of the Strategy and Budget Committee as well as the Sustainability Committee.

Positions and experience: Dr CHOI is Chairman of Sunwah Group, Sunwah International Limited (delisted in Toronto and privatised on 14 June 2021), Sunwah Kingsway Capital Holdings Limited (listed in Hong Kong) and Vietnam VinaCapital. He is also Independent Non-executive Director of Hui Xian Asset Management Limited, the Manager of Hui Xian Real Estate Investment Trust (listed in Hong Kong). Dr CHOI has extensive experience in food industry, real estate development, international trade as well as technology and finance related business.

Dr CHOI is a Standing Committee Member of the National Committee of the Chinese People's Political Consultative Conference of the People's Republic of China. He was awarded the Grand Bauhinia Medal, the highest honor in the HKSAR Award and Recognition System. He also holds a number of public positions including Chairman of the Chinese General Chamber of Commerce in Hong Kong, Chairman of Guangdong-HK-Macao Bay Area Entrepreneurs Alliance, Chairman of the Hong Kong Chamber of Commerce (Qianhai), Economic Advisor to the President of the Chinese Academy of Sciences, Founding Patron and Senior Advisor to the President of the Academy of Sciences of Hong Kong, Vice-Chairman of the China Overseas Friendship Association, Council Member of the Hong Kong Trade Development Council, Founding Chairman of the Hong Kong-Vietnam Chamber of Commerce, Founding Chairman of the Hong Kong-Korea Business Council, Chairman of the China Hong Kong Israel Technology Cooperation and Promotion Center, and Chairman of the US-China Center for Research on Educational Excellence of the Michigan State University. Dr CHOI is a Court or Council Member of a number of universities including the Fudan University, the Nanjing University and the Hong Kong Polytechnic University.

Qualifications: Dr CHOI was conferred Honorary Doctor of Humanities by the Michigan State University in the United States in 2005. He became University Fellow of the Hong Kong Polytechnic University in 2007. He was also conferred Honorary Professor by the University of Glamorgan in the United Kingdom in 2009, Honorary Doctor of Social Sciences by the Lingnan University in Hong Kong in 2011, Honorary Doctor by the Vietnam National University, Hanoi in 2013, Honorary Doctor of Business Administration by the De Montfort University in the United Kingdom in 2014, Honorary Doctor of Law by the University of Alberta in Canada in 2015 and Honorary Doctor of Business Administration by the Hong Kong Metropolitan University (formerly known as The Open University of Hong Kong) in 2020 and Honorary Doctor of International Business Management by Cambodia National University of Management in 2022.

Skills and expertise: Dr CHOI has substantial exposure in business management and strategy, corporate governance, human resource management and sustainable development.

Mdm FUNG Yuen Mei Anita

Aged 64

Independent Non-executive Director

Board appointments: Mdm FUNG was appointed as Independent Non-executive Director of the Company and BOCHK in March 2022. She is Chairlady of the Risk Committee and a member of each of the Audit Committee, the Nomination and Remuneration Committee, the Strategy and Budget Committee as well as the Sustainability Committee.

Positions and experience: Mdm FUNG previously served as Group General Manager of HSBC Holdings plc from May 2008 to February 2015, Chief Executive Officer of Hong Kong region of The Hongkong and Shanghai Banking Corporation Limited ("HSBC") from September 2011 to February 2015. Mdm FUNG served consecutively as treasurer and head of global markets for Asia Pacific, head of global banking and markets for Asia Pacific of HSBC. Mdm FUNG is currently Independent Non-executive Director of Hang Lung Properties Limited (listed in Hong Kong), a court member of The Hong Kong University of Science and Technology, Steward of The Hong Kong Jockey Club and Member of Hospital Authority. Mdm FUNG held directorships in several listed companies in the past, including Independent Non-executive Director of China Construction Bank Corporation as well as Hong Kong Exchanges and Clearing Limited, Non-executive Director of Bank of Communications Co., Ltd and Hang Seng Bank Limited (all companies are listed in Hong Kong). She also previously held a number of public positions including Independent Non-executive Member of the Board of Airport Authority Hong Kong, Non-official Member of Hong Kong Housing Authority, Member of the Board of West Kowloon Cultural District Authority, Non-executive Director of The Hong Kong Mortgage Corporation Limited, a member of the Judicial Officers Recommendation Commission and Director of M Plus Museum Limited.

Qualifications: Mdm FUNG obtained her Bachelor's degree in Social Science from The University of Hong Kong in 1983 and Master's degree in Applied Finance from Macquarie University, Australia in 1995.

Skills and expertise: Mdm FUNG has extensive experience in the banking and financial services industry with substantial knowledge in business management and strategy, capital market, corporate governance, risk management and sustainable development.

Mr LAW Yee Kwan Quinn

Aged 72

Independent Non-executive Director

Board appointments: Mr LAW was appointed as Independent Non-executive Director of the Company and BOCHK in March 2019. He is a member of each of the Audit Committee, the Risk Committee and the Sustainability Committee.

Positions and experience: Mr LAW currently serves as a court member of The Hong Kong University of Science and Technology ("HKUST"), a governing board member of HKUST (Guangzhou), and an advisor of Hong Kong Business Accountants Association. He previously served as a council member cum audit committee chairman and standing committee member of the HKUST, and also as member of a number of committees of Hong Kong Institute of Certified Public Accountants ("HKICPA"), including Corporate Governance Committee, Professional Accountants in Business Committee, Professional Conduct Committee and Ethics Committee. He held directorships in several listed companies both in Hong Kong and overseas in the past. He was formerly Deputy Chairman and Managing Director of Urban Renewal Authority, Director of The Wharf (Holdings) Limited, Independent Non-executive Director of Bank of Tianjin Co., Ltd and Independent Non-executive Director of HKBN Limited. Mr LAW is currently Independent Non-executive Director of ENN Energy Holdings Limited, and serves as an external Supervisor and the chairman of the Nomination Committee of the Board of Supervisors of Bank of Tianjin Co., Ltd. (all companies are listed in Hong Kong).

Qualifications: Mr LAW is a certified public accountant and also a fellow member of HKICPA, a fellow member of The Association of Chartered Certified Accountants and an associate member of The Chartered Governance Institute. He is an honorary fellow of HKUST.

Skills and expertise: Mr LAW has extensive experience in accounting and finance, banking, business strategy, corporate governance, risk management and sustainable development.

Mr LEE Sunny Wai Kwong

Aged 65

Independent Non-executive Director

Board appointments: Mr LEE was appointed as Independent Non-executive Director of the Company and BOCHK in September 2022. He is a member of each of the Audit Committee, the Nomination and Remuneration Committee, the Risk Committee, the Strategy and Budget Committee as well as the Sustainability Committee.

Positions and experience: Mr LEE has more than 40 years of experience in business and technology management gained in both Hong Kong and overseas. Mr LEE is the former Vice President (Administration) of City University of Hong Kong. He was Vice President and Systems Director of the Bank of America in Hong Kong. He has held key Information Technology ("IT") positions in the financial, management consulting and manufacturing industries in the United States. Mr LEE was an Executive Director of IT of The Hong Kong Jockey Club ("HKJC"), where he served as member of board of management and had overall responsibility for HKJC's IT strategy and innovation. Prior to joining HKJC, he served at The Hong Kong and China Gas Company Limited where he was an executive committee member and held a number of key positions, including the Group's Chief Information Officer and Chief Executive Officer of two strategic diversification businesses, iCare.com Limited and Towngas Telecommunications Company Limited.

Mr LEE is currently an Independent Non-executive Director of MTR Corporation Limited and SUNeVision Holdings Ltd. (both companies are listed in Hong Kong). He also serves in many governing and advisory committees in academic, professional and community arena. He is the Board Chairman of Hong Kong Applied Science and Technology Research Institute Company Limited, an Ex-officio Member of Committee on Innovation, Technology and Industry Development of the HKSAR and a Council Member of each of Hong Kong Management Association, Hong Kong Quality Assurance Agency and Hong Kong Professionals and Senior Executives Association. Mr LEE is a Distinguished Fellow of Hong Kong Computer Society, a Chartered IT Professional of The British Computer Society, a Fellow of The Hong Kong Institution of Engineers, a Chartered Engineer of United Kingdom Engineering Council and a Fellow of Hong Kong Institute of Directors.

Qualifications: Mr LEE obtained his Bachelor's degree in 1982 and a Master's degree in Operations Research & Industrial Engineering in 1983, both from Cornell University in the United States.

Skills and expertise: Mr LEE has extensive experience in business management and strategy, corporate governance, information technology management and sustainable development.

Mr LIP Sai Wo

Aged 65

Independent Non-executive Director

Board appointments: Mr LIP was appointed as Independent Non-executive Director of the Company and BOCHK in June 2023. He is Chairman of the Audit Committee and a member of each of the Risk Committee, the Strategy and Budget Committee as well as the Sustainability Committee.

Positions and experience: Mr LIP had been working with Deloitte for about 40 years and has extensive experience in accounting and auditing. Prior to retirement as partner of Deloitte China in May 2022, Mr LIP had previously served as audit managing partner, reputation and risk managing partner and chief quality and ethics officer as well as member of management committee of Deloitte China.

Qualifications: Mr LIP was graduated from The Chinese University of Hong Kong in 1983 and holds a Bachelor's degree in Business Administration. He is a fellow member of HKICPA and a fellow member of The Association of Chartered Certified Accountants.

Skills and expertise: Mr LIP has extensive experience in accounting and finance, business strategy, corporate governance, risk management and sustainable development.

Prof MA Si Hang Frederick

Aged 73

Independent Non-executive Director

Board appointments: Prof MA was appointed as Independent Non-executive Director of the Company and BOCHK in October 2023. He is a member of each of the Nomination and Remuneration Committee, the Strategy and Budget Committee as well as the Sustainability Committee.

Positions and experience: Prof MA is currently chairman and independent non-executive director of FWD Group Holdings Limited, an independent non-executive director of COSCO Shipping Holdings Co., Ltd. (listed in Hong Kong) and a non-executive director of Unicorn II Holdings Limited (a company privatised and delisted in New York in January 2022), a member of the Chief Executive's Council of Advisers and a member of the International Advisory Council of China Investment Corporation. Prof MA held directorships in several listed companies in the past, including independent non-executive director of Guangshen Railway Company Limited (listed in Shanghai and Hong Kong), independent non-executive director of Husky Energy Inc. (listed in Toronto), independent non-executive director of the Agricultural Bank of China Limited (listed in Shanghai and Hong Kong), chairman and non-executive director of MTR Corporation Limited (listed in Hong Kong), an independent non-executive director of China Resources Land Limited (listed in Hong Kong) and an independent non-executive director of HH&L Acquisition Co. (listed in New York). Prof MA previously served as the managing director of UK branch of RBC Dominion Securities Inc., the deputy chairman and managing director of Kumagai Gumi Co. Ltd, the managing director and Asia-Pacific Area Director of Global Private Bank of Chase Manhattan Bank, the Asia-Pacific Chief Executive of JP Morgan Private Bank, the Chief Financial Officer and Executive Director of PCCW Limited, the Secretary for Financial Services and the Treasury of the Government of the HKSAR, the Secretary for Commerce and Economic Development of the Government of the HKSAR.

Qualifications: Prof MA graduated with a Bachelor of Arts (Honours) degree from The University of Hong Kong majoring in economics and history. He is a Permanent Honourable President of Hong Kong Special Schools Council since 2011. He is also an Honorary Professor of the Business School at The University of Hong Kong, the Faculty of Business Administration at The Chinese University of Hong Kong and The Education University of Hong Kong. He was conferred the Honorary Doctor of Social Sciences by Lingnan University, City University and Education University of Hong Kong in 2014, 2016 and 2024 respectively. He was the Council Chairman of The Education University of Hong Kong from 2017 to 2020.

Skills and expertise: Prof MA has extensive experience in business management and strategy, corporate governance, human resource management and sustainable development.

SENIOR MANAGEMENT

Mr LIU Chenggang

Aged 52

Deputy Chief Executive and Chief Financial Officer

Mr LIU joined the Group in 2022. He is Deputy Chief Executive and Chief Financial Officer of the Group, and also Chairman of Livi Bank Limited and Director of Hong Kong Note Printing Limited. Prior to joining the Group, Mr LIU served as General Manager of Equity Investment and Subsidiary Management Department of BOC. He joined BOC in 1994. He had served as General Manager of Financial Management Department, as well as General Manager of Treasury, and had worked in various departments at the head office, Macau Branch and Shenzhen Branch. Mr LIU has solid experience in financial management, treasury and global markets functions with a good understanding on the operation and management of BOC headquarters, branches, as well as domestic and overseas subsidiaries. Mr LIU possesses Masters' degrees in International Finance from PBC School of Finance, Tsinghua University and Applied Finance in Macquarie University, Australia. He also obtained the qualifications of China Senior Accountant and Chartered Financial Analyst (CFA).

Mr XU Haifeng

Aged 53

Deputy Chief Executive and Chief Risk Officer

Mr XU joined the Group in 2022. He is Deputy Chief Executive and Chief Risk Officer of the Group, and also Non-Executive Director of BOC Group Life Assurance Company Limited. He also serves as Vice Chairman of Hong Kong Green Finance Association. Prior to joining the Group, Mr XU was Chairman of Bank of China (Europe) S.A. and General Manager of BOC Luxembourg Branch. Mr XU joined BOC in 1993, then held management positions in various institutions including Head Office, Liaoning Branch, New York Branch as Deputy General Manager, Hungary Branch as General Manager, etc. Mr XU has a Bachelor's Degree in International Finance from Dongbei University of Finance and Economics, and a Master's Degree in Business Administration from The Chinese University of Hong Kong.

Mr XING Guiwei

Aged 52

Deputy Chief Executive

Mr XING joined the Group in 2022. He is Deputy Chief Executive of the Group and also Chairman of Hong Kong Interbank Clearing Limited and member of Risk Management Committee of Hong Kong Exchanges and Clearing Limited. Prior to joining the Group, Mr XING was Chairman of BOC Financial Technology Company Limited and Head of BOC Financial Technology Innovation Office. Mr XING joined BOC in 2000, then held various positions including Chief Architect and General Manager of Information Technology Department. Mr XING was Deputy Chairman of the Beijing Fintech Industry Alliance, Chairman of the Technical Standards Committee of the Payment & Clearing Association of China, Vice Chairman of Technology Management Committee of NetsUnion, and technology committee member of UnionPay and various other organisations. As a veteran in IT planning and strategy, Mr XING has solid IT and architecture management expertise, as well as extensive practical experience. Mr XING has a Bachelor's Degree in Information Science and a Doctor's Degree in Applied Mathematics from Peking University.

Mr WANG Huabin

Aged 51

Deputy Chief Executive

Mr WANG joined the Group in 2024. He is Deputy Chief Executive of the Group. He is also Chairman of BOCI-Prudential Trustee and BOC Group Trustee Company Limited, as well as Director of BOCG Insurance. Prior to joining the Group, Mr WANG was General Manager of Financial Institutions Department of BOC. He joined BOC in 2000 and had served as Head (International Settlement & Trade Finances) in Corporate Banking Department of BOC, Deputy General Manager and Corporate Banking Director of BOC London Branch and General Manager of BOCHK Phnom Penh Branch. Mr WANG is well versed in international financial markets, with extensive experience in corporate and institutional banking business. Mr WANG has a Bachelor's Degree in Economics from Nankai University, a Master's Degree in Finance from University of International Business and Economics and a Master's Degree in Business Administration from Bayes Business School at City, University of London.

Mr CHAN Man

Aged 56

Deputy Chief Executive

Mr CHAN joined the Group in 1990. He is Deputy Chief Executive of the Group and also Chairman of BOCCC and Director of BOC Life. He also serves as member of Human Resources Planning Commission of the HKSAR Government, member of Corruption Prevention Advisory Committee of the Independent Commission Against Corruption, member of the Financial Infrastructure and Market Development Sub-Committee of the Exchange Fund Advisory Committee, member of the Board of Inland Revenue, and board member of the Community Chest. From July 1990 to September 2001, Mr CHAN held various positions in Hua Chiao Commercial Bank Limited, formerly a member bank of Bank of China Group in Hong Kong. Following the restructuring of the business of Bank of China Group's member banks in Hong Kong, Mr CHAN has served various positions in the Group since October 2001, including Head of Product Development Division of Economics & Strategic Planning Department, Deputy General Manager of Corporate Banking & Financial Institutions Department, General Manager of Business Optimisation Center, General Manager of Institutional Business Department, General Manager of Personal Banking and Wealth Management Department, and was promoted to his current role in August 2022. Mr CHAN graduated in Business Studies (Banking) programme with Bachelor's Degree qualification from Hong Kong Polytechnic University (formerly known as Hong Kong Polytechnic).

Mdm LI Tong

Aged 54

Deputy Chief Executive

Mdm LI joined the Group in 2024. She is Deputy Chief Executive of the Group and also Chairman of BOCHK Asset Management Limited. Prior to joining the Group, Mdm LI served as CEO, Executive President and Executive Director of BOCI. She joined BOC in 1993 and has worked in multiple branches both on the Chinese mainland and overseas. Mdm LI possesses a wealth of experience in the realms of commercial banking, investment banking and global financial markets, complemented by an international vision. Mdm LI has a Bachelor's Degree in International Trade from Dongbei University of Finance and Economics, and a Master's Degree in Business Administration from Tsinghua University.

Report of the Directors

The Directors are pleased to present their report together with the audited consolidated financial statements of the Group for the year ended 31 December 2024.

Principal Activities

The principal activities of the Group are the provision of banking and related financial services. An analysis of the Group's performance for the year by business segments is set out in Note 45 to the Financial Statements.

Business Review

For business review of the Group for the year, please refer to "Message from the Chairman", "Message from the Chief Executive", "Management Discussion and Analysis", "Corporate Governance", our Sustainability Report and corporate website.

Results and Appropriations

The results of the Group for the year are set out in the consolidated income statement on page 129.

The Board has recommended a final dividend of HK$1.419 per share, amounting to approximately HK$15,003 million, subject to the approval of shareholders at the forthcoming annual general meeting of the Company (the "2025 AGM"). If approved, together with the interim dividend of HK$0.570 per share declared in August 2024, the total dividend payout for 2024 would be HK$1.989 per share. The Company will give a notice on the 2025 AGM and closure of its Register of Members upon determination of the date of the 2025 AGM and the entitlement to the final dividend as and when appropriate.

Donations

Charitable and other donations made by the Group during the year amounted to approximately HK$62 million.

Note: These donations do not include the donations and sponsorships made by BOCHK Charitable Foundation ("the Foundation". For details, please refer to our Sustainability Report and corporate website). The Foundation is a separate legal entity established in Hong Kong and is a charitable institution exempted from tax under the Inland Revenue Ordinance.

Shares Issued

Details of the Company's issued shares are set out in Note 39 to the Financial Statements.

As at the latest practicable date prior to the issue of this Annual Report and based on publicly available information, the public float of the Company was approximately 34%. The Directors consider that there is sufficient public float in the shares of the Company.

Debentures Issued

During the year, BOCHK issued the following debentures to raise funds for supporting the daily operation of BOCHK's RMB business in Hong Kong and Southeast Asia.

Class	Amount issued	Consideration received
2% RMB Bond due 2026	RMB5,000,000,000	RMB5,000,000,000

Distributable Reserves

Distributable reserves of the Company as at 31 December 2024, calculated under Part 6 of the Hong Kong Companies Ordinance, amounted to approximately HK$22,998 million.

Five-year Financial Summary

A summary of the results, assets and liabilities of the Group for the last five years is set out on page 3.

Directors

The list of Directors of the Company is set out on page 54. The biographical details of the Directors and senior management are set out on pages 55 to 67. The term of office for each Non-executive Director is approximately three years.

Mr ZHANG Hui has been appointed as Vice Chairman and Non-executive Director with effect from 6 February 2025. Mr LIU Jin resigned as Vice Chairman and Non-executive Director with effect from 25 August 2024. Mr LIN Jingzhen resigned as Non-executive Director with effect from 7 January 2025.

In accordance with Article 98 of the Articles of Association and pursuant to Code Provision B.2.2 of the Corporate Governance Code as set out in Appendix C1 of the Listing Rules, the term of office of Mdm FUNG Yuen Mei Anita will expire at the 2025 AGM. Mdm FUNG, being eligible, will offer herself for re-election at the 2025 AGM. Further, pursuant to Article 102 of the Articles of Association, any Director appointed by the Board shall hold office only until the next following general meeting or the next following annual general meeting, and shall then be eligible for re-election at such meeting. Accordingly, the term of office of Mr ZHANG Hui will expire at the forthcoming annual general meeting and, being eligible, will offer himself for re-election.

A full list of the names of the directors of the Company's subsidiaries during the year ended 31 December 2024 is kept at the Company's registered office.

Directors' Service Contracts

No Director offering for re-election at the 2025 AGM has a service contract with the Company or any of its subsidiaries which is not determinable by the employing company within one year without payment of compensation other than the normal statutory compensation.

Directors' Interests in Transactions, Arrangements or Contracts

No transactions, arrangements or contracts of significance, in relation to the Group's business to which the Company, its holding companies, or any of its subsidiaries or fellow subsidiaries was a party and in which a Director or his/her connected entity had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

Directors' Interests in Competing Business

Mr GE Haijiao and Mr ZHANG Hui are Executive Directors of BOC. During the year and as at the date of this Annual Report, Mr LIU Jin and Mr LIN Jingzhen were Executive Directors of BOC.

BOC is a joint stock commercial bank with limited liability, established under the laws of the PRC, providing a full range of commercial banking and other financial services through its associates throughout the world. Certain of the Group's operations overlap with and/or are complementary to those of BOC and its associates. To the extent that BOC or its associates compete with the Group, the Directors believe that the Group's interests are adequately protected by good corporate governance practices and the involvement of the Independent Non-executive Directors.

Further, the Board's Mandate also expressly provides that unless permissible under applicable laws or regulations, if a substantial shareholder or a Director has a conflict of interest in the matter to be considered by the Board, the matter shall not be dealt with by way of written resolutions, but a Board meeting attended by the Independent Non-executive Directors who have no material interest in the matter shall be held to deliberate on the same.

Save as disclosed above, none of the Directors is interested in any business apart from the Group's business, which competes or is likely to compete, either directly or indirectly, with the Group's business.

Directors' Rights to Acquire Shares

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

Directors' and Chief Executive's Interests in Shares, Underlying Shares and Debentures

As at 31 December 2024, the interests and short positions of the Directors, Chief Executive and their respective associates in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) as recorded in the register required to be kept by the Company pursuant to section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix C3 of the Listing Rules (the "Model Code") are set out below:

Associated corporation of the Company:

Bank of China Limited (H Shares)

Name of Director	Number of shares/underlying shares held				Approximate % of the total issued H shares
	Personal interests	Family interests	Corporate interests	Total	
SUN Yu	10,000	–	–	10,000	0.00%[1]
CHOI Koon Shum	4,000,000	40,000[2]	1,120,000[3]	5,160,000	0.01%
FUNG Yuen Mei Anita	550,000	–	–	550,000	0.00%[4]
LIP Sai Wo	201,000	–	–	201,000	0.00%[5]

Notes:
1. Such shares held by Mr SUN Yu represent approximately 0.00001% of the total issued H shares of BOC.
2. Such shares are held by the spouse of Dr CHOI Koon Shum.
3. Dr CHOI Koon Shum is deemed to be interested in the 1,120,000 shares held through Choi Koon Shum Charitable Foundation Limited by virtue of the SFO.
4. Such shares held by Mdm FUNG Yuen Mei Anita represent approximately 0.0007% of the total issued H shares of BOC.
5. Such shares held by Mr LIP Sai Wo represent approximately 0.0002% of the total issued H shares of BOC.

All the interests stated above represented long positions. Save as disclosed above, as at 31 December 2024, none of the Directors, Chief Executive or their respective associates had any interests or short positions in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) as recorded in the register required to be kept by the Company pursuant to section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

Interest of Substantial Shareholders

The register maintained by the Company pursuant to section 336 of the SFO recorded that, as at 31 December 2024, the following parties had the following interests (as defined in the SFO) in the Company set opposite their respective names:

Name of Corporation	Number of shares held in the Company	Approximate % of the total issued shares
Central Huijin	6,984,274,213	66.06%
BOC	6,984,274,213	66.06%
BOCHKG	6,984,175,056	66.06%
BOC (BVI)	6,984,175,056	66.06%

Notes:

1. Following the reorganisation of BOC in August 2004, Central Huijin holds the controlling equity capital of BOC on behalf of the State. Accordingly, for the purpose of the SFO, Central Huijin is deemed to have the same interests in the Company as BOC.
2. BOC holds the entire issued shares of BOCHKG, which in turn holds the entire issued shares of BOC (BVI). Accordingly, BOC and BOCHKG are deemed to have the same interests in the Company as BOC (BVI) for the purpose of the SFO. BOC (BVI) beneficially held 6,984,175,056 shares of the Company.
3. BOC holds the entire issued shares of BOCI, which in turn holds the entire issued shares of BOCI Asia Limited and BOCI Financial Products Limited. Accordingly, BOC is deemed to have the same interests in the Company as BOCI Asia Limited and BOCI Financial Products Limited for the purpose of the SFO. BOCI Asia Limited had an interest in 24,479 shares of the Company and an interest in 72,000 shares held under physically settled equity derivatives while BOCI Financial Products Limited had an interest in 2,678 shares of the Company.

All the interests stated above represented long positions. Apart from the disclosure above, according to the register maintained by the Company pursuant to section 336 of the SFO, BOCI Financial Products Limited had an interest in 143,522 shares which represented short positions. BOC and Central Huijin are deemed to be interested in such number of shares for the purpose of the SFO. Save as disclosed, no other interests or short positions were recorded in the register maintained by the Company under section 336 of the SFO as at 31 December 2024.

Management Contracts

No contracts concerning the management and administration of the whole or any substantial part of the business of the Company were entered into or existed during the year.

Equity-linked Agreements

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

Permitted Indemnity Provision

Pursuant to the Articles of Association, every Director shall be indemnified out of funds of the Company against all liabilities incurred by him/her to the extent permitted by the Hong Kong Companies Ordinance. The Company has maintained insurance for the benefit of the Directors against liability which may lawfully be insured by the Company.

Purchase, Sale or Redemption of the Company's Shares

During the year, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's shares.

Major Customers

During the year, the five largest customers of the Group accounted for less than 30% of the total of interest income and other operating income of the Group.

Connected Transactions

The Independent Non-executive Directors have reviewed the transactions which the Company disclosed in a public announcement on 30 December 2022 and confirmed that these transactions were:

(i) entered into in the ordinary and usual course of business of the Group;

(ii) conducted on normal commercial terms or better; and

(iii) entered into according to the relevant agreements governing them on terms that are fair and reasonable and in the interests of the shareholders of the Company as a whole.

In accordance with paragraphs 14A.56 and 14A.71(6)(b) of the Listing Rules, the Board of Directors engaged the auditor of the Company to report on the Group's continuing connected transactions in accordance with Hong Kong Standard on Assurance Engagements 3000 (Revised) "Assurance Engagements Other Than Audits or Reviews of Historical Financial Information" and with reference to Practice Note 740 (Revised) "Auditor's Letter on Continuing Connected Transactions under the Hong Kong Listing Rules" issued by the Hong Kong Institute of Certified Public Accountants. The auditor has issued its unqualified letter containing its findings and conclusions in respect of the above continuing connected transactions.

Compliance with the Banking (Disclosure) Rules and the Listing Rules

This Annual Report complies with the applicable requirements set out in the Banking (Disclosure) Rules under the Banking Ordinance and the applicable disclosure provisions of the Listing Rules.

Auditor

Messrs Ernst & Young has been appointed as auditor of the Company at the extraordinary general meeting of the Company held on 24 September 2024 to succeed Messrs PricewaterhouseCoopers.

The financial statements for the year 2024 have been audited by Messrs Ernst & Young who will retire and offer themselves for re-appointment at the 2025 AGM.

On behalf of the Board

GE Haijiao
Chairman
Hong Kong, 26 March 2025

Corporate Governance

Principles and Practices

The Company is committed to maintaining and upholding high standards of corporate governance in order to safeguard the interests of shareholders, customers and employees. It abides strictly by the relevant laws and regulations in Hong Kong and other jurisdictions where the Group operated, and observes the rules and guidelines issued by regulatory authorities including the HKMA, Hong Kong Securities and Futures Commission and the Stock Exchange of Hong Kong. The Company from time to time reviews the corporate governance practices as adopted and strives to comply with the relevant requirements of international and local corporate governance best practices.

The Company has been in full compliance with all code provisions as set out in the Corporate Governance Code contained in Appendix C1 of the Listing Rules. The Company also complies with nearly all the recommended best practices set out in the said code. In particular, the Company publishes quarterly financial and business reviews within one month after the end of the relevant quarter so that shareholders and investors can be kept up to date of the performance, financial positions and prospects of the Company on a timely basis. The Company also conducts annual evaluation on the Board, and based on the evaluation feedback, to enhance Board efficiency and effectiveness.

BOCHK, the Company's wholly-owned and principal operating subsidiary, has followed the guidelines as set out in the Supervisory Policy Manual module CG-1 entitled Corporate Governance of Locally Incorporated Authorised Institutions issued by the HKMA.

To further enhance corporate governance standard, the Company will revamp its corporate governance system and strengthen relevant measures by referencing to market trend as well as guidelines and requirements issued by regulatory authorities. The Company will continue to maintain sound corporate governance standards and procedures to ensure the completeness, transparency and quality of our information disclosure.

Corporate Governance Policy

Policy Statement

The Company recognises the importance of high standards of corporate governance and maintains an effective corporate governance framework which delivers long-term success of the Group. The Company is also strongly committed to embracing and enhancing sound corporate governance principles and practices. The established well-structured corporate governance framework directs and regulates the business ethical conduct of the Company, thereby protects and upholds the interests of shareholders and stakeholders as a whole in a sustainable manner.

Essential Principles

(1) Eminent Board

Authority	The Board is responsible for supervising the management of the business and affairs of the Group with due regard to maximising shareholder value and enhancing corporate governance standard of the Group. The Board is obliged to act honestly and in good faith and to make decisions objectively in the best interests of the Group and its shareholders as a whole.
Structure	The Company is led by a high caliber Board with strong representation of Independent Non-executive Directors. The Board has a well-balanced composition of the Executive Director(s), Non-executive Directors and Independent Non-executive Directors. Both the number and percentage of Independent Non-executive Directors are well above the requirements set by relevant rules and regulations. All Directors are eminent individuals from diverse disciplines with extensive professional experience and are able to make objective judgement.
Roles of the Chairman and the Chief Executive	In order to promote balance of power, the roles of the Chairman and the Chief Executive are segregated. The Company benefits from the segregation as the Chairman can focus on leading the Board and monitoring corporate governance and shareholder issues, while the Chief Executive leads the Management to perform the day-to-day operations and affairs of the Company.
Board Committees	The Board has established five standing Board Committees which are delegated with different responsibilities to assist the Board in performing its duties. They are Audit Committee, Nomination and Remuneration Committee, Risk Committee, Strategy and Budget Committee as well as Sustainability Committee. All Board Committees comprised a majority of Independent Non-executive Directors with most of them chaired by an Independent Non-executive Director. Each of the Board Committees has a well-defined mandate with the roles and responsibilities delineated therein. The performance and effectiveness of these standing Board Committees are evaluated annually with a view to making further enhancement. Other Board Committees like Independent Board Committee and Search Committee will be formed as and when required under the appropriate circumstances.

(2) Prudent Risk Management

The Board recognises the need for risk control and management being a vital component of the business of the Group. The Board formulates and oversees the risk management strategies, and the related framework and policies with the assistance of the Risk Committee and other relevant Board Committee(s). The Management performs the daily risk management responsibilities of the Group under the guidance of the Risk Committee.

(3) Fair Remuneration System

The Company ensures that Directors' remuneration should be appropriate and reflect their duty and responsibility to fulfil the expectations of the shareholders and meet regulatory requirements. Directors' fees are subject to the approval of the shareholders. The Board, based on the recommendations of the Nomination and Remuneration Committee which is mainly responsible for ensuring the fairness and reasonableness of the overall human resources and remuneration strategies, approves the remuneration policies of the Group. No Director shall be involved in deciding his or her own remuneration.

(4) Effective Disclosure Mechanism

The Board reviews and monitors from time to time the effectiveness of the Group's disclosure process for reports, announcements and inside information. It encourages and takes necessary steps to disclose information in a timely manner and to ensure the information concerning the Group is expressed and communicated in a clear and objective manner that enables the shareholders and the public to appraise the position of the Group to make informed investment decisions.

(5) Upholding Shareholders' Rights

The Board respects the rights of shareholders as mandated by the articles of association of the Company (the "Articles of Association") and relevant applicable laws and regulatory requirements. The Board places utmost importance on maintaining effective communications with shareholders and also makes its best efforts to keep the shareholders informed of the business and affairs of the Company by maintaining various channels of communications and having direct dialogue with shareholders.

In addition, the shareholders also have the rights to obtain all publicly available information of the Company, propose a resolution at annual general meetings, nominate a person for election as a director, and make enquiries about the Company.

(6) Safeguarding Stakeholders' Interests

The Board has a fiduciary duty to protect and serve, with due care and consideration of, the interest of all stakeholders of the Company including but not limited to employees, customers, business partners, suppliers, regulators and the community. All the interests of stakeholders of the Company are further safeguarded by strictly complying with applicable laws and regulations as well as governance policies.

(7) Promoting Sustainability

The Company attaches great importance to sustainability. The Board is committed to undertaking corporate social responsibility and promoting the sustainable development of the economy, society and environment through strengthening relationship with its stakeholders. The Company consistently supports and participates in various activities that are conducive to sustainability, with a view to benefitting the current and next generations.

(8) Pursuit of "Good to Great"

The Board encourages the pursuit of "Good to Great". With the assistance of the Nomination and Remuneration Committee, the Board ensures that each Board Committee shall conduct regular self-assessment of its effectiveness, and based on the evaluation results, the Board gives such feedback, directions and guidance as may be necessary to enhance its efficiency and effectiveness.

Policy Goal

The Board and the senior management of the Company are responsible for adhering to the corporate governance principles and executing this policy. The Company seeks to manage its business in accordance with the well-defined corporate governance principles which provide a solid governance framework for excellent performance and sustainable growth.

Corporate Culture

The Board provides strategic guidance for the Group, reviews, approves and monitors the Group's mid and long-term strategy. In the 2021-2025 strategic development plan approved by the Board, deepening corporate culture is determined to be one of the four development supports.

The Board attaches a high degree of importance to the continuous deepening for the building of corporate culture and to strengthen the transmission of values. Senior management, led by example, demonstrates the Group's commitment and determination to promote proper bank culture and values. The Sustainability Committee under the Board is a specialised committee for corporate culture construction, with one of its responsibilities to supervise the Group's development of a good and sustainable corporate culture, and to continuously monitor the implementation of the corporate culture. The Sustainability Committee is responsible for approving or recommending for the approval of the Board on relevant policies related to corporate culture of the Group, including the Group's professional standards, in order to promote ethical and responsible professional behaviour; the Group's commercial principles and standards to be adopted in its business activities, in order to establish culture and behavioural standards that promote prudent risk-taking and fair treatment of customers; the Group's staff code of conduct and appropriate training, in order to ensure our staff can maintain good personal integrity and conduct, and comply with the Group's culture and behavioural standards. The Company evaluates the effectiveness of corporate culture building with a Culture Dashboard, and reports the result to the Sustainability Committee annually. The Company has launched multi-level and multi-angle corporate culture trainings and promotional activities to strengthen the promotion of corporate culture and values, deepen employees' understanding and build consensus across the Group. The Company has improved the incentive and restraint mechanism, staff job performance is assessed with the consideration of their practice of corporate culture, guided the establishment of a correct view of performance and avoided short term behaviour and hidden risks. The Company has established a customer feedback mechanism, and obtained feedback from employee surveys, focused group discussions, individual interviews, etc., so as to obtain the views of customers and staff on the continuous development on corporate culture.

Anti-corruption and whistleblowing

The Company promotes a strong corporate culture of integrity and high ethical standard, and strongly values the ethical conduct and integrity of the employees and any third parties engaged by the Group. A zero-tolerance approach is taken towards bribery and corruption for all levels of employees. The Company has established the Anti-Bribery and Corruption Policy, which strives to uphold all relevant anti-bribery and corruption laws in Hong Kong and all jurisdictions where it operates, and implement a robust anti-bribery and corruption control framework to provide guidance to, and strengthen the standards of conduct of its employees. The overall anti-bribery and corruption framework is jointly supervised by the Board, its designated committee and the senior management. The Company conducts regular anti-bribery and corruption institutional risk assessment to evaluate the effectiveness of the framework to ensure the framework is properly and adequately managed and implemented.

The Company has also established the BOCHK Whistleblowing Policy and the BOCHK Whistleblowing Administrative Measures to ensure that employees and the external parties who deal with the Group (e.g. customers and suppliers) can make whistleblowing reporting through proper channels under confidence when suspected misconducts occurred or may occur which relate to the businesses or other aspects of the Group, and such reports are handled and followed up appropriately. The Company regularly reviews the whistleblowing mechanism and related policies and administrative measures to ensure their effectiveness.

Corporate Governance Framework

Responsibilities of the Board and the Management

The Board is at the core of the Company's corporate governance framework and there is a clear division of responsibilities between the Board and the Management. The Board is responsible for providing high-level guidance and effective oversight of the Management. It operates under the well-defined Board's Mandate which sets out matters specifically reserved for its deliberation. Generally, the Board is responsible for:

- formulating the Group's mid and long-term strategies and monitoring the implementation thereof;
- reviewing and approving the annual business plans and financial budgets;
- approving the annual results, interim results and quarterly financial and business reviews;
- reviewing and monitoring the Group's risk management and internal control;
- ensuring good corporate governance of the Group and effective compliance; and
- monitoring the performance of the Management.

Six physical Board meetings were held during the year. Major agenda items reviewed and approved included important matters such as the Group's strategies, business plans, financial budget, financial results, sustainability report, risk management and internal controls, appointment of auditor, connected transactions on proposed acquisition and disposal as well as annual review of relevant policies. Besides physical meetings, the Board also approved written resolutions on certain matters, including changes of directors and senior management as well as integration of subsidiaries. Supporting explanatory materials accompanying the written resolutions were sent to Directors to facilitate their understanding of the matters and assist them to make informed decisions.

During the year, the Board reviewed and approved amendments made to certain corporate governance related policies and procedures so as to align with the latest changes in regulatory requirements. The Board also reviewed the Company's compliance with the Corporate Governance Code and the disclosure in the Corporate Governance Report contained in the 2023 Annual Report.

The Company has established relevant mechanisms to ensure independent views and input are available to the Board and conducted review of such mechanisms on an annual basis. The Company has adopted the Working Rules of the Board which states that Directors are entitled to seek, at the Group's expense, independent professional advice reasonably necessary for discharging their duties as Directors.

The Board authorises the Management to implement the strategies as approved by the Board. The Management is responsible for the day-to-day operations of the Group and reports to the Board. For this purpose, the Board has formulated clear written guidelines which stipulate the circumstances where the Management should report to and obtain prior approval from the Board before making decisions or entering into any commitments on behalf of the Group. The Board will conduct regular review on these authorisation and guidelines.

Roles of the Chairman and the Chief Executive

To avoid concentration of power in any single individual, the positions of the Chairman and the Chief Executive of the Company are held by two different individuals. Their roles are distinct, clearly established and stipulated in the Board's Mandate.

The Chairman of the Board of the Company is responsible for ensuring that the Board properly discharges its responsibilities and conforms to good corporate governance practices and procedures. In addition, the Chairman is also responsible for ensuring that all Directors are properly briefed on all issues currently on hand, and that all Directors receive adequate, accurate and reliable information in a timely manner.

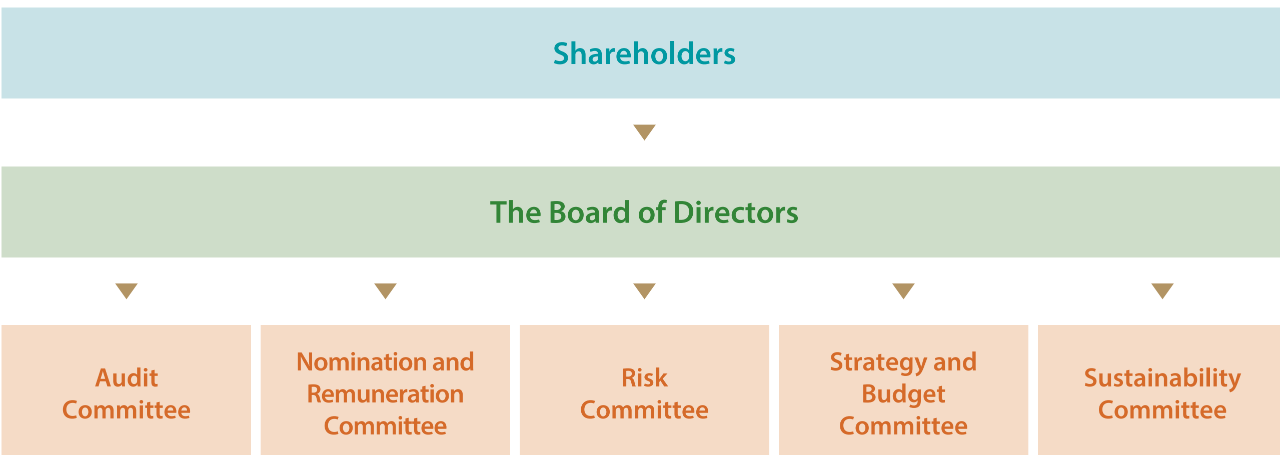
The Chief Executive of the Company is responsible for providing leadership for the whole management and implementing important policies and development strategies as adopted by the Board. Led by the Chief Executive, the Management Committee fulfils responsibilities including management of the Group's routine operation, implementation of business development strategies and realisation of the Group's long-term targets and strategies.

Board Committees

Taking into consideration the latest regulatory requirements, guidelines as well as market practices and international best practices, the Board has established five standing Board Committees to assist in performing its responsibilities, namely the Audit Committee, the Nomination and Remuneration Committee, the Risk Committee, the Strategy and Budget Committee as well as the Sustainability Committee. In addition, the Board will authorise an Independent Board Committee comprising all the Independent Non-executive Directors as and when required to review connected transactions (including continuing connected transactions) and make recommendations in accordance with relevant rules and regulations.

Each of the Board Committees has a well-defined Mandate and makes recommendations to the Board on relevant matters within its scope of responsibilities or makes decisions under appropriate circumstances in accordance with the power delegated by the Board. All Board Committees are assigned a professional secretarial department which ensures that the Board Committees have adequate resources to perform their duties effectively and properly. All Board Committees adopt the same governance process as the Board as far as possible and report regularly to the Board on their decisions and their recommendations. The Board and Board Committees will participate in the annual performance appraisal of those professional secretarial departments to warrant and enhance the services provided and ensure that adequate and efficient supports are provided to the Board and Board Committees. In addition, according to their respective Mandates, the Board and each of the Board Committees will evaluate and review their work process and effectiveness annually, with a view to identifying areas for further improvements.

The following chart sets out the Company's corporate governance framework:



Details including the Company's corporate governance principles and framework adopted by the Board, the composition of the Board and each of the Board Committees and their respective Mandates, Corporate Governance Policy, Shareholder Communication Policy and Information Disclosure Policy are available under the sub-section "Corporate Governance" of the section headed "About Us" on the Company's website at www.bochk.com.

Board of Directors

Board Composition and its Terms of Office

As at the date of this Annual Report, the Board is composed of ten Directors, of whom one is Executive Director, two are Non-executive Directors and seven are Independent Non-executive Directors. The list of current Directors of the Company is set out on page 54 of this Annual Report. The Board maintains an appropriate level of checks and balances to ensure independence and objectivity of the decisions of the Board, as well as the impartial oversight of the Management. The Board acts honestly and in good faith so that decisions are made objectively and in the best interests of the Group with a view to delivering long-term and maximum shareholder value and fulfilling its corporate responsibility to other stakeholders of the Group.

Changes to the composition of the Board and Board Committees during the year and up to the date of this Annual Report are as follows:

(a) Mr ZHANG Hui has been appointed as Vice Chairman, Non-executive Director and a member of each of the Nomination and Remuneration Committee as well as the Strategy and Budget Committee with effect from 6 February 2025.

(b) Mr LIU Jin resigned as Vice Chairman, Non-executive Director and a member of each of the Nomination and Remuneration Committee as well as the Strategy and Budget Committee with effect from 25 August 2024.

(c) Mr LIN Jingzhen resigned as Non-executive Director and member of the Strategy and Budget Committee with effect from 7 January 2025.

Mr ZHANG Hui had obtained legal advice from an external law firm as required under Rule 3.09D of the Listing Rules on 6 February 2025. He has confirmed his understanding of the obligation as a Director of the Company.

All directors, including Non-executive Directors, of the Company would, in accordance with the relevant provisions of the Articles of Association and the Corporate Governance Code, retire at least once for every three years. In accordance with Article 98 of the Articles of Association and pursuant to Code Provision B.2.2 of the Corporate Governance Code, the term of office of Mdm FUNG Yuen Mei Anita will expire at the 2025 annual general meeting. Mdm FUNG, being eligible, will offer herself for re-election. Further, pursuant to Article 102 of the Articles of Association, any Director appointed by the Board shall hold office only until the next following general meeting or the next following annual general meeting of the Company, and shall then be eligible for re-election at such meeting. Accordingly, the term of office of Mr ZHANG Hui will expire at the 2025 annual general meeting and, being eligible, offer himself for re-election.

Further details regarding the proposed re-election and terms of appointment of Directors are set out in the section headed "Report of the Directors". In addition, the Company has also established a written and formal process for the appointment of the Independent Non-executive Directors to ensure that the appointment procedures are standardised, thorough and transparent.

Selection and Nomination of Board Members

The Company has in place relevant policies on the nomination of Board members. The Nomination and Remuneration Committee is responsible for reviewing the structure, size, composition and members' qualifications for the Board regularly, and it shall take into account the existing composition of the Board and the business requirements of the Group and follow board diversity, independence of directors and other relevant supervisory and policy requirements and be responsible for the identification, selection and nomination of Board members.

Potential candidates of Executive Directors could be sourced and selected amongst the senior management. Potential candidates of Independent Non-executive Directors could be recruited through global selection and also upon nomination by Independent Non-executive Directors. Pursuant to the provisions of the Articles of Association and relevant regulations, shareholders could also nominate a person other than a retiring Director for election as a Director (including Non-executive Director) at a general meeting. Where necessary, the Nomination and Remuneration Committee may appoint external advisors to assist in recruiting appropriate individuals. The Nomination and Remuneration Committee shall consider various factors in assessing the suitability of a proposed candidate for appointment as Board member, which include:

- Board diversity;
- Reputation and past performance of candidate;
- Professional knowledge, industrial experience and skills of candidate;
- Commitment of candidate to devote sufficient time to discharge duties as a Board member, and the effective management of potential conflict of interest; and
- Satisfaction of independence requirements of the Listing Rules and the Policy on Independence of Directors of the Company in the case of a candidate for Independent Non-executive Director.

The Nomination and Remuneration Committee shall assess the candidates pursuant to the selection criteria, hold meetings to discuss and arrange interviews with the candidates where necessary, and make recommendation to the Board. The appointment of Directors shall be eventually approved by the Board and/or shareholders at general meetings.

For the newly appointed Board member(s) of the Company and the retiring Board member(s) standing for re-election at the next following general meeting of the Company, the Nomination and Remuneration Committee reviewed their biographical details against relevant requirements under the Listing Rules, applicable regulatory guidelines and the selection criteria set out in the Company's nomination policies of Board members and considered they have the required character, integrity and professional knowledge and experience to continue fulfilling their role and contributing to the Company and the diversity of the Board.

Board Expertise

Under current board membership, all Directors possess extensive experience in banking and financial industry as well as expertise in strategic development, corporate governance, information technology, risk management and sustainable development. An analysis on the expertise of the Board is set out below:

Areas of expertise	Number of Directors/ Total number of Directors
Business Strategy and Planning	10/10
Leadership Experience	10/10
Corporate Governance	9/10
Economics	9/10
Accounting and Finance	8/10
Risk Management and Internal Control	7/10
Banking Industry	6/10
Sustainability and ESG	6/10
Legal and Compliance	6/10
Human Resources	5/10
Information Technology, Artificial Intelligence and Regtech/Fintech	4/10
Insurance	4/10

Board Independence

As at the date of this Annual Report, the number of Independent Non-executive Directors comprised 70% of the Board, which is well above the requirement of the Listing Rules (i.e. at least one-third of the Board). In addition, each Board Committee has a strong present of Independent Non-executive Directors and an analysis on Board and Board Committees' composition is set out below:

	Designation of Chairman	Number of Directors (Percentage of Total Number of Directors)			Total number of Directors
		Independent Non-executive Directors	Non-executive Directors	Executive Director	
Board	NED	7 (70%)	2 (20%)	1 (10%)	10
Audit Committee	INED	5 (100%)	0 (0%)	0 (0%)	5
Nomination and Remuneration Committee	INED	4 (80%)	1 (20%)	0 (0%)	5
Risk Committee	INED	4 (100%)	0 (0%)	0 (0%)	4
Strategic and Budget Committee	NED	6 (66.7%)	2 (22.2%)	1 (11.1%)	9
Sustainability Committee	INED	7 (87.5%)	0 (0%)	1 (12.5%)	8

The Company has received from each of the Independent Non-executive Directors an annual confirmation of his/her independence by reference to the Policy on Independence of Directors of the Company. Based on the information available to the Company and upon considering relevant factors, it considers that all of the Independent Non-executive Directors are independent. In the event that any director has been appointed for over nine years, the Company will discuss and consider relevant factors and make appropriate disclosures in accordance with relevant regulations. Moreover, all Directors have disclosed to the Company their significant commitments and have undertaken and confirmed that they are able to devote sufficient time to the affairs of the Company. Biographical details of the professional experience, skills and knowledge of the Board members are set out in the section headed "Board of Directors and Senior Management" and are available under the section headed "About Us" on the Company's website at www.bochk.com.

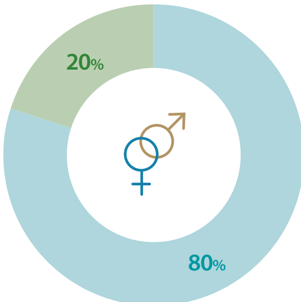
Board Diversity

The Company recognises the importance and benefits of board diversity. In order to promote the Board's effectiveness and standards of corporate governance, the Company has adopted the Board Diversity Policy which will be observed when identifying suitable and qualified candidates to be a Board member and whenever a Board member is proposed to be re-elected. The said policy provides that in designing the Board's composition, board diversity should be considered in various aspects, including but not limited to gender, age, cultural and educational background, ethnicity, geographical location, professional experience, skills, knowledge and track records, etc., to ensure an appropriate diversity of skills, backgrounds and viewpoints. At the same time, all Board nominations and appointments are made on merit, in the context of the competencies, skills and experience the Board as a whole required. The Board will review the Board Diversity Policy annually and enhance relevant practices continuously based on latest situation. Details of the Board Diversity Policy have been posted on the Company's website at www.bochk.com.

Currently, there are two female members on the Board, represent approximately 20% of the Board, which fulfils the requirement to have at least one director of a different gender under the Listing Rules. All Board Committees have at least one female member and two Board Committees are chaired by female directors. As delineated in the Board Diversity Policy, in designing the Board's composition, gender is being one of the various aspects to be considered for Board diversity. Similar to other aspects to be taken into consideration in the said policy, the Board has well balanced of gender and thus the Company has not set any particular measurable objectives for gender diversity. At the same time, the Company has adopted the Succession Policy for Directors, in which the Company is committed to promoting diversity including gender diversity of Board members with a view to exercising more comprehensive consideration and judgement by the Board at the time of making succession planning of the Directors. At present, out of the seven members of senior management, one of them is female, representing approximately 14% of the senior management team. The Company strives to promote diversity and inclusion in the teams, in strict compliance with relevant laws and regulations as well as the Staff Guidelines on Eliminating Discrimination. The Company offers diversity and inclusion training and applies the principle of equal opportunity to all policies related to human resources, remuneration and benefits, to ensure employment opportunities for people of all kinds. Any discrimination or harassment against employees owing to their marital status, pregnancy, breastfeeding or expressing milk, disability, family status, race or gender are prohibited. During the year, our female employees accounted for around 57% of the total workforce.

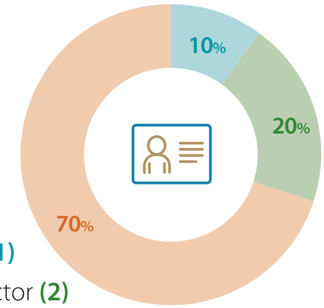
An analysis of the Board's composition as at the date of this Annual Report is set out below:

Gender



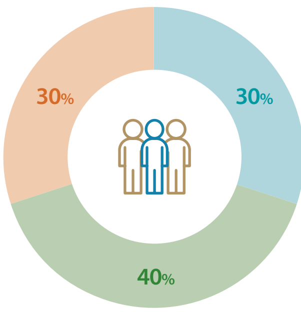
- Male (8)
- Female (2)

Designation



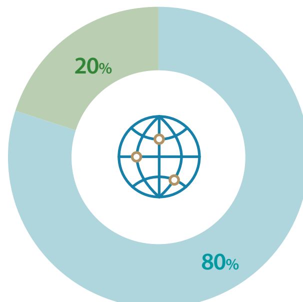
- Executive Director (1)
- Non-executive Director (2)
- Independent Non-executive Director (7)

Age group



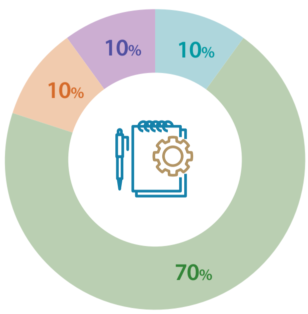
- 46-55 (3)
- 56-65 (4)
- Over 65 (3)

Geographical location



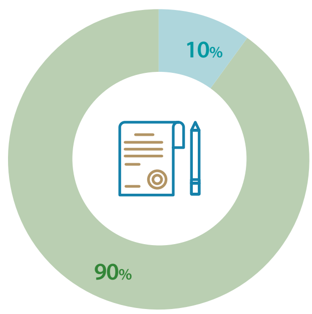
- Chinese mainland (2)
- Hong Kong, China (8)

Length of services



- Less than 1 year (1)
- 1-6 years (7)
- 6-9 years (1)
- Over 9 years (1)

Attendance rate at Board meetings in 2024*



- Below 80% (1)
- 100% (9)

* Attendance rate of the Director resigned during 2024 is excluded.

An analysis on the gender of the Board and Board Committees as at the date of this Annual Report is set out below:

	Gender of Chairman	Number of male directors (Percentage)	Number of female directors (Percentage)	Total number of Directors
Board	M	8 (80%)	2 (20%)	10
Audit Committee	M	3 (60%)	2 (40%)	5
Nomination and Remuneration Committee	M	4 (80%)	1 (20%)	5
Risk Committee	F	3 (75%)	1 (25%)	4
Strategic and Budget Committee	M	7 (78%)	2 (22%)	9
Sustainability Committee	F	6 (75%)	2 (25%)	8

Directors' Liability Insurance Policy

During the year, the Company has arranged for appropriate cover on Directors' Liability Insurance Policy to indemnify the Directors for liabilities arising from the corporate activities. The coverage and the amount insured under such policy are reviewed annually by the Company.

Self-evaluation of the Board

During the year, the Board conducted annual self-evaluation pursuant to the Regulations on Self-Evaluation of the Board and Individual Evaluation of the Directors. With the endorsement of the Nomination and Remuneration Committee, the annual self-evaluation questionnaire was distributed to Directors for completion. Based on the completed questionnaire, the Company analysed the results and a report delineated the results and recommendation has been submitted to the Nomination and Remuneration Committee as well as the Board for review and consideration.

Review of Effectiveness of the Individual Directors

During the year, the Company has also engaged an external professional consultant to conduct independent review of the effectiveness of the individual Directors. A questionnaire was distributed to all Directors for their completion and included Directors' self-assessment in areas such as their time commitment and participation, interaction and communication with senior management, as well as evaluation of other members of the Board and Board Committees, and other factors that impact director effectiveness. Based on the completed questionnaire and other available information, the external consultant assessed the effectiveness of individual Directors and prepared a report setting out its observations and recommendations, which has been submitted to the Nomination and Remuneration Committee as well as the Board for review and follow-up.

Directors' Training and Professional Development

To ensure the newly appointed Directors have adequate understanding of the Company's business operations and to enable all Directors to update their knowledge regularly so as to provide informed recommendation and advice and make contribution to the Company, the Board has established a set of written policies specifying guidelines on Directors' induction upon appointment and continuous training.

The Company arranges appropriate Directors' induction through the use of induction handbook, face-to-face meetings and other means, and the induction training is tailor-made and individually designed in accordance with the needs, background and experience of individual Directors.

The Company also provides regular updates to Board members on material changes to regulatory requirements applicable to the Directors and the Group on a timely basis; and the Company arranges regular meetings between Board members and the Management to facilitate the understanding of its latest business development. In addition, Board members are encouraged to participate actively in continuous training programmes. The Company also arranges relevant professional training programmes for Board members at the Company's expense.

During the year, all Directors have participated in continuous professional development to develop and refresh their knowledge and skills in accordance with Code Provision C.1.4 of the Corporate Governance Code contained in Appendix C1 to the Listing Rules. In 2024, the Company invited experts to conduct seminars to the Directors and the senior management related to (1) development of Southeast Asian financial market and banking industry including banking regulatory environment, markets and risks, digitalisation penetration and regulatory structures as well as green finance trends, (2) digital currency journey and future development, and (3) latest regulatory updates.

Furthermore, each of the Directors has received a series of training as he/she thought fit. During the year, they attended seminars and workshops as well as received briefings and materials from the Company, regulatory authorities and professional firms, covering a wide range of topics:

- macroeconomic analysis;
- ESG and sustainable development;
- climate risk management;
- digital transformation and cyber security;
- fintech and virtual assets;
- anti-money laundering, anti-bribery and corruption;
- risk management and internal control;
- corporate governance and regulatory updates;
- bank culture; and
- banking industry development trend; etc.

The Directors' records of annual training information have been entered in the register of directors' training records maintained and updated by the Company from time to time. As at year end, the participation of all Directors in continuous professional development is summarised as follows:

Directors	Corporate Governance/ ESG Development	Regulatory Updates/Anti-Money Laundering, Anti-Bribery and Corruption	Risk Management and Internal Control	Information Technology/Digital Transformation and Cyber Security	Banking Industry Development Trend
Non-executive Directors					
Mr GE Haijiao	✓	✓	✓	✓	✓
Mr LIN Jingzhen *(resigned with effect from 7 January 2025)*	✓	✓	✓	✓	✓
Independent Non-executive Directors					
Mdm CHENG Eva	✓	✓	✓	✓	✓
Dr CHOI Koon Shum	✓	✓	✓	✓	✓
Mdm FUNG Yuen Mei Anita	✓	✓	✓	✓	✓
Mr LAW Yee Kwan Quinn	✓	✓	✓	✓	✓
Mr LEE Sunny Wai Kwong	✓	✓	✓	✓	✓
Mr LIP Sai Wo	✓	✓	✓	✓	✓
Prof MA Si Hang Frederick	✓	✓	✓	✓	✓
Executive Director					
Mr SUN Yu	✓	✓	✓	✓	✓

Note: Training records of Director resigned during the year have not been included herein.

Directors' Attendance at Board Meetings, Board Committee Meetings and General Meetings

Six Board meetings were held during 2024 with an average attendance rate of 97%. Regular meeting schedule for the year was prepared and approved by the Board in the preceding year. Formal notices of regular Board meetings were sent to all Directors at least 14 days before the date of the scheduled meetings, and Board agenda and meeting materials of sufficient quality were despatched to all Board members for review at least seven days prior to the scheduled meetings. Board agenda of each meeting was approved by the Chairman following consultation with all Board members and the senior management. Members of the senior management were regularly invited to attend the Board meetings to make presentation and answer questions that the Directors might have. Draft and final versions of Board and Board Committee minutes were sent to all Directors for their comment and record respectively within a reasonable period after the meetings were held.

The Board also received monthly reports with information on the Group's latest financial and operating performance. Accordingly, the Directors can have a balanced assessment of the Group's performance, position and prospects throughout the year.

In addition, in order to facilitate open discussion with all the Independent Non-executive Directors, the Chairman met with all Independent Non-executive Directors in the absence of other Directors and the senior management. Relevant practice has been incorporated in the Working Rules of the Board.

Details of respective Directors' attendance at the Board meetings, Board Committee meetings and general meetings in 2024 are set out as follows:

	Number of meetings attended/Number of meetings convened during Directors' term of office							
		Board Committees					General Meetings	
Directors	Board	Audit Committee	Nomination and Remuneration Committee	Risk Committee	Strategy and Budget Committee	Sustainability Committee	Annual General Meeting	Extraordinary General Meeting
Number of meetings held during the year	6	7	2	5	4	2	1	1
Non-executive Directors								
Mr GE Haijiao *(Chairman)*	6/6	–	–	–	4/4	–	1/1	1/1
Mr LIU Jin *(Vice Chairman) (resigned with effect from 25 August 2024)*	3/3	–	0/1	–	2/2	–	1/1	–
Mr LIN Jingzhen *(resigned with effect from 7 January 2025)*	4/6	–	–	–	2/4	–	1/1	1/1
Independent Non-executive Directors								
Mdm CHENG Eva	6/6	7/7	–	–	4/4	2/2	1/1	1/1
Dr CHOI Koon Shum	6/6	–	2/2	–	4/4	1/2	1/1	1/1
Mdm FUNG Yuen Mei Anita	6/6	7/7	2/2	5/5	4/4	2/2	1/1	1/1
Mr LAW Yee Kwan Quinn	6/6	7/7	–	5/5	–	2/2	1/1	1/1
Mr LEE Sunny Wai Kwong	6/6	7/7	2/2	5/5	4/4	2/2	1/1	1/1
Mr LIP Sai Wo	6/6	7/7	–	5/5	4/4	2/2	1/1	1/1
Prof MA Si Hang Frederick	6/6	–	2/2	–	4/4	2/2	1/1	1/1
Executive Director								
Mr SUN Yu *(Vice Chairman and Chief Executive)*	6/6	–	–	–	4/4	2/2	1/1	1/1
Average Attendance Rate	97%	100%	90%	100%	95%	94%	100%	100%

Apart from formal Board meetings and general meetings, the Company has set up a system of pre-communication meetings for the Independent Non-executive Directors, where major agenda items have been presented to the Independent Non-executive Directors before each Board meeting, and their comments have been timely conveyed to the Management for follow up actions so as to enhance the effectiveness of deliberation at Board meetings.

The Company has arranged informal events for Board members and the senior management to facilitate their communication and interactions. For example, the Company has invited Directors to participate in the communication meetings with the Chief Executive and senior management to discuss and communicate on the Company's latest business and strategic development and other aspects during the year. Independent Non-executive Directors has been invited to join the Company's brainstorming meeting to share their experience and ideas on business development strategy. Besides, a board retreat to Indonesia and Thailand has been organised during the year for Board members (in particular the Independent Non-executive Directors) to gain a good understanding of the Group's regional business and operations and enhance communication with the senior management. The Company has also organised working meals from time to time, with Board members and the senior management invited to join and share insights on the Company's business and strategic issues.

Directors' Time Commitment

All Directors confirmed to the Company that he/she has devoted sufficient time, attention and effort to fulfilling their responsibilities as a director of the Company throughout the year. The Directors also disclosed to the Company the number and nature of offices he/she held in other listed companies and organisations as well as other significant commitment. None of the Directors held directorships in more than six other listed companies as at the date of this Annual Report. Below is an analysis of the number of directorships in other listed companies of the Directors:

Number of directorships in other listed companies	Number of Directors/ Total number of Directors	Overall percentage
0	3/10	30%
1	4/10	40%
2	3/10	30%

Board Committees

Audit Committee

The Audit Committee currently comprises five members, all of whom are Independent Non-executive Directors. Its composition, main duties and major works performed during the year are as follows:

Composition[1]

Mr LIP Sai Wo[2] *(Chairman)*
Mdm CHENG Eva[2]
Mdm FUNG Yuen Mei Anita[2]
Mr LAW Yee Kwan Quinn[2]
Mr LEE Sunny Wai Kwong[2]

Main duties

- oversight of the integrity of financial statements and financial reporting process
- oversight of risk management and internal control systems
- review of performance of the internal audit function and the General Manager of Group Audit
- review of the appointment of external auditor and assessment of its qualification, independence and performance and, with authorisation of the Board and shareholders at general meeting, determination of its remuneration
- review of the periodic review and annual audit of the Company's and the Group's financial statements, and financial and business review
- oversight of compliance with applicable accounting standards as well as legal and regulatory requirements on financial disclosures
- oversight of corporate governance framework of the Group and implementation thereof

Major works performed during the year (included the review and, where applicable, approval of)

- the Company's financial statements for the year ended 31 December 2023 and the annual results announcement that were recommended to the Board for approval
- the Company's interim financial statements for the six months ended 30 June 2024 and the interim results announcement that were recommended to the Board for approval
- the Company's announcements on quarterly financial and business review for the period ended 31 March 2024 and 30 September 2024 that were recommended to the Board for approval
- the audit reports and report on internal control recommendations submitted by external auditor, the audit reports submitted by the internal audit, and the examination reports issued by regulators
- the proposed change of external auditor, the fees payable to external auditor for the annual audit and interim review, non-audit service projects and the related fees
- the connected transactions carried out in 2023
- the annual review of the effectiveness of the Group's risk management and internal control systems
- the Group's 2025 internal audit plan
- the organisation structure, deployment of human resources of Group Audit, as well as its 2025 budget
- annual review of the effectiveness of the internal audit function
- the 2023 performance appraisal of the General Manager of Group Audit and Group Audit
- review of the BOCHK Whistleblowing Policy, the BOCHK Group's Anti-Bribery and Corruption Policy, the BOCHK External Auditor Management Policy and the BOCHK Internal Audit Charter

Notes:

1. Please refer to the section headed "Board Composition and its Terms of Office" under "Board of Directors" for details of changes to the composition of the Board Committee during the year and up to the date of this Annual Report
2. Independent Non-executive Director

Nomination and Remuneration Committee

The Nomination and Remuneration Committee currently comprises five members, including one Non-executive Director and four Independent Non-executive Directors. Its composition, main duties and major works performed during the year are as follows:

Composition[1]

Dr CHOI Koon Shum[2] *(Chairman)*
Mr ZHANG Hui[3]
Mdm FUNG Yuen Mei Anita[2]
Mr LEE Sunny Wai Kwong[2]
Prof MA Si Hang Frederick[2]

Main duties

- review of overall human resources strategies of the Group
- selection and nomination of Directors, Board Committee members and Senior Management
- regular monitoring and review of structure, size and composition (including but not limited to gender, age, cultural and educational background, ethnicity, geographical location, professional experience, skills, knowledge and track records, etc.) of the Board and Board Committees
- assisting the Board to establish, approve and review the standards of director independence, and assess the independence and term of office of Independent Non-executive Directors
- review of the effectiveness of the Board and Board Committees
- ensuring the participation in training and continuous professional development of Directors and Senior Management
- review and recommendation of remuneration strategy and incentive framework of the Group
- review of the remuneration of Directors, Board Committee members, Senior Management and Key Personnel

Major works performed during the year (included the approval, review and proposal to the Board)

- consideration of the matters relating to the appointment and changes of Directors and Board Committee members
- consideration of the matters relating to the appointment, removal and remuneration of the Senior Management
- proposal on the revision of the Group Bonus Funding Mechanics and bonus amount
- performance targets and appraisal results of the Senior Management of the Group
- proposal on staff bonus and salary adjustment of the Group, including Senior Management and Key Personnel
- proposal on human resources budget of the Group
- coordination and oversight of the annual performance evaluation of the Board, Board Committees and individual Directors
- annual review and amendment of the major human resources and remuneration policies
- annual review of the Policy on Independence of Directors and the Policy on Directors' Remuneration

Notes:
1. Please refer to the section headed "Board Composition and its Terms of Office" under "Board of Directors" for details of changes to the composition of the Board Committee during the year and up to the date of this Annual Report
2. Independent Non-executive Director
3. Non-executive Director

Risk Committee

The Risk Committee currently comprises four members, all of whom are Independent Non-executive Directors. Its composition, main duties and major works performed during the year are as follows:

Composition[1]

Mdm FUNG Yuen Mei Anita[2] *(Chairlady)*
Mr LAW Yee Kwan Quinn[2]
Mr LEE Sunny Wai Kwong[2]
Mr LIP Sai Wo[2]

Main duties

- formulation of the risk appetite and risk management strategy of the Group and determination of the Group's risk profile
- identification, assessment and management of material risks faced by various business units of the Group
- review and assessment of the adequacy and effectiveness of the Group's risk management policies, systems and internal controls
- review and monitoring of the Group's capital management
- review and approval of the Group's target balance sheet
- review and monitoring of the Group's compliance with risk management policies, systems and internal controls, including the Group's compliance with prudential, legal and regulatory requirements governing the businesses of the Group
- review and approval of high-level risk-related policies of the Group
- review and approval of significant or high risk exposures or transactions
- review of risk management reports, including risk exposure reports, model development and validation reports, and credit risk model performance reports

Major works performed during the year

- review and approval of key risk management policies of the Group, including the Group's risk appetite, the Risk Management Policy Statement, the Operational Resilience Policy and various risk management policies
- review of the results of Internal Capital Adequacy Assessment Process (ICAAP), the investment plans and portfolio key risk indicators for the Board's approval
- approval of the Group's target balance sheets, the proposal for the annual review of the Group's recovery plan, and risk management limits
- approval of the management processes of "Security Tertiary Data Backup"
- review of various risk management reports, including the Group's risk management reports, institutional money laundering risk assessment report, report on the status of Cybersecurity Assessments and Validation, credit risk and market risk model validation reports, and credit risk model performance reports etc.

Notes:
1. Please refer to the section headed "Board Composition and its Terms of Office" under "Board of Directors" for details of changes to the composition of the Board Committee during the year and up to the date of this Annual Report
2. Independent Non-executive Director

Strategy and Budget Committee

The Strategy and Budget Committee currently comprises nine members, including two Non-executive Directors, six Independent Non-executive Directors as well as the Executive Director and Chief Executive of the Company. Its composition, main duties and major works performed during the year are as follows:

Composition[1]

Mr GE Haijiao[2] *(Chairman)*
Mr ZHANG Hui[2]
Mr SUN Yu[3]
Mdm CHENG Eva[4]
Dr CHOI Koon Shum[4]
Mdm FUNG Yuen Mei Anita[4]
Mr LEE Sunny Wai Kwong[4]
Mr LIP Sai Wo[4]
Prof MA Si Hang Frederick[4]

Main duties

- review of the Group's medium to long-term strategic plan for the Board's approval
- monitoring of the Group's implementation of medium to long-term strategy, providing guidance on strategic direction for the Management
- review of major investments, capital expenditure and strategic commitments of the Group, and making recommendations to the Board
- review and monitoring of the Group's regular/periodic (including annual) business plan
- review of annual budget for the Board's approval and monitoring of performance against budgeted targets

Major works performed during the year

- review of the 2021-2025 strategic development plan and sub-plan of the Group for the Board's approval
- review of the proposal on commencing the disposal of the shares held by the Group's subsidiary for the Board's approval
- discussion on the progress and development strategy of digital transformation in Southeast Asia of the Group
- review and monitoring of the implementation of 2024 Financial Budget and Business Plan of the Group, and also review and endorsement for the Board's approval of the Financial Budget and Business Plan of the Group for the year 2025

Notes:
1. Please refer to the section headed "Board Composition and its Terms of Office" under "Board of Directors" for details of changes to the composition of the Board Committee during the year and up to the date of this Annual Report
2. Non-executive Director
3. Executive Director
4. Independent Non-executive Director

Sustainability Committee

The Sustainability Committee currently comprises eight members, including seven Independent Non-executive Directors as well as the Executive Director and Chief Executive of the Company. Its composition, main duties and major works performed during the year are as follows:

Composition[1]

Mdm CHENG Eva[2] *(Chairlady)*
Mr SUN Yu[3]
Dr CHOI Koon Shum[2]
Mdm FUNG Yuen Mei Anita[2]
Mr LAW Yee Kwan Quinn[2]
Mr LEE Sunny Wai Kwong[2]
Mr LIP Sai Wo[2]
Prof MA Si Hang Frederick[2]

Main duties

- review of the Group's sustainability strategies, goals and priorities as well as material sustainability related policies
- review of environmental, social and governance issues which are material to the Group and the related measures
- oversight of the Group's sustainability performance
- oversight of the Group's corporate culture and review of related policies
- determination of the appropriate reporting principles and boundaries and review of the Sustainability Report

Major works performed during the year

- review of the 2023 Sustainability Report and Material Issues for the Board's approval
- review of sustainability related reports, including the Climate-related Financial Disclosures (TCFD) Report 2023, Report on the Review of the Staff Code of Conduct, Report on Bank Culture Building, and Report on Consumer Rights Protection under Personal Banking
- review of BOCHK Carbon Offset Strategy Statement and Carbon Neutrality Implementation Plan of BOC Tower, BOCHK's Green Operation Implementation Progress and Suggestion on External Disclosure, BOCHK Taxonomy for Green and Sustainable Finance and Implementation Plan, and Sustainability Plan of BOC Life
- supervision and review of the various sustainability measures taken by the Group

Notes:
1. Please refer to the section headed "Board Composition and its Terms of Office" under "Board of Directors" for details of changes to the composition of the Board Committee during the year and up to the date of this Annual Report
2. Independent Non-executive Director
3. Executive Director

Directors' Securities Transactions

The Company has established and implemented the Code for Securities Transactions by Directors (the "Company's Code") to govern the Directors' dealings in securities transactions of the Company. Terms of the Company's Code are more stringent than the mandatory standards set out in the Model Code for Securities Transactions by Directors of Listed Issuers as contained in Appendix C3 of the Listing Rules. Apart from the Directors' dealings in the securities of the Company, the Company's Code has also been applied to the Directors' dealings in the securities of BOC and its listed close associates.

Upon specific enquiry by the Company, all Directors confirmed that they had strictly complied with the provisions as set out in both the Company's Code and the said Model Code throughout the year 2024.

Directors' Remuneration

Pursuant to the Policy on Directors' Remuneration adopted by the Company, when recommendation of the remuneration of Directors is made, the Nomination and Remuneration Committee should benchmark against companies of comparable business type or scale, the role (chairmanship or membership) they played, job nature and workload at both the Board and Board Committee levels (including frequency of meetings and nature of agenda items) in order to compensate Directors fairly. The remuneration of Directors is subject to regular review based on market practices, regulatory requirements and inflation, etc. No individual Director is allowed to participate in the procedures for deciding his/her individual remuneration package. The remuneration of the Independent Non-executive Directors is not linked with the performance of the Company. Information relating to the remuneration of each Director for 2024 is set out in Note 21 to the Financial Statements. The present scale of Director's fees, including additional fees for membership of Board Committees, is given below:

Board of Directors:	
All Directors	HK$400,000 p.a.
Board Committees:	
Chairman	HK$100,000 p.a.
Other Committee members	HK$50,000 p.a.

Note: For the year ended 31 December 2024, all Non-executive Directors (excluding Independent Non-executive Directors) and Executive Director have not received their Directors' fees as mentioned above.

The Nomination and Remuneration Committee also has the delegated responsibility from the Board to determine the remuneration packages of the Executive Directors and the Senior Management, including benefits in kind, pension rights and compensation payments (including any compensation payable for loss or termination of their office or appointment, early payout of deferred remuneration), as well as the performance-based remuneration. Moreover, it will recommend to the Board on their remuneration package upon joining, sign-on bonus and contract guaranteed bonus, etc.

Remuneration and Incentive Mechanism

The Remuneration and Incentive Mechanism of the Group is based on the principles of "effective incentive" and "sound remuneration management". It links remuneration to performance and risk factors closely. While promoting higher performance, it serves to enhance employees' risk awareness and contribute toward acceptable staff behaviour so as to achieve sound remuneration management.

The Remuneration and Incentive Policy of the Group is generally in line with the broad principles set out in the HKMA's Guideline on a Sound Remuneration System and applicable to the Company and all of its subsidiaries (including the branches and entities in and out of Hong Kong).

- **"Senior Management" and "Key Personnel"**

  The Remuneration and Incentive Policy of the Group defines "Senior Management" and "Key Personnel" as follows:

  - "Senior Management": The senior management designated by the Board who are responsible for oversight of the Group-wide strategy or activities or material business lines, including the Chief Executive, Deputy Chief Executives, Deputy Chief Executive and Chief Financial Officer, Deputy Chief Executive and Chief Risk Officer, Board Secretary and General Manager of Group Audit.

  - "Key Personnel": The employees whose duties or activities involve the assumption of material risk, or those who take on material exposures on behalf of the Group, or whose individual responsibilities have direct and material impact on the risk management and affect the profitability of the Group directly, including heads of frontline business units, local major subsidiaries and Southeast Asian entities, head of trading, heads of functional units that have direct and material impact on the Group's risk management and affect the profitability of the Group directly, general managers who report directly to the Chief Executive, as well as "managers" appointed by the Group according to the Banking Ordinance.

- **Determination of the Remuneration Policy**

  To fulfil the above-mentioned principles and to facilitate effective risk management within the framework of the Remuneration Policy of the Group, the Remuneration Policy of the Group is initiated by Human Resources Department with consultation of the risk control units including risk management, financial management and compliance in order to balance the needs for staff motivations, sound remuneration and prudent risk management. After the proposed Remuneration Policy is cleared by the Management Committee, it will be submitted to the Nomination and Remuneration Committee for review, to the Board for approval and reported to the Risk Committee for record. The Nomination and Remuneration Committee and the Board will seek opinions from other Board Committees (e.g. Risk Committee, Audit Committee, etc.) where they consider necessary under the circumstances.

- **Key Features of the Remuneration and Incentive Mechanism**

1. *Performance Management Mechanism*

   The Group has put in place a performance management mechanism to formalise the performance management at the levels of the Group, units and individuals. For Senior Management and other staff, annual targets of the Group will be tied to the job requirements of staff at each level through the performance management mechanism. Performance of individuals will be appraised on quantitative and qualitative dimensions such as business performance/achievements, the degree of compliance, their performance on risk management duties, and adherence to the corporate values, etc. Not only is target accomplishment taken into account, but also the values-based behaviours and sufficient risk management during the course of work, ensuring prudent operation and sustainable development of the Group.

2. *Performance-based and Risk-adjusted Remuneration Management*

   The remuneration of staff is composed of "fixed remuneration" and "variable remuneration". The proportion of one to the other for individual staff members depends on job grades, roles, responsibilities and functions of the staff with the prerequisite that balance has to be struck between the fixed and variable portion. Generally speaking, the higher the job grades and/or the greater the responsibilities, the higher will be the proportion of variable remuneration so as to encourage the staff to follow the Group's philosophy of prudent risk management and sound long-term financial stability.

   Every year, the Group will conduct periodic review on the fixed remuneration of the staff with reference to various factors like remuneration strategy, market pay trend and staff salary level, and will determine the remuneration based on the affordability of the Group as well as the performance of the Group, units and individuals. As mentioned above, performance assessment criteria include quantitative and qualitative factors, as well as financial and non-financial indicators.

   According to the BOCHK Group Bonus Funding Policy, the size of the bonus pool of the Group is determined by the Board on the basis of the financial performance of the Group and the achievement of non-financial strategic business targets under the long-term development of the Group. The size of the bonus pool is reached based on pre-defined formulaic calculations but the Board can make discretionary adjustment to it if deemed appropriate under prevailing circumstances. When the Group's performance is relatively weak (e.g. failed to meet the threshold performance level), no bonus will be paid out that year in principle. However, the Board reserves the rights to exercise its discretion.

   As far as individual units and individual staff are concerned, allocation of the variable remuneration is closely linked to the performance of the units and each individual staff, and the assessment of which should include risk factors. The performance and remuneration arrangement of risk control personnel are determined by the achievement of their core job responsibilities, independent from the business they oversee; for front-line risk controllers, a cross-departmental reporting and performance management system is applied to ensure the suitability of performance-based remuneration. Within the acceptable risk level of the Group, the better the performance of the unit and the individual staff, the higher will be the variable remuneration for the individual staff. The allocation of variable remuneration to staff should also consider individual behaviour comprehensively. For behaviour which is positive and adhering to the Group's corporate culture, the variable remuneration should be tilted forward; for misconduct or behaviour which is negative and not adhering to the Group's corporate culture, the variable remuneration should be forfeited or reduced, the amount of remuneration to be adjusted should be proportionate with the misconduct outcome, and should take into account all relevant indicators of the severity of the impact.

3. *Linking the payout of the variable remuneration with the time horizon of the risk to reflect the long-term value creation of the Group*

   To work out the principle of aligning remuneration with the time horizon of risk and to ensure that sufficient time is allowed to ascertain the associated risk and its impact before the actual payout, payout of the variable remuneration of staff is required to be deferred in cash if such amount reaches certain prescribed threshold. The Group adopts a progressive approach towards deferral. The longer the time horizon of risk in the activities conducted by the staff and the higher amount of the variable remuneration, the higher will be the proportion of deferral. Deferral period lasts for three years.

   The vesting of the deferred variable remuneration is linked with the long term value creation of the Group. The vesting conditions are closely linked to the annual performance of the Group in the next three years and the individual behaviour of the staff concerned. When the Group's performance has met the threshold requirement in each year, the deferred variable remuneration would be vested following the corresponding schedule.

   However, if circumstances at the Group or entity/unit level such as major adjustments to financial information on which the calculation of variable remuneration is based occur as a result of financial restatement, or there is fraud in performance appraisal, or the remuneration management procedures are violated by distributing variable remuneration or adding remuneration and incentive items without authorisation, or remuneration is distributed in violation of regulation or based on false information, or there are falls far short of the standards or deviates from the reasonable range with respect to the key regulatory indicators, or receiving regulatory disposal measures such as takeover or heavy fines imposed by regulatory institution, or having major risk events that have caused bad influences on the financial market order etc., or a staff has committed material misconduct, including but not limited to fraud, mis-selling of financial products, manipulation (or attempted manipulation) of markets etc., or any financial or non-financial factors used in performance measurement or variable remuneration determination are later proven to have been manifestly worse than originally understood in a particular year, or an individual whose apparent negligence or failure to perform the obligation of prudent management has caused excessive risk exposure within the scope of responsibility, or individual behaviour/management style poses negative impacts to the business unit and even the Group, including but not limited to negative or improper behaviour which is not in adherence to corporate culture, improper or inadequate risk management, significant incident and economic loss incurred by improper management, etc., the Group reserves the rights to carry out the malus and clawback of variable remuneration, forfeiting the unvested portion of the deferred variable remuneration of the relevant staff and/or requiring the relevant staff to return the paid variable remuneration.

- **Annual Review of Remuneration Policy**

  The Remuneration Policy of the Group is subject to annual review with reference to changes in external regulatory requirements, market conditions and risk management requirements, etc. In 2024, the Group reviewed the related policies of remuneration and incentive, including BOCHK Group Remuneration and Incentive Policy, BOCHK Group Variable Pay Deferral Policy, BOCHK Group Bonus Funding Policy etc. The above amendments were effective from 1 January 2025.

- **External Remuneration Consultant**

  To ensure the suitability and competitiveness of the remuneration and incentive mechanism, the Group appointed Willis Towers Watson, Mercer and McLagan for independent consultation in areas of pay management and market remuneration data of the Senior Management and key positions, etc.

- **Disclosure on Remuneration**

  The Group has fully complied with the guideline in Part 3 of the Guideline on a Sound Remuneration System issued by the HKMA to disclose information in relation to our remuneration and incentive mechanism.

External Auditor

Taking into account market information, based on prudent practice and business needs of the Group, as well as acting in the best interest of the Company and shareholders as a whole, the Board, upon the recommendation of the Audit Committee, passed the proposed appointment of PricewaterhouseCoopers for the provision of professional service of the 2024 interim financial report review to the Group, as well as the proposed appointment of Ernst & Young as auditor of the Group for the financial year 2024, which were respectively approved by shareholders at the 2024 annual general meeting and at the extraordinary general meeting. Ernst & Young shall hold office until the conclusion of the Company's 2025 annual general meeting and the Board authorised the Audit Committee to determine the remuneration of Ernst & Young.

PricewaterhouseCoopers has completed the professional service of the 2024 interim financial report review for the Group and confirmed in writing that there were no matters in relation to the proposed appointment of auditor which are needed to be brought to the attention of shareholders. The Board also confirmed that the Company has no disagreement with PricewaterhouseCoopers and there are no other matters in connection with the proposed appointment of auditor that should be brought to the attention of shareholders.

On the other hand, pursuant to the BOCHK External Auditor Management Policy adopted by the Board, the Audit Committee reviewed and monitored and was satisfied with the independence and objectivity of Ernst & Young and the effectiveness of its audit procedures, based on the principles and standards set out in the said Policy that were in line with international best practices. Upon the recommendation of the Audit Committee, the Board will propose that Ernst & Young be re-appointed as auditor of the Group at the Company's 2025 annual general meeting. Subject to shareholders' authorisation, the Board will authorise the Audit Committee to determine the remuneration of Ernst & Young.

For 2024, the fees paid or payable by the Group to external auditors was HK$45 million (2023: HK$32 million), of which HK$36 million (2023: HK$30 million) related to audit services and HK$9 million (2023: HK$2 million) related to other services (mainly including tax compliance services and services provided to meet the requirements of regulatory bodies). The Audit Committee was satisfied that the non-audit services in 2024 did not affect the independence of external auditors.

Risk Management and Internal Control

The Board is responsible for evaluating and determining the nature and extent of the risks it is willing to take in achieving the Group's strategic objectives, and ensuring that the Group establishes and maintains appropriate and effective risk management and internal control systems. The Board oversees the Management in the design, implementation and monitoring of the risk management and internal control systems. According to the Board's scope of delegation, the Management is responsible for the day-to-day operations and risk management, and the Management needs to provide a confirmation to the Board on the effectiveness of these systems.

The risk management and internal control systems are designed to manage rather than eliminate the risk of failure to achieve business objectives, and can only provide reasonable and not absolute assurance against material misstatement or loss; to manage the risk of system failure; and to assist in the achievement of the Group's objectives. In addition to safeguarding the Group's assets, it also ensures the maintenance of proper accounting records and compliance with relevant laws and regulations.

The Group conducts an annual review of the effectiveness of its risk management and internal control systems covering all material controls, including financial, operational and compliance controls as well as risk management. The review is conducted by reference to the guidelines and definitions given by the regulatory and professional bodies for the purpose of assessing five different internal control elements, namely, the control environment, risk assessment, control activities, information and communication, and monitoring. The assessment covers all the major internal controls and measures, including financial, operational and compliance controls as well as risk management functions. The review also considers the adequacy of resources, staff qualifications and experience and training of the Group's accounting, financial reporting, internal audit functions, as well as those relating to the ESG performance and reporting. The review is coordinated by the Group's internal audit which, after the Management and various business departments have performed their self-assessment and the Management has confirmed the effectiveness of the relevant systems, carries out an independent examination and other post-assessment work on the review process and results. The results of the 2024 review, which have been reported to the Audit Committee and the Board, revealed that the Group's risk management and internal control systems were effective and adequate.

In addition, the key procedures that the Group has essentially established and implemented to provide internal controls are summarised as follows:

- a rational organisational structure with appropriate personnel is developed and whose responsibility, authority, and accountability are clearly delineated. The Group has formulated policies and procedures to ensure reasonable checks and balances for all the operating units, reasonable safeguard for the Group's assets and adherence to relevant laws and regulations and risk management in its operations;

- the Management draws up and continuously monitors the implementation of the Group's strategies, business plans and financial budgets. The accounting and management systems that are in place provide the basis for evaluating financial and operational performance;

- the Group has various risk management and human resources policies. There are specific units and personnel that are responsible for handling reputation, strategic, legal, compliance, credit, market, operational, liquidity and interest rate risks. There are also procedures and internal controls for the handling and dissemination of inside information. The Group has set up mechanisms to identify, evaluate and manage all the major risks, and has established corresponding internal control procedures as well as processes for resolving internal control defects. (Details about the Group's risk management are provided on pages 46 to 51 of this Annual Report);

- the Group has established an information technology governance structure that produces a range of reports on information systems and management, including information on the monitoring of various business units, financial information and operating performance. Such information facilitates the Management, business units and the regulatory bodies in assessing and monitoring the Group's operation and performance. Proper communication channels and reporting mechanisms are in place at various business units and levels to facilitate exchange of information;

- pursuant to a risk-based approach and in accordance with the internal audit plan approved by the Audit Committee, the Group's internal audit conducts independent reviews on such aspects as financial activities, various business areas, various kinds of risks, operations and activities. Reports are submitted directly to the Audit Committee. The Group's internal audit closely follows up on the items that require attention in a systematic way and reports to the Management and the Audit Committee in a timely manner; and

- the Audit Committee reviews the reports submitted by external auditor to the Group's Management in connection with the annual audit as well as the recommendations made by regulatory bodies on risk management and internal control. The Group's internal audit follows up on the same to ensure timely implementation of the recommendations, and also periodically reports the status of the implementation to the Management and the Audit Committee.

The Group is committed to upholding good corporate governance practices and the internal control system of all subsidiaries are reviewed regularly. During the year of 2024, continuous improvements on the organisation structure and segregation of duty, the risk management policy and procedure, and the enhancement of disclosure transparency have been undertaken by the Group. In response to internal and external changes in global economic condition, operating environment, regulatory requirement and business development, the Group has implemented a series of measures and undertaken an on-going review on the effectiveness of the internal control mechanism. In 2024, areas for improvement have been identified and appropriate measures have been implemented.

Communication with Shareholders

The Company has adopted a Shareholder Communication Policy which will be reviewed by the Board annually to ensure effectiveness. The said policy sets forth the commitment of the Company to maintain on-going and effective communication with its shareholders and provides various channels for communication which include access of the Company's corporate communication such as announcements, circulars, annual and interim reports as well as other information through the Company's website or, if requested by shareholders, sending hard copies of relevant materials to them.

The Board attaches a high degree of importance to continuous communication with shareholders, particularly through direct dialogue with them at the Company's annual general meeting and extraordinary general meeting. The Company has adopted a hybrid meeting model for convening the annual general meeting and extraordinary general meeting flexibly which allows shareholders to attend the meetings in person or to view the proceedings of the meetings and participate in voting, and submit questions in a convenient and efficient way.

Apart from making close communication with the shareholders, the Company will communicate actively with the investment community in the forms of meetings, conferences and roadshows. For details, please refer to the section headed "Investor Relations" in this report.

Mr GE Haijiao (Chairman of the Company and the Strategy and Budget Committee), Mr LIP Sai Wo (Chairman of the Audit Committee), Mdm FUNG Yuen Mei Anita (Chairlady of the Risk Committee), Dr CHOI Koon Shum (Chairman of the Nomination and Remuneration Committee), and Mdm CHENG Eva (Chairlady of the Sustainability Committee) were present at the Company's 2024 annual general meeting and extraordinary general meeting held on 27 June 2024 and 24 September 2024 respectively. Representatives of the auditor(s) of the Company were also present at the Company's 2024 annual general meeting and extraordinary general meeting to respond to enquiries raised by shareholders. Save as disclosed above, all other Directors including Mr LIU Jin (resigned with effect from 25 August 2024), Mr SUN Yu (Vice Chairman and Chief Executive of the Company), Mr LIN Jingzhen, Mr LAW Yee Kwan Quinn, Mr LEE Sunny Wai Kwong and Prof MA Si Hang Frederick were also present at the general meetings.

The Company is committed to undertaking corporate social responsibility and has enhanced the arrangement by making charitable donations as an alternative to distribution of corporate gifts to shareholders at the annual general meeting held in 2024 in order to help people in need.

Summary of the resolutions passed at the Company's 2024 annual general meeting and extraordinary general meeting as well as the percentage of votes cast in favour are as follows:

Ordinary Resolutions	Percentage Voted For
2024 Annual General Meeting	
Approval of audited financial statements and the Reports of the Directors and of the Auditor	99.97%
Declaration of final dividend	99.99%
Re-election of Directors	99.26% to 99.84%
Appointment of accounting firm for the provision of professional service of the 2024 interim financial report review	99.97%
Grant of general mandate to issue shares	99.01%
Grant of general mandate to buy-back shares	99.96%
Extraordinary General Meeting	
Appointment of Auditor	99.99%

Further details of the voting results are available under the sub-section "Stock Exchange Announcements" of the section headed "Investor Relations" on the Company's website at www.bochk.com.

The Stock Exchange adopted the treasury share regime in June 2024, pursuant to which the Stock Exchange, among others, has amended the Listing Rules to remove the requirement to cancel repurchase shares so that listed issuers may hold repurchased shares in treasury subject to the laws of their places of incorporation and their constitutional documents and to allow the resale of treasury shares (the "Treasury Share Regime"). The Companies (Amendment) Ordinance 2025, which will take effect on 17 April 2025, further introduced amendments to the Hong Kong Companies Ordinance to allow Hong Kong-incorporated listed issuers to make sure of and benefit from the Treasury Share Regime.

Having considered the aforesaid Treasury Share Regime, the Board will continue to recommend (i) the threshold for granting of a general mandate to issue shares of up to 10% (or 5% in the event that the issue of shares is solely for cash and not related to any acquisition of assets) of the total number of shares in issue (excluding treasury shares, if any, and subject to adjustment in case of any subdivision or consolidation of shares after the passing of the relevant resolution), and a limitation of discount rate of issue price which shall not exceed 10% of the Company's benchmarked price; and (ii) the threshold for granting of a general mandate to buy back shares of up to 10% of the total number of shares in issue (excluding treasury shares, if any, and subject to adjustment in case of any subdivision or consolidation of shares after the passing of the relevant resolution) at the forthcoming annual general meeting for approval by shareholders. To the extent permitted by, and complying with the prevailing requirements of, the Listing Rules, the Hong Kong Companies Ordinance (as amended from time to time) and any other applicable laws and regulations from time to time in force, the Company may either cancel the repurchased shares and/or hold such shares in treasury subject to market conditions and the Company's capital management needs at the relevant time any repurchases of shares are made. Given the commitment to high standards of corporate governance, the Board also adopted certain internal policies for the exercise of the powers granted to the Board under the general mandates to issue shares solely for cash and buy back shares.

The Company will provide detailed information on the 2025 annual general meeting in a circular to shareholders which will include introduction to the proposed resolutions to be approved at the annual general meeting, information on the retiring Directors who are eligible for re-election, as well as information on voting and other issues relating to the 2025 annual general meeting. The Company encourages shareholders to actively participate to general meetings of the Company so as to enhance the exchange of views and communication.

Shareholders' Rights

Shareholders are entitled to convene an extraordinary general meeting, propose a resolution at an annual general meeting, and propose a person for election as a Director. Please see the detailed procedures as follows:

- **the way in which shareholders can convene an extraordinary general meeting**

  Any shareholder(s) holding not less than 5% of total voting rights of all the shareholders who have a relevant right to vote may request the Board to convene an extraordinary general meeting. The request, duly signed by the shareholder(s) concerned, must clearly state the general nature of the business to be dealt with at the meeting and may include the text of the proposed resolution. Such request must be deposited at the registered office of the Company, 53rd Floor, Bank of China Tower, 1 Garden Road, Hong Kong. The Company would take appropriate actions and make necessary arrangements in accordance with the requirements under sections 566 to 568 of the Hong Kong Companies Ordinance once a valid request is received.

- **the procedures for proposing a resolution at an annual general meeting**

  The following shareholders are entitled to request the Company to give notice of a resolution that may properly be moved at an annual general meeting of the Company:

  (a) shareholders representing at least 2.5% of the total voting rights of all the shareholders who have a relevant right to vote; or

  (b) at least 50 shareholders who have a relevant right to vote.

  The request identifying the proposed resolution, duly signed by the shareholders concerned, must be deposited at the registered office of the Company, 53rd Floor, Bank of China Tower, 1 Garden Road, Hong Kong not less than six weeks before the annual general meeting, or if later, the time at which notice is given of that meeting. The Company would take appropriate actions and make necessary arrangements in accordance with the requirements under sections 615 and 616 of the Hong Kong Companies Ordinance once valid documents are received.

- **the procedures for Director's nomination and election by shareholders**

  If a shareholder wishes to propose a person other than a retiring Director for election as a Director at a general meeting, the shareholder should lodge at the registered office of the Company (53rd Floor, Bank of China Tower, 1 Garden Road, Hong Kong): (a) a notice in writing signed by such shareholder (other than the proposed person) duly qualified to attend and vote at the meeting of his/her intention to propose such person for election; (b) a notice signed by the proposed person indicating his/her willingness to be elected; and (c) a sum reasonably sufficient to meet the Company's expenses in giving effect thereto.

  The period during which the aforesaid notices may be given will be at least seven days. Such period will commence on the day after the despatch of the notice of the general meeting for which such notices are given and end no later than seven days prior to the date of such general meeting. The Company would take appropriate actions and make necessary arrangements in accordance with the requirements under Article 99 of the Articles of Association once valid notices and the aforesaid sum are received.

Further shareholder information, including details of shareholders by types and aggregate shareholding as well as important shareholders' dates in 2025, is set out in the section headed "Investor Relations". The percentage of public float is set out in the Report of the Directors. Shareholders are welcome to send in any written enquiries to the Board for the attention of the Company Secretary either by post to the registered office of the Company at 53rd Floor, Bank of China Tower, 1 Garden Road, Hong Kong or by way of email to investor_relations@bochk.com. The Company Secretary would direct the enquiries received to appropriate Board member(s) or the Chairman of the Board Committee(s) who is in charge of the areas of concern referred therein for further handling. The Board, assisted by the Company Secretary, would make its best efforts to ensure that all such enquiries are addressed in a timely manner.

Dividend Policy

The primary objectives of the Company's dividend policy are to comply with regulatory requirements, support its ongoing business development by providing adequate capital while balancing shareholders' long term and short term interests. Unless under special circumstances, the Board maintains a payout ratio within the range of 40% to 60%. The Company periodically reviews the dividend policy by considering multiple factors, among which are changes of regulatory requirements, economic and business environments. The Company intends to declare dividends on a quarterly basis commencing from the beginning of 2025.

Disclosure of Information

The Company recognises the importance of timely and effective disclosure of information and formulates policies, procedures and controlling measures on information disclosure (including inside information) in accordance with the requirements under applicable laws, regulations and regulatory requirements which include the SFO, the Listing Rules and the HKMA's Supervisory Policy Manual.

The Group has established controlling measures for the oversight of business and corporate development of the Group to enable prompt identification and escalation of any inside information by all departments/units. The Management Committee reviews relevant information submitted and assesses its possible impact, and reports the result to the Board. The Board will assess and determine whether it is inside information, and whether it is appropriate to disclose the inside information after consideration of relevant circumstances and regulatory requirements.

The Information Disclosure Policy requires that heads of relevant departments/units should restrict access to the inside information to a limited number of employees on a need-to-know basis during the escalation process and maintain a list of insider employees for senior management's inspection from time to time. The Group provides regular refreshment courses on the Information Disclosure Policy to employees to ensure those employees are fully conversant of their obligations under the said policy.

Details of the Information Disclosure Policy have been posted on the Company's website at www.bochk.com.

Directors' Responsibility Statement in relation to Financial Statements

The following statement should be read in conjunction with the auditor's statement of their responsibilities as set out in the auditor's report. The statement aims to distinguish the responsibilities of the Directors and the auditor in relation to the financial statements.

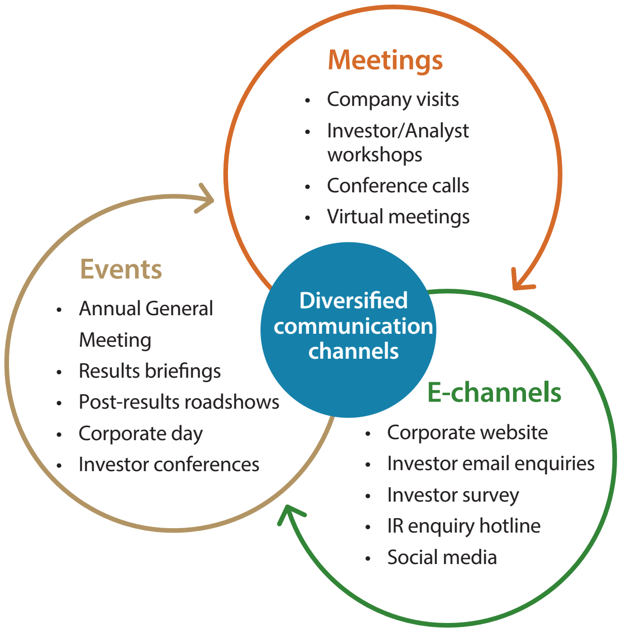
The Directors are required by the Hong Kong Companies Ordinance to prepare financial statements, which give a true and fair view of the state of affairs of the Group. The financial statements should be prepared on a going concern basis unless it is considered inappropriate. The Directors are responsible for ensuring that the accounting records kept by the Group at any time reasonably and accurately reflect the financial position of the Group, and that the financial statements comply with the requirements of the Hong Kong Companies Ordinance. The Directors also have duties to take reasonable and practicable steps to safeguard the assets of the Group and to prevent and detect fraud and other irregularities.

The Directors consider that in preparing the financial statements, the Group has adopted appropriate accounting policies which have been consistently applied and supported by reasonable judgements and estimates, and that all accounting standards which they consider to be applicable have been followed.

Investor Relations

Investor Relations Policy and Guidelines

The Company recognises the fundamental importance of maintaining effective communication with its existing and potential investors. We aim to provide clear and timely information that is reasonably required to make a fair investment decision with regard to the Company's equity and debt securities. We also highly value investor feedback and comments for the formulation of the Company's growth strategies to ensure its sustainable development and enhance shareholder value.



Investor Relations Programmes

The objectives of the Company's investor relations programmes are to promote, through various channels, timely and effective communication with the investment community to enhance their knowledge and understanding of the Company's development and strategies. The investment community refers to existing and potential investors of the Company's securities, analysts and securities market professionals. The Company's securities include both equity securities and debt securities.

The Company's investor relations strategies and programmes are formulated, overseen and regularly evaluated by the Investor Relations Committee, which is chaired by the Company's Chief Executive and comprises members of the senior management. The Investor Relations Division of the Board Secretariat, which reports directly to the Board, is responsible for the implementation of these strategies and acts as an intermediary between the Company and the investment community.

The Company's senior management is highly supportive and actively involved in investor relations activities. We communicate with the investment community in meetings, conferences and roadshows during which we discuss general public information, including disclosed financial information and historical data, markets and product strategies, business strengths and weaknesses, growth opportunities and threats. Any topic will be discussed so long as it is not considered to be material non-public information.

Information Disclosure Policy

The Company attaches high importance to the principles of information disclosure with regard to timeliness, fairness and transparency, and proactively discloses information that may have an impact on investment decision-making. In accordance with relevant legislation and statutory requirements, the Company has prepared an Information Disclosure Policy, which is available on the Company's website for public reference. The policy contains clear guidelines to ensure the following:

1. information disclosure is in compliance with the Listing Rules and other regulatory requirements;

2. all communications with the public, including the investment community and the media, follow the principles of timeliness, fairness, truthfulness, accuracy and compliance; and

3. effective monitoring of procedures for information disclosure is in place.

Access to Corporate Information

The Investor Relations section of the Company's website (www.bochk.com) provides shareholders and investors with access to information on the Company's latest developments according to the principles of the Information Disclosure Policy. These include information in relation to the Company's key developments, interim and annual results as well as quarterly financial and business review updates. Members of the public can access important announcements through the Stock Exchange of Hong Kong. The website also includes regulatory disclosure information that complies with the applicable requirements set out in the Banking (Disclosure) Rules as stipulated by the Hong Kong Monetary Authority.

The Investor Relations section also includes information on credit ratings, shares and dividends, as well as a corporate calendar with dates of important events. Shareholders and investors are encouraged to view the relevant information on the Company's website to support environmental conservation.

Overview of Investor Relations Activities in 2024

In 2024, the Company continued its efforts to provide effective channels for communication with the investment community.

Annual General Meeting and Extraordinary General Meeting

The Annual General Meeting and Extraordinary General Meeting held on 27 June 2024 and 24 September 2024 respectively were conducted as hybrid meetings which allow shareholders to participate in the proceedings of the meetings, vote and submit questions in a convenient and efficient way by visiting website from anywhere with an internet connection instead of attending the meetings in person.

At the Annual General Meeting held in June 2024, Chairman of the Board, Chairmen and members of the Audit Committee, the Nomination and Remuneration Committee, the Risk Committee, the Strategy and Budget Committee as well as the Sustainability Committee respectively, the Company's senior management and external auditor were present to respond to questions and comments from shareholders. A total of 341 registered shareholders and 72 authorised proxies holding an aggregate of 8,494,633,860 shares, representing 80.34% of the Company's total number of shares in issue, were present. Minutes of the 2024 Annual General Meeting were made available to shareholders on the Company's website.

At the Extraordinary General Meeting held in September 2024, Chairman of the Board, Chairmen and members of the Audit Committee, the Nomination and Remuneration Committee, the Risk Committee, the Strategy and Budget Committee as well as the Sustainability Committee were present to respond to questions and comments from shareholders. A total of 70 registered shareholders and 3 authorised proxies holding an aggregate of 8,488,607,855 shares, representing 80.29% of the Company's total number of shares in issue, were present. Minutes of the 2024 Extraordinary General Meeting were made available to shareholders on the Company's website.

Results Announcements

At the Company's 2023 annual results announcement and 2024 interim results announcement, the Company's senior management attended the briefings with analysts and the press to apprise them of the Company's strategy implementation, operating results, business development and outlook as well as to answer their questions. The public could access the results announcements, presentation materials, webcasts, financial data pack and transcripts of analyst briefing sessions on the Company's website and kept themselves updated with the latest financial and earnings performances of the Company. At the same time, the Company leveraged a wide range of social platforms and announced results via Weixin, YouTube, LinkedIn, etc., so as to maintain broad communications channels with investors.

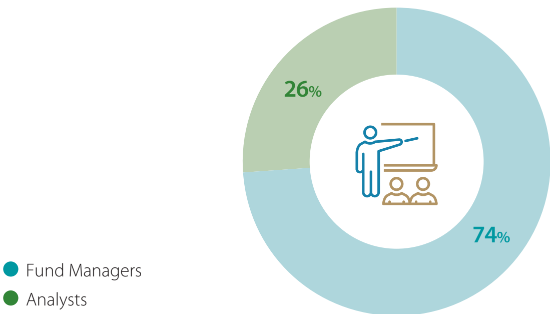
In addition to the interim and annual results announcements, the Company published quarterly financial and business reviews to keep shareholders up-to-date about the Company's performance and financial position.

Communication with the Investment Community

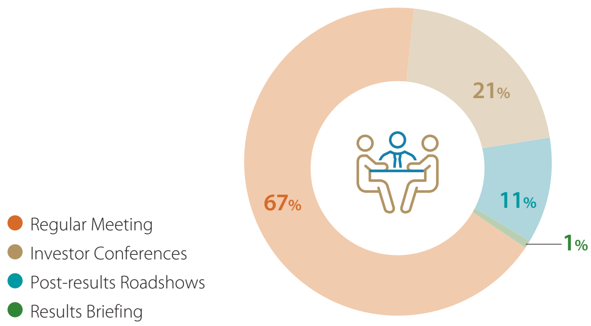
In 2024, the Company had held 221 meetings with a total attendance of over 813 investors and analysts across the world. These meetings, which aim to give investors a better understanding of the Company's strategies and new business initiatives as well as to continuously engage them in active and in-depth discussion on the Company's ESG development, were held through results briefings, post-results roadshows, investor conferences, regular meetings and thematic meetings. The Company was widely covered by 13 securities research institutions, among which a good number of them ascribed "Buy" rating to the Company. The Company expanded investor base and optimised its geographical distribution by proactively making use of virtual and in-person meetings and interacting with institutional investors across major regions in the globe covering the financial centres and cities in the Asia-Pacific, Europe, America, Middle East, etc., which earned positive reaction from the investment community.

In addition to that, the Company closely monitored the latest market development and continued to promote two-way communication through methods including emails, direct dialogue and investor feedback. The responses received from investors enabled the Company to understand market focuses and demand for detailed business information, which helped to better formulate its investor relations communications plan and continually improve its disclosure standard and investor relations practices.

Investor Meetings by Participant Category



Investors Met by Event



Going Forward

Under the principles of timeliness, fairness and transparency, the Company will continue to promote proactive investor relations practices, including effective investor relations programmes to keep the investment community adequately informed of the Company's present and future development. The Company will also benchmark its programmes against best practices for continuous improvement and more efficient communication with the investment community.

Investor Relations Contact

Enquiries can be directed to:

Investor Relations Division BOC Hong Kong (Holdings) Limited 53rd Floor, Bank of China Tower 1 Garden Road, Hong Kong	Telephone: (852) 2826 6314 Facsimile: (852) 2810 5830 E-mail: investor_relations@bochk.com

Shareholder Information

Financial Calendar 2025

Major Events	Dates
Announcement of 2024 annual results	26 March (Wednesday)
Announcement of Financial and Business Review for the First Quarter of 2025	Mid to late April
2025 Annual General Meeting	Mid May to late June
Announcement of 2025 interim results	Mid to late August
Announcement of Financial and Business Review for the Third Quarter of 2025	Mid to late October

Annual General Meeting

For details of the 2025 Annual General Meeting, please refer to the notice of the annual general meeting to be issued by the Company.

Share Information

Listing and Stock Codes

Ordinary Shares		Level 1 ADR Programme	
The Company's ordinary shares are listed and traded on The Stock Exchange of Hong Kong Limited ("HKEX").		The Company maintains a Level 1 ADR facility for its ADSs. Each ADS represents 20 ordinary shares of the Company *(HKD counter)*.	
Stock codes (HKD counter)		*Stock codes*	
HKEX	2388	CUSIP No.	096813209
Reuters	2388.HK	OTC Symbol	BHKLY
Bloomberg	2388 HK		
Stock codes (RMB counter)			
HKEX	82388		
Reuters	82388.HK		
Bloomberg	82388 HK		

Market Capitalisation and Index Recognition

As at 31 December 2024, the Company's market capitalisation was HK$263.8 billion, among the top 30 leading stocks on the Main Board of Hong Kong Stock Exchange in terms of market capitalisation. Given the Company's market capitalisation and liquidity, its shares are a constituent of Hang Seng Index, MSCI Index, and FTSE Index series. In addition, the Company is a constituent of Hang Seng Corporate Sustainability Index Series, Hang Seng High Dividend Yield Index and HSI ESG Index, which recognises its favorable performance in related areas.

Debt Securities

Issuer	:	Bank of China (Hong Kong) Limited, a wholly-owned and principal subsidiary of the Company	
Listing	:	The Notes are listed and traded on The Stock Exchange of Hong Kong Limited	

Senior Notes

Description	:	Bank of China (Hong Kong) Limited 2% Notes 2026	
Issue size	:	RMB5,000 million	
Stock codes	:	Local code	292480030
	:	ISIN	CND10008MCN6
	:	Bloomberg	YT4156832

Share Price and Trading Information

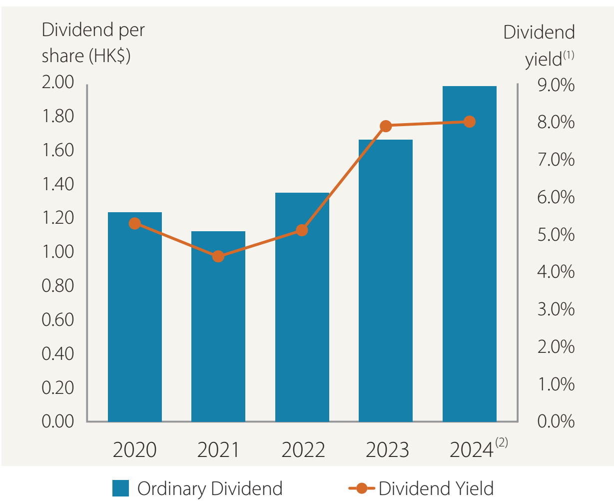
Share price (HKD counter/RMB counter)	2024	2023	2022
Closing price at year end	24.95/23.55	21.20/19.20	26.60/-
Highest trading price during the year	26.60/24.40	28.25/22.75	32.75/-
Lowest trading price during the year	17.86/16.50	20.00/18.44	23.55/-
Average daily trading volume (m shares) **(HKD counter/RMB counter)**	10.97/0.12	8.97/0.29	12.81/-
Number of ordinary shares issued (shares)	10,572,780,266		
Public float	Approximately 34%		

Note:
1. The Company added the RMB counter on 19 June 2023.
2. HKD counter is traded in HKD. RMB counter is traded in RMB.

Dividends

The Board of Directors has recommended a final dividend of HK$1.419 per share, which is subject to the approval of shareholders at the 2025 Annual General Meeting. With the interim dividend per share of HK$0.570 paid during 2024, the total dividend per share will amount to HK$1.989 for the full year.

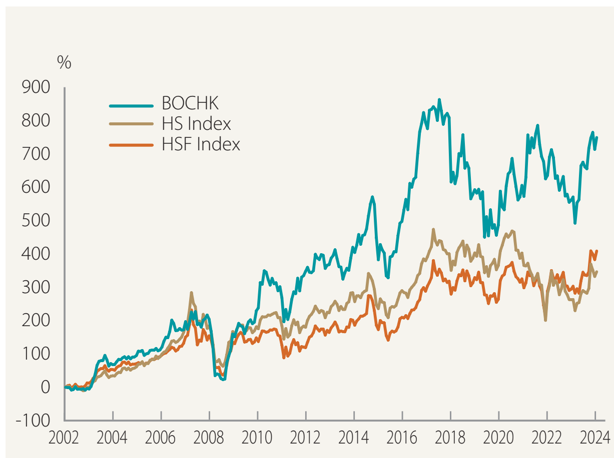
Dividend Per Share and Dividend Yield[1]



(1) Annual dividend yield is calculated based on dividends of the year (i.e. interim dividend and proposed final dividend of the year) and closing share price at that year-end.

(2) 2024 proposed final dividend will be subject to shareholders' approval at the Company's forthcoming Annual General Meeting.

Total Shareholder Return since Initial Public Offering



Source: Bloomberg

Total shareholder return is measured by share price appreciation and reinvested dividends.

Credit Ratings (long-term)

Standard & Poor's:	A+
Moody's Investors Service:	Aa3
Fitch Ratings:	A+

Shareholding Structure and Shareholder Base

As at 31 December 2024, the Company had 10,572,780,266 shares in issue of which approximately 34% was held by the public and 0.26% was held in the form of ADSs. The Company's 62,522 registered shareholders were distributed in various parts of the world, including Asia, Europe, North America and Australia. Apart from BOC, the Company is not aware of any major shareholders with a shareholding of more than 5% which has to be reported under the SFO.

During the year, the shareholder structure of the Company remained stable. The following table shows the distribution of ownership according to the register of members which includes registered shareholders and shareholders recorded in the participant shareholding report generated from the Central Clearing and Settlement System as at 31 December 2024:

Category	Number of registered shareholders	% of registered shareholders	Number of shares held by registered shareholders	Approximate % of total issued shares
Individuals	62,424	99.84	193,023,141	1.83
Institutions, corporates and nominees Note	97	0.16	3,438,679,369	32.52
Bank of China Group Note	1	0.00	6,941,077,756	65.65
Total	62,522	100.00	10,572,780,266	100.00

Note:
As recorded in the register maintained by the Company pursuant to section 336 of the SFO, the total number of shares held by Bank of China Group was 6,984,274,213 shares, representing approximately 66.06% of the total number of shares in issue of the Company as at 31 December 2024. This figure included certain numbers of shares held for Bank of China Group in the securities account opened with BOCI Securities Limited, a participant of the Central Clearing and Settlement System. Accordingly, these shares are included under the category of "Institutions, corporates and nominees".

Shareholder Enquiries

For any enquiries or requests relating to shareholder's shareholding, e.g. change of personal details, transfer of shares, loss of share certificates and dividend warrants, etc., please send in writing to:

Hong Kong, China	Computershare Hong Kong Investor Services Limited 17M Floor, Hopewell Centre 183 Queen's Road East, Wan Chai, Hong Kong Telephone: (852) 2862 8555 Facsimile: (852) 2865 0990 Online Feedback Platform: www.computershare.com/hk/en/online_feedback
USA	Citibank Shareholder Services P.O. Box 43077, Providence, Rhode Island 02940-3077, USA Telephone: 1-877-248-4237 (toll free) 1-781-575-4555 (outside USA) E-mail: citibank@shareholders-online.com

Other Information

This Annual Report is available in both English and Chinese. A copy prepared in the language different from that in which you have received is available by writing to the Company's Share Registrar, Computershare Hong Kong Investor Services Limited, at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong or email to bochk.ecom@computershare.com.hk. This Annual Report is also available (in both English and Chinese) on the Company's website at www.bochk.com and the Stock Exchange's website at www.hkexnews.hk. You are encouraged to access the corporate communications of the Company through these websites in lieu of receiving printed copies to help protect the environment. We believe that it is also the most efficient and convenient method of communication with our shareholders.

If you have any queries about how to obtain copies of this Annual Report or how to access the corporate communications on the Company's website, please call the Company's hotline at (852) 2846 2700.

Awards and Recognition

Financial Strength and Corporate Governance

The Banker

- Bank of the Year in Hong Kong

The Asian Banker

- The Strongest Bank in Hong Kong

FinanceAsia

FinanceAsia Awards 2024:

- Best Bank – Hong Kong SAR (Domestic Category)

Euromoney

Greater Bay Area Awards 2024:

- Best Chinese Bank for the Greater Bay Area

Sustainable Development

Financial Times and Statista

- Asia-Pacific Climate Leaders 2024

Euromoney

Awards for Excellence 2024:

- Best Bank for Corporate Responsibility in Hong Kong

FinanceAsia

FinanceAsia Awards 2024:

- Biggest ESG Impact Bank – Hong Kong SAR (Domestic Category)

Corporate Governance Asia

14th Asian Excellence Awards:

- Asia's Best CSR
- Sustainable Asia Award
- Best Investor Relations Company

The Asset

- The Asset ESG Corporate Awards 2024 – Platinum Award

Bloomberg Businessweek Chinese Edition

ESG Leading Enterprises 2024:

- ESG Leading Enterprises Award
- Leading Social Initiatives Award
- Sustainable Finance Award

Enterprise Asia

Asia Responsible Enterprise Awards 2024:

- Social Empowerment

The Hong Kong General Chamber of Small & Medium Business

- ESG Leading Enterprise Award 2024

Hong Kong Quality Assurance Agency

Hong Kong Green and Sustainable Finance Awards 2024:

Outstanding Award for Green and Sustainable Bond Lead Manager

- Largest Amount of Green Bonds (The Government of the Hong Kong Special Administrative Region Financing Project)
- Largest Amount of Green Bonds (Financial Investment Industry)

Outstanding Award for Green and Sustainable Loan Facilitator (Public Transport Industry)

- Visionary Sustainability-linked Loan Performance Metrics

Innovative Technology

Global Finance

- Best Mobile Banking App in China

Euromoney

- Market Leader for Digital Solutions in Hong Kong

The Digital Banker

Digital CX Awards 2024:

- Best Digital Bancassurance

Bloomberg Businessweek Chinese Edition

Financial Institutions 2024:

- Banking Sector Digital Innovation – Excellence
- Banking Securities Sector Digital Trading Platform – Outstanding

CorporateTreasurer

CorporateTreasurer Awards 2024:

- Excellence in Digital Transformation

Talent Development Management

Bloomberg Businessweek Chinese Edition

Financial Institutions 2024:

- Banking Sector Training Program of the Year – Excellence

JobMarket

The Employer of Choice Award 2024:

- The Employer of Choice Award

CTgoodjobs

- Employer of the Year – Grand
- Best Talent Acquisition & Onboarding Strategy Award – Grand
- Best Employee Engagement Strategy Award – Grand
- Best Innovative L&D Initiative Award – Grand

Jobsdb

The Hong Kong HR Awards 2023/24:

- Grand Award of TECHNOLOGY

Service Excellence

The Asset

- Best Renminbi Bank in Hong Kong
- Manila Branch: Best Renminbi Bank in the Philippines
- Jakarta Branch: Best Renminbi Bank in Indonesia
- Phnom Penh Branch: Best Renminbi Bank in Cambodia

Global Finance

- Best Bank for Cash Management in Asia-Pacific

Euromoney

Greater Bay Area Awards 2024:

- Best Chinese Bank for Wealth Management Connect

The Asian Banker

- Best Cash Management Bank in Hong Kong
- Best Transaction Bank in Hong Kong
- Best Cash Management Project in Hong Kong

Asian Banking & Finance

- Hong Kong Domestic Cash Management Bank of the Year
- Credit Card Initiative of the Year – Hong Kong

Asia Asset Management

2024 Best of the Best Region Awards:

- Best RMB Manager in Hong Kong

CorporateTreasurer

CorporateTreasurer Awards 2024:

- Best Transaction Bank (Market: Hong Kong SAR)
- Most Innovative Treasury Initiative

Treasury China

- Treasury Awards – Best Global Treasury Service Bank Award

Treasury Today

Adam Smith Awards Asia 2024:

- Best in Class Treasury Solution in China – Highly Commended

Bloomberg Businessweek Chinese Edition

Financial Institutions 2024:

- Banking Securities Sector Securities Company of the Year – Excellence
- Banking Securities Sector Cross-border Wealth Management (Personal) – Excellence
- Credit Card Usability – Excellence
- Bancassurance Sector Bancassurer of the Year – Outstanding

The Hong Kong General Chamber of Small & Medium Business

- Best SME's Partner Award for 17 consecutive years

HKEX

OTC Clear:

- Top HKD Clearing Member
- Top Swap Connect Clearing Member
- Top Offshore RMB Clearing Member

Fixed Income and Currencies:

- Top Key Partner – Currency Futures

China Foreign Exchange Trade System

- Market Impact Award of the Year
- Outstanding Market Innovation Award
- Best Foreign Currency Market Maker
- Best Foreign Currency Offshore Market Maker
- Best RMB FX Offshore Member

China Central Depository & Clearing Co., Ltd.

- Outstanding Contributor for International Business
- Outstanding Foreign Institutional Investor of CIBM Business

Shanghai Gold Exchange

- 2024 Excellent International Member
- Innovator of International Business
- Excellent Market Maker of International Board Price Matching Market

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Independent Auditor's Report

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

To the members of BOC Hong Kong (Holdings) Limited
(Incorporated in Hong Kong with limited liability)

Opinion

We have audited the consolidated financial statements of BOC Hong Kong (Holdings) Limited (the "Company") and its subsidiaries (the "Group") set out on pages 129 to 303, which comprise the consolidated balance sheet as at 31 December 2024, and the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated cash flow statement for the year then ended, and notes to the consolidated financial statements, including material accounting policy information.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2024, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and have been properly prepared in compliance with the Hong Kong Companies Ordinance.

Basis for opinion

We conducted our audit in accordance with Hong Kong Standards on Auditing ("HKSAs") issued by the HKICPA. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the consolidated financial statements* section of our report. We are independent of the Group in accordance with the HKICPA's *Code of Ethics for Professional Accountants* (the "Code"), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the *Auditor's responsibilities for the audit of the consolidated financial statements* section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the consolidated financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying consolidated financial statements.

Key audit matter	How our audit addressed the key audit matter
Measurement of expected credit loss ("ECL") for advances to customers	
Refer to material accounting policies in Note 2.14, critical estimates and judgements in applying accounting policies in Note 3.1, and disclosures on credit risk, net charge of impairment allowances and loan impairment allowances in Note 4.1, Note 13 and Note 25 to the financial statements. As at 31 December 2024, the Group reported total gross advances to customers amounted to HK$1,676,886 million, representing 40.0% of total assets and the impairment allowance for advances to customers amounted to HK$14,961 million, representing 95.0% of the total impairment allowance on financial instruments. The Group has adopted a forward-looking expected-loss impairment model to recognise the expected credit losses ("ECL") of its advances to customers. The assessment of credit risk and the measurement of ECL are required to be based on unbiased and probability-weighted possible outcomes, and reasonable and supportable information at the reporting date about past events, current conditions and forecasts of future economic conditions. Significant management judgements and estimates are involved in the development and the application of models and the choices of inputs in the calculation of ECL, including: 1) segmentation of financial assets according to credit risk characteristics; 2) estimation of probability of defaults, loss given defaults, exposure at defaults and macroeconomic factor forecasts; 3) criteria on significant increase in credit risk; and 4) selection of forward-looking macroeconomic scenarios and their probability weightings;	We obtained an understanding of the Group's credit management and policies and procedures and evaluated the Group's impairment methodology, including the management judgement over the segmentation of portfolio, the criteria on significant credit deterioration and the measurement approach of expected credit losses. We tested the design and the operating effectiveness of the key controls over the systems and processes of credit assessment, loan classification, stage classification and calculation of impairment allowances. Our control testing on the loan impairment process included an evaluation of the governance in respect of the use of economic scenarios and the system interfaces of inputs or other data sources such as internal loan gradings and probability of default. We adopted a risk-based sampling approach for our loan review procedures. We selected samples based on risk characteristics of individual items including the industry (including loans granted to Mainland property developers and local commercial real estate developers and investors) and geographic location of the operations of borrowers, internal loan grading and past due history. We formed an independent view on the loan staging through reviewing the selected borrowers' detailed information such as their financial performance, recoverable cash flows, valuation of collaterals and other available information.

Key audit matter	How our audit addressed the key audit matter
For Stage 3 advances to customers, management judgement is required to determine the probability of multiple scenarios and estimate the impact that the uncertainties observed in current economic environment may have on these exit strategies, the time required to collect and collateral valuation. In view of the significance of the impairment allowance recorded by the Group and the management judgements and estimates involved, the impairment assessment of advances to customers are considered a key audit matter.	We performed testing on the completeness and accuracy of the data used in the ECL calculation as at 31 December 2024 by comparing the individual loan data to the relevant data source on a sample basis; evaluating the calculation logic and data processing and recomputing for a sample of management's calculation of the impairment allowance. We engaged our modelling specialists in evaluating the impairment methodology and model enhancements. We assessed the appropriateness of the ECL model used by management in determining impairment allowances, including changes made to forward-looking macroeconomic scenarios, and evaluated the key parameters and assumptions adopted in the model. The key parameters and assumptions included ECL stages, probability of default, loss given default, exposure at default, and probability weighted economic scenarios. For loans and advances classified as Stage 3, we recalculated the impairment allowance by reviewing inputs such as future recoverable cash flows and valuation of collateral on a sample basis. For each sample selected, we also assessed the reasonableness of future recoverable cash flows and reviewed the collateral value used where applicable. We also evaluated and tested the design and operating effectiveness of the Group's key controls related to disclosures on credit risk in Note 4.1 to the financial statements, and assessed the adequacy of disclosures for compliance with the relevant accounting standards.

Key audit matter	How our audit addressed the key audit matter
Valuation of insurance contract liabilities	
Refer to material accounting policies in Note 2.19, critical estimates and judgements in applying accounting policies in Note 3.3, and disclosures on insurance risk and insurance contracts in Note 4.4 and Note 37 to the financial statements. As at 31 December 2024, the Group, through its consolidated subsidiary BOC Group Life Assurance Company Limited, had insurance contract liabilities amounting to HK$183,755 million, representing 4.8% of the Group's total liabilities. The valuation of insurance contract liabilities involves significant management judgements and estimates over the eligibility for the measurement approach, the determination of coverage unit and the uncertain future cash flows. The valuation of insurance contract liabilities was mainly measured as the total of fulfilment cash flows ("FCF") and contractual service margin ("CSM"). Complex actuarial models and actuarial assumptions with highly judgmental nature are used to support the valuation of insurance contract liabilities. Key assumptions, such as mortality, morbidity, lapse rates, discount rates in the estimation of FCF and the determination of coverage units for releasing of CSM, expenses ratios, claim ratios, dividends and risk adjustment for non-financial risk are key inputs used to estimate the insurance contract liabilities as reported in the consolidated balance sheet.	We obtained an understanding over the reserving process through meeting with and inquiry of actuarial team of the Group and inspecting the relevant documentation. We tested the design and operating effectiveness of key controls over the valuation of insurance contract liabilities and reperformed reconciliations on the actuarial data back to the financial ledger and source systems. We engaged our internal actuarial specialist to assess the valuation methodologies and key assumptions applied with reference to relevant accounting policies, market observable data (as applicable), the Group's past experience or industry experience. For the assumptions updated in current year, we have also assessed reasonableness of the changes against the documentation provided by the Group. For certain actual data used in the actuarial reserving process, we performed test of details, on sample basis, on the accuracy of amount of premiums, claims incurred and commissions. We tested the application of the valuation methodologies and measurement of insurance contract liabilities on selected insurance products or groups of insurance contracts by comparing our independent recalculation results and performed analytical review to verify the reasonableness of the overall insurance contract liabilities. We also assessed the adequacy of disclosures related to the valuation of insurance contract liabilities.

Key audit matter	How our audit addressed the key audit matter
Valuation of level 3 financial instruments measured at fair value	
Refer to material accounting policies in Note 2.12, critical estimates and judgements in applying accounting policies in Note 3.2, and disclosures on fair values of financial instruments in Note 5.1 to the financial statements. As at 31 December 2024, the Group's financial assets measured at fair value amounted to HK$1,355,742 million, representing 32.3% of the Group's total assets. The Group's financial assets measured at fair value which were categorised within level 3 amounted to HK$14,475 million, representing 1.1% of the Group's financial assets measured at fair value. The Group has applied valuation techniques to determine the fair value of financial instruments that are not quoted in active markets. These valuation techniques, in particular those requiring significant unobservable inputs, involve management using judgements and assumptions. With different data input, assumptions and modelling techniques applied, the valuation results can vary significantly. Financial instruments which had significant unobservable inputs in the valuation were categorised within level 3 of the fair value hierarchy. Higher degree of uncertainty was involved in valuation of financial instruments categorised within level 3 of the fair value hierarchy. In view of the significance of the higher degree of uncertainty was involved in valuation of financial instruments categorised within level 3, the valuation of level 3 financial instruments measured at fair value are considered a key audit matter.	We evaluated and tested the design and operating effectiveness of key controls related to the valuation of financial instruments categorised within level 3, including validation and approval of valuation models and assumptions, review and approval of valuation results, and back-testing on valuation results and assumptions. We performed the following substantive procedures on financial instruments categorised within level 3 on a sampling basis: • In respect of unlisted equity securities, we involved our valuation specialists in evaluating the data inputs, assumptions and modelling techniques, through comparison with valuation techniques that are commonly used in the market, and validation of inputs against external market data. • In respect of unlisted fund investments, we assessed the unobservable valuation inputs, such as net asset values, by examining the most recent financial statements of investee funds or net asset value statements, conducting back-testing and evaluating the accounting policies of investee funds. We also evaluated and tested the design and operating effectiveness of the Group's key controls related to the fair value disclosures in Note 5.1 to the financial statements, and assessed the adequacy of disclosures for compliance with the relevant accounting standards.

Other information included in the Annual Report

The directors of the Company are responsible for the other information. The other information comprises the information included in the Annual Report, other than the consolidated financial statements and our auditor's report thereon.

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

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the directors for the consolidated financial statements

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

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

The directors of the Company are assisted by the Audit Committee in discharging their responsibilities for overseeing the Group's financial reporting process.

Auditor's responsibilities for the audit of the consolidated financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Our report is made solely to you, as a body, in accordance with section 405 of the Hong Kong Companies Ordinance, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with 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 judgement and maintain professional scepticism throughout the audit. We also:

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

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

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

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

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

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 Mr. Huen Chun Man.

Ernst & Young

Ernst & Young
Certified Public Accountants
Hong Kong
26 March 2025

Consolidated Income Statement

For the year ended 31 December	Notes	**2024 HK$'m**	2023 HK$'m
Interest income		**139,439**	128,489
Interest income calculated using the effective interest method		***129,804***	*121,459*
Others		***9,635***	*7,030*
Interest expense		**(87,105)**	(77,411)
Net interest income	6	**52,334**	51,078
Fee and commission income		**13,285**	12,187
Fee and commission expense		**(3,392)**	(3,020)
Net fee and commission income	7	**9,893**	9,167
Insurance revenue		**2,695**	1,897
Insurance service expense		**(1,217)**	(1,059)
Net income from reinsurance contracts held		**273**	108
Insurance service result		**1,751**	946
Net trading gain	8	**10,988**	8,315
Net (loss)/gain on other financial instruments at fair value through profit or loss	9	**(782)**	2,277
Net loss on other financial instruments	10	**(1,416)**	(1,468)
Insurance finance expenses	11	**(2,139)**	(5,430)
Other operating income	12	**624**	613
Net operating income before impairment allowances		**71,253**	65,498
Net charge of impairment allowances	13	**(5,082)**	(6,333)
Net operating income		**66,171**	59,165
Operating expenses	14	**(17,494)**	(16,607)
Operating profit		**48,677**	42,558
Net loss from disposal of/fair value adjustments on investment properties	15	**(1,487)**	(1,270)
Net loss from disposal/revaluation of properties, plant and equipment	16	**(332)**	(135)
Share of results after tax of associates and joint ventures	27	**(104)**	(239)
Profit before taxation		**46,754**	40,914
Taxation	17	**(7,636)**	(6,057)
Profit for the year		**39,118**	34,857

CONSOLIDATED INCOME STATEMENT

For the year ended 31 December	Notes	2024 HK$'m	2023 HK$'m
Profit attributable to:			
Equity holders of the Company and other equity instrument holders		**38,233**	34,115
Equity holders of the Company		**38,233**	32,723
Other equity instrument holders		**–**	1,392
Non-controlling interests		**885**	742
		39,118	34,857
		HK$	HK$
Earnings per share			
Basic and diluted	19	**3.6162**	3.0950

The notes on pages 137 to 303 are an integral part of these financial statements.

Consolidated Statement of Comprehensive Income

For the year ended 31 December	Notes	2024 HK$'m	2023 HK$'m
Profit for the year		**39,118**	34,857
Items that will not be reclassified subsequently to income statement:			
Premises:			
Revaluation of premises	29	**(2,548)**	(985)
Related tax impact	36	**508**	202
		(2,040)	(783)
Equity instruments at fair value through other comprehensive income:			
Change in fair value		**360**	646
Related tax impact		**(23)**	(3)
		337	643
Actuarial gain/(loss) on retirement benefit plans		**3**	(6)
		(1,700)	(146)
Items that may be reclassified subsequently to income statement:			
Advances and other accounts at fair value through other comprehensive income:			
Change in impairment allowances credited to income statement	13	**(23)**	(48)
Debt instruments at fair value through other comprehensive income:			
Change in fair value		**(112)**	4,260
Change in impairment allowances charged to income statement	13	**59**	13
Release upon disposal/redemption reclassified to income statement	10	**1,394**	1,457
Amortisation of accumulated amount of fair value hedge adjustment reclassified to income statement		**(11)**	(91)
Related tax impact		**(226)**	(864)
		1,104	4,775
Insurance contracts:			
Finance expenses from insurance contracts issued		**(1,722)**	(2,165)
Finance income from reinsurance contracts held		**537**	635
Related tax impact		**195**	253
		(990)	(1,277)
Currency translation difference		**(361)**	(263)
		(270)	3,187
Other comprehensive income for the year, net of tax		**(1,970)**	3,041
Total comprehensive income for the year		**37,148**	37,898
Total comprehensive income attributable to:			
Equity holders of the Company and other equity instrument holders		**36,703**	37,012
Equity holders of the Company		**36,703**	35,620
Other equity instrument holders		**–**	1,392
Non-controlling interests		**445**	886
		37,148	37,898

The notes on pages 137 to 303 are an integral part of these financial statements.

Consolidated Balance Sheet

As at 31 December	Notes	2024 HK$'m	2023 HK$'m
ASSETS			
Cash and balances and placements with banks and other financial institutions	22	**609,935**	406,571
Financial assets at fair value through profit or loss	23	**227,156**	373,290
Derivative financial instruments	24	**73,914**	54,211
Hong Kong SAR Government certificates of indebtedness		**223,510**	213,000
Advances and other accounts	25	**1,666,302**	1,693,144
Investment in securities	26	**1,229,122**	978,440
Interests in associates and joint ventures	27	**1,196**	1,275
Investment properties	28	**14,046**	14,875
Properties, plant and equipment	29	**38,242**	41,738
Current tax assets		**27**	75
Deferred tax assets	36	**1,952**	1,480
Other assets	30	**109,006**	90,684
Total assets		**4,194,408**	3,868,783
LIABILITIES			
Hong Kong SAR currency notes in circulation	31	**223,510**	213,000
Deposits and balances from banks and other financial institutions		**352,052**	373,673
Financial liabilities at fair value through profit or loss	32	**78,821**	66,203
Derivative financial instruments	24	**56,779**	41,553
Deposits from customers	33	**2,713,410**	2,501,682
Debt securities and certificates of deposit in issue	34	**5,296**	1,999
Other accounts and provisions	35	**155,904**	84,694
Current tax liabilities		**6,728**	4,612
Deferred tax liabilities	36	**3,941**	4,742
Insurance contract liabilities	37	**183,755**	177,873
Subordinated liabilities	38	**71,982**	75,323
Total liabilities		**3,852,178**	3,545,354

As at 31 December	Notes	2024 HK$'m	2023 HK$'m
EQUITY			
Share capital	39	**52,864**	52,864
Reserves		**285,852**	267,281
Capital and reserves attributable to equity holders of the Company		**338,716**	320,145
Non-controlling interests		**3,514**	3,284
Total equity		**342,230**	323,429
Total liabilities and equity		**4,194,408**	3,868,783

The notes on pages 137 to 303 are an integral part of these financial statements.

Approved by the Board of Directors on 26 March 2025 and signed on behalf of the Board by:

GE Haijiao
Director

SUN Yu
Director

Consolidated Statement of Changes in Equity

	Attributable to equity holders of the Company										
		Reserves									
	Share capital HK$'m	Premises revaluation reserve HK$'m	Reserve for financial assets at FVOCI HK$'m	Regulatory reserve* HK$'m	Translation reserve HK$'m	Insurance finance reserve HK$'m	Retained earnings HK$'m	Total HK$'m	Other equity instruments HK$'m	Non-controlling interests HK$'m	Total equity HK$'m
At 1 January 2023	52,864	37,683	(11,008)	6,655	(1,683)	2,288	212,989	299,788	23,476	2,571	325,835
Profit for the year	–	–	–	–	–	–	34,115	34,115	–	742	34,857
Upon declaration of dividend to other equity instrument holders	–	–	–	–	–	–	(1,392)	(1,392)	1,392	–	–
	–	–	–	–	–	–	32,723	32,723	1,392	742	34,857
Other comprehensive income:											
Premises	–	(783)	–	–	–	–	–	(783)	–	–	(783)
Equity instruments at fair value through other comprehensive income	–	–	640	–	–	–	–	640	–	3	643
Actuarial loss on retirement benefit plans	–	–	–	–	–	–	(6)	(6)	–	–	(6)
Advances and other accounts at fair value through other comprehensive income	–	–	(48)	–	–	–	–	(48)	–	–	(48)
Debt instruments at fair value through other comprehensive income	–	–	4,008	–	–	–	–	4,008	–	767	4,775
Insurance contracts	–	–	–	–	–	(651)	–	(651)	–	(626)	(1,277)
Currency translation difference	–	–	(63)	–	(200)	–	–	(263)	–	–	(263)
Total comprehensive income	–	(783)	4,537	–	(200)	(651)	32,717	35,620	1,392	886	37,898
Release upon disposal of equity instruments at fair value through other comprehensive income:											
Transfer	–	–	1	–	–	–	(1)	–	–	–	–
Deferred tax	–	–	–	–	–	–	–	–	–	–	–
Current tax	–	–	–	–	–	–	–	–	–	–	–
Redemption of other equity instruments	–	–	–	–	–	–	(70)	(70)	(23,476)	–	(23,546)
Release upon disposal of premises	–	(1)	–	–	–	–	1	–	–	–	–
Transfer from retained earnings	–	–	–	1,319	–	–	(1,319)	–	–	–	–
Dividends	–	–	–	–	–	–	(15,193)	(15,193)	(1,392)	(173)	(16,758)
At 31 December 2023	52,864	36,899	(6,470)	7,974	(1,883)	1,637	229,124	320,145	–	3,284	323,429

	Attributable to equity holders of the Company										
		Reserves									
	Share capital HK$'m	Premises revaluation reserve HK$'m	Reserve for financial assets at FVOCI HK$'m	Regulatory reserve* HK$'m	Translation reserve HK$'m	Insurance finance reserve HK$'m	Retained earnings HK$'m	Total HK$'m	Other equity instruments HK$'m	Non-controlling interests HK$'m	Total equity HK$'m
At 1 January 2024	52,864	36,899	(6,470)	7,974	(1,883)	1,637	229,124	320,145	–	3,284	323,429
Profit for the year	–	–	–	–	–	–	38,233	38,233	–	885	39,118
Upon declaration of dividend to other equity instrument holders	–	–	–	–	–	–	–	–	–	–	–
	–	–	–	–	–	–	38,233	38,233	–	885	39,118
Other comprehensive income:											
Premises	–	(2,040)	–	–	–	–	–	(2,040)	–	–	(2,040)
Equity instruments at fair value through other comprehensive income	–	–	335	–	–	–	–	335	–	2	337
Actuarial gain on retirement benefit plans	–	–	–	–	–	–	3	3	–	–	3
Advances and other accounts at fair value through other comprehensive income	–	–	(23)	–	–	–	–	(23)	–	–	(23)
Debt instruments at fair value through other comprehensive income	–	–	1,061	–	–	–	–	1,061	–	43	1,104
Insurance contracts	–	–	–	–	–	(505)	–	(505)	–	(485)	(990)
Currency translation difference	–	–	(45)	–	(316)	–	–	(361)	–	–	(361)
Total comprehensive income	–	(2,040)	1,328	–	(316)	(505)	38,236	36,703	–	445	37,148
Release upon disposal of equity instruments at fair value through other comprehensive income:											
Transfer	–	–	44	–	–	–	(44)	–	–	–	–
Deferred tax	–	–	(7)	–	–	–	–	(7)	–	–	(7)
Current tax	–	–	–	–	–	–	7	7	–	–	7
Release upon disposal of premises	–	(6)	–	–	–	–	6	–	–	–	–
Transfer to retained earnings	–	–	–	(1,946)	–	–	1,946	–	–	–	–
Dividends	–	–	–	–	–	–	(18,132)	(18,132)	–	(215)	(18,347)
At 31 December 2024	52,864	34,853	(5,105)	6,028	(2,199)	1,132	251,143	338,716	–	3,514	342,230

* In accordance with the requirements of the HKMA, the amounts are set aside for general banking risks, including future losses or other unforeseeable risks, in addition to the loan impairment allowances recognised under HKFRS 9.

The notes on pages 137 to 303 are an integral part of these financial statements.

Consolidated Cash Flow Statement

For the year ended 31 December	Notes	2024 HK$'m	2023 HK$'m
Cash flows from operating activities			
Operating cash inflow before taxation	40(a)	**8,171**	203,877
Hong Kong profits tax paid		**(5,344)**	(5,997)
Outside Hong Kong profits tax paid		**(952)**	(763)
Net cash inflow from operating activities		**1,875**	197,117
Cash flows from investing activities			
Additions of properties, plant and equipment		**(1,264)**	(388)
Proceeds from disposal of properties, plant and equipment		**7**	31
Proceeds from disposal of investment properties		**1**	–
Additions of investment properties	28	**(118)**	(26)
Additions of intangible assets	30	**(934)**	(905)
Additions of interests in associates and joint ventures		**(25)**	(1,102)
Dividend received from associates and joint ventures	27	**–**	431
Net cash outflow from investing activities		**(2,333)**	(1,959)
Cash flows from financing activities			
Dividend paid to equity holders of the Company		**(18,132)**	(15,193)
Dividend paid to other equity instrument holders		**–**	(1,392)
Dividend paid to non-controlling interests		**(215)**	(173)
Payment for redemption of other equity instruments		**–**	(23,546)
Payment for redemption of subordinated liabilities	40(b)	**(73,045)**	(21,937)
Interest paid for subordinated liabilities	40(b)	**(2,535)**	(2,483)
Proceeds from subordinated liabilities	40(b)	**71,769**	21,937
Payment of lease liabilities	40(b)	**(600)**	(613)
Net cash outflow from financing activities		**(22,758)**	(43,400)
(Decrease)/increase in cash and cash equivalents		**(23,216)**	151,758
Cash and cash equivalents at 1 January		**686,930**	540,925
Effect of exchange rate changes on cash and cash equivalents		**(14,426)**	(5,753)
Cash and cash equivalents at 31 December	40(c)	**649,288**	686,930
Cash flows from operating activities included			
– interest received		**138,325**	123,461
– interest paid		**89,420**	66,904
– dividend received		**97**	108

The notes on pages 137 to 303 are an integral part of these financial statements.

Notes to the Financial Statements

1. Principal activities

The Company is an investment holding company and its subsidiaries are principally engaged in the provision of banking and related financial services.

The Company is a limited liability company incorporated and listed in Hong Kong. The address of its registered office is 53/F, Bank of China Tower, 1 Garden Road, Hong Kong.

2. Material accounting policies

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 Hong Kong Financial Reporting Standards ("HKFRSs") (HKFRSs is a collective term which includes all applicable individual Hong Kong Financial Reporting Standards, HKASs and Interpretations) issued by the HKICPA and requirements of the Hong Kong Companies Ordinance.

The consolidated financial statements have been prepared under the historical cost convention, as modified by the revaluation of financial assets at fair value through other comprehensive income, financial assets and financial liabilities (including derivative financial instruments) at fair value through profit or loss, precious metals at fair value, investment properties which are carried at fair value, premises which are carried at fair value or revalued amount less accumulated depreciation and accumulated impairment losses and insurance contracts and reinsurance contracts held measured on a current value basis. Repossessed assets held for sale are stated at the lower of their carrying amounts and fair values less costs to sell or at fair values as further explained in Note 2.24.

The preparation of financial statements in conformity with HKFRSs requires the use of certain critical estimates. It also requires the Management to exercise judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are critical to the consolidated financial statements are disclosed in Note 3.

2. Material accounting policies (continued)

2.1 Basis of preparation (continued)

(a) Amendments and interpretation that are initially adopted for the financial year beginning on 1 January 2024

Amendments/ Interpretation	Content	Applicable for financial years beginning on/after	Currently relevant to the Group
HKAS 1 (Amendments)	Classification of Current or Non-current Liabilities	1 January 2024	No
HKAS 1 (Amendments)	Non-current Liabilities with Covenants	1 January 2024	No
HKFRS 16 (Amendments)	Lease Liability in a Sale and Leaseback	1 January 2024	No
HKAS 7 and HKFRS 7 (Amendments)	Supplier Finance Arrangements	1 January 2024	No
HK Int 5 (2020)	Presentation of Financial Statements – Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause	1 January 2024	No

None of the amendments or interpretation that are initially adopted for the financial year beginning on 1 January 2024 is currently relevant to the Group.

2. Material accounting policies (continued)

2.1 Basis of preparation (continued)

(b) Standards, amendments and interpretation issued that are not yet mandatorily effective and have not been early adopted by the Group in 2024

Standards/ Amendments/ Interpretation	Content	Applicable for financial years beginning on/after	Currently relevant to the Group
HKAS 28 (2011) and HKFRS 10 (Amendments)	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	To be determined	Yes
HKAS 21 (Amendments)	Lack of Exchangeability	1 January 2025	No
HKFRS 9 and HKFRS 7 (Amendments)	Amendments to the Classification and Measurement of Financial Instruments	1 January 2026	Yes
HKFRS 9 and HKFRS 7 (Amendments)	Contracts Referencing Nature-dependent Electricity	1 January 2026	No
Amendments to HKFRSs	Annual Improvements to HKFRS Accounting Standards – Volume 11	1 January 2026	Yes
HKFRS 18	Presentation and Disclosure in Financial Statements	1 January 2027	Yes
HKFRS 19	Subsidiaries without Public Accountability: Disclosures	1 January 2027	Yes
HK Int 5	Presentation of Financial Statements – Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause	1 January 2027	No

Further information about those standards and amendments that are expected to be applicable to the Group is as follows:

- HKAS 28 (2011) and HKFRS 10 (Amendments), "Sale or Contribution of Assets between an Investor and its Associate or Joint Venture". The amendments address an acknowledged inconsistency between the requirements in HKAS 28 (2011) and those in HKFRS 10, in dealing with the sale or contribution of assets between an investor and its associate or joint venture. The main consequence of the amendments is that a full gain or loss is recognised when a transaction involves a business (whether it is housed in a subsidiary or not). If the assets do not meet the definition of a business, the gain or loss is recognised by the investor only to the extent of the other investor's interests in the associate or joint venture. The amendments are to be applied prospectively and early application is permitted. The application of the amendments will not have a material impact on the Group's financial statements.

2. Material accounting policies (continued)

2.1 Basis of preparation (continued)

(b) Standards, amendments and interpretation issued that are not yet mandatorily effective and have not been early adopted by the Group in 2024 (continued)

- HKFRS 9 and HKFRS 7 (Amendments), "Amendments to the Classification and Measurement of Financial Instruments". The amendments to HKFRS 9 provide clarification regarding the classification of financial assets with contingent features and the requirements for classifying financial assets with non-recourse features and contractually linked instruments. The amendments also introduce an accounting policy option for entities to derecognise financial liabilities that are settled through an electronic payment system before settlement date if specified criteria are met.

  The amendments to HKFRS 7 require entities to provide additional disclosure regarding investments in equity instruments designated at fair value through other comprehensive income and financial instruments with contingent features.

  The amendments are effective for annual periods beginning on or after 1 January 2026 with earlier application of either all the amendments at the same time or only the amendments related to the classification of financial assets is permitted. The Group is in the process of assessing the impact of the adoption of the amendments.

- "Improvements to HKFRS Accounting Standards" contain a number of amendments to HKFRSs which the HKICPA considers not urgent but necessary. It comprises amendments that result in accounting changes for presentation, recognition or measurement purpose as well as terminology or editorial amendments related to a variety of individual HKFRSs. These improvements will not have a material impact on the Group's financial statements.

- HKFRS 18, "Presentation and Disclosure in Financial Statements". HKFRS 18 supersedes HKAS 1 "Presentation of Financial Statements" and is effective for annual periods beginning on or after 1 January 2027 with earlier application permitted. The new standard aims to improve entities' reporting of financial performance and give investors a better basis for analysing and comparing entities by introducing presentation of new defined subtotals in the statement of profit or loss, disclosures about management-defined performance measures, and enhanced requirements for grouping of information. The Group is in the process of assessing the impact of the adoption of HKFRS 18.

- HKFRS 19, "Subsidiaries without Public Accountability: Disclosures". HKFRS 19 is a voluntary standard which permits eligible subsidiaries to use HKFRSs with reduced disclosures and is effective for annual periods beginning on or after 1 January 2027 with earlier application permitted. A subsidiary is eligible to apply the standard if it does not have public accountability and its ultimate or intermediate parent produces consolidated financial statements that are available for public use and that comply with HKFRS Accounting Standards. The application of the standard will not have any impact on the Group's financial statements.

2. Material accounting policies (continued)

2.2 Consolidation

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

(1) Subsidiaries

Subsidiaries are entities (including structured entities), directly or indirectly, controlled by the Group. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee (i.e. existing rights that give the Group the current ability to direct the relevant activities of the investee). When the Group has, directly or indirectly, less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including: (a) the contractual arrangement with the other vote holders of the investee; (b) rights arising from other contractual or non-contractual arrangements; and (c) the Group's voting rights and potential voting rights. Subsidiaries are consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

If the Group loses control over a subsidiary, it derecognises (i) the assets (including goodwill) and liabilities of the subsidiary, (ii) the carrying amount of any non-controlling interests; and recognises (i) the fair value of the consideration received, (ii) the fair value of any investment in that former subsidiary retained; reclassifies the amounts previously recognised in other comprehensive income to the income statement or retained earnings, as appropriate, on the same basis as directly disposed of the related assets or liabilities; recognises any resulting differences as gain or loss in the income statement.

If the Group is committed by the Board to a sale plan involving loss of control of a subsidiary (a disposal group) that is unlikely to be withdrawn or changed significantly, the Group shall classify all the assets and liabilities of that subsidiary as held for sale only when the following criteria are met on or before the end of the reporting period: (i) the carrying amount will be recovered principally through a sale transaction rather than through continuing use; (ii) the subsidiary is available for immediate sale in its present condition subject only to terms that are usual and customary for the sale of its kind and its sale must be highly probable, including a high probability of shareholders' approval, if needed; (iii) an active programme to locate a buyer at a reasonable price has been initiated and to complete the sale within one year, regardless of whether the Group will or will not retain a non-controlling interest after the sale. Disposal group (other than investment properties and financial instruments) is initially recognised and subsequently remeasured at the lower of its carrying amount and fair value less costs to sell. Properties, plant and equipment classified as held for sale are not depreciated.

2. Material accounting policies (continued)

2.2 Consolidation (continued)

(1) Subsidiaries (continued)

(i) Business combinations not under common control

Acquisitions of businesses not under common control are accounted for using the acquisition method. The consideration transferred in a business combination is the fair values at the acquisition date of the assets transferred, the liabilities incurred (including contingent consideration arrangement) and the equity interests issued by the Group in exchange for control of the acquiree. Acquisition-related costs are expensed in the income statement as incurred.

Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of the Group's previously held equity interest in the acquiree (if any) over the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed. If after assessment, the fair value of the acquiree's identifiable net assets exceeds the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree and the fair value of the Group's previously held interest in the acquiree (if any), the excess is recognised immediately in the income statement as a gain on bargain. Subsequently, goodwill is subject to impairment testing at least annually.

Where the consideration transferred by the Group in a business combination includes assets or liabilities resulting from a contingent consideration arrangement, the contingent consideration is measured at fair value at the acquisition date and considered as part of the consideration transferred in a business combination. Changes in the fair value of the contingent consideration that qualify as measurement period adjustments are adjusted retrospectively, with the corresponding adjustments being made against goodwill or gain on bargain purchase. Measurement period adjustments are adjustments that arise from additional information obtained during the measurement period about facts and circumstances that existed as of the acquisition date. The measurement period does not exceed one year from the acquisition date.

On an acquisition-by-acquisition basis, the Group recognises any non-controlling interests in the acquiree either at fair value or at the non-controlling interests' proportionate share of the fair value of the acquiree's identifiable net assets.

2. Material accounting policies (continued)

2.2 Consolidation (continued)

(1) Subsidiaries (continued)

(ii) Business combinations under common control

For a combination with a company under common control, the merger accounting method will be applied. The principle of merger accounting is a way to combine companies under common control as though the business of the acquiree had always been carried out by the acquirer. The Group's consolidated financial statements represent the consolidated results, consolidated cash flows and consolidated financial position of the Group as if any such combination had occurred from the date when the Company and the acquiree first came under common control (i.e. no fair value adjustment on the date of combination is required). The difference between the consideration and carrying amount at the time of combination is recognised in equity. The effects of all transactions between the Group and the acquiree, whether occurring before or after the combination, are eliminated in preparing the consolidated financial statements of the Group. Comparative amounts are presented as if the acquiree had been combined at the beginning of the previous reporting period. The transaction costs for the combination will be expensed in the income statement.

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 assets transferred. Where necessary, accounting policies of subsidiaries have been changed to ensure consistency with the policies adopted by the Group.

In the Company's balance sheet, the investments in subsidiaries are stated at cost less allowance for impairment losses. The results of subsidiaries are accounted for by the Company on the basis of dividends received and receivable. Dividend income from subsidiaries is recognised in the income statement when the right to receive payment is established.

(2) Changes in ownership interests

The Group treats transactions with non-controlling interests without change of control as transactions with equity owners of the Group. For purchases from non-controlling interests of equity interest, the difference between any consideration paid and the relevant share acquired of the carrying value of net assets of the subsidiary is recognised in equity. Gains or losses on disposals to non-controlling interests are also recognised in equity.

When the Group ceases to have control, any retained interest in the entity is remeasured to its fair value, with the change in carrying amount recognised in the income statement. The fair value is the initial carrying amount for the purposes of subsequent accounting for the retained interest as an associate, joint venture or financial asset. In addition, any amounts previously recognised in other comprehensive income in respect of that entity are accounted for as if the Group had directly disposed of the related assets or liabilities. Amounts previously recognised in other comprehensive income are reclassified to the income statement or retained earnings, as appropriate.

2. Material accounting policies (continued)

2.2 Consolidation (continued)

(3) Associates and joint ventures

An associate is the entity over which the Group has significant influence but not control or joint control, generally accompanying of between 20% and 50% of the voting rights.

A joint venture is a type of joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint venture. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require unanimous consent of the parties sharing control.

Investments in associates and joint ventures are accounted for using the equity method of accounting and are initially recognised at cost, unless it is classified as held for sale (or included in a disposal group that is classified as held for sale). The Group's investments in associates and joint ventures include goodwill, net of accumulated impairment loss and any related accumulated foreign currency translation difference.

The Group's share of the post-acquisition profits or losses of associates or joint ventures is recognised in the income statement, and its share of post-acquisition movements in reserves is recognised in reserves. The accumulated post-acquisition movements are adjusted against the carrying amount of the investment. When the Group's share of losses in an associate or a joint venture equals or exceeds its interest in the associate or joint venture, the Group does not recognise further losses unless the Group has incurred obligations or made payments on behalf of the associates or joint ventures.

Dividends received or receivable from associates and joint ventures are recognised as a reduction in the carrying amount of the investment.

Unrealised gains on transactions between the Group and its associates or joint ventures are eliminated to the extent of the Group's interest in the associates or joint ventures. Unrealised losses are also eliminated unless the transaction provides evidence of impairment of the asset transferred.

If the ownership interest in an associate or a joint venture is reduced but significant influence is retained, only a proportionate share of the amounts previously recognised in other comprehensive income are reclassified to the income statement or retained earnings, where appropriate.

2.3 Segmental reporting

The operating result of segments are reported in a manner consistent with the internal reporting provided to the Management Committee, which is the chief operating decision maker of the Group, that allocates resources and assesses the performance of operating segments. Income and expenses directly associated with each segment are included in determining operating segment performance.

2. Material accounting policies (continued)

2.4 Foreign currency translation

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 Hong Kong dollars, which is the Company's functional and presentation currency.

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or exchange rates at the end of the reporting period for items that are remeasured. Foreign exchange gains and losses resulting from the settlement of foreign currency transactions using the exchange rates prevailing at the dates of the transactions and monetary assets and liabilities denominated in foreign currencies translated at the exchange rate at the end of the reporting period are recognised directly in the income statement, except when deferred in other comprehensive income as qualifying cash flow hedges or qualifying net investment hedges.

Translation differences on monetary securities held at fair value through profit or loss are reported as part of the fair value gain or loss. Changes in the fair value of monetary securities denominated in foreign currency classified as fair value through other comprehensive income are analysed between translation differences resulting from changes in the amortised cost of the securities and other changes in the carrying amount of the securities. Translation differences related to changes in the amortised cost are recognised in the income statement, and other changes in the carrying amount are recognised in other comprehensive income.

Translation differences on non-monetary items, such as equities held at fair value through profit or loss, are reported as part of the fair value gain or loss. Translation differences on non-monetary financial assets such as equities classified as fair value through other comprehensive income are included in other comprehensive income.

The results and financial position of all the group entities that have a functional currency different from Hong Kong dollars are translated into Hong Kong dollars as follows:

- assets and liabilities are translated at the closing rate at the end of the reporting period;
- income and expenses are translated at average exchange rates; and
- all resulting exchange differences are recognised in the currency translation reserve in equity.

On consolidation, exchange differences arising from the translation of the net investment in foreign entities, borrowings and other currency instruments designated as hedges of such investments are taken to other comprehensive income and are accumulated separately in the translation reserve. When a foreign entity is disposed, such exchange differences are reclassified from equity to the income statement, as part of the gain or loss on sale.

2. Material accounting policies (continued)

2.5 Derivative financial instruments and hedge accounting

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

Certain derivatives embedded in financial liabilities are treated as separate derivatives when their economic characteristics and risks are not closely related to those of the host contract and the host contract is not carried at fair value through profit or loss. These embedded derivatives are measured at fair value with changes in fair value recognised in the income statement.

Derivatives are categorised as held for trading and changes in their fair value are recognised immediately in the income statement unless they are designated as hedges and are effective hedging instruments, then they are subject to measurement under the hedge accounting requirements.

For derivative instruments being designated as hedging instrument in an effective hedge, the method of recognising the resulting fair value gain or loss depends on the nature of the item being hedged. The Group designates certain derivatives as either:

(a) hedges of the fair value of recognised assets or liabilities or firm commitments (fair value hedge); or

(b) hedges of a particular risk associated with a highly probable future cash flow attributable to a recognised asset or liability, or a highly probable forecast transaction (cash flow hedge); or

(c) hedges of a net investment in a foreign operation (net investment hedges).

The Group documents at inception the relationship between hedging instruments and hedged items, as well as its risk management objective and strategy for undertaking various hedge transactions. The Group also documents its assessment, both at the hedge inception and on an ongoing basis, of the economic relationship, credit risks, the hedge ratio and an evaluation of the effectiveness of the hedging instruments in offsetting changes in fair values or cash flows of hedged items. These criteria should be met before a hedge can be qualified to be accounted for under hedge accounting. Hedge accounting may become ineffective if the hedging instrument and the hedged item lose economic relationship, or a significant change of the counterparties' credit risks that dominates the fair value change of the hedging instruments or the hedged items.

2. Material accounting policies (continued)

2.5 Derivative financial instruments and hedge accounting (continued)

Fair value hedge

Changes in the fair value of derivatives that are designated and qualified as effective fair value hedges are recognised in the income statement, together with any changes in the fair value of the hedged asset or liability that are attributable to the hedged risk.

When fair value hedge accounting is applied to financial instruments carried at amortised cost, the carrying values of the hedged items are adjusted for changes in fair value that are attributable to the risk being hedged with the derivative instruments rather than carried at amortised cost, such carrying value adjustment is recognised in the income statement together with the changes in fair value of the hedging derivatives.

If the hedge relationship no longer meets the criteria for hedge accounting or is terminated for reasons other than derecognition, e.g. due to repayment of the hedged item, the unamortised carrying value adjustment (the difference between the carrying value of the hedged item at the time of termination and the value at which it would have been carried had the hedge never existed) to the hedged item is amortised to the income statement over the remaining life of the hedged item by the effective interest method. If the hedged item is derecognised, the unamortised carrying value adjustment is recognised immediately in the income statement.

For fair value hedge relationships where the hedged items are debt instruments carried at FVOCI, changes in fair value are recorded in the income statement whilst hedge accounting is in place. When the hedge relationship no longer meets the criteria for hedge accounting or is terminated for reasons other than derecognition, the cumulative effective hedged portion of fair value change recognised in the income statement is amortised by the effective interest method back to the equity. If the hedged item is derecognised, the unamortised cumulative effective hedged portion of fair value change recognised in the income statement is reclassified to equity immediately.

2.6 Offsetting financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the balance sheet when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis, or realise the asset and settle the liability simultaneously.

2. Material accounting policies (continued)

2.7 Income and expense

(1) Interest income and expense

Interest income and expense are recognised in the income statement for all financial assets carried at amortised cost and fair value through other comprehensive income, and financial liabilities using the effective interest method. Similar interest income and expense arising from non-derivative financial assets and liabilities carried at fair value through profit or loss are determined using similar method, but excluding their transaction costs.

The effective interest method is a method of calculating the amortised cost of a financial asset or a financial liability and of allocating the interest income or interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or, when appropriate, a shorter period to the net carrying amount of the financial asset or financial liability. When calculating the effective interest rate, the Group estimates future cash flows considering all contractual terms of the financial instrument (e.g. prepayment options or incentives relating to residential mortgage loans) but does not consider future credit losses. The calculation includes fees, premiums or discounts and basis points paid or received between parties to the contract, and directly attributable origination fees and costs which represent an integral part of the effective yield.

For all hedge transactions where interest rate is the hedged risk, interest income or interest expense from hedged instruments such as fixed rate debt securities or fixed rate subordinated notes are disclosed on a net basis together with net interest income/expense arising from the hedging instrument such as interest rate swap.

(2) Non-interest income and expense

Income from service is recognised when the Group fulfils its performance obligation, either over time or at a point in time on a basis when a customer obtains control of the service.

Fee income from services are recognised over time at a fixed or variable price on a systematic basis over the life of the agreement when the contract requires services to be provided over time such as account service and credit card fees, or recognised at a point in time under transaction-based arrangements when service has been fully provided to the customer such as broking services and loan syndication arrangement.

Dividend income from financial asset is recognised when the right to receive payment is established.

Non-interest expenses are charged to profit or loss during the reporting period in which they are incurred.

2. Material accounting policies (continued)

2.7 Income and expense (continued)

(3) Insurance revenue and expenses

The Group recognises insurance revenue as it satisfies its performance obligations (i.e. as it provides insurance services) during the coverage period. In addition, investment components will not be included in insurance revenue or insurance service expenses.

Directly attributable insurance acquisition cash flows will be reclassified as part of the fulfilment cash flows ("FCFs") and will be amortised to insurance revenue and insurance service expenses over its coverage period.

The Group elected to present income or expenses from reinsurance contract held as a single amount in net income from reinsurance contracts held.

In addition, the Group elected the other comprehensive income option for certain portfolios of insurance contracts without direct participation features to disaggregate insurance finance income or expenses between amounts included in the income statement and amounts included in other comprehensive income.

2.8 Financial assets

The Group classifies its financial assets into one of the following measurement categories at initial recognition as subsequently measured at: fair value through profit or loss ("FVPL"), amortised cost and fair value through other comprehensive income ("FVOCI"). The classification depends on the entity's business model for managing its financial instruments and the contractual cash flow characteristics of the instruments, or the election of fair value option. All financial assets are recognised initially at fair value. Except for financial assets carried at FVPL, all transaction costs of financial assets are included in their initial carrying amounts.

(1) Financial assets at fair value through profit or loss

This category has two sub-categories: financial assets designated at fair value through profit or loss at inception, or financial assets mandatorily required to be measured at fair value through profit or loss, including those held for trading.

A financial asset which has been acquired or incurred principally for the purpose of selling in the short term or is part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short-term profit-taking is classified as held for trading. Derivatives are also classified as held for trading unless they are designated as effective hedging instruments.

A financial asset, other than those held for trading or mandatorily measured at fair value, will be designated as a financial asset at FVPL, if it eliminates or significantly reduces a measurement or recognition inconsistency (sometimes referred to as "an accounting mismatch") that would otherwise arise from measuring the financial assets or recognising the gains and losses on them on different bases, and is so designated by the Management.

2. Material accounting policies (continued)

2.8 Financial assets (continued)

(1) Financial assets at fair value through profit or loss (continued)

These assets are recognised initially at fair value, with transaction costs taken directly to the income statement, and are subsequently remeasured at fair value.

Gains and losses from changes in the fair value of such assets (excluding the interest component) are reported in net trading gain/loss or net gain/loss on other financial instruments designated at FVPL. The interest component is reported as part of the interest income. Dividends on equity instruments of this category are also recognised in net trading gain/loss or net gain/loss on financial instruments at FVPL when the Group's right to receive payment is established.

(2) Financial assets at amortised cost

Financial assets are classified as subsequently measured at amortised cost if both of the following conditions are met: (i) the financial assets are held within a business model with the objective to hold financial assets in order to collect contractual cash flows ("hold-to-collect" business model), and (ii) the contractual terms of the financial asset give rise to cash flows that are solely payments of principal and interest on the principal amount outstanding on specified dates. They are initially recognised at fair value plus any directly attributable transaction costs and are subsequently measured at amortised cost using the effective interest method less allowances for impairment losses. Interest income which includes the amortisation of premium or discount is calculated using the effective interest method and is recognised in the income statement. Any gains or losses are recognised in the income statement when the asset is derecognised, modified or impaired.

(3) Financial assets at fair value through other comprehensive income

Debt instruments are classified as subsequently measured at FVOCI if both of the following conditions are met: (i) the financial assets are held within a business model with the objective of both holding to collect contractual cash flows and selling, and (ii) the contractual terms of the financial assets give rise to cash flows that are solely payments of principal and interest on the principal amount outstanding on specified dates.

Financial assets at FVOCI are initially recognised at fair value plus any directly attributable transaction costs, and are subsequently measured at fair value. Unrealised gains or losses arising from changes in the fair value of the financial assets are recognised directly in other comprehensive income, until the financial asset is derecognised or impaired at which time the accumulated gain or loss previously recognised in equity should be transferred to the income statement. However, interest income which includes the amortisation of premium or discount is calculated using the effective interest method and is recognised in the income statement.

For equity investments, an irrevocable election can be made at initial recognition to recognise unrealised and realised fair value gains or losses in other comprehensive income without subsequent reclassification of fair value gains or losses to the income statement even upon disposal. Dividends on equity instruments classified as FVOCI are recognised in other operating income when the Group's right to receive payment is established. Equity instruments designated at FVOCI are not subject to impairment assessment.

The treatment of translation differences on FVOCI securities is dealt with in Note 2.4.

2. Material accounting policies (continued)

2.9 Financial liabilities

The Group classifies its financial liabilities under the following classes: trading liabilities, financial liabilities designated at fair value through profit or loss, deposits, debt securities and certificates of deposit in issue, other accounts and provisions and subordinated liabilities. All financial liabilities are classified at inception and recognised initially at fair value, and in the case of financial liability not at fair value through profit or loss, plus or minus transaction costs.

(1) Trading liabilities

A financial liability is classified as held for trading if it is incurred principally for the purpose of repurchasing in the short term. It is measured at fair value and any gains and losses from changes in fair value are recognised in the income statement, with interest component being reported as part of the interest expenses.

(2) Financial liabilities designated at fair value through profit or loss

A financial liability can be designated at fair value through profit or loss if it is so designated at inception. A financial liability is so designated if it meets one of the following criteria:

- eliminates or significantly reduces a measurement or recognition inconsistency (sometimes referred to as "an accounting mismatch") that would otherwise arise from measuring the financial liabilities or recognising the gains and losses on them on different bases; or
- applies to a group of financial assets, financial liabilities or both that is managed and its performance is evaluated on a fair value basis, in accordance with a documented risk management or investment strategy, and information about the group is provided internally on that basis to the key management; or
- relates to financial liabilities containing one or more embedded derivatives that significantly modify the cash flows resulting from those financial liabilities.

Financial liabilities designated at fair value through profit or loss are measured at fair value and any gains and losses from changes in fair value are recognised in the income statement, except for fair value changes arising from own credit risks are recognised as other comprehensive income and subsequently reclassified to the retained earnings upon derecognition, unless such would create or enlarge an accounting mismatch in the income statement, then all gains and losses from changes in fair value are recognised in the income statement.

(3) Deposits, debt securities and certificates of deposit in issue, other accounts and provisions and subordinated liabilities

Deposits, debt securities and certificates of deposit in issue, other accounts and provisions and subordinated liabilities, other than those classified as trading liabilities or designated at fair value through profit or loss are carried at amortised cost. Any difference (if available) between proceeds net of transaction costs and the redemption value is recognised in the income statement over the period using the effective interest method.

2. Material accounting policies (continued)

2.10 Financial guarantee contracts and undrawn 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 contract between the holder and the debtor.

Financial guarantee contracts are initially recognised as financial liabilities at fair value on the date the guarantees were given. Subsequent to initial recognition, the Group's liabilities under such guarantees are measured at the higher of (i) an ECL provision as set out in Note 2.14 and (ii) the amount initially recognised less, where appropriate, accumulated amortisation recognised over the life of the guarantee on a straight-line basis. Any changes in the liability relating to financial guarantee contracts are taken to the income statement.

Undrawn loan commitments are commitments under which, over the duration of the commitment, the Group is required to provide a loan with pre-specified terms to the customer. These contracts are in the scope of the ECL requirements as set out in Note 2.14.

The ECL provision for financial guarantees and loan commitments are reported under "Other accounts and provisions" in the financial statements.

2.11 Recognition, derecognition and modification of financial instruments

Purchases and sales of financial assets subsequently measured at FVPL, securities measured at FVOCI and amortised cost are recognised on the trade date, the date on which the Group purchases or sells the assets. Loans and advances and other financial assets are recognised when cash is advanced to the counterparties. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or where the Group has transferred substantially all risks and rewards of ownership. When the Group neither transfers nor retains substantially all the risks and rewards of ownership of the financial asset, the Group either continues to recognise the transferred financial asset to the extent of its continuing involvement if control remains or derecognise it if there is no retained control. If the financial instrument measured at amortised cost or FVOCI is renegotiated or modified with substantially different terms, the original financial instrument should be derecognised and then a new financial instrument should be recognised at fair value. Otherwise, the difference is adjusted to the original carrying value and accounted for in the income statement.

Trading liabilities, financial liabilities designated at FVPL and debt securities and certificates of deposit in issue are recognised on the trade date. Deposits that are not designated at FVPL are recognised when money is received from customers, other liabilities are recognised when such obligations arise. Financial liabilities are derecognised from the balance sheet when and only when the obligation specified in the contract is discharged, cancelled or expires. If the Group purchases its own debt, it is removed from the balance sheet, and the difference between the carrying amount of a liability and the consideration paid is included in the income statement, except the own credit risk component for those designated at FVPL.

2. Material accounting policies (continued)

2.11 Recognition, derecognition and modification of financial instruments (continued)

Securities and bills sold to a counterparty with an obligation to repurchase at a pre-determined price on a specified future date under a repurchase agreement are referred to as repos. Securities and bills purchased from a counterparty with an obligation to re-sell to the counterparty at a pre-determined price on a specified future date under a resale agreement are referred to as reverse repos.

Repos or securities lending are initially recognised as deposits and balances from banks and other financial institutions, or designated as financial liabilities measured at FVPL at the actual amount of cash received from the counterparty which is generally the fair value of these financial liabilities at initial recognition. Financial assets given as collateral for repurchase agreements are not derecognised and are recorded as investment in securities or financial assets at FVPL. Reverse repos or securities borrowings with a "hold-to-collect" business model and contractual cash flow of solely payments of principal and interest on the principal outstanding are initially recognised as cash and balances and placements with banks and other financial institutions, or reverse repos or securities borrowing designated as financial assets measured at FVPL are measured at the actual amount of cash paid to the counterparty which is generally the fair value of these financial assets at initial recognition. Financial assets received as collateral under reverse repurchase agreements are not recognised on the balance sheet.

2.12 Fair value measurement

The Group measures its premises and investment properties, precious metals and certain financial instruments at fair value at the end of each reporting period. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants in its principal market or the most advantageous market accessible by the Group at the measurement date.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their best economic interest.

The Group uses the price within the bid-offer spread that is most representative of the fair value of financial instruments, where appropriate, includes using on the residual of the net offsetting risk position of portfolios of financial assets and financial liabilities in cases the Group manages such groups of financial assets and liabilities according to their net market risk exposures. Despite the Group measures the fair value of these groups of financial instruments on a net basis, the underlying financial assets and financial liabilities are separately presented in the financial statements unless the offsetting criteria stated in Note 2.6 are fulfilled.

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

If the market for assets or liabilities is not active, the Group uses valuation techniques, including the use of recent arm's length transactions, discounted cash flow analysis, option pricing models and other valuation techniques commonly used by market participants, that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

2. Material accounting policies (continued)

2.13 Precious metals

Precious metals comprise gold, silver and other precious metals. Precious metals are initially recognised and subsequently remeasured at fair value. Mark-to-market gains or losses on precious metals are included in net trading gain/loss.

2.14 Impairment of financial assets

The Group recognises a loss allowance for expected credit losses ("ECLs") on the following items:

- financial assets measured at amortised cost;
- debt securities measured at FVOCI; and
- loan commitments and financial guarantees issued, which are not measured at FVPL.

Financial assets measured at FVPL and equity securities designated at FVOCI (non-recycling) are not subject to the ECL assessment.

ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the present value of all expected cash shortfalls (i.e. the difference between the cash flows due to the Group in accordance with the contract and the cash flows that the Group expects to receive).

For undrawn loan commitments and financial guarantees outstanding, expected cash shortfalls are measured as the difference between (i) the contractual cash flows that would be due to the Group if the holder/beneficiary of the loan commitment/financial guarantee draws down/claims on the loan/financial guarantee and (ii) the cash flows that the Group expects to receive if the loan is drawn down/financial guarantee is claimed.

The expected cash shortfalls are discounted where the effect of discounting is material. The maximum period considered when estimating ECLs is the maximum contractual period over which the Group is exposed to credit risk. Where the financial instrument such as revolving credit facilities includes both a drawn and undrawn commitment, ECL is measured over the period that the Group remains exposed to credit risk that is not mitigated by management actions in respect of credit risk.

In measuring ECLs, the Group takes into account reasonable and supportable information that is available. This includes information about past events, current conditions and forecasts of future economic conditions.

2. Material accounting policies (continued)

2.14 Impairment of financial assets (continued)

ECLs are measured on either of the following bases:

- 12-month ECLs: these are losses that are expected to result from possible default events within 12 months after the reporting date; or

- lifetime ECLs: these are losses that are expected to result from all possible default events over the expected lives of the items to which the ECL model applies.

The Group will account for expected credit losses within the next 12 months as Stage 1 when those financial instruments are initially recognised; and to recognise lifetime expected credit losses as Stage 2 when there have been significant increases in credit risk since initial recognition. Lifetime expected credit losses will be recognised for credit-impaired financial instruments as Stage 3 if the future cash flows of that financial instruments are adversely affected by one or more events and interest income will then be accrued net of the impairment amount of the respective Stage 3 financial assets.

In assessing whether the credit risk of a financial instrument has increased significantly since initial recognition, the Group compares the risk of default occurring on the financial instrument assessed at the reporting date with that assessed at the date of initial recognition.

In particular, the following information is taken into account when assessing whether credit risk has increased significantly since initial recognition:

- failure to make payments of principal or interest 30 days after their contractually due dates;

- an actual or expected significant deterioration in a financial instrument's external or internal credit rating (if available);

- an actual or expected significant deterioration in the operating results of the debtor; and

- existing or forecast changes in the technological, market, economic or legal environment that have a significant adverse effect on the debtor's ability to meet its obligation to the Group.

For loan commitments and financial guarantees, the date of initial recognition for the purpose of assessing ECLs is considered to be the date that the Group becomes a party to the irrevocable commitment. In assessing whether there has been a significant increase in credit risk since initial recognition of a loan commitment or a financial guarantee, the Group considers changes in the risk of default occurring on the loans and advances to which the loan commitment/financial guarantee relates.

Depending on the nature of the financial instruments, the assessment of a significant increase in credit risk is performed on either an individual basis or a collective basis. When the assessment is performed on a collective basis, the financial instruments are grouped based on shared credit risk characteristics, such as past due status and credit risk ratings.

2. Material accounting policies (continued)

2.14 Impairment of financial assets (continued)

Financial instruments are considered to be in default when one or more events that have a detrimental impact on the estimated future cash flows occurred such as past due for more than 90 days or the debtor is unlikely to pay in full for the credit obligations to the Group.

The Group considers that a financial instrument is credit-impaired when there is observable data about:

- significant financial difficulty incurred by the debtor;
- a breach of contract, such as a default or delinquency in principal or interest payment;
- for economic or legal reasons related to the debtor's financial difficulty, the Group has granted to the debtor a concession that it would not otherwise consider;
- probable that the debtor will become bankrupt or undergo other financial reorganisation;
- the purchase or origination of a financial asset at a deep discount that reflects the incurred credit losses; or
- other observable data indicating that there is a measurable decrease in the estimated future cash flows from such advances.

The Group considers on an individual basis both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort.

ECLs are remeasured at each reporting date to reflect changes in the financial instrument's credit risk since initial recognition. Any change in the ECL amount is recognised as an impairment gain or loss in the income statement. The Group recognises an impairment gain or loss for all relevant financial instruments with a corresponding adjustment to their carrying amount through a loss allowance account, except for investments in debt securities that are measured at FVOCI, for which the loss allowance is recorded in the fair value reserve.

Interest income recognised in accordance with Note 2.7 is calculated based on the gross carrying amount of the financial asset unless the financial asset is credit-impaired (Stage 3), in which case interest income is calculated based on the amortised cost (i.e. the gross carrying amount less loss allowance) of the financial asset. The determination of credit-impaired financial asset is further explained in Note 4.1.

When a financial asset is uncollectible, it is written off against the gross carrying amount of the financial asset and the related allowance for impairment losses. Such assets are written off after all the necessary procedures have been completed and the amount of the loss has been determined. The assets written off are still subject to enforcement activity. Subsequent recoveries of amounts previously written off decrease the amount of impairment losses in the income statement.

2. Material accounting policies (continued)

2.15 Impairment of investments in subsidiaries, associates, joint ventures and non-financial assets

Assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. Potential indications of impairment may include significant adverse changes in the technological, market, economic or legal environment in which the assets operate or whether there has been a significant or prolonged decline in value below their cost. "Significant" is evaluated against the original cost of the investment and "prolonged" against the period in which the fair value has been below its original cost.

An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). Impaired assets are reviewed for possible reversal of the impairment at each reporting date.

In the Company's balance sheet, impairment testing of investments in subsidiaries, associates or joint ventures is also required upon receiving dividend from that entity if the dividend exceeds the total comprehensive income of that entity concerned in the period the dividend is declared or if the carrying amount of that entity in the Company's balance sheet exceeds the carrying amount of that entity's net assets including goodwill in its consolidated balance sheet.

2.16 Investment properties

Properties (including right-of-use assets arising from leases over leasehold land on which properties are situated), that are held for long-term rental yields or for capital appreciation or both, and that are not occupied by the companies in the Group, are classified as investment properties. Properties leased out within group companies are classified as investment properties in individual companies' financial statements and as premises in consolidated financial statements.

Investment properties are recognised initially at cost, including related transaction costs. After initial recognition, investment properties are measured at fair value.

Subsequent expenditure is charged to the asset's carrying amount 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. The work in progress item is measured at fair value. All other repairs and maintenance costs are expensed in the income statement during the financial period in which they are incurred.

Any changes in fair value are recognised directly in the income statement.

If an investment property becomes owner-occupied, it is reclassified as premises, and its fair value at the date of reclassification becomes its cost for accounting purposes. If an item of premises becomes an investment property because its use has changed, any difference resulting between the carrying amount and the fair value of this item at the date of transfer is recognised in other comprehensive income or profit or loss in the same way as a revaluation of premises under HKAS 16 "Property, Plant and Equipment" as set out in Note 2.17.

2. Material accounting policies (continued)

2.17 Properties, plant and equipment

Properties (including right-of-use assets arising from leases over leasehold land on which properties are situated) are mainly branches and office premises. Premises are stated at fair value based on periodic, at least annually, valuations by external independent valuers less any subsequent accumulated depreciation and impairment losses. Any accumulated depreciation at the date of revaluation is eliminated against the gross carrying amount of the asset and the net amount is restated to the revalued amount of the asset.

Increases in the carrying amount arising on revaluation of premises are credited to the premises revaluation reserve through other comprehensive income. Decreases that offset previous increases of the same individual asset are charged against premises revaluation reserve through other comprehensive income; all other decreases are expensed in the income statement. Any subsequent increases are credited to the income statement up to the amount previously debited, and then to the premises revaluation reserve. Upon disposal of premises, the relevant portion of the premises revaluation reserve realised in respect of previous valuations is released and transferred from the premises revaluation reserve to retained earnings.

All plant and equipment and right-of-use assets other than leasehold land (see Note 2.18) are stated at historical cost less accumulated depreciation and impairment losses. Historical cost includes expenditures that are directly attributable to the acquisition and installation of the items.

Subsequent costs are included in an asset's carrying amount or are 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. The item is stated at cost less impairment until it begins to generate economic benefits, then the item is subsequently measured according to the measurement basis of its respective assets class. All other repairs and maintenance costs are charged to the income statement during the financial period in which they are incurred or provided for.

Depreciation is calculated on the straight-line method to write down the cost or revalued amount of such assets over their estimated useful lives as follows:

• Properties	Over the life of government land leases
• Plant and equipment	2 to 15 years
• Right-of-use assets	Shorter of useful lives and lease terms

The useful lives of assets are reviewed, and adjusted if appropriate, as at the end of each reporting period.

2. Material accounting policies (continued)

2.17 Properties, plant and equipment (continued)

At the end of each reporting period, both internal and external sources of information are considered to determine whether there is any indication that properties, plant and equipment are impaired. If any such indication exists, the recoverable amount of the asset is estimated and where relevant, an impairment loss is recognised to reduce the asset to its recoverable amount. Such an impairment loss is recognised in the income statement except where the asset is carried at valuation and the impairment loss does not exceed the revaluation surplus for that same asset, in which case it is treated as a decrease in the revaluation surplus. The recoverable amount is the higher of the asset's fair value less costs to sell and value in use. Impairment loss is reversed through the premises revaluation reserve or the income statement as appropriate.

Gains or losses on disposals are determined as the difference between the net disposal proceeds and the carrying amount, relevant taxes and expenses. These are recognised in the income statement on the date of disposal. Any related revaluation surplus is transferred from the revaluation reserve to retained earnings and is not reclassified to the income statement.

2.18 Leases

At inception of a contract, the Group assesses whether the contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. Control is conveyed where the customer has both the right to direct the use of the identified asset and to obtain substantially all of the economic benefits from that use over the contract period.

(1) As a lessee

On the lease commencement date, the Group recognises a right-of-use asset and a lease liability, except for short-term leases that have a lease term of 12 months or less and leases of low-value assets. When the Group enters into a lease in respect of a low-value asset, the Group decides whether to recognise the lease as a right-of-use asset and a lease liability on a lease-by-lease basis. The lease payments associated with those leases which are not recognised as right-of-use assets and lease liabilities are recognised as an expense on a systematic basis over the lease term.

The lease liability is initially recognised at the present value of the lease payments payable over the lease term, after taking into account payments to be made in the optional period if the extension option is reasonably certain to be exercised, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, using a relevant incremental borrowing rate. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payments of penalties for termination of a lease, if the lease term reflects the Group exercising the option to terminate.

After initial recognition, interest expense is calculated using a constant periodic rate of interest. Variable lease payments that do not depend on an index or a rate are not included in the measurement of the lease liability and hence are charged to the income statement in the accounting period in which they are incurred.

2. Material accounting policies (continued)

2.18 Leases (continued)

(1) As a lessee (continued)

The right-of-use asset recognised is initially measured at cost, which comprises the initial amount of the lease liability plus any lease payments made at or before the commencement date, and any initial direct costs incurred. Where applicable, the cost of the right-of-use assets also includes an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, then discounted to its present value, and less any lease incentives received.

Payments associated with short-term leases of equipment and all leases of low-value assets are recognised on a straight-line basis as an expense in the income statement.

The right-of-use asset is subsequently measured at cost less accumulated depreciation and impairment losses (see Note 2.17), and adjusted when the lease liabilities are remeasured, except for the following types of right-of-use asset:

– right-of-use assets that meet the definition of investment property are carried at fair value in accordance with Note 2.16; and

– right-of-use assets related to leasehold land and buildings that do not meet the definition of investment property and where the Group is the registered owner of the leasehold interest are carried at revalued amount in accordance with Note 2.17.

The lease liability is remeasured when there is a change in future lease payments arising from a change in an index or a rate used to determine those payments, or there is a change in the Group's estimate of the amount expected to be payable under a residual value guarantee, or there is a change of lease terms, or there is a change arising from the reassessment of whether the Group will be reasonably certain to exercise a purchase, extension or termination option. When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in the income statement if the carrying amount of the right-of-use asset has been reduced to zero.

The Group presents right-of-use assets that do not meet the definition of investment property in "Properties, plant and equipment" and presents lease liabilities in "Other accounts and provisions".

(2) As a lessor

When the Group acts as a lessor, it determines at lease inception whether each lease is a finance lease or an operating lease. A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to the ownership of an underlying asset to the lessee. If this is not the case, the lease is classified as an operating lease.

When a contract contains lease and non-lease components, the Group allocates the consideration in the contract to each component on a relative stand-alone selling price basis. The rental income from operating leases is recognised on a straight-line basis over the lease term.

2. Material accounting policies (continued)

2.19 Insurance and investment contracts

(1) Classification of contracts

The Group issues insurance contracts which are contracts that transfer significant insurance risk and may also transfer financial risk. As a general guideline, the Group defines as significant insurance risk the possibility of having to pay benefits on the occurrence of an insured event that are at least 10% more than the benefit payable if the insured event did not occur and if there is a scenario that has commercial substance in which the issuer has a possibility of a loss on a present value basis.

The Group also issues certain insurance contracts that are substantially investment-related service contracts where the return on the underlying items is shared with policyholders. Underlying items comprise specified portfolios of investment assets that determine amounts payable to policyholders.

Investment contracts are those contracts that transfer financial risk with no significant insurance risk. Due to the contractual discretion of the Group over the investment return to the policyholders, these investment contracts contain a discretionary participation feature ("DPF"). Investment contracts with DPF are accounted for using the same accounting policies as those applied for insurance contracts.

(2) Level of aggregation

Insurance contracts subject to similar risks and managed together are grouped as a portfolio of insurance contracts. Each portfolio is further divided into groups of contracts mainly based on profitability, extent of loss or possibility of becoming onerous contract subsequent to initial recognition. Insurance contracts issued more than one year apart should not be included in the same group. The unit of account for the recognition and measurement of insurance contracts is each individual group of contracts.

2. Material accounting policies (continued)

2.19 Insurance and investment contracts (continued)

(3) Initial recognition – Groups of contracts measured under the GMM and the VFA

Under the GMM and the VFA, the Group measures groups of insurance contracts based on certain FCFs and contractual service margin ("CSM") on initial recognition. FCFs include the estimates of present value of future cash flows and risk adjustment for non-financial risk.

– The estimates of present value of future cash flows represent explicit, unbiased and probability-weighted estimates (i.e. expected value) of the present value of the net future cash flows that will arise as the Group fulfils insurance contracts.

– Risk adjustment for non-financial risk is applied to the estimates of present value of future cash flows and reflects the compensation the Group requires for bearing the uncertainty about the amount and timing of the cash flows from non-financial risk as the Group fulfils insurance contracts.

– CSM, which represents the unearned profits that the Group will recognise as it provides insurance contract services in the future, is a component of insurance contract liabilities and will be amortised and recognised as insurance revenue over the remaining coverage period based on coverage units as the services are provided.

On initial recognition, if the sum of cash flows related to the group of insurance contracts results in a net cash outflow, then the group of contracts is onerous. The amount of the net cash outflow is recognised in the income statement and a loss component of the liability for remaining coverage ("LRC") is established upon initial recognition.

2. Material accounting policies (continued)

2.19 Insurance and investment contracts (continued)

(4) Subsequent measurement – Groups of contracts measured under the GMM and the VFA

At each of the subsequent reporting dates, the carrying amount of a group of insurance contracts issued is the sum of (i) the LRC, comprising the FCFs related to future service and the CSM of that group; and (ii) the liability for incurred claims ("LIC"), comprising the FCFs related to past service allocated to the group of insurance contracts.

Subsequent changes in the FCFs are accounted for differently under the GMM and the VFA. Changes in the amount of the Group's share of the fair value of the underlying items and changes in the effect of the time value of money and financial risks including the effect of options and guarantees embedded in the insurance contracts would adjust the CSM under the VFA, whereas such changes would recognise in the income statement under the GMM. In addition, changes in the obligation to pay the policyholder the amount equal to the fair value of the underlying items do not adjust the CSM but directly recognise in the income statement under the VFA.

A group of contracts that has a CSM on initial recognition can become onerous in subsequent periods. The excess of the carrying amount of the CSM is the loss component of the LRC and is recognised in the income statement. Subsequent decreases in FCFs arising from changes in estimates of expected cash flows relating to future service and, for contracts with direct participation features, any subsequent increases in the amount of the entity's share of fair value of the underlying items are allocated solely to the loss component, until it is reduced to zero. After the loss component has reached zero, a CSM is created for the excess of the decrease over the amount allocated.

(5) Initial recognition and subsequent measurement – Groups of contracts measured under the PAA

On initial recognition, the Group measures the LRC at the amount of premiums received, less any acquisition cash flows paid and any amounts arising from the derecognition of the insurance acquisition cash flows asset and the derecognition of any other relevant pre-recognition cash flows. At each of the subsequent reporting dates, the LRC is: (i) increased for premiums received in the period; (ii) decreased for insurance acquisition cash flows paid in the period; (iii) decreased for the amounts of expected premium receipts recognised as insurance revenue for the services provided in the period; and (iv) increased for the amortisation of insurance acquisition cash flows in the period recognised as insurance service expenses.

If facts and circumstances indicate that a group of insurance contracts measured under the PAA is onerous on initial recognition or becomes onerous subsequently, the Group increases the carrying amount of the LRC to the amounts of the FCFs determined under the GMM with the amount of such an increase recognised in insurance service expenses, and a loss component is established for the amount of the loss recognised.

2. Material accounting policies (continued)

2.20 Cash and cash equivalents

For the purposes of the consolidated cash flow statement, cash and cash equivalents comprise balances with original maturity less than three months from the date of acquisition, including cash, balances with banks and other financial institutions, short-term bills and notes classified as investment securities and certificates of deposit.

2.21 Provisions

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate of the amount of the obligation can be made.

2.22 Employee benefits

(1) Retirement benefit costs

The Group contributes to defined contribution retirement schemes under either recognised ORSO schemes or MPF schemes that are available to the Group's employees. Contributions to the schemes by the Group and employees are calculated as a percentage of employees' basic salaries for the ORSO schemes and in accordance with the MPF rules for MPF schemes. The retirement benefit scheme costs are charged to the income statement as incurred and represent contributions payable by the Group to the schemes. Contributions made by the Group that are forfeited by those employees who leave the ORSO scheme prior to the full vesting of their entitlement to the contributions are used by the Group to reduce the existing level of contributions or to meet its expenses under the trust deed of the ORSO schemes.

The assets of the schemes are held in independently-administered funds separate from those of the Group.

(2) Leave entitlements

Employee entitlements to annual leave and sick leave are recognised when they accrue to employees. A provision is made for the estimated liability for unused annual leave and the amount of sick leave expected to be paid as a result of services rendered by employees up to the end of the reporting period.

Compensated absences other than sick leave and special approved annual leave are non-accumulating; they lapse if the current period's entitlement is not used in full. Except for unexpired annual leave, they do not entitle employees to a cash payment for unused entitlement on leaving the Group.

(3) Bonus plans

The expected cost of bonus payments is recognised as a liability when the Group has a present legal or constructive obligation as a result of services rendered by employees and a reliable estimate of the obligation can be made. Liabilities for bonus plans that are expected to be settled longer than twelve months will be discounted if the amounts are significant.

2. Material accounting policies (continued)

2.23 Current and deferred income taxes

Tax expenses for the period comprise current and deferred tax. Tax is recognised in the income statement, except to the extent that it relates to items recognised directly in other comprehensive income. In this case, the tax is also recognised in other comprehensive income.

Income tax payable on profits, based on the applicable tax law enacted or substantially enacted at the end of the reporting period in each jurisdiction where the Company and its subsidiaries, associates and joint ventures operate and generate taxable income, is recognised as a current income tax expense in the period in which profits arise.

Deferred income tax is provided in full, using the balance sheet liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. Deferred income tax is determined using tax rates and laws that have been enacted or substantially enacted by the end of the reporting period and are expected to apply when the related deferred tax asset is realised or the deferred tax liability is settled.

The principal temporary differences arise from asset impairment provisions, depreciation of premises and equipment, and revaluation of certain assets including securities at FVOCI and premises. However, the deferred income tax is not recognised if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss and does not give rise to equal taxable and deductible temporary differences.

Deferred tax liabilities are provided in full on all taxable temporary differences. Deferred tax assets are recognised on deductible temporary differences, the carry forward of any unused tax credits and unused tax losses to the extent that it is probable that future taxable profit will be available against which the deductible temporary differences, the carry forward of unused tax credits and unused tax losses can be utilised.

Deferred income tax is charged or credited in the income statement except for deferred income tax relating to fair value remeasurement of securities at FVOCI and revaluation of premises which are charged or credited to other comprehensive income, in which case the deferred income tax is also credited or charged to other comprehensive income and is subsequently recognised in the income statement together with the realisation of the deferred gain and loss.

Deferred tax liability or deferred tax asset arising from an investment property is determined based on the presumption that the revaluation amount of such investment property will be recovered through sale with the relevant tax rate applied.

2. Material accounting policies (continued)

2.24 Repossessed assets

Repossessed assets for loans and advances are collateral that the Group takes control from borrowers due to the restructuring of or inability to repay the related loans and advances. The Group intends to recover the outstanding debts through disposal of these repossessed assets. Loans and advances with collateral repossessed will continue to be accounted for in its original accounting classification except when the Group takes legal title of the related repossessed assets and the risks and rewards of their ownership are substantially transferred to the Group, in which cases the repossessed assets are recognised under separate accounts as mentioned in the below paragraph with the related loans and advances and the related impairment allowances derecognised from the balance sheet.

Repossessed assets are recognised at the lower of the carrying amount of the related loans and advances and the fair value less costs to sell of the collateral on the date of recognition and reported as "non-current assets held for sale" included in "Other assets" if they are non-financial instruments, with individual impairment allowance made on the shortfall between the carrying amount and the expected net realisable value of the repossessed assets; or are recognised and subsequently measured at fair values and are reported as "Financial assets at fair value through profit or loss" if they are financial instruments.

2.25 Fiduciary activities

The Group commonly acts as a trustee, or in other fiduciary capacities, that result in its holding or managing assets on behalf of individuals, trusts and other institutions. These assets and any gains or losses arising thereon are excluded from these financial statements, as they are not assets of the Group.

2.26 Contingent liabilities and contingent assets

A contingent liability is a possible obligation that arises from past events and whose existence will only be confirmed by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group. It can also be a present obligation arising from past events that is not recognised because it is not probable that an outflow of economic resources will be required or the amount of obligation cannot be measured reliably.

A contingent liability is not recognised as a provision but is disclosed in the notes to the financial statements. When a change in the probability of an outflow occurs so that outflow is probable, it will then be recognised as a provision.

A contingent asset is a possible asset that arises from past events and whose existence will only be confirmed by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group.

Contingent assets are not recognised but are disclosed in the notes to the financial statements when an inflow of economic benefits is probable. When the inflow is virtually certain, it will be recognised as an asset.

2.27 Related parties

For the purposes of these financial statements, a party is considered to be related to the Group if that party (i) controls, jointly controls or has significant influence over the Group; (ii) is a member of the same financial reporting group, such as parents, subsidiaries and fellow subsidiaries; (iii) is an associate or a joint venture of the Group or parent reporting group; (iv) is a key management personnel of the Group or parents; (v) is subject to common control with the Group; (vi) is an entity in which a person identified in (iv) controls; and (vii) provides key management personnel services to the Group or its parent. Related parties may be individuals or entities.

3. Critical estimates and judgements in applying accounting policies

The Group makes estimates and assumptions that affect the carrying amounts of assets and liabilities within the next reporting period. Estimates and judgements are continually evaluated and based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Areas susceptible to changes in essential estimates and judgements, which affect the carrying amount of assets and liabilities, are set out below. The effects of changes to either the key assumptions or other estimation uncertainties are presented below if it is practicable to determine. It is possible that actual results may require material adjustments to the estimates referred to below.

3.1 Impairment losses on advances to customers

The Group reviews its credit portfolios to assess impairment at least on a quarterly basis. Under HKFRS 9, the measurement of impairment losses across all categories of financial asset requires judgement, in particular, the estimation of the amount and timing of future cash flows and collateral values when determining impairment losses and the assessment of a significant increase in credit risk. These estimates are driven by a number of factors, changes of which can result in different levels of allowances.

The Group's ECL calculations are outputs of complex models. The choice of variable inputs and their interdependencies involves a series of assumptions. ECL models for stage 1 and stage 2 exposures are developed by leveraging on the parameters implemented under Note 4.1, where feasible and available. Elements of the ECL models that are considered accounting judgements and estimates include:

- The Group's internal credit rating models, which assign Probability of Defaults to the individual ratings;
- The Group's significant credit deterioration criteria (including internal credit rating downgrade, days past due, drop in Mark-to-Market and qualitative assessment) for assessing whether the financial assets' impairment allowances should be measured on a lifetime ECL basis;
- The segmentation of financial assets according to credit risk characteristics (portfolios including Sovereign, Bank, Corporates, Retail Small Medium-sized Enterprise, Residential Mortgage Loan and Credit Card) when their ECLs are assessed on a collective basis;
- Development of ECL models, including the determination of macroeconomic factor forecasts (including Gross Domestic Product growth, Consumer Price Index, Property Price Index and Unemployment Rate) and the effect on Probability of Defaults, Loss Given Defaults and Exposure at Defaults; and
- Selection of forward-looking macroeconomic scenarios (including four independent scenarios i.e. good, baseline, bad and alternative) and their probability weightings.

In respect of credit-impaired exposures, expected credit losses are measured on an individual basis by estimating the future recoverable cash flows. Factors affecting this estimate include, among other things, the granularity of financial information related to specific borrowers and their guarantors, the availability of meaningful information of competitors and the relevance of sector trends to the future performance of specific borrowers and cash flows from the sale of collateral.

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

Carrying amounts of advances to customers as at 31 December 2024 are shown in Note 25.

3. Critical estimates and judgements in applying accounting policies (continued)

3.2 Fair values of financial instruments

The fair values of financial instruments that are not quoted in active markets are determined by using valuation techniques. Valuation techniques used include the use of recent arm's length transactions, discounted cash flows analysis and models with built-in functions available in externally acquired financial analysis or risk management systems widely used by the industry such as option pricing models, and other commonly used market pricing models. To the extent practical, the models use observable data. In addition, valuation adjustments may be adopted if factors such as credit risk are not considered in the valuation models. Management judgement and estimates are required for the selection of appropriate valuation parameters, assumptions and modelling techniques.

The Group assesses assumptions and estimates used in valuation techniques including review of valuation model assumptions and characteristics, changes to model assumptions, the quality of market data, whether markets are active or inactive, other fair value adjustments not specifically captured by models and consistency of application of techniques between reporting periods as part of its normal review and approval processes. Valuation techniques are validated and periodically reviewed and, where appropriate, have been updated to reflect market conditions at the financial reporting date. Further details will be discussed in Note 5.

3.3 Insurance contract liabilities

(a) Estimate of future benefit payments and premiums arising from long term insurance contracts

Assumptions including mortality and morbidity rates, lapse rates and expenses are used when estimating future cash flows. The present value of future cash flows is estimated using deterministic scenarios, except where stochastic modelling is used to measure options and guarantees embedded in the insurance contracts. The assumptions used in the deterministic scenarios are derived to approximate the probability-weighted mean of a full range of scenarios.

(b) Determining coverage units

The Group uses the amount that indicates the sum which policyholders are able to validly claim, such as the contractual cover in each period or number of policies with consideration of policy size subject to certain scenarios as the basis for the quantity of benefits for all insurance coverages, investment-return and investment-related services.

The total number of coverage units in a group is the quantity of service provided by the contracts in the group over the expected coverage period. The coverage units are determined at the end of each reporting period prospectively by considering the following items:

- the quantity of benefits provided by contracts in the group;
- the expected coverage period of contracts in the group; and
- the likelihood of insured events occurring, only to the extent that they affect the expected coverage period of contracts in the group.

In performing the above determination, management applied judgement that might impact the CSM carrying values and amounts of the CSM allocation recognised in the income statement for the period.

3. Critical estimates and judgements in applying accounting policies (continued)

3.3 Insurance contract liabilities (continued)

(c) Discount rates

Life insurance contract liabilities are calculated by discounting expected future cash flows at a risk-free rate, plus an illiquidity premium where applicable. Risk free rates are determined by reference to relevant market yield information. The illiquidity premium is based on market observable liquidity premiums in financial assets, adjusted to reflect the illiquidity characteristics of the liability cash flows.

The yield curves used to discount expected future cash flows denominated in USD range from 3.98% to 5.81% as at 31 December 2024 (2023: 3.79% to 5.62%), 1.08% to 4.64% as at 31 December 2024 (2023: 2.07% to 4.03%) for expected future cash flows denominated in RMB, 3.56% to 4.61% as at 31 December 2024 (2023: 3.27% to 5.20%) for expected future cash flows denominated in HKD, and 2.23% to 5.81% as at 31 December 2024 (2023: Nil) for expected future cash flows denominated in other foreign currencies.

(d) Risk adjustment for non-financial risk

The risk adjustment for non-financial risk represents the compensation that the Group requires for bearing the uncertainty about the amount and timing of the cash flows of groups of insurance contracts and covers insurance risk, lapse risk and expense risk. The Group has estimated the risk adjustment using confidence level technique.

The risk adjustment for life insurance and reinsurance contracts corresponds to 75% confidence level (2023: 75%).

3.4 Deferred tax assets

Deferred tax assets on unused tax losses and unused tax credits are recognised and the determination of the amount to be recognised requires significant management judgement. Deferred tax asset on unused tax losses are recognised to the extent that it is probable that taxable profit will be available against which the losses can be utilised. Judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of future taxable profits. For deferred tax assets on unused tax credits, judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the estimation of available tax credits and the possibility to recover such deferred tax assets recognised.

3.5 Determination of lease terms of leases

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

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

Carrying amounts of right-of-use assets as at 31 December 2024 are shown in Note 29.

4. Financial risk management

The Group is exposed to financial risks as a result of engaging in a variety of business activities. The principal financial risks are credit risk, market risk (including currency risk and interest rate risk) and liquidity risk. This note summarises the Group's exposures to these risks, as well as its objectives, risk management governance structure, policies and processes for managing and the methods used to measure these risks.

Financial risk management framework

The Group's risk management governance structure is designed to cover all business processes and to ensure various risks are properly managed and controlled in the course of conducting business. The Group has a robust risk management organisational structure with a comprehensive set of policies and procedures to identify, measure, monitor and control various risks that may arise. These risk management policies and procedures are regularly reviewed and updated to reflect changes in markets and business strategies. Various groups of risk takers assume their respective responsibilities for risk management.

The Board of Directors, representing the interests of shareholders, is the highest decision-making authority of the Group and has the ultimate responsibility for risk management. The Board, with the assistance of its committees, has the primary responsibility for the formulation of risk management strategies, risk appetite and risk culture and ensuring that the Group has an effective risk management system to implement these strategies.

The RC, a standing committee established by the Board of Directors, is responsible for overseeing the Group's comprehensive risk and various types of risks, approving Level I risk management policies and monitoring their implementation, and approving significant or high risk exposures or transactions. The Audit Committee assists the Board in fulfilling its role in overseeing the internal control system.

The senior management is responsible for the implementation of comprehensive risk management and various types of risk management. The Chief Executive ("CE") is responsible for managing the Group's comprehensive and various types of risks, and approving material risk exposures or transactions within his authority delegated by the Board of Directors. The Deputy Chief Executives ("DCEs") assist the CE in fulfilling his responsibilities on the day-to-day management of various types of risk, and are responsible for approving material risk exposures or transactions within their authorities delegated by the CE. The Chief Risk Officer ("CRO") assists the CE in fulfilling his responsibilities on day-to-day management of various types of risks and internal control; responsible for initiating new risk management strategies, projects and measures in response to regulatory changes that will enable the Group to better monitor and manage any risks that may arise from time to time from new businesses, products and changes in the operating environment and responsible for reviewing material risk exposures or transactions within the delegated authority. In accordance with the principle of setting the hierarchy of risk management policies approved by the Board, senior management is responsible for approving the detailed risk management policies of their areas.

4. Financial risk management (continued)

Financial risk management framework (continued)

Various units of the Group have their respective risk management responsibilities. Business units act as the first line of defence while risk management units, which are the second line of defence and are independent from the business units, are responsible for the day-to-day management of different kinds of risks. Risk management units have the primary responsibility for drafting, reviewing and updating various risk management policies and procedures.

The Group's principal banking subsidiaries are subjected to risk management policies that are consistent with those of the Group. Moreover, the Group's non-banking subsidiaries, such as BOC Life, are subject to the Group's risk management requirements. These subsidiaries are required to formulate their respective risk management policies based on the characteristics of their own industries, perform daily risk management responsibilities and report to BOCHK on a regular basis. Risk management units of BOCHK monitor the risk management status of these subsidiaries.

The Group has put in place appropriate internal control systems, including the establishment of an organisation structure that sets clear lines of authority and responsibility for monitoring compliance with policies, procedures and limits. Proper reporting lines also provide sufficient independence of the control functions from the business areas, as well as adequate segregation of duties throughout the organisation which helps to promote an appropriate internal control environment.

Product development and risk monitoring

To ensure the effectiveness of risk assessment and monitoring, the Group has a comprehensive product development and risk monitoring system where roles and responsibilities of all related units are clearly defined and proper due diligence processes on product development are in place.

In accordance with the strategic objectives set by the Board and the Management, respective product management units are responsible for formulating business and product development plans, and proceeding to specific product development activities. The department of strategic development shall ensure the plans are aligned with the Group's overall strategies. Departments that are responsible for risk management, legal, compliance and finance, etc. are accountable for review of the risk assessment results.

Apart from product development and ongoing monitoring on existing products, respective product management units shall identify and assess the risks of new products and existing products. Risk management units shall conduct independent review on the product risk assessment results and the corresponding risk management measures. Products can only be launched upon completion of the product due diligence process to the satisfaction of all risk management units.

A prudent approach is adopted in offering treasury products to our clients. All new treasury products require approval from a dedicated committee before launching.

4. Financial risk management (continued)

4.1 Credit risk

Credit risk is the risk of loss that a customer or counterparty is unable to or unwilling to meet its contractual obligations. Credit risk exists in the trading book and banking book, as well as from on- and off-balance sheet transactions of the Group. It arises principally from lending, trade finance and treasury businesses.

Credit risk management framework

The Group has formulated a comprehensive set of credit risk management policies and procedures, and appropriate credit risk limits to manage and control credit risk that may arise. These policies, procedures and credit risk limits are regularly reviewed and updated to cope with changes in market conditions and business strategies.

The Group's organisation structure establishes a clear set of authority and responsibility for monitoring compliance with policies, procedures and limits.

The Chief Credit Officer, who reports directly to the CRO, takes charge of credit risk management and is also responsible for the control of credit risk exposures of subsidiaries in line with the credit risk management principles and requirements set by the Group. Various units of the Group have their respective credit risk management responsibilities. Business units act as the first line of defence in risk management. The Risk Management Department ("RMD"), which is independent from the business units, is responsible for the day-to-day management of credit risks and provides an independent due diligence through identifying, measuring, monitoring and controlling credit risk to ensure an effective checks and balances, as well as drafting, reviewing and updating credit risk management policies and procedures. It is also responsible for the design, development and maintenance of the Group's internal rating system and ensures the system complies with the relevant regulatory requirements. Back offices are responsible for credit administration, providing operations support and supervision on the implementation of prerequisite terms and conditions of credit facilities.

In accordance with the Group's operating principle, the Group's principal subsidiaries have to formulate their own credit risk policies that are consistent with those of the Group's core principle. These subsidiaries are required to submit their risk management reports to the Group's Management on a regular basis.

The Board of Directors delegates credit approval authority to the CE. The CE can further delegate to the subordinates within his limit authorised by the Board of Directors. The Group sets the limits of credit approval authority according to the credit business nature, rating, the level of transaction risk, and the extent of the credit exposure.

4. Financial risk management (continued)

4.1 Credit risk (continued)

Credit risk measurement and control

In view of the rapidly changing market conditions, the Group has been continuously revisiting its credit strategies and conducting rigorous reviews on the concerned portfolios.

Advances

Different credit approval and control procedures are adopted according to the level of risk associated with the customer, counterparty or transaction. The Credit Risk Assessment Committee, comprising experts from credit and other functions, is responsible for making an independent assessment of material credit applications which require the approval of DCEs or above. Credit applications for non-retail exposures are independently reviewed and objectively assessed by risk management units. Obligor ratings (in terms of probability of default) and facility ratings (in terms of loss given default) are assigned to these portfolios to support credit approval. Retail internal rating systems are deployed in the risk assessment of retail credit transactions, including small business loans under retail exposures, residential mortgage loans, personal loans and credit cards, etc. Loan grades, obligor and facility ratings as well as loss estimates (if applicable) are used to support credit approval.

The Group also uses loan grades, obligor ratings and loss estimates (if applicable) to support credit monitoring, reporting and analysis of credit risk information. For non-retail exposures, more frequent rating review and closer monitoring are required for higher-risk customers. For retail exposures, monthly updated internal ratings and loss estimates are used for credit monitoring on a portfolio basis. More comprehensive review is required for obligors being identified under high-risk pools.

The Group employs an internal master rating scale that can be mapped to Standard & Poor’s external credit ratings. The structure of internal master rating scale is in compliance with the requirement of the Banking (Capital) Rules under the Hong Kong Banking Ordinance.

The RMD provides regular credit management information reports and ad hoc reports to the Management Committee (“MC”), the RC and Board of Directors to facilitate their continuous monitoring of credit risk.

In addition, the Group identifies credit concentration risk by industry, geography, customer or counterparty. The Group monitors changes to every counterparties credit risk, quality of the credit portfolio and credit risk concentrations, and reports regularly to the Group’s Management.

4. Financial risk management (continued)

4.1 Credit risk (continued)

Credit risk measurement and control (continued)

Advances (continued)

The Group adopts loan grading criteria which divide credit assets into five categories with reference to the HKMA's guidelines, as below:

"Pass" represents loans where the borrower is current in meeting its repayment obligations and full repayment of interest and principal is not in doubt.

"Special Mention" represents loans where the borrower is experiencing difficulties which may threaten the Group's recoverability of the loan principal and interest. Ultimate loss is not expected at this stage but could occur if adverse conditions persist.

"Substandard" represents loans where the borrower displays a definable weakness that is likely to jeopardise repayment.

"Doubtful" represents loans where collection in full is improbable and the Group expects to sustain a loss of principal and/or interest, taking into account the net realisable value of the collateral.

"Loss" represents loans which are considered uncollectible after all collection options (such as the realisation of collateral or the institution of legal proceedings) have been exhausted.

The Group will write-off the financial assets, either partially or in full, when there is no realistic prospect of recovery or reasonable expectation of full recovery upon assessment. After realisation of the collateral of secured financial assets, the net value of the financial assets will be written-off if there is no prospect of recovery.

Debt securities and derivatives

For investments in debt securities, the obligor ratings or external credit ratings and credit limits setting on customer/security issuer basis are used for managing credit risk associated with the investment. For derivatives, the Group sets customer limits to manage the credit risk involved and follows the same approval and control processes as applied for advances. On-going monitoring and stop-loss procedures are established.

Settlement risk arises mainly from foreign exchange transactions with counterparties and also from derivative transactions in any situation where a payment in cash, securities or equities is made in the expectation of a corresponding receipt in cash, securities or equities. Daily settlement limits are established for each counterparty or customer to cover all settlement risks arising from the Group's market transactions on any single day.

4. Financial risk management (continued)

4.1 Credit risk (continued)

Credit risk measurement and control (continued)

Financial instruments are considered to be in default when one or more events that have a detrimental impact on the estimated future cash flows occurred such as past due for more than 90 days or the borrower is unlikely to pay in full for its debt obligations to the Group.

Credit-impaired financial instruments are classified as Stage 3 and lifetime expected credit losses will be recognised. Evidence that a financial instrument is credit-impaired include observable data about the following events:

- Significant financial difficulty incurred by the borrower;
- A breach of contract, such as a default or delinquency in principal or interest payment;
- For economic or contractual reasons related to the borrower's financial difficulty, the Group has granted to the borrower a concession that it would not otherwise consider;
- Probable that the borrower will become bankrupt or undergo other financial reorganisation;
- The purchase or origination of a financial asset at a deep discount that reflects the incurred credit losses; or
- Other observable data indicating that there is a measurable decrease in the estimated future cash flows from such financial instruments.

Expected Credit Loss ("ECL") Methodology

For impairment assessment, an impairment model is introduced in compliance with HKFRS 9, it requires the recognition of ECL for financial instruments held at amortised cost and fair value through other comprehensive income. Under HKFRS 9, ECL is assessed in three stages and the financial assets, loan commitments and financial guarantees are classified in one of the three stages.

Stage 1: if the financial instruments are not credit-impaired during origination and their credit risk has not increased significantly since origination, and the impairment allowance is measured at an amount up to 12-month ECL;

Stage 2: if the financial instruments are not credit-impaired during origination but their credit risk has increased significantly since origination, and the impairment allowance is measured at an amount equal to the lifetime ECL;

Stage 3: if the financial instruments are credit-impaired and their future cash flows of that financial instruments are adversely affected by one or more events, and the impairment allowance is measured at an amount equal to the lifetime ECL.

4. Financial risk management (continued)

4.1 Credit risk (continued)

Expected Credit Loss ("ECL") Methodology (continued)

The Group has established the significant credit deterioration criteria framework to determine the stage of the financial instruments. The framework incorporates both quantitative and qualitative assessment, taking into account of factors such as number of days past due, change in IRB rating, low credit risk threshold and the watchlist.

The customer credit ratings in the internal model are classified into 27 grades. The lowest (27th) credit grading equates to defaulted customers while the others are assigned to non-defaulted customers. The quantitative and qualitative criteria considered in determining significant credit deterioration include:

Quantitative criteria

- Failure to make payments of principal or interest 30 days after the contractual due dates;

- At the reporting date, the credit risk is deemed to increase significantly when the remaining lifetime PD rises by more than a certain range from initial recognition, and reflected as a drop in customer's credit rating by corresponding level according to the different PD at initial recognition. In majority cases, there is a significant increase in credit risk when the customer's credit rating drops by 5 grades.

Qualitative criteria

- Significant adverse change in debtor's operations or financial status;

- Customers with sign of credit deterioration are put into watchlist for staging review.

The Group leverages the parameters implemented under Basel II IRB models and internal models where feasible and available to assess ECL. For the portfolios without models, all other reasonable and supportable information such as historical information, relevant loss experience or proxies are utilised. The measurement of ECL is the product of the financial instrument's probability of default ("PD"), loss given default ("LGD") and exposure at default ("EAD") discounted at the effective interest rate to the reporting date.

4. Financial risk management (continued)

4.1 Credit risk (continued)

Expected Credit Loss ("ECL") Methodology (continued)

ECL is measured at 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 about past events, current conditions and forecasts of future economic conditions. The Group adopts four economic scenarios in the ECL measurement, including "Good", "Baseline", "Bad" and "Alternative" scenarios, to meet the requirements of HKFRS 9. The "Baseline" scenario represents a most likely outcome. "Good" and "Bad" scenarios represent the estimated deviations of the "Baseline" scenario, which are either more optimistic or more pessimistic as compared with "Baseline" scenario. The "Alternative" scenario represents a more pessimistic scenario than the "Bad" scenario, to reflect the Management's view on severe downside risks of the idiosyncratic events that may have severe impact on the performance and asset quality of the credit portfolio, when the Management considers the risk cannot be fully reflected in the three scenarios (i.e. "Good", "Baseline" and "Bad" scenarios) derived from forecasts and historical data.

The "Baseline" and "Alternative" scenarios are prepared by the Group's Economics & Strategic Planning Department. Historical data, economic trend, external economic forecast from governmental and non-governmental organisation, etc. are also used as reference benchmarks to ensure the "Baseline" scenario is reasonable and supportable. For the "Good" and "Bad" scenarios, the Group makes reference to the historical macroeconomics data for estimating the deviations. The "Alternative" scenario reflects the Management's review of the tail of the economic distribution, incorporating a number of risk events, including further escalation of geopolitical tensions coupled with other uncertainties, worsening of global supply chains, rising global inflation rate, the monetary tightening policy of Central Banks and interest rate hikes which eventually pose a significant pressure on economy.

The core macroeconomic factors in the major countries/regions where the Group operates such as Gross Domestic Product ("GDP") growth, and other key macroeconomic factors such as Consumer Price Index, Property Price Index and Unemployment Rate are applied in the economic scenarios. These macroeconomic factors are considered important to the Group's ECL in statistical analysis and business opinion.

The probability weight assigned for each scenario reflects the Group's view for the economic environment, following the Group's prudent and consistent credit strategy of ensuring the adequacy of impairment allowance. A higher probability weight is assigned to the "Baseline" scenario to reflect the most likely outcome and a lower probability weight is assigned to the "Good", "Bad" and "Alternative" scenarios to reflect the less likely outcomes. As of December 2024, the probability weight of the Group's "Baseline" scenario is higher than the sum of probability weight of "Good", "Bad" and "Alternative" scenarios.

4. Financial risk management (continued)

4.1 Credit risk (continued)

Expected Credit Loss ("ECL") Methodology (continued)

The core macroeconomic factor used by the Group to assess ECL:

Macroeconomic Factor	Good Scenario	Baseline Scenario	Bad Scenario	Alternative Scenario
2025 Hong Kong GDP Growth	6.00%	2.50%	-1.00%	-4.00%

The calculation of ECL is affected by macroeconomic factors and economic scenarios. In principle, an increase in ECL would be resulted if more pessimistic macroeconomic factors are applied in ECL assessment or a higher probability weight is assigned to the "Bad" scenario. The Group reviews the macroeconomic factors used in the ECL model and the probability weight of economic scenarios on a quarterly basis according to the established mechanism.

RC is responsible for approving ECL methodology and the Management is responsible for the ECL model implementation. Credit Risk Management is responsible for the maintenance of ECL methodology including models review and parameters update on a regular basis. Independent Model Validation Team is responsible for the annual validation of ECL models. If there is any change in ECL methodology, the Group will follow the proper approval process.

As at 31 December 2024, the ECL will be increased by 1.67% (2023: 1.21%) if 5% of the probability weight is shifted from "Baseline" scenario to "Bad" scenario; and will be decreased by 0.80% (2023: 0.59%) if 5% of the probability weight is shifted from "Baseline" scenario to "Good" scenario.

Collateral held as security and other credit enhancements

The valuation and management of collateral have been documented in the credit risk management policies and procedures which cover acceptance criteria, validity of collateral, loan-to-value ratio, haircut ratio, valuation and insurance, etc. The collateral is revalued on a regular basis, though the frequency and the method used varies with the type of collateral involved and the nature and the risk of the underlying credit. The Group has established a mechanism to update the value of its main type of collateral, property collateral including the use of public indices on a portfolio basis. Collateral is insured with the Group as the primary beneficiary. In the personal sector, the main types of collateral are real estate, cash deposits and securities. In the commercial and industrial sector, the types of collateral include real estate, securities, cash deposits, vessels, aircraft, etc.

For loans guaranteed by a third party, the Group will assess the guarantor's financial condition, credit history and ability to meet obligations.

As at 31 December 2024, the fair value of collateral held by the Group that was permitted to sell or re-pledge in the absence of default by the borrower amounted to HK$32,350 million (2023: HK$27,532 million). The Group had not sold or re-pledged such collateral (2023: HK$703 million). These transactions are conducted under terms that are usual and customary to reverse repurchase and securities borrowing agreements.

4. Financial risk management (continued)

4.1 Credit risk (continued)

(A) Credit exposures

The maximum credit exposure is the worst case scenario of exposure to the Group without taking into account any collateral held or other credit enhancements. For on-balance sheet assets, the maximum exposure to credit risk equals their carrying amount. For letters of guarantee issued, the maximum exposure to credit risk is the maximum amount that the Group could be required to pay if the guarantees are called upon. For loan commitment and other credit related liabilities, the maximum exposure to credit risk is the full amount of the committed facilities.

The nature of the collateral held and other credit enhancements and their financial effect to the different classes of the Group's financial assets are as follows.

Balances and placements with banks and other financial institutions

These exposures are generally considered to be low risk due to the nature of the counterparties. Collateral is generally not sought on these assets.

Financial assets at fair value through profit or loss and investment in securities

Collateral is generally not sought on debt securities.

Derivative financial instruments

The Master Agreement published by the International Swaps and Derivatives Association, Inc. ("ISDA Master Agreement") is the preferred agreement for documenting derivative activities of the Group. It provides the contractual framework under which dealing activities of over-the-counter ("OTC") transactions are conducted, and sets out close-out netting provisions upon termination following the occurrence of an event of default or a termination event. In addition, if deemed necessary, Credit Support Annexes will be included to form part of the Schedule to the ISDA Master Agreement. Under the Credit Support Annexes, collateral is passed from one counterparty to another, as appropriate, to mitigate the credit exposures.

Advances and other accounts, loan commitments and financial guarantee contracts

The general types of collateral are disclosed on page 178. Advances and other accounts, loan commitments and financial guarantee contracts are collateralised to the extent considered appropriate by the Group taking account of the risk assessment of individual exposures. The collateral coverage of advances to customers is analysed on pages 188 to 189. The components and nature of loan commitments and financial guarantee contracts are disclosed in Note 41. Regarding the commitments that are unconditionally cancellable without prior notice, the Group would assess the necessity to withdraw the credit line in case where the credit quality of a borrower deteriorates. For loan commitments and financial guarantee contracts, 10.67% (2023: 11.58%) were covered by collateral as at 31 December 2024.

4. Financial risk management (continued)

4.1 Credit risk (continued)

(B) Advances and other accounts

Gross advances and other accounts before impairment allowances are summarised by product type as follows:

	2024 HK$'m	2023 HK$'m
Advances to customers		
Personal		
– Mortgages	**451,107**	435,515
– Credit cards	**13,204**	12,683
– Others	**136,633**	152,615
Corporate		
– Commercial loans	**1,031,092**	1,053,798
– Trade finance	**44,850**	47,691
	1,676,886	1,702,302
Trade bills	**2,154**	3,751
Advances to banks and other financial institutions	**2,222**	1,815
	1,681,262	1,707,868

Advances with a specific repayment date are classified as overdue when the principal or interest is past due and remains unpaid. Advances repayable by regular instalments are classified as overdue when an instalment payment is past due and remains unpaid. Advances repayable on demand are classified as overdue either when a demand for repayment has been served on the borrower but repayment has not been made in accordance with the instruction or when the advances have remained continuously to exceed the approved limit that was advised to the borrower.

Advances classified as Stage 3 may not necessarily result in impairment loss where the advances are fully collateralised.

4. Financial risk management (continued)

4.1 Credit risk (continued)

(B) Advances and other accounts (continued)

Gross advances and other accounts before impairment allowances are analysed by internal credit grade and stage classification as follows:

	2024			
	Stage 1 HK$'m	Stage 2 HK$'m	Stage 3 HK$'m	Total HK$'m
Advances to customers				
Pass	1,621,815	13,574	–	1,635,389
Special mention	2,288	20,748	–	23,036
Substandard or below	–	–	17,652	17,652
	1,624,103	34,322	17,652	1,676,077
Trade bills				
Pass	2,153	–	–	2,153
Special mention	1	–	–	1
Substandard or below	–	–	–	–
	2,154	–	–	2,154
Advances to banks and other financial institutions				
Pass	2,222	–	–	2,222
Special mention	–	–	–	–
Substandard or below	–	–	–	–
	2,222	–	–	2,222
	1,628,479	34,322	17,652	1,680,453

	2024			
	Stage 1 HK$'m	Stage 2 HK$'m	Stage 3 HK$'m	Total HK$'m
Impairment allowances				
Advances and other accounts at amortised cost	(5,459)	(1,551)	(7,950)	(14,960)
Advances and other accounts at fair value through other comprehensive income	(6)	–	–	(6)

4. Financial risk management (continued)

4.1 Credit risk (continued)

(B) Advances and other accounts (continued)

	2023			
	Stage 1 HK$'m	Stage 2 HK$'m	Stage 3 HK$'m	Total HK$'m
Advances to customers				
Pass	1,659,557	16,721	–	1,676,278
Special mention	3,039	4,325	–	7,364
Substandard or below	–	–	17,797	17,797
	1,662,596	21,046	17,797	1,701,439
Trade bills				
Pass	3,751	–	–	3,751
Special mention	–	–	–	–
Substandard or below	–	–	–	–
	3,751	–	–	3,751
Advances to banks and other financial institutions				
Pass	1,815	–	–	1,815
Special mention	–	–	–	–
Substandard or below	–	–	–	–
	1,815	–	–	1,815
	1,668,162	21,046	17,797	1,707,005

	2023			
	Stage 1 HK$'m	Stage 2 HK$'m	Stage 3 HK$'m	Total HK$'m
Impairment allowances				
Advances and other accounts at amortised cost	(4,113)	(1,056)	(9,555)	(14,724)
Advances and other accounts at fair value through other comprehensive income	(29)	–	–	(29)

As at 31 December 2024 and 2023, advances and other accounts by internal credit grade and stage classification did not include advances and other accounts mandatorily classified at fair value through profit or loss.

4. Financial risk management (continued)

4.1 Credit risk (continued)

(B) Advances and other accounts (continued)

Reconciliation of impairment allowances and gross amount for advances and other accounts is as follows:

	2024			
	Stage 1 HK$'m	Stage 2 HK$'m	Stage 3 HK$'m	Total HK$'m
Impairment allowances				
At 1 January 2024	4,113	1,056	9,555	14,724
Transfer to Stage 1	208	(205)	(3)	–
Transfer to Stage 2	(108)	252	(144)	–
Transfer to Stage 3	(6)	(286)	292	–
Changes arising from transfer of stage	(193)	345	647	799
Charge for the year[(i)]	3,485	1,019	2,961	7,465
Reversal for the year[(ii)]	(2,007)	(611)	(678)	(3,296)
Write-offs	–	–	(4,718)	(4,718)
Recoveries	–	–	168	168
Exchange difference and others	(33)	(19)	(130)	(182)
At 31 December 2024	5,459	1,551	7,950	14,960
Charged to income statement (Note 13)				4,968

	2024			
	Stage 1 HK$'m	Stage 2 HK$'m	Stage 3 HK$'m	Total HK$'m
Gross amount				
At 1 January 2024	1,668,162	21,046	17,797	1,707,005
Transfer to Stage 1	3,999	(3,974)	(25)	–
Transfer to Stage 2	(19,087)	19,393	(306)	–
Transfer to Stage 3	(326)	(4,521)	4,847	–
Net change in exposures	(20,360)	2,472	89	(17,799)
Write-offs	–	–	(4,718)	(4,718)
Exchange difference and others	(3,909)	(94)	(32)	(4,035)
At 31 December 2024	1,628,479	34,322	17,652	1,680,453

4. Financial risk management (continued)

4.1 Credit risk (continued)

(B) Advances and other accounts (continued)

	2023			
	Stage 1 HK$'m	Stage 2 HK$'m	Stage 3 HK$'m	Total HK$'m
Impairment allowances				
At 1 January 2023	3,997	2,511	4,992	11,500
Transfer to Stage 1	174	(163)	(11)	–
Transfer to Stage 2	(153)	155	(2)	–
Transfer to Stage 3	(4)	(3,936)	3,940	–
Changes arising from transfer of stage	(156)	1,061	1,979	2,884
Charge for the year[(i)]	2,318	2,311	2,556	7,185
Reversal for the year[(ii)]	(2,061)	(897)	(644)	(3,602)
Write-offs	–	–	(3,088)	(3,088)
Recoveries	–	–	133	133
Exchange difference and others	(2)	14	(300)	(288)
At 31 December 2023	4,113	1,056	9,555	14,724
Charged to income statement (Note 13)				6,467

	2023			
	Stage 1 HK$'m	Stage 2 HK$'m	Stage 3 HK$'m	Total HK$'m
Gross amount				
At 1 January 2023	1,605,893	40,164	8,724	1,654,781
Transfer to Stage 1	10,840	(10,827)	(13)	–
Transfer to Stage 2	(8,680)	8,689	(9)	–
Transfer to Stage 3	(362)	(12,026)	12,388	–
Net change in exposures	59,522	(4,935)	(185)	54,402
Write-offs	–	–	(3,088)	(3,088)
Exchange difference and others	949	(19)	(20)	910
At 31 December 2023	1,668,162	21,046	17,797	1,707,005

(i) Charge for the year comprises the impairment losses attributable to new loans, remaining loans without stage transfers, and changes to risk parameters, etc.

(ii) Reversal for the year comprises reversal of impairment losses attributable to loan repaid, remaining loans without stage transfers, and changes to risk parameters, etc.

4. Financial risk management (continued)

4.1 Credit risk (continued)

(B) Advances and other accounts (continued)

(a) Impaired advances

Impaired advances to customers are analysed as follows:

	2024 HK$'m	2023 HK$'m
Gross impaired advances to customers	**17,652**	17,797
Percentage of gross advances to customers	**1.05%**	1.05%
Impairment allowances made in respect of such advances	**7,950**	9,555

The impairment allowances were made after taking into account the value of collateral in respect of the credit-impaired advances.

	2024 HK$'m	2023 HK$'m
Current market value of collateral held against the covered portion of such advances to customers	**14,927**	9,331
Covered portion of such advances to customers	**8,248**	6,204
Uncovered portion of such advances to customers	**9,404**	11,593

As at 31 December 2024, there were no impaired trade bills and advances to banks and other financial institutions (2023: Nil).

4. Financial risk management (continued)

4.1 Credit risk (continued)

(B) Advances and other accounts (continued)

(b) Advances overdue for more than three months

The gross amount of advances overdue for more than three months is analysed as follows:

	2024		2023	
	Amount HK$'m	% of gross advances to customers	Amount HK$'m	% of gross advances to customers
Gross advances to customers which have been overdue for:				
– six months or less but over three months	**914**	**0.05%**	4,000	0.24%
– one year or less but over six months	**1,321**	**0.08%**	4,101	0.24%
– over one year	**9,979**	**0.60%**	2,447	0.14%
Advances overdue for over three months	**12,214**	**0.73%**	10,548	0.62%
Impairment allowances made in respect of such advances				
– Stage 3	**6,926**		5,342	

	2024 HK$'m	2023 HK$'m
Current market value of collateral held against the covered portion of such advances to customers	**4,594**	5,891
Covered portion of such advances to customers	**3,801**	4,518
Uncovered portion of such advances to customers	**8,413**	6,030

Collateral held against overdue or impaired loans is principally represented by charges over business assets such as commercial and residential premises for corporate loans and mortgages over residential properties for personal loans.

As at 31 December 2024, there were no trade bills and advances to banks and other financial institutions overdue for more than three months (2023: Nil).

4. Financial risk management (continued)

4.1 Credit risk (continued)

(B) Advances and other accounts (continued)

(c) Rescheduled advances

	2024		2023	
	Amount HK$'m	% of gross advances to customers	Amount HK$'m	% of gross advances to customers
Rescheduled advances to customers net of amounts included in "Advances overdue for more than three months"	**1,338**	**0.08%**	1,722	0.10%

Rescheduled advances are those advances that have been restructured and renegotiated between the bank and borrowers because of deterioration in the financial position of the borrower or the inability of the borrower to meet the original repayment schedule, and the revised repayment terms, either of interest or the repayment period, are "non-commercial" to the Group. Rescheduled advances, which have been overdue for more than three months under the revised repayment terms, are included in "Advances overdue for more than three months".

4. Financial risk management (continued)

4.1 Credit risk (continued)

(B) Advances and other accounts (continued)

(d) Concentration of advances to customers

(i) Sectoral analysis of gross advances to customers

The following analysis of the gross advances to customers by industry sector is based on the categories with reference to the completion instructions for the HKMA return of loans and advances.

	2024					
	Gross advances to customers HK$'m	% covered by collateral or other security	Impaired HK$'m	Overdue HK$'m	Impairment allowances – Stage 3 HK$'m	Impairment allowances – Stages 1 and 2 HK$'m
Loans for use in Hong Kong						
Industrial, commercial and financial						
– Property development	166,412	25.77%	2,327	1,352	107	1,320
– Property investment	90,844	60.34%	1,986	117	149	661
– Financial concerns	16,140	1.68%	–	–	–	24
– Stockbrokers	3,475	64.70%	–	–	–	–
– Wholesale and retail trade	35,172	34.51%	183	267	75	143
– Manufacturing	54,468	6.44%	86	103	59	102
– Transport and transport equipment	65,531	11.80%	82	26	62	125
– Recreational activities	11	90.14%	–	–	–	–
– Information technology	40,297	0.28%	–	4	–	72
– Others	197,084	34.41%	4,269	5,253	2,213	577
Individuals						
– Loans for the purchase of flats in Home Ownership Scheme, Private Sector Participation Scheme and Tenants Purchase Scheme	51,167	99.74%	17	577	1	102
– Loans for purchase of other residential properties	397,228	98.47%	360	2,409	30	438
– Credit card advances	13,192	–	101	460	63	224
– Others	122,380	95.53%	149	1,091	56	168
Total loans for use in Hong Kong	1,253,401	59.89%	9,560	11,659	2,815	3,956
Trade financing	44,850	19.53%	513	415	241	61
Loans for use outside Hong Kong	378,635	4.53%	7,579	7,298	4,894	2,988
Gross advances to customers	1,676,886	46.31%	17,652	19,372	7,950	7,005

4. Financial risk management (continued)

4.1 Credit risk (continued)

(B) Advances and other accounts (continued)

(d) Concentration of advances to customers (continued)

(i) Sectoral analysis of gross advances to customers (continued)

	2023					
	Gross advances to customers HK$'m	% covered by collateral or other security	Impaired HK$'m	Overdue HK$'m	Impairment allowances – Stage 3 HK$'m	Impairment allowances – Stages 1 and 2 HK$'m
Loans for use in Hong Kong						
Industrial, commercial and financial						
– Property development	188,115	24.32%	357	357	258	724
– Property investment	95,384	61.42%	1,716	934	544	289
– Financial concerns	16,506	1.04%	–	–	–	34
– Stockbrokers	1,196	97.48%	–	–	–	–
– Wholesale and retail trade	33,992	34.98%	138	140	51	111
– Manufacturing	58,991	6.85%	46	73	33	173
– Transport and transport equipment	51,971	18.17%	100	13	80	95
– Recreational activities	63	21.14%	–	–	–	–
– Information technology	38,989	0.26%	20	21	20	50
– Others	198,397	42.89%	3,712	4,844	712	513
Individuals						
– Loans for the purchase of flats in Home Ownership Scheme, Private Sector Participation Scheme and Tenants Purchase Scheme	45,079	99.70%	45	461	–	27
– Loans for purchase of other residential properties	388,178	99.21%	227	1,935	7	442
– Credit card advances	12,668	–	97	476	63	182
– Others	123,634	95.26%	119	683	45	212
Total loans for use in Hong Kong	1,253,163	60.97%	6,577	9,937	1,813	2,852
Trade financing	47,691	18.77%	466	315	299	88
Loans for use outside Hong Kong	401,448	4.37%	10,754	10,819	7,443	2,226
Gross advances to customers	1,702,302	46.44%	17,797	21,071	9,555	5,166

4. Financial risk management (continued)

4.1 Credit risk (continued)

(B) Advances and other accounts (continued)

(d) Concentration of advances to customers (continued)

(i) Sectoral analysis of gross advances to customers (continued)

For those industry sectors constituting not less than 10% of the Group's gross advances to customers, the amounts of new impairment allowances charged to the income statement, and impaired loans written off during the year are shown below:

	2024		2023	
	New impairment allowances HK$'m	Impaired loans written off HK$'m	New impairment allowances HK$'m	Impaired loans written off HK$'m
Loans for use in Hong Kong				
Industrial, commercial and financial				
– Others	**1,996**	**15**	969	7
Individuals				
– Loans for purchase of other residential properties	**186**	**–**	233	–

(ii) Geographical analysis of gross advances to customers

The following geographical analysis of advances to customers is based on the locations of the counterparties, after taking into account the transfer of risk. For an advance to customer guaranteed by a party situated in a location different from the customer, the risk will be transferred to the location of the guarantor.

Gross advances to customers

	2024 HK$'m	2023 HK$'m
Hong Kong, China	**1,431,173**	1,454,475
Chinese mainland	**71,150**	85,131
Others	**174,563**	162,696
	1,676,886	1,702,302
Impairment allowances made in respect of the gross advances to customers		
– Stages 1 and 2		
Hong Kong, China	**4,850**	3,405
Chinese mainland	**189**	271
Others	**1,966**	1,490
	7,005	5,166

4. Financial risk management (continued)

4.1 Credit risk (continued)

(B) Advances and other accounts (continued)

(d) Concentration of advances to customers (continued)

(ii) Geographical analysis of gross advances to customers (continued)

Overdue advances

	2024 HK$'m	2023 HK$'m
Hong Kong, China	**15,570**	16,001
Chinese mainland	**506**	303
Others	**3,296**	4,767
	19,372	21,071
Impairment allowances made in respect of the overdue advances		
– Stage 3		
Hong Kong, China	**4,909**	5,988
Chinese mainland	**275**	51
Others	**2,179**	2,513
	7,363	8,552

Impaired advances

	2024 HK$'m	2023 HK$'m
Hong Kong, China	**13,795**	13,016
Chinese mainland	**348**	295
Others	**3,509**	4,486
	17,652	17,797
Impairment allowances made in respect of the impaired advances		
– Stage 3		
Hong Kong, China	**5,326**	6,367
Chinese mainland	**275**	165
Others	**2,349**	3,023
	7,950	9,555

4. Financial risk management (continued)

4.1 Credit risk (continued)

(C) Repossessed assets

The nature and carrying value of repossessed assets held as at 31 December are summarised as follows:

	2024 HK$'m	2023 HK$'m
Car park	**1**	7
Commercial properties	**10**	16
Industrial properties	**11**	15
Residential properties	**25**	124
Others	**7**	–
	54	162

The estimated market value of repossessed assets held by the Group as at 31 December 2024 amounted to HK$80 million (2023: HK$282 million). The repossessed assets mainly comprise properties in respect of which the Group has acquired access or control (e.g. through court proceedings or voluntary actions by the proprietors concerned) and the carrying amount of the loan concerned is reduced correspondingly.

When the repossessed assets are not readily convertible into cash, the Group may consider the following alternatives:

- adjusting the selling prices
- selling the loans together with the assets
- arranging loan restructuring

4. Financial risk management (continued)

4.1 Credit risk (continued)

(D) Balances and placements with banks and other financial institutions

Balances and placements with banks and other financial institutions before impairment allowances are analysed by internal credit grade and stage classification as follows:

	2024			
	Stage 1 HK$'m	Stage 2 HK$'m	Stage 3 HK$'m	Total HK$'m
Central banks				
Pass	**304,127**	**–**	**–**	**304,127**
Special mention	**–**	**–**	**–**	**–**
Substandard or below	**–**	**–**	**–**	**–**
	304,127	**–**	**–**	**304,127**
Other banks and other financial institutions				
Pass	**285,201**	**–**	**–**	**285,201**
Special mention	**–**	**–**	**–**	**–**
Substandard or below	**–**	**–**	**31**	**31**
	285,201	**–**	**31**	**285,232**
	589,328	**–**	**31**	**589,359**
Impairment allowances	**(104)**	**–**	**(31)**	**(135)**
	589,224	**–**	**–**	**589,224**

	2023			
	Stage 1 HK$'m	Stage 2 HK$'m	Stage 3 HK$'m	Total HK$'m
Central banks				
Pass	159,777	–	–	159,777
Special mention	–	–	–	–
Substandard or below	–	–	–	–
	159,777	–	–	159,777
Other banks and other financial institutions				
Pass	227,585	–	–	227,585
Special mention	–	–	–	–
Substandard or below	–	–	33	33
	227,585	–	33	227,618
	387,362	–	33	387,395
Impairment allowances	(48)	–	(33)	(81)
	387,314	–	–	387,314

4. Financial risk management (continued)

4.1 Credit risk (continued)

(D) Balances and placements with banks and other financial institutions (continued)

Reconciliation of impairment allowances for balances and placements with banks and other financial institutions is as follows:

	2024			
	Stage 1 HK$'m	**Stage 2 HK$'m**	**Stage 3 HK$'m**	**Total HK$'m**
At 1 January 2024	**48**	**–**	**33**	**81**
Changes arising from transfer of stage	**–**	**–**	**–**	**–**
Net charge for the year	**57**	**–**	**–**	**57**
Exchange difference	**(1)**	**–**	**(2)**	**(3)**
At 31 December 2024	**104**	**–**	**31**	**135**
Charged to income statement (Note 13)				**57**

	2023			
	Stage 1 HK$'m	Stage 2 HK$'m	Stage 3 HK$'m	Total HK$'m
At 1 January 2023	43	–	16	59
Changes arising from transfer of stage	–	–	–	–
Net charge for the year	5	–	17	22
Exchange difference	–	–	–	–
At 31 December 2023	48	–	33	81
Charged to income statement (Note 13)				22

As at 31 December 2024, gross overdue or impaired balances and placements with banks and other financial institutions amounted to HK$31 million (2023: HK$33 million). The aforesaid balances and placements have been overdue for more than one year as at 31 December 2024 and 2023.

4. Financial risk management (continued)

4.1 Credit risk (continued)

(E) Debt securities and certificates of deposit

The following tables present an analysis of the carrying value of debt securities and certificates of deposit by issue rating and stage classification. In the absence of such issue ratings, the ratings designated for the issuers are reported.

	2024 HK$'m	2023 HK$'m
Investment in securities at fair value through other comprehensive income		
– Stage 1		
Aaa	**227,802**	129,180
Aa1 to Aa3	**412,573**	318,116
A1 to A3	**340,936**	260,343
Lower than A3	**23,081**	26,404
Unrated	**42,777**	31,139
	1,047,169	765,182
– Stage 2		
Lower than A3	**–**	474
– Stage 3	**–**	–
	1,047,169	765,656
Of which: impairment allowances	**(253)**	(198)
Investment in securities at amortised cost		
– Stage 1		
Aaa	**102,083**	114,597
Aa1 to Aa3	**22,912**	25,055
A1 to A3	**37,722**	58,358
Lower than A3	**7,553**	8,456
Unrated	**7,202**	1,659
	177,472	208,125
– Stage 2	**–**	–
– Stage 3	**–**	–
	177,472	208,125
Impairment allowances	**(50)**	(47)
	177,422	208,078
Financial assets at fair value through profit or loss		
Aaa	**4,769**	3,148
Aa1 to Aa3	**82,966**	44,165
A1 to A3	**82,189**	71,040
Lower than A3	**11,347**	12,562
Unrated	**7,756**	4,185
	189,027	135,100

4. Financial risk management (continued)

4.1 Credit risk (continued)

(E) Debt securities and certificates of deposit (continued)

Reconciliation of impairment allowances for debt securities and certificates of deposit is as follows:

	2024			
	Stage 1 HK$'m	Stage 2 HK$'m	Stage 3 HK$'m	Total HK$'m
Investment in securities at fair value through other comprehensive income				
At 1 January 2024	195	3	–	198
Changes arising from transfer of stage	3	(3)	–	–
Net charge for the year	59	–	–	59
Exchange difference and others	(4)	–	–	(4)
At 31 December 2024	253	–	–	253
Charged to income statement (Note 13)				59
Investment in securities at amortised cost				
At 1 January 2024	47	–	–	47
Changes arising from transfer of stage	–	–	–	–
Net charge for the year	3	–	–	3
Exchange difference and others	–	–	–	–
At 31 December 2024	50	–	–	50
Charged to income statement (Note 13)				3

4. Financial risk management (continued)

4.1 Credit risk (continued)

(E) Debt securities and certificates of deposit (continued)

	2023			
	Stage 1 HK$'m	Stage 2 HK$'m	Stage 3 HK$'m	Total HK$'m
Investment in securities at fair value through other comprehensive income				
At 1 January 2023	183	4	–	187
Changes arising from transfer of stage	–	–	–	–
Net charge/(reversal) for the year	14	(1)	–	13
Exchange difference and others	(2)	–	–	(2)
At 31 December 2023	195	3	–	198
Charged to income statement (Note 13)				13
Investment in securities at amortised cost				
At 1 January 2023	62	–	–	62
Changes arising from transfer of stage	–	–	–	–
Net reversal for the year	(15)	–	–	(15)
Exchange difference and others	–	–	–	–
At 31 December 2023	47	–	–	47
Credited to income statement (Note 13)				(15)

As at 31 December 2024, there were no impaired debt securities and certificates of deposit (2023: Nil). Debt securities and certificates of deposit which have been overdue for one year or less but over six months and overdue for over one year amounted to HK$12 million and HK$31 million respectively (2023: Debt securities and certificates of deposit which have been overdue for six months or less but over three months amounted to HK$51 million) and were measured at fair value through profit or loss.

4. Financial risk management (continued)

4.1 Credit risk (continued)

(F) Loan commitments and financial guarantee contracts

Loan commitments and financial guarantee contracts are analysed by internal credit grade and stage classification as follows:

	2024			
	Stage 1 HK$'m	**Stage 2 HK$'m**	**Stage 3 HK$'m**	**Total HK$'m**
Loan commitments and financial guarantee contracts				
Pass	**847,999**	**2,670**	**–**	**850,669**
Special mention	**865**	**1,498**	**–**	**2,363**
Substandard or below	**–**	**–**	**1,127**	**1,127**
	848,864	**4,168**	**1,127**	**854,159**

	2023			
	Stage 1 HK$'m	Stage 2 HK$'m	Stage 3 HK$'m	Total HK$'m
Loan commitments and financial guarantee contracts				
Pass	854,175	2,790	–	856,965
Special mention	744	955	–	1,699
Substandard or below	–	–	67	67
	854,919	3,745	67	858,731

4. Financial risk management (continued)

4.1 Credit risk (continued)

(F) Loan commitments and financial guarantee contracts (continued)

Reconciliation of impairment allowances for loan commitments and financial guarantee contracts is as follows:

	2024			
	Stage 1 HK$'m	**Stage 2 HK$'m**	**Stage 3 HK$'m**	**Total HK$'m**
At 1 January 2024	**319**	**30**	**21**	**370**
Transfer to Stage 1	**–**	**–**	**–**	**–**
Transfer to Stage 2	**(14)**	**14**	**–**	**–**
Transfer to Stage 3	**–**	**–**	**–**	**–**
Changes arising from transfer of stage	**–**	**21**	**–**	**21**
Net (reversal)/charge for the year	**(71)**	**32**	**–**	**(39)**
Exchange difference and others	**(2)**	**–**	**–**	**(2)**
At 31 December 2024	**232**	**97**	**21**	**350**
Credited to income statement (Note 13)				**(18)**

	2023			
	Stage 1 HK$'m	Stage 2 HK$'m	Stage 3 HK$'m	Total HK$'m
At 1 January 2023	326	36	128	490
Transfer to Stage 1	7	(7)	–	–
Transfer to Stage 2	(4)	4	–	–
Transfer to Stage 3	–	–	–	–
Changes arising from transfer of stage	(6)	7	–	1
Net reversal for the year	(4)	(10)	(107)	(121)
Exchange difference and others	–	–	–	–
At 31 December 2023	319	30	21	370
Credited to income statement (Note 13)				(120)

Majority of credit risk exposures of loan commitments and financial guarantee contracts are classified as Stage 1 and categorised as "Pass" in the internal credit grade throughout the year.

4. Financial risk management (continued)

4.2 Market risk

Market risk refers to the risk of loss arising from movements in the value of foreign exchange, interest rate, equity and commodity positions held by the Group due to the volatility of financial market price (foreign exchange rate, interest rate, credit spreads, equity price, commodity price). The Group adopts a moderate market risk appetite to achieve a balance between risk and return. The Group's objective in managing market risk is to secure healthy growth of the treasury business, by the effective management of potential market risk in the Group's business, according to the Group's overall risk appetite and strategy of the treasury business on the basis of a well-established risk management regime and related management measures.

In accordance with the Group's corporate governance principles in respect of risk management, the Board and RC, senior management and functional departments/units perform their duties and responsibilities to manage the Group's market risk. The RMD is responsible for the Group's market risk management, assisting senior management to perform their day-to-day duties, independently monitoring the market risk profile and compliance of management policies and limits of the Group and BOCHK, and ensuring that the aggregate and individual market risks are within acceptable levels.

The Group's market risk management covers BOCHK and its subsidiaries. The Group establishes market risk management policies to regulate BOCHK's and its subsidiaries' market risk management; meanwhile, the Group sets up the Group's VaR and stress test limits, which are allocated and monitored across the Group according to the business requirements and risk tolerance levels. In line with the requirements set in the Group's policy, the subsidiaries formulate the detailed policies and procedures and are responsible for managing their daily market risk.

The Group sets up market risk indicators and limits to identify, measure, monitor and control market risk. Major risk indicators and limits include but are not limited to VaR, Stop Loss, Open Position, Stress Testing and Sensitivity Analysis (Basis Point Value, Greeks), etc. To meet management's requirements, major risk indicators and limits are classified into three levels, and are approved by the RC, senior management or the head of the respective business unit respectively. The treasury business units of BOCHK and subsidiaries (as for Group Limit) are required to conduct their business within approved market risk indicators and limits.

(A) VaR

The Group uses the VaR to measure and report general market risks to the RC and senior management on a periodic basis. The Group adopts a uniformed VaR calculation model, using a historical simulation approach and two years of historical market data, to calculate the VaR of the Group and its subsidiaries over a one-day holding period with a 99% confidence level, and sets up the VaR limit of the Group and its subsidiaries.

4. Financial risk management (continued)

4.2 Market risk (continued)

(A) VaR (continued)

The following table sets out the VaR for all general market risk exposures[1] of the Group.

	Year	At 31 December HK$'m	Minimum for the year HK$'m	Maximum for the year HK$'m	Average for the year HK$'m
VaR for all market risk	**2024**	**138.2**	**67.9**	**148.7**	**107.0**
	2023	84.3	35.7	87.8	57.3
VaR for foreign exchange risk	**2024**	**39.7**	**26.0**	**64.4**	**42.1**
	2023	39.7	16.5	48.4	28.9
VaR for interest rate risk in the trading book	**2024**	**122.5**	**64.0**	**139.8**	**103.6**
	2023	74.6	32.1	81.4	51.3
VaR for equity risk in the trading book	**2024**	**5.1**	**0.3**	**8.0**	**2.3**
	2023	8.1	0.3	8.5	5.4
VaR for commodity risk	**2024**	**0.1**	**0.0**	**7.6**	**1.2**
	2023	0.2	0.0	24.8	4.6

Note:
1. Structural FX positions have been excluded.

Although there is a valuable guide to market risk, VaR should always be viewed in the context of its limitations. For example:

– the use of historical market data as a proxy for estimating future events may not encompass all potential events, particularly those which are extreme in nature;

– the use of a one-day holding period assumes that all positions can be liquidated or hedged in one day. This may not fully reflect the market risk arising at times of severe illiquidity, when a one-day holding period may be insufficient to liquidate or hedge all positions fully;

– the use of a 99% confidence level, by definition, does not take into account losses that might occur beyond this level of confidence; and

– VaR is calculated on the basis of exposures outstanding at the close of business and therefore does not necessarily reflect intra-day exposures.

The Group recognises these limitations by formulating stress test indicators and limits to assess and manage the market risk uncovered by VaR. The stress testing programme of the market risk includes sensitivity testing on changes in risk factors with various degrees of severity, as well as scenario analysis on historical events including the 1987 Equity Market Crash, 1994 Bond Market Crash, 1997 Asian Financial Crisis, 2001 9-11 event and 2008 Financial Tsunami, etc.

4. Financial risk management (continued)

4.2 Market risk (continued)

(B) Currency risk

The Group's assets and liabilities are denominated in major currencies, particularly HK Dollar, US Dollar and Renminbi. To ensure the currency risk exposure of the Group is kept to an acceptable level, risk limits (e.g. Position and VaR limit) are used to serve as a monitoring tool. Moreover, the Group seeks to minimise the gap between assets and liabilities in the same currency. Foreign exchange contracts (e.g. FX swaps) are usually used to manage FX risk associated with foreign currency-denominated assets and liabilities.

The following is a summary of the Group's major foreign currency exposures arising from trading, non-trading and structural positions and is prepared with reference to the completion instructions for the HKMA return of foreign currency position. The net options position is calculated based on the basis of delta-weighted positions of all foreign exchange options contracts.

	2024							
	Equivalent in million of HK$							
	US Dollars	**Pound Sterling**	**Japanese Yen**	**Euro**	**Renminbi**	**Australian Dollars**	**Other foreign currencies**	**Total foreign currencies**
Spot assets	**1,188,738**	**22,899**	**126,087**	**45,278**	**782,041**	**23,869**	**91,042**	**2,279,954**
Spot liabilities	**(1,188,269)**	**(27,057)**	**(28,149)**	**(38,663)**	**(576,857)**	**(32,561)**	**(86,299)**	**(1,977,855)**
Forward purchases	**2,131,692**	**24,750**	**96,893**	**124,131**	**1,179,401**	**52,133**	**91,755**	**3,700,755**
Forward sales	**(2,115,735)**	**(20,470)**	**(188,877)**	**(130,446)**	**(1,372,220)**	**(43,279)**	**(97,584)**	**(3,968,611)**
Net options position	**2,651**	**(21)**	**301**	**(19)**	**(2,932)**	**(59)**	**(50)**	**(129)**
Net long/(short) position	**19,077**	**101**	**6,255**	**281**	**9,433**	**103**	**(1,136)**	**34,114**

	2023							
	Equivalent in million of HK$							
	US Dollars	Pound Sterling	Japanese Yen	Euro	Renminbi	Australian Dollars	Other foreign currencies	Total foreign currencies
Spot assets	1,062,469	23,210	70,841	44,422	736,181	24,025	69,379	2,030,527
Spot liabilities	(1,115,545)	(29,783)	(27,849)	(35,573)	(509,114)	(33,301)	(62,675)	(1,813,840)
Forward purchases	1,446,407	26,178	78,221	76,557	744,856	41,025	61,036	2,474,280
Forward sales	(1,377,946)	(19,611)	(117,473)	(84,815)	(965,216)	(31,657)	(68,879)	(2,665,597)
Net options position	1,923	(35)	59	(121)	(165)	(54)	45	1,652
Net long/(short) position	17,308	(41)	3,799	470	6,542	38	(1,094)	27,022

4. Financial risk management (continued)

4.2 Market risk (continued)

(B) Currency risk (continued)

	2024						
	Equivalent in million of HK$						
	US Dollars	Baht	Malaysian Ringgit	Philippine Peso	Rupiah	Other foreign currencies	Total foreign currencies
Net structural position	**8,559**	**2,971**	**3,682**	**2,155**	**4,076**	**1,936**	**23,379**

	2023						
	Equivalent in million of HK$						
	US Dollars	Baht	Malaysian Ringgit	Philippine Peso	Rupiah	Other foreign currencies	Total foreign currencies
Net structural position	8,017	2,648	3,140	1,926	3,474	1,948	21,153

(C) Interest rate risk

Interest rate risk means the risks of loss to a bank's earnings and economic value arising from movements in interest rate and term structures of the bank's asset and liability positions. The Group's interest rate risk exposures are mainly from structural positions. The major types of interest rate risk from structural positions are:

– Gap risk: mismatches in the maturity or repricing periods of assets and liabilities that may affect net interest income and economic value;

– Basis risk: different pricing basis for different transactions resulting that the yield on assets and cost of liabilities may change by different amounts within the same repricing period; and

– Option risk: exercise of the options embedded in assets, liabilities or off-balance sheet items that can cause a change in the cash flows of assets and liabilities.

The Group's risk management framework applies also to interest rate risk management. The ALCO exercises its oversight of interest rate risk in accordance with the "Banking Book Interest Rate Risk Management Policy of BOCHK Group" approved by the RC. The RMD is responsible for the Group's interest rate risk management. With the cooperation of the Financial Management Department and Investment Management, etc., RMD assists the ALCO to perform day-to-day interest rate risk management. Its roles include, but are not limited to, the formulation of management policies, selection of methodologies, setting of risk indicators and limits, assessment of target balance sheet, monitoring of the compliance with policies and limits, and submission of interest rate risk management reports to senior management and the RC, etc.

4. Financial risk management (continued)

4.2 Market risk (continued)

(C) Interest rate risk (continued)

The Group sets out interest rate risk indicators and limits to identify, measure, monitor and control interest rate risk on a daily basis. The key indicators and limits include, but are not limited to, repricing gap, basis risk, duration, price value of a basis point ("PVBP"), net interest income sensitivity ratio ("NII"), economic value sensitivity ratio ("EVE"), etc. The key indicators and limits are classified into different levels, which are approved by the CFO, CRO, ALCO and RC accordingly. Risk-taking business units are required to conduct their business within the boundary of the interest rate risk limits. Before launching a new product or business in the banking book, the relevant units are required to go through a risk assessment process, which includes the assessment of underlying interest rate risk and consideration of the adequacy of current risk monitoring mechanism. Any material impact on interest rate risk noted during the risk assessment process will be submitted to the RC for approval.

NII and EVE assess the impact of interest rate movement on the Group's net interest income and capital base. They are the Group's key interest rate risk indicators. The former assesses the impact of interest rate movement on net interest income as a percentage to the projected net interest income for the year. The latter assesses the impact of interest rate movement on economic value (i.e. the net present value of cash flows of assets, liabilities and off-balance sheet items discounted using the market interest rate) as a percentage to the latest Tier 1 capital. Limits are set by the RC on these two indicators to monitor and control the Group's banking book interest rate risk.

The Group uses scenario analyses and stress tests to assess the banking book interest rate risk that the Group would face under adverse circumstances. Scenario analyses and stress tests are also used to assess the impact on net interest income and economic value arising from the optionality of non-maturity deposits, the prepayment of mortgage loans and the prepayment of debt securities with embedded options, etc.

4. Financial risk management (continued)

4.2 Market risk (continued)

(C) Interest rate risk (continued)

The Group is principally exposed to HK Dollar, US Dollar and Renminbi in terms of interest rate risk. As at 31 December 2024, if market interest rates had a 100 basis point parallel shift of the yield curve with other variables held constant, the sensitivities on net interest income over a twelve-month period and on reserves for the Group would have been as follows:

	Impact on net interest income over the next twelve months at 31 December		Impact on reserves at 31 December	
	2024 HK$'m	2023 HK$'m	**2024 HK$'m**	2023 HK$'m
100 basis point parallel up of yield curve				
Total	**956**	2,125	**(13,333)**	(11,477)
Of which:				
HK Dollar	**3,873**	3,902	**(894)**	(726)
US Dollar	**(2,177)**	(779)	**(9,530)**	(8,063)
Renminbi	**(702)**	(960)	**(2,132)**	(2,424)
100 basis point parallel down of yield curve				
Total	**(959)**	(2,123)	**13,333**	11,477
Of which:				
HK Dollar	**(3,873)**	(3,902)	**894**	726
US Dollar	**2,175**	779	**9,530**	8,063
Renminbi	**702**	963	**2,132**	2,424

4. Financial risk management (continued)

4.2 Market risk (continued)

(C) Interest rate risk (continued)

In a parallel shift up of 100 basis points of yield curve, the overall impact on net interest income of the above currencies is positive in 2024. Reserves of the Group would have been reduced because of the expected reduction in valuation of the debt securities portfolio and relevant interest rate derivatives under hedge accounting due to a parallel shift up of 100 basis points in the yield curve. The positive impact on net interest income decreased compared with 2023 as the size of debt securities portfolio with longer tenor increased and the average remaining tenor of customer time deposits shortened, and the reduction of impact on reserves rose compared with 2023 as the size and duration of debt securities portfolio increased.

In a parallel shift down of 100 basis points of yield curve, the overall impact on net interest income of the above currencies is negative in 2024. Reserves of the Group would have been increased because of the expected increase in valuation of the debt securities portfolio and relevant interest rate derivatives under hedge accounting due to a parallel shift down of 100 basis points in the yield curve. The negative impact on net interest income decreased compared with 2023 as the size of debt securities portfolio with longer tenor increased and the average remaining tenor of customer time deposits shortened, and the increase of impact on reserves rose compared with 2023 as the size and duration of debt securities portfolio increased.

The sensitivities above are for illustration only and are based on several assumptions, including, but not limited to, the change in the correlation between interest rates of relevant currencies, parallel movement of interest rates, the absence of actions that would be taken to mitigate the impact of interest rate risk, the effectiveness of hedge accounting, all positions being assumed to run to maturity, behavioural assumptions of products in which the actual repricing date differs from the contractual repricing date or products without contractual maturity. The above exposures form only a part of the Group's overall interest rate risk exposures.

4. Financial risk management (continued)

4.2 Market risk (continued)

(C) Interest rate risk (continued)

The tables below summarise the Group's on-balance sheet exposure to interest rate risk. Included in the tables are the assets and liabilities at carrying amounts, categorised by the earlier of contractual repricing date and maturity date.

	2024						
	Up to 1 month HK$'m	1 to 3 months HK$'m	3 to 12 months HK$'m	1 to 5 years HK$'m	Over 5 years HK$'m	Non-interest bearing HK$'m	Total HK$'m
Assets							
Cash and balances and placements with banks and other financial institutions	450,697	24,723	82,285	823	–	51,407	609,935
Financial assets at fair value through profit or loss	13,042	46,835	39,308	29,658	71,424	26,889	227,156
Derivative financial instruments	–	–	–	–	–	73,914	73,914
Hong Kong SAR Government certificates of indebtedness	–	–	–	–	–	223,510	223,510
Advances and other accounts	1,387,031	106,490	85,821	68,466	10,051	8,443	1,666,302
Investment in securities							
– At FVOCI	211,132	218,426	287,753	228,323	101,535	4,531	1,051,700
– At amortised cost	6,581	10,897	32,584	88,934	38,426	–	177,422
Interests in associates and joint ventures	–	–	–	–	–	1,196	1,196
Investment properties	–	–	–	–	–	14,046	14,046
Properties, plant and equipment	–	–	–	–	–	38,242	38,242
Other assets (including current and deferred tax assets)	16,041	–	–	–	–	94,944	110,985
Total assets	2,084,524	407,371	527,751	416,204	221,436	537,122	4,194,408
Liabilities							
Hong Kong SAR currency notes in circulation	–	–	–	–	–	223,510	223,510
Deposits and balances from banks and other financial institutions	320,091	7,392	7,196	–	–	17,373	352,052
Financial liabilities at fair value through profit or loss	38,287	14,215	21,863	4,336	120	–	78,821
Derivative financial instruments	–	–	–	–	–	56,779	56,779
Deposits from customers	1,667,379	641,555	226,444	1,149	–	176,883	2,713,410
Debt securities and certificates of deposit in issue	–	–	–	5,296	–	–	5,296
Other accounts and provisions (including current and deferred tax liabilities)	30,036	12	111	719	560	135,135	166,573
Insurance contract liabilities	–	–	–	–	–	183,755	183,755
Subordinated liabilities	–	–	–	46,206	25,776	–	71,982
Total liabilities	2,055,793	663,174	255,614	57,706	26,456	793,435	3,852,178
Interest sensitivity gap	28,731	(255,803)	272,137	358,498	194,980	(256,313)	342,230

4. Financial risk management (continued)

4.2 Market risk (continued)

(C) Interest rate risk (continued)

	2023						
	Up to 1 month HK$'m	1 to 3 months HK$'m	3 to 12 months HK$'m	1 to 5 years HK$'m	Over 5 years HK$'m	Non-interest bearing HK$'m	Total HK$'m
Assets							
Cash and balances and placements with banks and other financial institutions	297,147	25,365	29,830	2,466	–	51,763	406,571
Financial assets at fair value through profit or loss	219,681	35,740	20,715	28,454	51,909	16,791	373,290
Derivative financial instruments	–	–	–	–	–	54,211	54,211
Hong Kong SAR Government certificates of indebtedness	–	–	–	–	–	213,000	213,000
Advances and other accounts	1,437,380	132,698	66,235	40,492	8,498	7,841	1,693,144
Investment in securities							
– At FVOCI	145,275	142,874	143,240	247,264	87,003	4,706	770,362
– At amortised cost	9,482	32,487	30,140	103,471	32,498	–	208,078
Interests in associates and joint ventures	–	–	–	–	–	1,275	1,275
Investment properties	–	–	–	–	–	14,875	14,875
Properties, plant and equipment	–	–	–	–	–	41,738	41,738
Other assets (including current and deferred tax assets)	6,669	–	–	–	–	85,570	92,239
Total assets	2,115,634	369,164	290,160	422,147	179,908	491,770	3,868,783
Liabilities							
Hong Kong SAR currency notes in circulation	–	–	–	–	–	213,000	213,000
Deposits and balances from banks and other financial institutions	342,692	916	101	–	–	29,964	373,673
Financial liabilities at fair value through profit or loss	18,297	30,827	15,652	1,255	172	–	66,203
Derivative financial instruments	–	–	–	–	–	41,553	41,553
Deposits from customers	1,540,154	458,625	327,879	1,844	–	173,180	2,501,682
Debt securities and certificates of deposit in issue	–	1,999	–	–	–	–	1,999
Other accounts and provisions (including current and deferred tax liabilities)	22,628	4	106	745	352	70,213	94,048
Insurance contract liabilities	–	–	–	–	–	177,873	177,873
Subordinated liabilities	–	–	–	75,323	–	–	75,323
Total liabilities	1,923,771	492,371	343,738	79,167	524	705,783	3,545,354
Interest sensitivity gap	191,863	(123,207)	(53,578)	342,980	179,384	(214,013)	323,429

Assets and liabilities in the tables, including insurance contract liabilities, are measured in accordance with relevant accounting standards as described in Note 2 material accounting policies.

4. Financial risk management (continued)

4.3 Liquidity risk

Liquidity risk is the risk that banks may not be able to obtain sufficient and timely funding at a reasonable cost to meet their obligations as they fall due. The Group maintains a sound liquidity risk appetite to provide stable, reliable and adequate sources of cash to meet liquidity needs under normal circumstances and stressed scenarios.

In accordance with the Group's corporate governance principles in respect of risk management, the Board and the RC, senior management and functional departments/units perform their duties and responsibilities to manage the Group's liquidity risk. The RC is the decision-making authority of liquidity risk management, and assumes the ultimate responsibility of liquidity risk management. As authorised by the RC, ALCO exercises its oversight of liquidity risk and ensures the daily operations of the Group are in accordance with the risk appetite and policies as set by the RC. The RMD is responsible for the Group's liquidity risk management. It cooperates with the Financial Management Department and Investment Management, etc. to assist the ALCO to perform liquidity management functions according to their specific responsibilities.

The Group's liquidity risk management objective is to effectively manage the liquidity of on- and off-balance sheet items with a reasonable cost based on the liquidity risk appetite to achieve sound operation and sustainable profitability. Deposits from customers are the Group's primary source of funds. To ensure stable and sufficient sources of funds are in place, the Group actively attracts new deposits, keeps the core deposit and obtains supplementary funding from the interbank market and by issuing bills in the capital market. According to different term maturities and the results of funding needs estimated from stressed scenarios, the Group adjusts its asset structure (including loans, bonds investment, interbank placement, etc.) to maintain sufficient liquid assets which provides adequate funds in support of normal business needs and ensure its ability to raise funds at a reasonable cost to serve external claims in case of emergency. The Group is committed to diversify the sources, tenors and use of funding to avoid excessive concentration of assets and liabilities; and prevent triggering liquidity risk due to the break of funding strand resulting from over-concentration of sources and use of funding in a particular area where problems occur. In order to manage such risk, the Group sets concentration limits on collateral pools and sources of funding such as Tier 1 high-quality readily liquefiable assets to total high-quality readily liquefiable assets ratio, top ten depositors ratio and large depositors ratio. Whenever necessary, the Group could improve the liquidity position by taking mitigation actions including, but not limited to obtaining funding through interbank borrowings or repos in the money market, selling bonds in the secondary market or retaining existing and attracting new customer deposits. Apart from increasing the funding, the Group would maintain good communication with the counterparties, the parent bank and the regulators to enhance mutual confidence.

The Group has established intra-group liquidity risk management guidelines to manage the liquidity funding among different entities within the Group, and to restrict their reliance of funding on each other. The Group also pays attention to manage liquidity risk created by off-balance sheet activities, such as loan commitments, derivatives, options and other complex structured products. The Group has an overall liquidity risk management strategy to cover the liquidity management of foreign currency assets and liabilities, collateral, intra-day liquidity, intra-group liquidity, the liquidity risk arising from other risks, etc., and has formulated corresponding contingency plan.

4. Financial risk management (continued)

4.3 Liquidity risk (continued)

The Group established liquidity risk management indicators and limits to identify, measure, monitor and control liquidity risk on a daily basis. These indicators and limits include, but are not limited to liquidity coverage ratio ("LCR"), net stable funding ratio ("NSFR"), loan-to-deposit ratio, Maximum Cumulative Cash Outflow ("MCO") and liquidity cushion. The Group applies a cash flow analysis to assess the Group's liquidity condition under normal conditions and also performs a liquidity stress test (including institution specific, general market crisis and combined crisis) and other methods at least on a monthly basis to assess the Group's capability to withstand various severe liquidity crises. Also, relevant management information systems such as the Assets and Liabilities Management System and the Basel Liquidity Ratio Management System are developed to provide data and to prepare for regular management reports to facilitate liquidity risk management duties.

In accordance with the requirements of Supervisory Policy Manual LM-2 "Sound Systems and Controls for Liquidity Risk Management" issued by the HKMA, the Group has implemented a behaviour model and assumptions of cash flow analysis and stress test to enhance the Group's cash flow analysis under both normal and stressed conditions. In cash flow analysis under normal circumstances, assumptions have been made relating to on-balance sheet items (such as deposits from customers) and off-balance sheet items (such as loan commitments). According to various characteristics of the assets, liabilities and off-balance sheet items, the Group forecasts the future cash flow based on the contractual maturity date and the assumptions of customer behaviour and balance sheet changes. The Group establishes the MCO indicator which predicts the future 30 days maximum cumulative net cash outflow in normal situations based on the above assumptions, to assess if the Group has sufficient financing capacity to meet the cash flow gap in order to achieve the objective of continuing operations. As at 31 December 2024, before taking the cash inflow through the sale of outstanding marketable securities into consideration, BOCHK's 30-day cumulative cash flow was a net cash inflow, amounting to HK$238,618 million (2023: HK$357,676 million) and was in compliance with the internal limit requirements.

In the liquidity stress test, institution specific, general market crisis and combined crisis scenarios have been set up, a combined crisis scenario is a combination of institution specific and general market crisis to assess the Group's capability to withstand a more severe liquidity crisis, with a more stringent set of assumptions being adopted. Stress test assumptions include the run-off rate of retail, wholesale and interbank deposits; the drawdown rate of loan commitments and trade-related contingent liabilities; the delinquency ratio and rollover rate of customer loans; and haircut of interbank placement and marketable securities. As at 31 December 2024, the Group was able to maintain a net cash inflow under the three stressed scenarios, indicating the Group has the ability to meet financing needs under stressed conditions. In addition, the Group has a policy in place to maintain a liquidity cushion which includes high quality or comparable quality marketable securities issued or guaranteed by sovereigns, central banks, public sector entities or multilateral development banks with 0% or 20% risk weight or marketable securities issued by non-financial corporate with a corresponding external credit rating of A- or above to ensure funding needs even under stressed scenarios. As at 31 December 2024, the liquidity cushion (before haircut) of BOCHK was HK$961,451 million (2023: HK$743,636 million). A contingency plan is being established which details the conditions to trigger the plan based on stress test results and early warning indicators, the action plans and relevant procedures and responsibility of relevant departments.

The Group, being classified as a category 1 authorised institution by the HKMA, is required to calculate the LCR and NSFR on a consolidated basis in accordance with the Banking (Liquidity) Rules. The Group is required to maintain a LCR and NSFR not less than 100%.

4. Financial risk management (continued)

4.3 Liquidity risk (continued)

In certain derivative contracts, the counterparties have the right to request from the Group additional collateral if they have concerns about the Group's creditworthiness.

The Group's liquidity risk management also covers new products or business developments. Before launching a new product or business, the relevant units are required to go through a risk assessment process, which includes the assessment of underlying liquidity risk and consideration of the adequacy of the current risk management mechanism. Any material impact on liquidity risk noted during the risk assessment process will be reported to the RC for approval.

The Group has established a set of uniform liquidity risk management policies which serve as standards and guidance to all the Group's members for liquidity risk management. On the basis of the Group's uniform policies, each of the subsidiaries develops its own liquidity management policies according to its own characteristics, and assumes its own liquidity risk management responsibility. Subsidiaries are required to report their respective liquidity positions with relevant liquidity ratios on a regular basis to the RMD of BOCHK, which consolidates this information and evaluates group-wide liquidity risk to ensure relevant requirements are satisfied.

(A) Liquidity coverage ratio and net stable funding ratio

	2024	2023
Average value of liquidity coverage ratio		
– First quarter	**223.79%**	189.68%
– Second quarter	**250.58%**	188.89%
– Third quarter	**231.81%**	193.47%
– Fourth quarter	**201.06%**	207.12%

Average value of liquidity coverage ratio is calculated based on the arithmetic mean of the liquidity coverage ratio as at the end of each working day in the quarter and the calculation methodology and instructions set out in the HKMA return of liquidity position.

	2024	2023
Quarter-end value of net stable funding ratio		
– First quarter	**140.36%**	134.51%
– Second quarter	**140.96%**	131.56%
– Third quarter	**140.29%**	138.67%
– Fourth quarter	**141.83%**	137.28%

Quarter-end value of net stable funding ratio is calculated based on the calculation methodology and instructions set out in the HKMA return of stable funding position.

Liquidity coverage ratio and net stable funding ratio are computed on the consolidated basis which comprise the positions of BOCHK and certain subsidiaries specified by the HKMA in accordance with the Banking (Liquidity) Rules.

4. Financial risk management (continued)

4.3 Liquidity risk (continued)

(B) Maturity analysis

The following analysis of the Group's assets and liabilities into relevant maturity groupings is based on the remaining period at balance sheet date to the contractual maturity date.

	2024							
	On demand HK$'m	Up to 1 month HK$'m	1 to 3 months HK$'m	3 to 12 months HK$'m	1 to 5 years HK$'m	Over 5 years HK$'m	Indefinite HK$'m	Total HK$'m
Assets								
Cash and balances and placements with banks and other financial institutions	291,741	210,363	24,736	81,549	1,546	–	–	609,935
Financial assets at fair value through profit or loss	–	7,992	50,923	39,673	31,113	70,518	26,937	227,156
Derivative financial instruments	15,463	8,576	8,769	20,571	14,751	5,784	–	73,914
Hong Kong SAR Government certificates of indebtedness	223,510	–	–	–	–	–	–	223,510
Advances and other accounts	360,278	67,176	76,275	186,745	532,964	433,028	9,836	1,666,302
Investment in securities								
– At FVOCI	–	175,053	219,194	290,372	239,277	123,273	4,531	1,051,700
– At amortised cost	–	6,331	11,480	33,140	88,437	38,034	–	177,422
Interests in associates and joint ventures	–	–	–	–	–	–	1,196	1,196
Investment properties	–	–	–	–	–	–	14,046	14,046
Properties, plant and equipment	–	–	–	–	–	–	38,242	38,242
Other assets (including current and deferred tax assets)	35,571	34,461	720	4,093	10,853	22,692	2,595	110,985
Total assets	926,563	509,952	392,097	656,143	918,941	693,329	97,383	4,194,408
Liabilities								
Hong Kong SAR currency notes in circulation	223,510	–	–	–	–	–	–	223,510
Deposits and balances from banks and other financial institutions	187,590	149,874	7,392	7,196	–	–	–	352,052
Financial liabilities at fair value through profit or loss	–	38,287	14,238	21,863	4,313	120	–	78,821
Derivative financial instruments	11,744	6,421	7,788	12,766	13,894	4,166	–	56,779
Deposits from customers	1,264,522	579,740	641,555	226,444	1,149	–	–	2,713,410
Debt securities and certificates of deposit in issue	–	–	–	10	5,286	–	–	5,296
Other accounts and provisions (including current and deferred tax liabilities)	61,235	91,724	2,595	5,064	5,679	276	–	166,573
Insurance contract liabilities	–	2,155	2,401	11,111	46,609	107,363	–	169,639
Subordinated liabilities	–	–	–	213	46,047	25,722	–	71,982
Total liabilities	1,748,601	868,201	675,969	284,667	122,977	137,647	–	3,838,062
Net liquidity gap	(822,038)	(358,249)	(283,872)	371,476	795,964	555,682	97,383	356,346

4. Financial risk management (continued)

4.3 Liquidity risk (continued)

(B) Maturity analysis (continued)

	2023							
	On demand HK$'m	Up to 1 month HK$'m	1 to 3 months HK$'m	3 to 12 months HK$'m	1 to 5 years HK$'m	Over 5 years HK$'m	Indefinite HK$'m	Total HK$'m
Assets								
Cash and balances and placements with banks and other financial institutions	297,469	51,439	25,387	29,845	2,431	–	–	406,571
Financial assets at fair value through profit or loss	–	213,013	39,977	21,083	30,653	51,253	17,311	373,290
Derivative financial instruments	15,765	4,487	5,904	7,645	14,242	6,168	–	54,211
Hong Kong SAR Government certificates of indebtedness	213,000	–	–	–	–	–	–	213,000
Advances and other accounts	338,621	60,133	60,907	240,526	555,023	429,575	8,359	1,693,144
Investment in securities								
– At FVOCI	–	148,500	123,488	146,344	251,076	95,926	5,028	770,362
– At amortised cost	–	9,131	32,817	30,468	103,432	32,230	–	208,078
Interests in associates and joint ventures	–	–	–	–	–	–	1,275	1,275
Investment properties	–	–	–	–	–	–	14,875	14,875
Properties, plant and equipment	–	–	–	–	–	–	41,738	41,738
Other assets (including current and deferred tax assets)	20,949	22,716	1,277	4,438	13,115	27,178	2,566	92,239
Total assets	885,804	509,419	289,757	480,349	969,972	642,330	91,152	3,868,783
Liabilities								
Hong Kong SAR currency notes in circulation	213,000	–	–	–	–	–	–	213,000
Deposits and balances from banks and other financial institutions	199,392	173,263	605	413	–	–	–	373,673
Financial liabilities at fair value through profit or loss	–	21,672	27,462	15,653	1,245	171	–	66,203
Derivative financial instruments	11,062	3,650	4,142	6,730	11,655	4,314	–	41,553
Deposits from customers	1,188,522	524,812	458,625	327,879	1,844	–	–	2,501,682
Debt securities and certificates of deposit in issue	–	–	1,999	–	–	–	–	1,999
Other accounts and provisions (including current and deferred tax liabilities)	50,592	31,001	2,406	2,640	6,847	562	–	94,048
Insurance contract liabilities	–	1,264	3,688	10,963	47,100	103,179	–	166,194
Subordinated liabilities	–	–	–	344	74,979	–	–	75,323
Total liabilities	1,662,568	755,662	498,927	364,622	143,670	108,226	–	3,533,675
Net liquidity gap	(776,764)	(246,243)	(209,170)	115,727	826,302	534,104	91,152	335,108

The analysis of debt securities by remaining period to maturity is based on contractual maturity date. The disclosure does not imply that the securities will be held to maturity.

The above analysis in respect of insurance contract liabilities represents the estimated timing of net cash outflows resulting from recognised insurance contract liabilities on the balance sheet and excludes the contractual service margin and risk adjustment for non-financial risk.

4. Financial risk management (continued)

4.3 Liquidity risk (continued)

(C) Analysis of undiscounted cash flows by contractual maturities

(a) Non-derivative cash flows

The tables below summarise the cash flows of the Group as at 31 December for non-derivative financial liabilities by remaining contractual maturity.

	2024					
	Up to 1 month HK$'m	1 to 3 months HK$'m	3 to 12 months HK$'m	1 to 5 years HK$'m	Over 5 years HK$'m	Total HK$'m
Financial liabilities						
Hong Kong SAR currency notes in circulation	223,510	–	–	–	–	223,510
Deposits and balances from banks and other financial institutions	337,560	7,447	7,300	–	–	352,307
Financial liabilities at fair value through profit or loss	38,326	14,317	22,005	4,624	173	79,445
Deposits from customers	1,845,007	645,597	230,115	1,224	–	2,721,943
Debt securities and certificates of deposit in issue	–	–	106	5,398	–	5,504
Subordinated liabilities	–	–	1,541	49,967	26,288	77,796
Lease liabilities	45	89	337	790	276	1,537
Other financial liabilities	149,487	–	140	13	–	149,640
Total financial liabilities	2,593,935	667,450	261,544	62,016	26,737	3,611,682

	2023					
	Up to 1 month HK$'m	1 to 3 months HK$'m	3 to 12 months HK$'m	1 to 5 years HK$'m	Over 5 years HK$'m	Total HK$'m
Financial liabilities						
Hong Kong SAR currency notes in circulation	213,000	–	–	–	–	213,000
Deposits and balances from banks and other financial institutions	372,818	608	416	–	–	373,842
Financial liabilities at fair value through profit or loss	21,704	27,630	15,971	1,334	193	66,832
Deposits from customers	1,714,116	462,150	334,723	1,986	–	2,512,975
Debt securities and certificates of deposit in issue	–	2,014	–	–	–	2,014
Subordinated liabilities	–	–	2,590	77,569	–	80,159
Lease liabilities	49	91	359	675	122	1,296
Other financial liabilities	77,452	197	248	16	4	77,917
Total financial liabilities	2,399,139	492,690	354,307	81,580	319	3,328,035

As at 31 December 2024, the amounts payable on demand of insurance contracts liabilities is HK$37,451 million (2023: HK$43,456 million).

4. Financial risk management (continued)

4.3 Liquidity risk (continued)

(C) Analysis of undiscounted cash flows by contractual maturities (continued)

(b) Derivative cash flows

The tables below summarise the cash flows of the Group by remaining contractual maturity as at 31 December for 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 regardless of whether the contract is in an asset or liability position. The amounts disclosed in the tables are the contractual undiscounted cash flows, except for certain derivatives which are disclosed at fair value.

The Group's derivative financial instruments that will be settled on a net basis mainly include interest rate swaps whereas derivative financial instruments that will be settled on a gross basis mainly include currency forwards and currency swaps.

	2024					
	Up to 1 month HK$'m	**1 to 3 months HK$'m**	**3 to 12 months HK$'m**	**1 to 5 years HK$'m**	**Over 5 years HK$'m**	**Total HK$'m**
Derivative financial liabilities settled on a net basis	**(12,115)**	**(1,447)**	**(4,655)**	**(10,114)**	**(1,373)**	**(29,704)**
Derivative financial instruments settled on a gross basis						
Total inflow	**1,644,506**	**782,438**	**1,465,539**	**431,728**	**30,190**	**4,354,401**
Total outflow	**(1,639,160)**	**(779,825)**	**(1,452,995)**	**(431,595)**	**(29,805)**	**(4,333,380)**

	2023					
	Up to 1 month HK$'m	1 to 3 months HK$'m	3 to 12 months HK$'m	1 to 5 years HK$'m	Over 5 years HK$'m	Total HK$'m
Derivative financial liabilities settled on a net basis	(11,517)	(1,764)	(6,439)	(7,753)	(1,412)	(28,885)
Derivative financial instruments settled on a gross basis						
Total inflow	1,452,917	420,065	727,835	247,718	12,154	2,860,689
Total outflow	(1,451,315)	(414,410)	(726,123)	(247,768)	(11,750)	(2,851,366)

4. Financial risk management (continued)

4.3 Liquidity risk (continued)

(C) Analysis of undiscounted cash flows by contractual maturities (continued)

(c) Off-balance sheet items

Loan commitments

The contractual amounts of the Group's off-balance sheet financial instruments as at 31 December 2024 that the Group commits to extend credit to customers and other facilities amounted to HK$804,832 million (2023: HK$813,414 million). Majority of those loan commitments can be drawn within one year.

Financial guarantee contracts

Majority of financial guarantees and other financial facilities of the Group as at 31 December 2024 amounting to HK$49,327 million (2023: HK$45,317 million) are maturing no later than one year.

4.4 Insurance risk

The Group is in the business of insuring against the risk of mortality, morbidity, disability, critical illness, accidents and related risks. The Group manages these risks through the application of its underwriting strategy, reinsurance arrangements and regular experience monitoring.

The underwriting strategy is intended to set premium pricing at an appropriate level that corresponds with the underlying exposure of the risks underwritten and the Group's underwriting procedures include screening processes, such as the review of health condition and family medical history to ensure alignment with the underwriting strategy.

Within the insurance process, concentrations of risk may arise where a particular event or a series of events could impact heavily on the Group's claim liabilities. Such concentrations may arise from a single insurance contract or through a small number of related contracts, and relate to circumstances where significant claim liabilities could arise.

For the in-force insurance contracts, most of the underlying insurance liabilities are related to endowment, universal life, annuity, whole life and unit-linked insurance products. For most of the insurance policies issued, the Group has a retention limit on any single life insured. The Group cedes the excess of the insured benefit over the limit to reinsurer under an excess of loss reinsurance arrangement. For some of the insurance business, the Group has entered into reinsurance arrangements that reinsure most of the insurance risk.

Uncertainty in the estimation of future benefit payments and premium receipts for long-term insurance contracts arises from the unpredictability of long-term changes in overall levels of mortality, morbidity and persistency. In this regard, the Group has conducted relevant experience studies and researches regularly to identify emerging trends. Results would be taken into account in pricing and underwriting management. The results of such studies are also considered in determining the assumptions used in the estimates of fulfilment cash flows.

4. Financial risk management (continued)

4.4 Insurance risk (continued)

(A) Change in assumptions

The Group has updated the assumptions for lapse, expense and discount rates to reflect the changes in Group's experience and market conditions.

(B) Sensitivity analysis

The following table presents the sensitivity analysis of the key assumptions used in the estimation of insurance contracts:

	2024			2023		
	Increase/ (decrease) in profit before taxation HK$'m	Increase/ (decrease) in equity before taxation HK$'m	Increase/ (decrease) in CSM HK$'m	Increase/ (decrease) in profit before taxation HK$'m	Increase/ (decrease) in equity before taxation HK$'m	Increase/ (decrease) in CSM HK$'m
+10% mortality rate and morbidity rate	**(42)**	**(39)**	**(221)**	(93)	(87)	(481)
+10% lapse/surrender rate	**50**	**(6)**	**(173)**	37	(50)	(105)
+10% expense	**(43)**	**(41)**	**(235)**	(49)	(46)	(339)
+50 basis points shift in yield curves*	**(32)**	**(709)**	**332**	(26)	(892)	454
-10% mortality rate and morbidity rate	**43**	**39**	**231**	84	77	518
-10% lapse/surrender rate	**(50)**	**12**	**191**	(36)	61	120
-10% expense	**42**	**40**	**235**	31	28	218
-50 basis points shift in yield curves*	**33**	**757**	**(424)**	26	950	(503)

* Sensitivities presented includes insurance contracts and reinsurance contracts held and financial instruments.

The above analysis is based on a change in an assumption while holding all other assumptions constant. In practice, this is unlikely to occur, and changes in some of the assumptions may be correlated, for example, changes in lapse rate, in future mortality rate and morbidity rate.

4. Financial risk management (continued)

4.5 Capital management

The major objective of the Group's capital management is to maximise total shareholders' return while maintaining a capital adequacy position in relation to the Group's overall risk profile. The ALCO periodically reviews the Group's capital structure to maintain an optimal balance among risk, return and capital adequacy.

The Group has developed and maintained a sound framework of policies and controls on capital management to support the development of the Group's business and to meet the statutory capital adequacy ratio and loss-absorbing capacity requirements.

The Group has complied with all the statutory capital requirements and loss-absorbing capacity requirements of the HKMA for the reported periods in respect of banking operation. The HKMA supervises BOCHK and certain subsidiaries specified by the HKMA on a consolidated and solo basis and, as such, receives information on the capital adequacy of, and sets capital requirements for those companies as a whole. Individual overseas banking subsidiaries and branches are directly regulated by their local banking supervisors, who set and monitor their capital adequacy requirements. Certain non-banking financial subsidiaries are also subject to the supervision and capital requirements of local regulatory authorities.

The ALCO monitors the Group's capital adequacy and adjusts the capital mix where appropriate. The Group has adopted the foundation internal ratings-based ("FIRB") approach to calculate the credit risk capital charge for the majority of its non-securitisation exposures. Small residual credit exposures are remained under the standardised (credit risk) ("STC") approach. The Group has adopted the standardised credit valuation adjustment ("CVA") method to calculate the capital charge for the CVA risk of the counterparty.

The Group continues to adopt the internal models ("IMM") approach to calculate the general market risk capital charge for foreign exchange and interest rate exposures and, with the approval from the HKMA, exclude its structural FX positions in the calculation of the market risk capital charge. The Group continues to adopt the standardised (market risk) ("STM") approach to calculate the market risk capital charge for the remaining exposures.

The Group continues to adopt the standardised (operational risk) ("STO") approach to calculate the operational risk capital charge.

The Group has continued to adopt an internal capital adequacy assessment process ("ICAAP") to comply with the HKMA's requirements in the Supervisory Policy Manual "Supervisory Review Process" in 2024. Based on the HKMA's guidelines on Pillar II, ICAAP has been initiated to assess the extra capital needed to cover the material risks not captured or not adequately captured under Pillar I, and therefore minimum Common Equity Tier 1 capital ratio, minimum Tier 1 capital ratio and minimum Total capital ratio are determined. The Group considers this ICAAP as an on-going process for capital management and periodically reviews and adjusts its capital structure where appropriate in relation to the overall risk profile.

The HKMA has classified BOCHK as a material subsidiary of the BOC resolution group and required BOCHK to comply with the applicable internal loss-absorbing capacity requirements under the Financial Institutions (Resolution) (Loss-absorbing Capacity Requirements – Banking Sector) Rules ("LAC Rules"), with compliance period starting from 1 January 2023.

4. Financial risk management (continued)

4.5 Capital management (continued)

In addition, the capital plan of the Group is drawn up annually and then submitted to the Board for approval after endorsement of the ALCO. The plan is built up by assessing the implications of various factors upon capital adequacy such as the business strategies, return on equity, risk appetite, credit rating, as well as regulatory requirements. Hence, the future capital requirement is determined and capital sources are identified also. The plan is to ensure the Group maintains adequate capital and appropriate capital structure which align with its business development needs, thereby achieving an optimal balance among risk, return and capital adequacy.

(A) Basis of regulatory consolidation

The consolidation basis for regulatory purposes comprises the positions of BOCHK and certain subsidiaries specified by the HKMA in accordance with the Banking (Capital) Rules. For accounting purposes, subsidiaries are consolidated in accordance with HKFRSs.

The Company, its subsidiaries (BOC Group Life Assurance Company Limited and BOCHK Asset Management (Cayman) Limited (including their subsidiaries)) and certain subsidiaries of BOCHK are included within the accounting scope of consolidation but not included within the regulatory scope of consolidation.

4. Financial risk management (continued)

4.5 Capital management (continued)

(A) Basis of regulatory consolidation (continued)

The particulars of the above-mentioned subsidiaries of BOCHK are as follows:

Name	2024		2023	
	Total assets HK$'m	Total equity HK$'m	Total assets HK$'m	Total equity HK$'m
BOC Group Trustee Company Limited	**201**	**201**	200	200
BOCI-Prudential Trustee Limited	**656**	**529**	627	499
China Bridge (Malaysia) Sdn. Bhd.**	**N/A**	**N/A**	13	(1)
Bank of China (Hong Kong) Nominees Limited	**–**	**–**	–	–
Bank of China (Hong Kong) Trustees Limited	**9**	**8**	8	8
BOC Digital Services (Nanning) Company Limited*	**112**	**52**	118	47
BOCHK Information Technology (Shenzhen) Co., Ltd.	**362**	**256**	374	263
BOCHK Information Technology Services (Shenzhen) Co., Ltd.	**404**	**339**	408	349
Po Sang Financial Investment Services Company Limited	**347**	**346**	361	346
Po Sang Securities Limited	**1,016**	**381**	605	384
Sin Hua Trustee Limited	**4**	**4**	3	3
Billion Express Development Inc.	**–**	**–**	–	–
Billion Orient Holdings Ltd.	**–**	**–**	–	–
Elite Bond Investments Ltd.	**–**	**–**	–	–
Express Capital Enterprise Inc.	**–**	**–**	–	–
Express Charm Holdings Corp.	**–**	**–**	–	–
Express Shine Assets Holdings Corp.	**–**	**–**	–	–
Express Talent Investment Ltd.	**–**	**–**	–	–
Gold Medal Capital Inc.	**–**	**–**	–	–
Gold Tap Enterprises Inc.	**–**	**–**	–	–
Maxi Success Holdings Ltd.	**–**	**–**	–	–
Smart Linkage Holdings Inc.	**–**	**–**	–	–
Smart Union Capital Investments Ltd.	**–**	**–**	–	–
Success Trend Development Ltd.	**–**	**–**	–	–
Wise Key Enterprises Corp.	**–**	**–**	–	–

* BOC Financial Services (Nanning) Company Limited has changed company's name to BOC Digital Services (Nanning) Company Limited on 12 January 2024.

** China Bridge (Malaysia) Sdn. Bhd. has commenced members' voluntary winding up on 18 November 2024.

4. Financial risk management (continued)

4.5 Capital management (continued)

(A) Basis of regulatory consolidation (continued)

The principal activities of the above subsidiaries are set out in "Appendix – Subsidiaries of the Company".

There were no subsidiaries which are included within the regulatory scope of consolidation but not included within the accounting scope of consolidation as at 31 December 2024 (2023: Nil).

There were also no subsidiaries which are included within both the accounting scope of consolidation and the regulatory scope of consolidation where the methods of consolidation differ as at 31 December 2024 (2023: Nil).

The Group operates subsidiaries in different countries/regions where capital is governed by local rules and there may be restrictions on the transfer of funds or regulatory capital between the members of the Group.

(B) Capital ratio

The capital ratios are analysed as follows:

	2024	2023
CET1 capital ratio	**20.02%**	19.02%
Tier 1 capital ratio	**20.02%**	19.02%
Total capital ratio	**22.00%**	21.18%

4. Financial risk management (continued)

4.5 Capital management (continued)

(B) Capital ratio (continued)

The consolidated capital base after deductions used in the calculation of the above capital ratios is analysed as follows:

	2024 HK$'m	2023 HK$'m
CET1 capital: instruments and reserves		
Directly issued qualifying CET1 capital instruments	**43,043**	43,043
Retained earnings	**236,932**	219,744
Disclosed reserves	**37,995**	40,947
CET1 capital before regulatory deductions	**317,970**	303,734
CET1 capital: regulatory deductions		
Valuation adjustments	**(40)**	(28)
Other intangible assets (net of associated deferred tax liabilities)	**(2,006)**	(1,894)
Deferred tax assets (net of associated deferred tax liabilities)	**(358)**	(328)
Gains and losses due to changes in own credit risk on fair valued liabilities	**(67)**	(62)
Cumulative fair value gains arising from the revaluation of land and buildings (own-use and investment properties)	**(41,863)**	(45,398)
Regulatory reserve for general banking risks	**(6,028)**	(7,974)
Regulatory deductions applied to CET1 capital due to insufficient AT1 capital and Tier 2 capital to cover deductions	**(957)**	(941)
Total regulatory deductions to CET1 capital	**(51,319)**	(56,625)
CET1 capital	**266,651**	247,109
AT1 capital: instruments		
Qualifying AT1 capital instruments classified as equity under applicable accounting standards	**–**	–
AT1 capital before regulatory deductions	**–**	–
AT1 capital: regulatory deductions		
Significant LAC investments in AT1 capital instruments issued by financial sector entities that are outside the scope of regulatory consolidation	**(957)**	(941)
Total regulatory deductions to AT1 capital	**(957)**	(941)
AT1 capital	**–**	–
Tier 1 capital	**266,651**	247,109

4. Financial risk management (continued)

4.5 Capital management (continued)

(B) Capital ratio (continued)

	2024 HK$'m	2023 HK$'m
Tier 2 capital: instruments and provisions		
Collective provisions and regulatory reserve for general banking risks eligible for inclusion in Tier 2 capital	**7,491**	7,607
Tier 2 capital before regulatory deductions	**7,491**	7,607
Tier 2 capital: regulatory deductions		
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	**18,838**	20,429
Total regulatory adjustments to Tier 2 capital	**18,838**	20,429
Tier 2 capital	**26,329**	28,036
Total regulatory capital	**292,980**	275,145

The capital buffer ratios are analysed as follows:

	2024	2023
Capital conservation buffer ratio	**2.500%**	2.500%
Higher loss absorbency ratio	**1.500%**	1.500%
Countercyclical capital buffer ratio	**0.422%**	0.813%

(C) Leverage ratio

The leverage ratio is analysed as follows:

	2024 HK$'m	2023 HK$'m
Tier 1 capital	**266,651**	247,109
Leverage ratio exposure	**3,915,413**	3,602,432
Leverage ratio	**6.81%**	6.86%

5. Fair values of assets and liabilities

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy as defined in HKFRS 13, "Fair value measurement". The categorisation are determined with reference to the observability and significance of the inputs used in the valuation methods and based on the lowest level input that is significant to the fair value measurement as a whole:

– Level 1: based on quoted prices (unadjusted) in active markets for identical assets or liabilities. This category includes equity securities listed on exchange, debt instruments issued by certain governments and certain exchange-traded derivative contracts.

– Level 2: based on valuation techniques for which the lowest level input that is significant to the fair value measurement is observable, either directly or indirectly. This category includes majority of the OTC derivative contracts, debt securities and certificates of deposit with quote from pricing services vendors, issued structured deposits, advances and other accounts and other debt instruments. It also includes certain foreign exchange contracts, precious metals and properties with insignificant adjustments or calibrations made to observable market inputs.

– Level 3: based on valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable. This category includes equity investments, funds, advances and other accounts and other debt instruments with significant unobservable inputs. It also includes properties with significant adjustments made to observable market inputs.

For assets and liabilities that are recognised in the financial statements on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by reassessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

5.1 Financial instruments measured at fair value

The Group has an established governance structure and controls framework to ensure that fair values are either determined or validated by control units independent of the front offices. Control units have overall responsibility for independent verification of valuation results from front line businesses and all other significant fair value measurements. Other specific controls include verification of observable pricing inputs; review and approval for new models and changes to models; calibration and back-testing of models against observed market transactions; analysis and investigation of significant daily valuation movements; review of significant unobservable inputs and valuation adjustments. Significant valuation issues are reported to senior management, Risk Committee and Audit Committee.

Generally, the unit of account for a financial instrument is the individual instrument. HKFRS 13 permits a portfolio exception, through an accounting policy election, to measure the fair value of a portfolio of financial assets and financial liabilities on the basis of the net open risk position when certain criteria are met. The Group applies valuation adjustments at an individual instrument level, consistent with that unit of account. According to its risk management policies and systems to manage derivative financial instruments, the fair value adjustments of certain derivative portfolios that meet those criteria are measured on the basis of the price to be received or paid for net open risk. Those portfolio-level adjustments are allocated to the individual assets and liabilities on the basis of its relative net risk exposure to the portfolio.

The Group uses valuation techniques or broker/dealer quotations to determine the fair value of financial instruments when unable to obtain the open market quotation in active markets.

5. Fair values of assets and liabilities (continued)

5.1 Financial instruments measured at fair value (continued)

The main parameters used in valuation techniques for financial instruments held by the Group include bond prices, interest rates, foreign exchange rates, equity and stock prices, commodity prices, volatilities and correlations, counterparty credit spreads and others, which are mostly observable and obtainable from open market.

The techniques used to calculate the fair value of the following financial instruments are as below:

Debt securities and certificates of deposit, advances and other accounts and other debt instruments

The fair value of these instruments is determined by obtaining quoted market prices from exchange, dealer or independent pricing service vendors or using discounted cash flow technique. Discounted cash flow model is a valuation technique that measures present value using estimated expected future cash flows from the instruments and then discounts these flows using a discount rate or discount margin that reflects the credit spreads required by the market for instruments with similar risk. These inputs are observable or can be corroborated by observable or unobservable market data.

Mortgage backed securities

For this class of instruments, external prices are obtained from independent third parties. The valuation of these securities, depending on the nature of transaction, is estimated from market standard cash flow models with input parameters which include spreads to discount rates, default and recovery rates and prepayment rates that may be observable or compiled through matrix pricing for similar issues.

Derivatives

OTC derivative contracts include forward, swap and option contracts on foreign exchange, interest rate, equity, commodity or credit. The fair values of these contracts are mainly measured using valuation techniques such as discounted cash flow models and option pricing models. The inputs can be observable or unobservable market data. Observable inputs include interest rate, foreign exchange rates, equity and stock prices, commodity prices, credit default swap spreads, volatilities and correlations. Unobservable inputs may be used for less commonly traded option products which are embedded in structured deposits. For certain complex derivative contracts, the fair values are determined based on broker/dealer price quotations.

Credit valuation adjustments ("CVAs") and debit valuation adjustments ("DVAs") are applied to the Group's OTC derivatives. These adjustments reflect market factors movement, expectations of counterparty creditworthiness and the Group's own credit spread respectively. They are mainly determined for each counterparty and are dependent on expected future values of exposures, default probabilities and recovery rates.

5. Fair values of assets and liabilities (continued)

5.1 Financial instruments measured at fair value (continued)

(A) Fair value hierarchy

	2024			
	Level 1 HK$'m	Level 2 HK$'m	Level 3 HK$'m	Total HK$'m
Financial assets				
Trading assets (Note 23)				
– Debt securities and certificates of deposit	**525**	**115,020**	**–**	**115,545**
– Equity securities	**51**	**–**	**–**	**51**
– Other debt instruments	**–**	**3,800**	**–**	**3,800**
Other financial assets mandatorily classified at fair value through profit or loss (Note 23)				
– Debt securities and certificates of deposit	**–**	**34,729**	**43**	**34,772**
– Equity securities	**4,861**	**–**	**–**	**4,861**
– Funds	**7,100**	**4,819**	**10,058**	**21,977**
Financial assets designated at fair value through profit or loss (Note 23)				
– Debt securities and certificates of deposit	**2,338**	**36,372**	**–**	**38,710**
– Other debt instruments	**–**	**7,440**	**–**	**7,440**
Derivative financial instruments (Note 24)	**40**	**73,874**	**–**	**73,914**
Advances and other accounts at fair value	**–**	**2,163**	**809**	**2,972**
Investment in securities at FVOCI (Note 26)				
– Debt securities and certificates of deposit	**249,452**	**797,717**	**–**	**1,047,169**
– Equity securities	**841**	**125**	**3,565**	**4,531**
Financial liabilities				
Financial liabilities at fair value through profit or loss (Note 32)				
– Trading liabilities	**565**	**61,638**	**–**	**62,203**
– Financial liabilities designated at fair value through profit or loss	**–**	**16,618**	**–**	**16,618**
Derivative financial instruments (Note 24)	**219**	**56,560**	**–**	**56,779**

5. Fair values of assets and liabilities (continued)

5.1 Financial instruments measured at fair value (continued)

(A) Fair value hierarchy (continued)

	2023			
	Level 1 HK$'m	Level 2 HK$'m	Level 3 HK$'m	Total HK$'m
Financial assets				
Trading assets (Note 23)				
– Debt securities and certificates of deposit	1	66,477	–	66,478
– Equity securities	69	–	–	69
– Other debt instruments	–	3,800	–	3,800
Other financial assets mandatorily classified at fair value through profit or loss (Note 23)				
– Debt securities and certificates of deposit	88	48,799	70	48,957
– Equity securities	4,133	–	–	4,133
– Funds	3,421	1,479	7,689	12,589
Financial assets designated at fair value through profit or loss (Note 23)				
– Debt securities and certificates of deposit	1,780	17,885	–	19,665
– Other debt instruments	–	217,599	–	217,599
Derivative financial instruments (Note 24)	19	54,192	–	54,211
Advances and other accounts at fair value	–	4,512	863	5,375
Investment in securities at FVOCI (Note 26)				
– Debt securities and certificates of deposit	130,681	634,975	–	765,656
– Equity securities	822	622	3,262	4,706
Financial liabilities				
Financial liabilities at fair value through profit or loss (Note 32)				
– Trading liabilities	805	59,045	–	59,850
– Financial liabilities designated at fair value through profit or loss	–	6,353	–	6,353
Derivative financial instruments (Note 24)	195	41,358	–	41,553

There were no financial asset and liability transfers between level 1 and level 2 for the Group during the year (2023: Nil).

5. Fair values of assets and liabilities (continued)

5.1 Financial instruments measured at fair value (continued)

(B) Reconciliation of level 3 items

	2024				
	Financial assets				
	Other financial assets mandatorily classified at FVPL		Advances and other accounts at fair value	Investment in securities at FVOCI	
	Debt securities HK$'m	Funds HK$'m	HK$'m	Debt securities HK$'m	Equity securities HK$'m
At 1 January 2024	70	7,689	863	–	3,262
(Losses)/gains					
– Income statement					
– Net loss on other financial instruments at fair value through profit or loss	(27)	(227)	–	–	–
– Other comprehensive income					
– Change in fair value	–	–	–	–	304
Additions	–	3,039	–	–	–
Disposals, redemptions and maturity	–	(443)	–	–	(1)
Transfer out of level 3	–	–	–	–	–
Exchange difference	–	–	(54)	–	–
At 31 December 2024	43	10,058	809	–	3,565
Total unrealised losses for the year included in income statement for financial assets held as at 31 December 2024					
– Net loss on other financial instruments at fair value through profit or loss	(27)	(227)	–	–	–

5. Fair values of assets and liabilities (continued)

5.1 Financial instruments measured at fair value (continued)

(B) Reconciliation of level 3 items (continued)

	2023				
	Financial assets				
	Other financial assets mandatorily classified at FVPL		Advances and other accounts at fair value	Investment in securities at FVOCI	
	Debt securities HK$'m	Funds HK$'m	HK$'m	Debt securities HK$'m	Equity securities HK$'m
At 1 January 2023	1,815	6,865	832	735	1,860
(Losses)/gains					
– Income statement					
– Net (loss)/gain on other financial instruments at fair value through profit or loss	(40)	392	–	–	–
– Other comprehensive income					
– Change in fair value	–	–	–	–	602
Additions	110	502	–	–	800
Disposals, redemptions and maturity	(62)	(70)	–	–	–
Transfer out of level 3	(1,753)	–	–	(735)	–
Exchange difference	–	–	31	–	–
At 31 December 2023	70	7,689	863	–	3,262
Total unrealised (losses)/gains for the year included in income statement for financial assets held as at 31 December 2023					
– Net (loss)/gain on other financial instruments at fair value through profit or loss	(40)	392	–	–	–

5. Fair values of assets and liabilities (continued)

5.1 Financial instruments measured at fair value (continued)

(B) Reconciliation of level 3 items (continued)

As at 31 December 2024 and 2023, financial instruments categorised as level 3 are mainly comprised of certain debt and equity securities, funds, certain advances and other accounts and unlisted equity shares.

For certain illiquid debt securities and funds, the Group obtains valuation quotations from counterparties or uses valuation techniques to determine the fair value, including discounted cash flow analysis, net asset value and market comparison approach, which may be based on unobservable inputs with significant impact on valuation. For certain equity securities, advances and other accounts, the credit spreads of comparables used in valuation techniques are unobservable inputs with significant impact on valuation. Therefore, these instruments have been classified by the Group as level 3. Transfers out of level 3 in year of 2023 were due to change of valuation input observability. The Group has established internal control procedures to control the Group's exposure to such financial instruments.

The fair values of unlisted FVOCI equity investments are determined with reference to (i) multiples of comparable listed companies, including average of the price/earnings ratios or average of the price/book values ratios of the comparables; or (ii) dividend discount model calculation of the underlying equity investments; or (iii) net asset value with fair value adjustments on certain assets or liabilities held (if applicable), if neither appropriate comparables nor dividend discount model calculation is available or applicable. The significant unobservable inputs and their range applied in the fair values measurement of the Group's unlisted equity investments includes price/earnings ratios of the comparables of 27.12x – 45.32x, price/book values ratios of the comparables of 0.21x – 0.60x, liquidity discount of 25% – 30%, dividend payout ratio of 23.44% – 84.35% and discount rate of 11.33% – 13.01%. The fair value is positively correlated to the price/earnings ratios and price/book value ratios of appropriate comparables, forecasted stream of future dividend payout or net asset values, and is negatively correlated to the liquidity discount used in the average of price/earnings ratios and price/book value ratios of comparables or discount rate used in dividend discount model.

Had all of the significant unobservable inputs applied on the valuation techniques favourably changed/unfavourably changed by 5% (2023: 5%), the Group's other comprehensive income would have increased by HK$122 million and decreased by HK$121 million, respectively (2023: increased by HK$64 million and decreased by HK$63 million, respectively).

5. Fair values of assets and liabilities (continued)

5.2 Financial instruments not measured at fair value

Fair value estimates are made at a specific point in time based on relevant market information and information about various financial instruments. The following methods and assumptions have been used to estimate the fair value of each class of financial instrument as far as practicable.

Balances with/from banks and other financial institutions and trade bills

Substantially all the financial assets and liabilities mature within one year from the balance sheet date and their carrying value approximates fair value.

Hong Kong SAR Government certificates of indebtedness and Hong Kong SAR currency notes in circulation

The carrying value of Hong Kong SAR Government certificates of indebtedness and Hong Kong SAR currency notes in circulation approximates their fair value.

Advances to customers and banks and other financial institutions

Substantially all the advances to customers and banks and other financial institutions are on floating rate terms, bear interest at prevailing market interest rates and their carrying value approximates fair value.

Investment in securities at amortised cost

The fair value of securities at amortised cost is determined by using the same approach as those debt securities and certificates of deposit and mortgage backed securities measured at fair value as described in Note 5.1.

Deposits from customers

Substantially all the deposits from customers mature within one year from the balance sheet date and their carrying value approximates fair value.

Debt securities and certificates of deposit in issue

The fair value of these instruments is determined by using the same approach as those debt securities and certificates of deposit measured at fair value as described in Note 5.1.

Subordinated liabilities

The fair value of subordinated liabilities is determined by using the same approach as those debt securities and certificates of deposit measured at fair value as described in Note 5.1 and their carrying value approximates fair value.

5. Fair values of assets and liabilities (continued)

5.2 Financial instruments not measured at fair value (continued)

The following tables set out the carrying values and fair values of the financial instruments not measured at fair value, except for the above with their carrying values being approximation of fair values.

	2024		2023	
	Carrying value HK$'m	Fair value HK$'m	Carrying value HK$'m	Fair value HK$'m
Financial assets				
Investment in securities at amortised cost (Note 26)	**177,422**	**173,974**	208,078	202,952
Financial liabilities				
Debt securities and certificates of deposit in issue (Note 34)	**5,296**	**5,331**	1,999	2,001

The following tables show the fair value hierarchy for financial instruments with fair values disclosed.

	2024			
	Level 1 HK$'m	Level 2 HK$'m	Level 3 HK$'m	Total HK$'m
Financial assets				
Investment in securities at amortised cost	**20,268**	**153,648**	**58**	**173,974**
Financial liabilities				
Debt securities and certificates of deposit in issue	**–**	**5,331**	**–**	**5,331**

	2023			
	Level 1 HK$'m	Level 2 HK$'m	Level 3 HK$'m	Total HK$'m
Financial assets				
Investment in securities at amortised cost	31,942	170,998	12	202,952
Financial liabilities				
Debt securities and certificates of deposit in issue	–	2,001	–	2,001

5. Fair values of assets and liabilities (continued)

5.3 Non-financial instruments measured at fair value

The Group uses valuation techniques or quoted market prices in active market to determine the fair value of non-financial instruments.

Investment properties and premises

The Group's properties can be divided into investment properties and premises. All of the Group's investment properties and premises were revalued as at year end. This year, the valuations were carried out by an independent firm of chartered surveyors, Knight Frank Petty Limited, who have among their staff Fellow and Members of The Hong Kong Institute of Surveyors with recent experience in the locations and categories of properties being valued. The Group's Management had discussions with the surveyors on the valuation methods, valuation assumptions and valuation results when the valuation is performed at each interim and annual reporting date. There has been no change in valuation methods during the year and the methods used are consistent with last year.

(i) Valuation methods and inputs used in level 2 fair value measurements

The fair value of properties classified as level 2 is determined using either the market comparison approach by reference to recent sales price of comparable properties or the income capitalisation approach by reference to market rent and capitalisation rate, with appropriate adjustments to reflect the differences between the comparable properties and the subject properties. These adjustments are considered as insignificant to the measurement.

The Group's properties are located in Hong Kong, certain major cities in the mainland, Thailand and Malaysia where the property markets are considered active and transparent. Sales price, market rent and capitalisation rate of comparable properties are generally observable either directly or indirectly in these markets.

(ii) Information about level 3 fair value measurements

The fair value of all of the Group's properties classified as level 3, except for the bank vault, is determined using either the market comparison approach or the income capitalisation approach, adjusted for a premium or a discount specific to the features of the Group's properties compared to the comparable properties.

The fair value of the bank vault is determined using the depreciated replacement cost approach as no direct comparable is available given the specialised nature of the property. The major inputs are the market value of the existing land, the current cost of replacing the property and the depreciation rate. Appropriate adjustments are made to reflect the specialised nature of the property.

5. Fair values of assets and liabilities (continued)

5.3 Non-financial instruments measured at fair value (continued)

Investment properties and premises (continued)

(ii) Information about level 3 fair value measurements (continued)

The valuation methods and significant unobservable inputs used in the fair value measurement of the Group's properties classified as level 3 are as follows:

	Valuation method	Significant unobservable inputs	Weighted average	Relationship of unobservable inputs to fair value
Bank vault	Depreciated replacement cost approach	Depreciation rate	2% (2023: 2%) per year	The higher the depreciation rate, the lower the fair value.
		Premium on specialised nature of the property	+15% (2023: +15%) to building cost	The higher the premium, the higher the fair value.
Other properties	Market comparison approach or income capitalisation approach	Discount on features of the property compared to comparable properties	-7.2% (2023: -6.8%)	The higher the discount, the lower the fair value.

Premium/(discount) on features of a property is determined after taken into account various factors, such as time for market movement, location, accessibility, building age/condition, floor level, size, layout, etc., with reference to the differences in features with comparable properties.

For the fair value of the investment property with a redevelopment plan, it is measured on a redevelopment basis by adopting residual approach which is a valuation method generally used to value development of lands. Gross Development Value ("GDV") is first determined using market comparison approach by reference to recent transactions of comparable properties and adjusted for a premium or a discount specific to the quality of the Group's development compared to the comparable properties. The ultimate fair value of the redevelopment is the residual value after deducting the present value of the development costs (including professional fees, demolition cost, constructions cost etc.) and developer's profit from the present value of the GDV. The higher the GDV, the higher the fair value; the higher the development costs and the discount rate, the lower is the fair value.

Precious metals

The fair values of precious metals are determined by obtaining quoted market prices in active market or market quote with certain adjustments.

5. Fair values of assets and liabilities (continued)

5.3 Non-financial instruments measured at fair value (continued)

(A) Fair value hierarchy

	2024			
	Level 1 HK$'m	Level 2 HK$'m	Level 3 HK$'m	Total HK$'m
Non-financial assets				
Investment properties (Note 28)	**–**	**305**	**13,741**	**14,046**
Properties, plant and equipment (Note 29)				
– Premises	**–**	**843**	**35,060**	**35,903**
Other assets (Note 30)				
– Precious metals	**–**	**15,176**	**–**	**15,176**

	2023			
	Level 1 HK$'m	Level 2 HK$'m	Level 3 HK$'m	Total HK$'m
Non-financial assets				
Investment properties (Note 28)	–	308	14,567	14,875
Properties, plant and equipment (Note 29)				
– Premises	–	1,075	38,380	39,455
Other assets (Note 30)				
– Precious metals	–	11,627	–	11,627

There were no non-financial asset transfers between level 1 and level 2 for the Group during the year (2023: Nil).

5. Fair values of assets and liabilities (continued)

5.3 Non-financial instruments measured at fair value (continued)

(B) Reconciliation of level 3 items

	2024	
	Non-financial assets	
		Properties, plant and equipment
	Investment properties HK$'m	Premises HK$'m
At 1 January 2024	14,567	38,380
Losses		
– Income statement		
– Net loss from fair value adjustments on investment properties	(1,469)	–
– Net loss from revaluation of premises	–	(329)
– Other comprehensive income		
– Revaluation of premises	–	(2,508)
Depreciation	–	(1,125)
Additions	118	1,014
Disposals	(1)	(6)
Transfer into level 3	–	159
Transfer out of level 3	–	–
Reclassification	526	(526)
Exchange difference	–	1
At 31 December 2024	13,741	35,060
Total unrealised losses for the year included in income statement for non-financial assets held as at 31 December 2024		
– Net loss from fair value adjustments on investment properties	(1,469)	–
– Net loss from revaluation of premises	–	(329)
	(1,469)	(329)

5. Fair values of assets and liabilities (continued)

5.3 Non-financial instruments measured at fair value (continued)

(B) Reconciliation of level 3 items (continued)

	2023	
	Non-financial assets	
		Properties, plant and equipment
	Investment properties HK$'m	Premises HK$'m
At 1 January 2023	15,746	40,806
Losses		
– Income statement		
– Net loss from fair value adjustments on investment properties	(1,259)	–
– Net loss from revaluation of premises	–	(130)
– Other comprehensive income		
– Revaluation of premises	–	(970)
Depreciation	–	(1,164)
Additions	26	27
Transfer into level 3	–	41
Transfer out of level 3	–	(176)
Reclassification	54	(54)
At 31 December 2023	14,567	38,380
Total unrealised losses for the year included in income statement for non-financial assets held as at 31 December 2023		
– Net loss from fair value adjustments on investment properties	(1,259)	–
– Net loss from revaluation of premises	–	(130)
	(1,259)	(130)

The transfer of properties into and out of level 3 is due to change in the premium/(discount) on features applied between the subject and comparable properties during the year. Premium/(discount) on features is determined with reference to differences in features between the subject properties and the comparable properties recently transacted in the market. As comparable properties that come from recent market transactions may be different in each year, the premium/(discount) on features applied between the subject and comparable properties would change from year to year accordingly. As a result, the significance of adjustments made to observable market inputs may vary and lead to the transfer of properties into and out of level 3.

6. Net interest income

	2024 HK$'m	2023 HK$'m
Interest income		
Advances to customers, due from banks and other financial institutions	**91,294**	86,940
Investment in securities and financial assets at fair value through profit or loss	**47,467**	40,691
Others	**678**	858
	139,439	128,489
Interest expense		
Deposits from customers, due to banks and other financial institutions	**(81,037)**	(71,940)
Debt securities and certificates of deposit in issue	**(25)**	(116)
Subordinated liabilities	**(2,447)**	(2,509)
Lease liabilities	**(42)**	(41)
Others	**(3,554)**	(2,805)
	(87,105)	(77,411)
Net interest income	**52,334**	51,078

Included within interest income are HK$97,224 million (2023: HK$94,206 million) and HK$32,580 million (2023: HK$27,253 million) for financial assets measured at amortised cost and at fair value through other comprehensive income respectively.

Included within interest expense are HK$85,213 million (2023: HK$76,174 million) for financial liabilities that are not measured at fair value through profit or loss.

7. Net fee and commission income

	2024 HK$'m	2023 HK$'m
Fee and commission income		
Credit card business	**2,559**	2,430
Securities brokerage	**2,266**	1,826
Loan commissions	**2,236**	2,413
Insurance	**1,018**	651
Trust and custody services	**909**	790
Payment services	**745**	714
Funds distribution	**669**	431
Currency exchange	**540**	398
Bills commissions	**444**	481
Safe deposit box	**290**	290
Funds management	**42**	28
Others	**1,567**	1,735
	13,285	12,187
Fee and commission expense		
Credit card business	**(1,962)**	(1,790)
Securities brokerage	**(325)**	(281)
Others	**(1,105)**	(949)
	(3,392)	(3,020)
Net fee and commission income	**9,893**	9,167
Of which arise from:		
Financial assets or financial liabilities that are not measured at fair value through profit or loss		
– Fee and commission income	**2,492**	2,663
– Fee and commission expense	**(10)**	(9)
	2,482	2,654
Trust and other fiduciary activities		
– Fee and commission income	**1,103**	987
– Fee and commission expense	**(63)**	(41)
	1,040	946

8. Net trading gain

	2024 HK$'m	2023 HK$'m
Net gain/(loss) from:		
Foreign exchange and foreign exchange products	**10,585**	8,028
Interest rate instruments and items under fair value hedge	**151**	3
Commodities	**361**	274
Equity instruments	**(109)**	10
	10,988	8,315

9. Net (loss)/gain on other financial instruments at fair value through profit or loss

	2024 HK$'m	2023 HK$'m
Net gain on other financial instruments mandatorily classified at fair value through profit or loss	**1,973**	2,026
Net (loss)/gain on financial instruments designated at fair value through profit or loss	**(2,755)**	251
	(782)	2,277

10. Net loss on other financial instruments

	2024 HK$'m	2023 HK$'m
Net loss on disposal/redemption of investment in securities at FVOCI	**(1,394)**	(1,457)
Net loss on redemption of investment in securities at amortised cost	**(27)**	(21)
Others	**5**	10
	(1,416)	(1,468)

11. Insurance finance expenses

	2024 HK$'m	2023 HK$'m
Finance (expenses)/income from insurance contracts issued		
Interest accreted	**(2,880)**	(2,760)
The effect of and changes in financial risk	**(1,526)**	(2,285)
Exchange difference	**1,725**	903
Changes in fair value of underlying items of contracts under variable fee approach	**(1,234)**	(3,948)
	(3,915)	(8,090)
Finance income/(expenses) from reinsurance contracts held		
Interest accreted	**1,011**	1,155
The effect of and changes in financial risk	**547**	696
Exchange difference	**(967)**	(721)
	591	1,130
	(3,324)	(6,960)
Amount recognised in income statement	**(2,139)**	(5,430)
Amount recognised in other comprehensive income	**(1,185)**	(1,530)
	(3,324)	(6,960)

12. Other operating income

	2024 HK$'m	2023 HK$'m
Dividend income		
– From investment in securities at FVOCI derecognised during the year	**20**	–
– From investment in securities at FVOCI held at the end of the year	**77**	108
Gross rental income from investment properties	**433**	465
Less: Outgoings in respect of investment properties	**(76)**	(71)
Others	**170**	111
	624	613

Included in the "Outgoings in respect of investment properties" is HK$19 million (2023: HK$9 million) of direct operating expenses related to investment properties that were not let during the year.

13. Net charge of impairment allowances

	2024 HK$'m	2023 HK$'m
Net (charge)/reversal of impairment allowances on:		
Advances and other accounts		
– At FVOCI	**23**	48
– At amortised cost	**(4,968)**	(6,467)
	(4,945)	(6,419)
Balances and placements with banks and other financial institutions	**(57)**	(22)
Investment in securities		
– At FVOCI	**(59)**	(13)
– At amortised cost	**(3)**	15
	(62)	2
Loan commitments and financial guarantee contracts	**18**	120
	(5,046)	(6,319)
Others	**(36)**	(14)
Net charge of impairment allowances	**(5,082)**	(6,333)

14. Operating expenses

	2024 HK$'m	2023 HK$'m
Staff costs (including directors' emoluments)		
– Salaries and other costs	**10,858**	10,143
– Pension cost	**612**	582
	11,470	10,725
Premises and equipment expenses (excluding depreciation and amortisation)		
– Short-term leases, leases of low-value assets and variable lease payments	**91**	56
– Others	**1,434**	1,338
	1,525	1,394
Depreciation and amortisation	**2,867**	2,919
Auditor's remuneration		
– Audit services	**36**	30
– Non-audit services	**9**	2
Other operating expenses	**2,794**	2,689
	18,701	17,759
Less: Costs directly attributable to insurance contracts	**(1,207)**	(1,152)
	17,494	16,607

15. Net loss from disposal of/fair value adjustments on investment properties

	2024 HK$'m	2023 HK$'m
Net loss from fair value adjustments on investment properties (Note 28)	**(1,487)**	(1,270)

16. Net loss from disposal/revaluation of properties, plant and equipment

	2024 HK$'m	2023 HK$'m
Net loss from disposal of equipment, fixtures and fittings	**(3)**	(5)
Net loss from revaluation of premises (Note 29)	**(329)**	(130)
	(332)	(135)

17. Taxation

Taxation in the income statement represents:

	2024 HK$'m	2023 HK$'m
Current tax		
Hong Kong profits tax		
– Current year taxation	**7,447**	5,848
– Over-provision in prior years	**(243)**	(158)
	7,204	5,690
Taxation outside Hong Kong		
– Current year taxation	**1,404**	970
– Over-provision in prior years	**(114)**	(267)
	8,494	6,393
Deferred tax		
Origination and reversal of temporary differences and unused tax credits (Note 36)	**(858)**	(336)
	7,636	6,057

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

17. Taxation (continued)

The taxation on the Group's profit before taxation that differs from the theoretical amount that would arise using the taxation rate of Hong Kong is as follows:

	2024 **HK$'m**	2023 HK$'m
Profit before taxation	**46,754**	40,914
Calculated at a taxation rate of 16.5% (2023: 16.5%)	**7,714**	6,751
Effect of different taxation rates in other countries/regions	**227**	171
Income not subject to taxation	**(2,445)**	(2,052)
Expenses not deductible for taxation purposes	**1,804**	1,562
Over-provision in prior years	**(357)**	(425)
Withholding tax outside Hong Kong	**667**	335
Others	**26**	(285)
Taxation charge	**7,636**	6,057
Effective tax rate	**16.3%**	14.8%

Organisation for Economic Co-operation and Development's ("OECD") Global Minimum Tax ("Pillar Two") model rules

The Group is within the scope of the OECD's Pillar Two model rules. Pillar Two legislation was enacted in Vietnam, Indonesia, Malaysia and Thailand, among the jurisdictions in which the Group operates and has become effective in Vietnam since 1 January 2024 and will become effective in Indonesia, Malaysia and Thailand from 1 January 2025 respectively. Under the Pillar Two legislation enacted in Vietnam, Indonesia, Malaysia and Thailand, the Group is liable to pay a top-up tax for the difference between the Global Anti-Base Erosion ("GloBE") effective tax rate for these four jurisdictions, and the 15% minimum rate.

For the jurisdiction in which Pillar Two legislation has become effective (i.e. Vietnam), the Group has assessed that there shall not be related additional current tax expense. 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" issued in July 2023.

For the jurisdictions in which Pillar Two legislation has been enacted but has not yet become effective (i.e. Indonesia, Malaysia and Thailand), the Group has assessed that the GloBE effective tax rate for these three jurisdictions should likely exceed the 15% minimum rate. Accordingly, there should not likely be top-up tax expense in these three jurisdictions when the Pillar Two legislation becomes effective.

18. Dividends

	2024		2023	
	Per share HK$	Total HK$'m	Per share HK$	Total HK$'m
Interim dividend paid	**0.570**	**6,026**	0.527	5,572
Proposed final dividend	**1.419**	**15,003**	1.145	12,106
	1.989	**21,029**	1.672	17,678

The final dividend of HK$1.145 per ordinary share for the year ended 31 December 2023 amounting to approximately HK$12,106 million was approved at the Annual General Meeting held on 27 June 2024 and was paid on 15 July 2024.

At a meeting held on 29 August 2024, the Board declared an interim dividend of HK$0.570 per ordinary share for the first half of 2024 amounting to approximately HK$6,026 million.

At a meeting held on 26 March 2025, the Board proposed to recommend to the 2025 Annual General Meeting a final dividend of HK$1.419 per ordinary share for the year ended 31 December 2024 amounting to approximately HK$15,003 million. This proposed final dividend is not reflected as a dividend payable in these financial statements, but will be reflected as an appropriation of retained earnings for the year ending 31 December 2025.

19. Earnings per share

The calculation of basic earnings per share for the year ended 31 December 2024 is based on the consolidated profit for the year attributable to equity holders of the Company of approximately HK$38,233 million (2023: HK$32,723 million) and on the ordinary shares in issue of 10,572,780,266 shares (2023: 10,572,780,266 ordinary shares).

There was no dilution of earnings per share as no potential ordinary shares were in issue for the year ended 31 December 2024 (2023: Nil).

20. Retirement benefit costs

Retirement benefits are provided to eligible employees of the Group.

In Hong Kong, defined contribution schemes for the Group's employees are ORSO scheme exempted under the MPF Schemes Ordinance and the BOC-Prudential Easy Choice MPF Scheme.

Under the ORSO scheme, employees make monthly contributions to the ORSO scheme equal to 5% of their basic salaries, while the employer makes monthly contributions equal to 5% to 15% of the employees' monthly basic salaries, depending on years of service. The employees are entitled to receive 100% of the employer's contributions upon retirement, early retirement or termination of employment after completing 10 years of service. Employees with 3 to 9 years of service are entitled to receive the employer's contributions at a scale ranging from 30% to 90% upon termination of employment for other reasons other than summary dismissal. All employer's contributions received by employee are subject to MPF Schemes Ordinance.

With the implementation of the MPF Schemes Ordinance on 1 December 2000, the Group also launched the MPF Scheme according to the regulatory requirement. Since 2019, employees with 5 years of service or above are entitled to employer's voluntary contribution. The trustee of the Scheme is BOCI-Prudential Trustee and the investment manager is BOCI-Prudential Asset Management, which are related parties of the Company.

The Group's total contributions made to the ORSO scheme for the year ended 31 December 2024 amounted to approximately HK$378 million (2023: approximately HK$375 million), after a deduction of forfeited contributions of approximately HK$13 million (2023: approximately HK$15 million). For the MPF Scheme, the Group contributed approximately HK$158 million (2023: approximately HK$151 million) for the year ended 31 December 2024.

All eligible employees of institutions in other countries and regions participate in the local defined contribution schemes or defined benefit plans in accordance with local regulations and market practices.

21. Directors', senior management's and Key Personnel's emoluments

(a) Directors' and senior management's emoluments

(i) Directors' emoluments

Details of the emoluments paid to or receivable by the directors of the Company in respect of their services rendered for the Company and managing the subsidiaries within the Group during the year are as follows:

	2024				
	Directors' fee HK$'000	Basic salaries, allowances and benefits in kind HK$'000	Bonus HK$'000	Other payments# HK$'000	Total HK$'000
Executive Director					
SUN Yu (Chief Executive)	–	6,499	2,905	–	9,404
Non-executive Directors					
GE Haijao	–	–	–	–	–
LIU Jin Note 1	–	–	–	–	–
LIN Jingzhen	–	–	–	–	–
CHENG Eva*	600	–	–	–	600
CHOI Koon Shum*	600	–	–	–	600
FUNG Yuen Mei Anita*	700	–	–	–	700
LAW Yee Kwan Quinn*	550	–	–	–	550
LEE Sunny Wai Kwong*	650	–	–	–	650
LIP Sai Wo*	650	–	–	–	650
MA Si Hang Frederick*	550	–	–	–	550
	4,300	–	–	–	4,300
	4,300	6,499	2,905	–	13,704

Note 1: Resigned during the year.

21. Directors', senior management's and Key Personnel's emoluments (continued)

(a) Directors' and senior management's emoluments (continued)

(i) Directors' emoluments (continued)

	2023				
	Directors' fee HK$'000	Basic salaries, allowances and benefits in kind HK$'000	Bonus HK$'000	Other payments# HK$'000	Total HK$'000
Executive Director					
SUN Yu (Chief Executive)	–	6,313	3,320	–	9,633
Non-executive Directors					
GE Haijao	–	–	–	–	–
LIU Jin	–	–	–	–	–
LIN Jingzhen	–	–	–	–	–
CHENG Eva*	600	–	–	–	600
CHOI Koon Shum*	600	–	–	–	600
FUNG Yuen Mei Anita*	651	–	–	–	651
LAW Yee Kwan Quinn*	550	–	–	–	550
LEE Sunny Wai Kwong*	626	–	–	–	626
LIP Sai Wo*	331	–	–	–	331
MA Si Hang Frederick*	110	–	–	–	110
KOH Beng Seng*	321	–	–	–	321
TUNG Savio Wai-Hok*	345	–	–	–	345
	4,134	–	–	–	4,134
	4,134	6,313	3,320	–	13,767

* Independent Non-executive Directors

\# Including the contributions to pension scheme for directors, inducement to join the Group and the compensation for the loss of office paid to or receivable by directors.

There were no directors waived emoluments for the year ended 31 December 2024 (2023: Nil).

21. Directors', senior management's and Key Personnel's emoluments (continued)

(a) Directors' and senior management's emoluments (continued)

(ii) Five highest paid individuals

The five individuals whose emoluments were the highest in the Group for the year include one (2023: one) director whose emolument is reflected in the analysis presented above. The emoluments payable to the remaining four (2023: four) individuals during the year are as follows:

	2024 **HK$'m**	2023 HK$'m
Basic salaries and allowances	**17**	18
Bonus	**15**	14
Contributions to pension schemes	**1**	1
	33	33

Emoluments paid to or receivable by individuals during the year with reference to their tenure are within the following bands:

	Number of individuals	
	2024	2023
HK$7,000,001 to HK$7,500,000	**–**	1
HK$7,500,001 to HK$8,000,000	**3**	1
HK$8,000,001 to HK$8,500,000	**–**	1
HK$9,000,001 to HK$9,500,000	**–**	1
HK$9,500,001 to HK$10,000,000	**1**	–

21. Directors', senior management's and Key Personnel's emoluments (continued)

(a) Directors' and senior management's emoluments (continued)

(iii) Senior management's emoluments

Emoluments paid to or receivable by individuals during the year with reference to their tenure as senior management are within the following bands:

	Number of individuals	
	2024	2023
HK$500,001 to HK$1,000,000	**–**	1
HK$2,500,001 to HK$3,000,000	**–**	1
HK$3,000,001 to HK$3,500,000	**1**	–
HK$4,000,001 to HK$4,500,000	**2**	1
HK$4,500,001 to HK$5,000,000	**1**	2
HK$5,000,001 to HK$5,500,000	**1**	–
HK$6,500,001 to HK$7,000,000	**1**	1
HK$9,000,001 to HK$9,500,000	**1**	–
HK$9,500,001 to HK$10,000,000	**–**	1

(b) Remuneration for Senior Management and Key Personnel under CG-5

For the purpose of disclosure, Senior Management and Key Personnel are defined as follows:

- Senior Management: The senior management designated by the Board who are responsible for oversight of the Group-wide strategy or activities or material business lines, including the Chief Executive, Deputy Chief Executive, Deputy Chief Executive and Chief Financial Officer, Deputy Chief Executive and Chief Risk Officer, Board Secretary and General Manager of Group Audit.

- Key Personnel: The employees whose duties or activities involve the assumption of material risk, or those who take on material exposures on behalf of the Group, or whose individual responsibilities have direct and material impact on the risk management and affect the profitability of the Group directly, including heads of frontline business units, local major subsidiaries and Southeast Asian entities, head of trading, heads of functional units that have direct and material impact on the Group's risk management and affect the profitability of the Group directly, general managers who report directly to the Chief Executive, as well as "managers" appointed by the Group according to the Banking Ordinance.

21. Directors', senior management's and Key Personnel's emoluments (continued)

(b) Remuneration for Senior Management and Key Personnel under CG-5 (continued)

Details of the remuneration for Senior Management and Key Personnel of the Group during the year are as follows:

(i) Remuneration awarded during financial year

	2024		2023	
	Senior Management HK$'m	**Key Personnel HK$'m**	Senior Management HK$'m	Key Personnel HK$'m
Fixed remuneration				
Cash-based	**33**	**120**	30	120
Of which: deferred	**–**	**–**	–	–
Variable remuneration				
Cash-based	**14**	**69**	14	70
Of which: deferred	***5***	***28***	*5*	*28*
Total remuneration	**47**	**189**	44	190
Number of employees				
Fixed remuneration	**10**	**47**	9	47
Variable remuneration	**10**	**47**	9	47

(ii) Special payments

	2024		2023	
	Senior Management HK$'000	**Key Personnel HK$'000**	Senior Management HK$'000	Key Personnel HK$'000
Sign-on awards	**–**	**–**	–	1,240
Number of employees	**–**	**–**	–	2

There were no guaranteed bonuses and severance payments to Senior Management and Key Personnel for the year ended 31 December 2024 (2023: Nil).

21. Directors', senior management's and Key Personnel's emoluments (continued)

(b) Remuneration for Senior Management and Key Personnel under CG-5 (continued)

(iii) Deferred remuneration

	2024				
	Total amount of outstanding deferred remuneration HK$'m	Of which: Total amount of outstanding deferred and retained remuneration exposed to ex post explicit and/or implicit adjustment HK$'m	Total amount of amendment during the year due to ex post explicit adjustments HK$'m	Total amount of amendment during the year due to ex post implicit adjustments HK$'m	Total amount of deferred remuneration paid out in the financial year HK$'m
Senior Management					
Cash	**11**	**11**	**–**	**–**	**(5)**
Key Personnel					
Cash	**55**	**55**	**–**	**–**	**(21)**
Total	**66**	**66**	**–**	**–**	**(26)**

	2023				
	Total amount of outstanding deferred remuneration HK$'m	Of which: Total amount of outstanding deferred and retained remuneration exposed to ex post explicit and/or implicit adjustment HK$'m	Total amount of amendment during the year due to ex post explicit adjustments HK$'m	Total amount of amendment during the year due to ex post implicit adjustments HK$'m	Total amount of deferred remuneration paid out in the financial year HK$'m
Senior Management					
Cash	11	11	–	–	(5)
Key Personnel					
Cash	48	48	–	–	(14)
Total	59	59	–	–	(19)

22. Cash and balances and placements with banks and other financial institutions

	2024 HK$'m	2023 HK$'m
Cash	**20,711**	19,257
Balances with central banks	**178,747**	141,310
Placements with central banks maturing within one month	**116,633**	13,595
Placements with central banks maturing between one and twelve months	**7,653**	3,052
Placements with central banks maturing over one year	**1,094**	1,820
	304,127	159,777
Balances with other banks and other financial institutions	**92,329**	136,944
Placements with other banks and other financial institutions maturing within one month	**93,772**	37,872
Placements with other banks and other financial institutions maturing between one and twelve months	**98,679**	52,191
Placements with other banks and other financial institutions maturing over one year	**452**	611
	285,232	227,618
	610,070	406,652
Less: Impairment allowances		
– Stage 1	**(104)**	(48)
– Stage 2	**–**	–
– Stage 3	**(31)**	(33)
	609,935	406,571

23. Financial assets at fair value through profit or loss

	2024 HK$'m	2023 HK$'m
Securities		
Trading assets		
– Treasury bills	**59,299**	32,892
– Certificates of deposit	**13,111**	7,449
– Other debt securities	**43,135**	26,137
	115,545	66,478
– Equity securities	**51**	69
	115,596	66,547
Other financial assets mandatorily classified at fair value through profit or loss		
– Certificates of deposit	**390**	401
– Other debt securities	**34,382**	48,556
	34,772	48,957
– Equity securities	**4,861**	4,133
– Funds	**21,977**	12,589
	61,610	65,679
Financial assets designated at fair value through profit or loss		
– Treasury bills	**404**	375
– Certificates of deposit	**930**	35
– Other debt securities	**37,376**	19,255
	38,710	19,665
Total securities	**215,916**	151,891
Other debt instruments		
Trading assets	**3,800**	3,800
Financial assets designated at fair value through profit or loss	**7,440**	217,599
Total other debt instruments	**11,240**	221,399
	227,156	373,290

23. Financial assets at fair value through profit or loss (continued)

Total securities are analysed by place of listing as follows:

	2024 HK$'m	2023 HK$'m
Debt securities and certificates of deposit		
– Listed in Hong Kong	**21,219**	17,709
– Listed outside Hong Kong	**48,629**	44,657
– Unlisted	**119,179**	72,734
	189,027	135,100
Equity securities		
– Listed in Hong Kong	**2,617**	2,819
– Listed outside Hong Kong	**2,295**	1,383
	4,912	4,202
Funds		
– Listed in Hong Kong	**4,371**	3,421
– Listed outside Hong Kong	**2,025**	–
– Unlisted	**15,581**	9,168
	21,977	12,589
Total securities	**215,916**	151,891

Total securities are analysed by type of issuer as follows:

	2024 HK$'m	2023 HK$'m
Sovereigns	**99,456**	59,456
Public sector entities	**2,919**	1,762
Banks and other financial institutions	**74,377**	56,235
Corporate entities	**39,164**	34,438
Total securities	**215,916**	151,891

24. Derivative financial instruments and hedge accounting

The Group enters into exchange rate, interest rate, commodity, equity and credit related derivative financial instrument contracts for trading and risk management purposes.

Currency forwards represent commitments to purchase and sell foreign currency on a future date. Interest rate futures are contractual obligations to receive or pay a net amount based on changes in interest rates or buy or sell interest rate financial instruments on a future date at an agreed price in the financial market under the administration of the stock exchange. Forward rate agreements are individually negotiated interest rate futures that call for a cash settlement at a future date for the difference between a contract rate of interest and the current market rate, based on a notional principal amount.

Currency, interest rate and commodity swaps are commitments to exchange one set of cash flows or commodity for another. Swaps result in an exchange of currencies, interest rates (for example, fixed rate for floating rate), or precious metals (for example, silver swaps) or a combination of all these (for example, cross-currency interest rate swaps). Except for certain currency swap contracts, no exchange of principal takes place.

Foreign currency, interest rate, precious metal and equity options are contractual agreements under which the seller (writer) grants the purchaser (holder) the right, but not the obligation, either to buy (a call option) or sell (a put option) at or by a set date or during a set period, a specific amount of the financial instrument at a predetermined price. In consideration for the assumption of foreign exchange and interest rate risk, the seller receives a premium from the purchaser. Options are negotiated over-the-counter between the Group and its counterparty or traded through the stock exchange (for example, exchange-traded stock option).

The contract/notional amounts and fair values of derivative financial instruments held by the Group are set out in the following tables. The contract/notional amounts of these instruments indicate the volume of transactions outstanding at the balance sheet dates and certain of them provide a basis for comparison with the fair values of instruments recognised on the balance sheet. However, they do not necessarily indicate the amounts of future cash flows involved or the current fair values of the instruments and, therefore, do not indicate the Group's exposure to credit or market risks. The derivative financial instruments become favourable (assets) or unfavourable (liabilities) as a result of fluctuations in foreign exchange rates, market interest rates, commodity prices or equity prices relative to their terms. The aggregate fair values of derivative financial instruments can fluctuate significantly from time to time.

(a) Derivative financial instruments

The Group trades derivative products (both exchange-traded and OTC) mainly for customer business. The Group strictly follows risk management policies and requirements in providing derivative products to our customers and in trading of derivative products in the interbank market.

Derivatives are also used to manage the interest rate risk of the banking book. A derivative instrument must be included in the approved product list before any transactions for that instrument can be made. There are limits to control the notional amount of exposure arising from derivative transactions, and the maximum tenor of the deal is set. Every derivative transaction must be input into the relevant system for settlement, mark-to-market revaluation, reporting and control.

24. Derivative financial instruments and hedge accounting (continued)

(a) Derivative financial instruments (continued)

The following tables summarise the contract/notional amounts and fair values of each class of derivative financial instrument as at 31 December:

	2024		
	Contract/ notional amounts HK$'m	Fair values	
		Assets HK$'m	Liabilities HK$'m
Exchange rate contracts			
Spot, forwards and futures	285,199	15,030	(11,801)
Swaps	3,346,471	37,910	(26,698)
Options	93,749	662	(345)
	3,725,419	53,602	(38,844)
Interest rate contracts			
Futures	70,934	26	(210)
Swaps	2,352,193	19,297	(16,832)
Options	1,284	–	–
	2,424,411	19,323	(17,042)
Commodity contracts	26,517	983	(887)
Equity contracts	730	6	(6)
	6,177,077	73,914	(56,779)

24. Derivative financial instruments and hedge accounting (continued)

(a) Derivative financial instruments (continued)

	2023		
	Contract/ notional amounts HK$'m	Fair values	
		Assets HK$'m	Liabilities HK$'m
Exchange rate contracts			
Spot, forwards and futures	307,690	15,566	(11,035)
Swaps	2,098,292	16,176	(13,000)
Options	52,950	469	(194)
	2,458,932	32,211	(24,229)
Interest rate contracts			
Futures	24,339	10	(19)
Swaps	1,810,768	21,461	(16,684)
Options	–	–	–
	1,835,107	21,471	(16,703)
Commodity contracts	16,627	497	(594)
Equity contracts	1,196	32	(27)
	4,311,862	54,211	(41,553)

(b) Hedge accounting

Fair value hedges

The Group uses interest rate swaps to hedge against change in fair value of financial assets and liabilities arising from movements in market interest rates. Interest rate risk to which the Group applies hedge accounting arises from fixed-rate debt securities and senior notes, whose fair value fluctuates when benchmark interest rates change. The Group only designates interest rate risks to the extent of benchmark interest rates as the hedged risks because the changes in fair value of the fixed-rate debt securities and senior notes are significantly influenced by the changes in the benchmark interest rates. Hedge accounting is applied where economic hedging relationships meet the hedge accounting criteria.

Possible sources of ineffectiveness are as follows:

– Notional and timing differences between the hedged items and hedging instruments;

– Significant changes in counterparties' credit risk.

24. Derivative financial instruments and hedge accounting (continued)

(b) Hedge accounting (continued)

Fair value hedges (continued)

The table below summarises the contract/notional amounts and average fixed interest rate of the hedging instruments as at 31 December by remaining contractual maturity.

	2024					
	Up to 1 month HK$'m	**1 to 3 months HK$'m**	**3 to 12 months HK$'m**	**1 to 5 years HK$'m**	**Over 5 years HK$'m**	**Total HK$'m**
Interest rate swaps						
Contract/notional amounts	**350**	**2,624**	**17,852**	**38,099**	**19,742**	**78,667**
Average fixed interest rate	**2.32%**	**2.99%**	**3.15%**	**3.34%**	**2.95%**	**N/A**

	2023					
	Up to 1 month HK$'m	1 to 3 months HK$'m	3 to 12 months HK$'m	1 to 5 years HK$'m	Over 5 years HK$'m	Total HK$'m
Interest rate swaps						
Contract/notional amounts	1,388	4,712	16,446	56,610	22,668	101,824
Average fixed interest rate	3.40%	3.48%	2.90%	3.22%	3.02%	N/A

24. Derivative financial instruments and hedge accounting (continued)

(b) Hedge accounting (continued)

Fair value hedges (continued)

The amounts relating to items designated as hedging instruments are as follows:

	2024			
	Contract/ notional amounts HK$'m	**Fair values**		**Change in fair value used for recognising hedge ineffectiveness HK$'m**
		Assets HK$'m	**Liabilities HK$'m**	
Derivative financial instruments				
Interest rate swaps	**78,667**	**3,668**	**(54)**	**(1,036)**

	2023			
	Contract/ notional amounts HK$'m	Fair values		Change in fair value used for recognising hedge ineffectiveness HK$'m
		Assets HK$'m	Liabilities HK$'m	
Derivative financial instruments				
Interest rate swaps	101,824	5,022	(142)	(2,480)

24. Derivative financial instruments and hedge accounting (continued)

(b) Hedge accounting (continued)

Fair value hedges (continued)

The amounts relating to hedged items are as follows:

	2024				
	Carrying amounts		Accumulated amount of fair value hedge adjustment included in the carrying amounts		Change in value used for recognising hedge ineffectiveness
	Assets HK$'m	Liabilities HK$'m	Assets HK$'m	Liabilities HK$'m	HK$'m
Investment in securities					
Debt securities	**74,911**	**–**	**(4,146)**	**–**	**990**
Debt securities and certificates of deposit in issue					
Senior notes	**–**	**–**	**–**	**–**	**(10)**
	74,911	**–**	**(4,146)**	**–**	**980**

	2023				
	Carrying amounts		Accumulated amount of fair value hedge adjustment included in the carrying amounts		Change in value used for recognising hedge ineffectiveness
	Assets HK$'m	Liabilities HK$'m	Assets HK$'m	Liabilities HK$'m	HK$'m
Investment in securities					
Debt securities	94,612	–	(5,833)	–	2,195
Debt securities and certificates of deposit in issue					
Senior notes	–	(1,999)	–	10	(63)
	94,612	(1,999)	(5,833)	10	2,132

Hedge ineffectiveness recognised is as follows:

	2024 HK$'m	2023 HK$'m
Net trading loss	**(56)**	(348)

25. Advances and other accounts

	2024 HK$'m	2023 HK$'m
Personal loans and advances	**600,944**	600,813
Corporate loans and advances	**1,075,942**	1,101,489
Advances to customers	**1,676,886**	1,702,302
Less: Impairment allowances		
– Stage 1	**(5,454)**	(4,110)
– Stage 2	**(1,551)**	(1,056)
– Stage 3	**(7,950)**	(9,555)
	1,661,931	1,687,581
Trade bills	**2,154**	3,751
Less: Impairment allowances		
– Stage 1	**(1)**	(1)
– Stage 2	**–**	–
– Stage 3	**–**	–
	2,153	3,750
Advances to banks and other financial institutions	**2,222**	1,815
Less: Impairment allowances		
– Stage 1	**(4)**	(2)
– Stage 2	**–**	–
– Stage 3	**–**	–
	2,218	1,813
	1,666,302	1,693,144

As at 31 December 2024, advances to customers included accrued interest of HK$5,519 million (2023: HK$5,731 million).

As at 31 December 2024, advances and other accounts at fair value through other comprehensive income and mandatorily classified at fair value through profit or loss amounted to HK$2,163 million (2023: HK$4,512 million) and HK$809 million (2023: HK$863 million) respectively.

As at 31 December 2024, impairment allowance of advances and other accounts at fair value through other comprehensive income amounted to HK$6 million (2023: HK$29 million) and was credited to other comprehensive income.

26. Investment in securities

	2024 **HK$'m**	2023 HK$'m
Investment in securities at fair value through other comprehensive income		
– Treasury bills	**474,367**	305,168
– Certificates of deposit	**43,341**	25,910
– Other debt securities	**529,461**	434,578
	1,047,169	765,656
– Equity securities	**4,531**	4,706
	1,051,700	770,362
Investment in securities at amortised cost		
– Treasury bills	**58**	12
– Certificates of deposit	**122**	1,214
– Other debt securities	**177,292**	206,899
	177,472	208,125
Less: Impairment allowances		
– Stage 1	**(50)**	(47)
– Stage 2	**–**	–
– Stage 3	**–**	–
	177,422	208,078
	1,229,122	978,440

26. Investment in securities (continued)

Investment in securities is analysed by place of listing as follows:

	2024 HK$'m	2023 HK$'m
Investment in securities at fair value through other comprehensive income		
Debt securities and certificates of deposit		
– Listed in Hong Kong	**91,396**	88,869
– Listed outside Hong Kong	**207,254**	174,722
– Unlisted	**748,519**	502,065
	1,047,169	765,656
Equity securities		
– Listed in Hong Kong	**966**	1,040
– Unlisted	**3,565**	3,666
	4,531	4,706
	1,051,700	770,362
Investment in securities at amortised cost		
Debt securities and certificates of deposit		
– Listed in Hong Kong	**15,597**	15,827
– Listed outside Hong Kong	**109,574**	122,043
– Unlisted	**52,251**	70,208
	177,422	208,078
	1,229,122	978,440
Market value of listed securities at amortised cost	**123,226**	134,598

Investment in securities is analysed by type of issuer as follows:

	2024 HK$'m	2023 HK$'m
Sovereigns	**682,918**	490,733
Public sector entities	**143,567**	109,128
Banks and other financial institutions	**324,209**	286,490
Corporate entities	**78,428**	92,089
	1,229,122	978,440

26. Investment in securities (continued)

The movements in investment in securities are summarised as follows:

	2024	
	At fair value through other comprehensive income HK$'m	At amortised cost HK$'m
At 1 January 2024	**770,362**	**208,078**
Additions	**1,524,535**	**45,525**
Disposals, redemptions and maturity	**(1,228,954)**	**(73,748)**
Amortisation	**2,439**	**(151)**
Change in fair value/fair value hedge adjustment	**1,214**	**24**
Net charge of impairment allowances	**–**	**(3)**
Exchange difference	**(17,896)**	**(2,303)**
At 31 December 2024	**1,051,700**	**177,422**

	2023	
	At fair value through other comprehensive income HK$'m	At amortised cost HK$'m
At 1 January 2023	697,817	239,196
Additions	1,316,600	40,655
Disposals, redemptions and maturity	(1,243,340)	(71,516)
Amortisation	3,460	617
Change in fair value/fair value hedge adjustment	6,888	213
Net reversal of impairment allowances	–	15
Exchange difference	(11,063)	(1,102)
At 31 December 2023	770,362	208,078

The Group has designated certain equity securities as equity securities at fair value through other comprehensive income. The fair value through other comprehensive income designation was made because these are held for strategic investments. Investments include subordinated Additional Tier 1 securities, listed and unlisted equity shares.

The Group derecognised certain equity securities at fair value through other comprehensive income with fair value of HK$488 million (2023: HK$233 million) during the year. The derecognition was made because of portfolio rebalancing and the redemption by issuer.

27. Interests in associates and joint ventures

	2024 HK$'m	2023 HK$'m
At 1 January	**1,275**	843
Addition of associates and joint ventures	**25**	1,102
Share of results	**(92)**	(215)
Share of tax	**(12)**	(13)
Dividend received	**–**	(431)
Exchange difference and others	**–**	(11)
At 31 December	**1,196**	1,275

The particulars of the Group's associates and joint ventures, all of which are unlisted, are as follows:

Name	Place of incorporation and operation	Issued share capital	Interest held	Principal activities
BOC Services Company Limited	Beijing, China	Registered capital RMB50,000,000	45%	Credit card back-end service support
FutureX Innovation Limited	Cayman Islands	US$1	20%	Investment holding
Golden Harvest (Cayman) Limited	Cayman Islands	US$100	49%	Investment holding
Joint Electronic Teller Services Limited	Hong Kong, China	HK$10,025,200	19.96%	Operation of a private inter-bank message switching network in respect of ATM services
Livi Bank Limited	Hong Kong, China	HK$3,792,000,000	49.91%	Banking business
Sunac Realtor Capital Limited	Cayman Islands	US$1	20%	Investment holding
Black Spade Asia Acquisition Co.	Cayman Islands	HK$195,000	10%	Investment holding
GBA Equity Fund II LPF	Hong Kong, China	N/A	10.20%	Fund

None of the above associates and joint ventures is considered individually or in aggregate material to the Group.

28. Investment properties

	2024 HK$'m	2023 HK$'m
At 1 January	**14,875**	16,069
Additions	**118**	26
Disposals	**(1)**	–
Fair value losses (Note 15)	**(1,487)**	(1,270)
Reclassification from properties, plant and equipment (Note 29)	**541**	50
At 31 December	**14,046**	14,875

The carrying value of investment properties is analysed based on the remaining terms of the leases as follows:

	2024 HK$'m	2023 HK$'m
Held in Hong Kong		
On long-term lease (over 50 years)	**4,562**	4,619
On medium-term lease (10 to 50 years)	**9,201**	9,937
Held outside Hong Kong		
On medium-term lease (10 to 50 years)	**232**	261
On short-term lease (less than 10 years)	**51**	58
	14,046	14,875

As at 31 December 2024, investment properties were included in the balance sheet at valuation carried out at 31 December 2024 on the basis of their fair value by an independent firm of chartered surveyors, Knight Frank Petty Limited. The fair value represents the price that would be received to sell each investment property in an orderly transaction with market participants at the measurement date.

29. Properties, plant and equipment

	Premises HK$'m	Equipment, fixtures and fittings HK$'m	Right-of-use assets* HK$'m	Total HK$'m
Net book value at 1 January 2024	39,455	1,051	1,232	41,738
Additions	1,045	249	782	2,076
Disposals	(6)	(4)	(24)	(34)
Revaluation	(2,877)	–	–	(2,877)
Depreciation for the year	(1,174)	(386)	(556)	(2,116)
Reclassification to investment properties (Note 28)	(541)	–	–	(541)
Exchange difference	1	(2)	(3)	(4)
Net book value at 31 December 2024	35,903	908	1,431	38,242
At 31 December 2024				
Cost or valuation	35,903	6,559	3,219	45,681
Accumulated depreciation and impairment	–	(5,651)	(1,788)	(7,439)
Net book value at 31 December 2024	35,903	908	1,431	38,242
The analysis of cost or valuation of the above assets is as follows:				
At 31 December 2024				
At cost	–	6,559	3,219	9,778
At valuation	35,903	–	–	35,903
	35,903	6,559	3,219	45,681

29. Properties, plant and equipment (continued)

	Premises HK$'m	Equipment, fixtures and fittings HK$'m	Right-of-use assets* HK$'m	Total HK$'m
Net book value at 1 January 2023	41,782	1,155	1,324	44,261
Additions	51	337	481	869
Disposals	(30)	(6)	–	(36)
Revaluation	(1,115)	–	–	(1,115)
Depreciation for the year	(1,181)	(433)	(569)	(2,183)
Reclassification to investment properties (Note 28)	(50)	–	–	(50)
Exchange difference	(2)	(2)	(4)	(8)
Net book value at 31 December 2023	39,455	1,051	1,232	41,738
At 31 December 2023				
Cost or valuation	39,455	6,557	2,814	48,826
Accumulated depreciation and impairment	–	(5,506)	(1,582)	(7,088)
Net book value at 31 December 2023	39,455	1,051	1,232	41,738
The analysis of cost or valuation of the above assets is as follows:				
At 31 December 2023				
At cost	–	6,557	2,814	9,371
At valuation	39,455	–	–	39,455
	39,455	6,557	2,814	48,826

* The right-of-use assets of the Group are mainly related to lease of properties.

29. Properties, plant and equipment (continued)

The carrying value of premises is analysed based on the remaining terms of the leases as follows:

	2024 HK$'m	2023 HK$'m
Held in Hong Kong		
On long-term lease (over 50 years)	**10,403**	11,608
On medium-term lease (10 to 50 years)	**25,217**	27,542
Held outside Hong Kong		
On long-term lease (over 50 years)	**51**	56
On medium-term lease (10 to 50 years)	**201**	217
On short-term lease (less than 10 years)	**31**	32
	35,903	39,455

As at 31 December 2024, premises were included in the balance sheet at valuation carried out at 31 December 2024 on the basis of their fair value by an independent firm of chartered surveyors, Knight Frank Petty Limited. The fair value represents the price that would be received to sell each premise in an orderly transaction with market participants at the measurement date.

As a result of the above-mentioned revaluations, changes in value of the premises were recognised as follows:

	2024 HK$'m	2023 HK$'m
Decrease in valuation charged to income statement (Note 16)	**(329)**	(130)
Decrease in valuation charged to other comprehensive income	**(2,548)**	(985)
	(2,877)	(1,115)

As at 31 December 2024, the net book value of premises that would have been included in the Group's balance sheet had the premises been carried at cost less accumulated depreciation and impairment losses was HK$9,528 million (2023: HK$9,181 million).

30. Other assets

	2024 HK$'m	2023 HK$'m
Precious metals	**15,176**	11,627
Intangible assets	**2,535**	2,382
Accounts receivable, prepayments and others	**55,415**	32,881
Insurance contract assets	**2**	2
Reinsurance contract assets	**35,878**	43,792
	109,006	90,684

The movements in intangible assets are summarised as follows:

	2024 HK$'m	2023 HK$'m
Net book value at 1 January	**2,382**	2,213
Additions	**934**	905
Amortisation for the year	**(781)**	(736)
Net book value at 31 December	**2,535**	2,382
At 31 December		
Cost	**7,849**	6,938
Accumulated amortisation and impairment	**(5,314)**	(4,556)
Net book value at 31 December	**2,535**	2,382

31. Hong Kong SAR currency notes in circulation

The Hong Kong SAR currency notes in circulation are secured by deposit of funds in respect of which the Hong Kong SAR Government certificates of indebtedness are held.

32. Financial liabilities at fair value through profit or loss

	2024 HK$'m	2023 HK$'m
Trading liabilities		
– Short positions in securities	**62,203**	59,850
Financial liabilities designated at fair value through profit or loss		
– Repurchase agreements	**5,807**	4,194
– Structured deposits (Note 33)	**10,811**	2,159
	16,618	6,353
	78,821	66,203

As at 31 December 2024 and 2023, the difference between the carrying amount of financial liabilities designated at fair value through profit or loss and the amount that the Group would be contractually required to pay at maturity to the holders was not significant.

33. Deposits from customers

	2024 HK$'m	2023 HK$'m
Current, savings and other deposit accounts (per balance sheet)	**2,713,410**	2,501,682
Structured deposits reported as financial liabilities at fair value through profit or loss (Note 32)	**10,811**	2,159
	2,724,221	2,503,841
Analysed by:		
Demand deposits and current accounts		
– Corporate	**156,246**	153,646
– Personal	**74,101**	62,720
	230,347	216,366
Savings deposits		
– Corporate	**549,864**	519,868
– Personal	**483,593**	451,245
	1,033,457	971,113
Time, call and notice deposits		
– Corporate	**789,749**	620,576
– Personal	**670,668**	695,786
	1,460,417	1,316,362
	2,724,221	2,503,841

34. Debt securities and certificates of deposit in issue

	2024 HK$'m	2023 HK$'m
At amortised cost		
– Senior notes under the Medium Term Note Programme, with fair value hedge adjustment(i)	–	1,999
– Renminbi bonds(ii)	5,296	–
	5,296	1,999

(i) In February 2022, BOCHK issued HK$2 billion senior notes, interest rate at 1.33% per annum payable semi-annually, due in 2024.

(ii) In November 2024, BOCHK issued RMB5 billion bonds, interest rate at 2% per annum payable annually, due in 2026.

35. Other accounts and provisions

	2024 HK$'m	2023 HK$'m
Other accounts payable and provisions	154,123	82,404
Lease liabilities	1,402	1,206
Impairment allowances on loan commitments and financial guarantee contracts		
– Stage 1	232	319
– Stage 2	97	30
– Stage 3	21	21
Reinsurance contract liabilities	29	714
	155,904	84,694

36. Deferred taxation

Deferred tax is recognised in respect of the temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements and unused tax credits in accordance with HKAS 12 "Income Taxes".

The major components of deferred tax (assets)/liabilities recorded in the balance sheet, and the movements during the year are as follows:

	2024					
	Accelerated tax depreciation HK$'m	Property revaluation HK$'m	Losses HK$'m	Impairment allowances HK$'m	Others HK$'m	Total HK$'m
At 1 January 2024	**865**	**5,911**	**(918)**	**(1,019)**	**(1,577)**	**3,262**
Charged/(credited) to income statement (Note 17)	**9**	**(195)**	**(80)**	**(251)**	**(341)**	**(858)**
(Credited)/charged to other comprehensive income	**–**	**(508)**	**–**	**–**	**79**	**(429)**
Release upon disposal of equity instruments at fair value through other comprehensive income	**–**	**–**	**–**	**–**	**7**	**7**
Exchange difference and others	**–**	**–**	**–**	**7**	**–**	**7**
At 31 December 2024	**874**	**5,208**	**(998)**	**(1,263)**	**(1,832)**	**1,989**

	2023					
	Accelerated tax depreciation HK$'m	Property revaluation HK$'m	Losses HK$'m	Impairment allowances HK$'m	Others HK$'m	Total HK$'m
At 1 January 2023	841	6,278	(831)	(1,128)	(1,976)	3,184
Charged/(credited) to income statement (Note 17)	24	(165)	(87)	109	(217)	(336)
(Credited)/charged to other comprehensive income	–	(202)	–	–	614	412
Release upon disposal of equity instruments at fair value through other comprehensive income	–	–	–	–	–	–
Exchange difference and others	–	–	–	–	2	2
At 31 December 2023	865	5,911	(918)	(1,019)	(1,577)	3,262

36. Deferred taxation (continued)

Deferred tax assets and liabilities are offset on an individual entity basis when there is a legal right to set off current tax assets against current tax liabilities and when the deferred taxation relates to the same authority. The following amounts, determined after appropriate offsetting, are shown in the balance sheet:

	2024 HK$'m	2023 HK$'m
Deferred tax assets	**(1,952)**	(1,480)
Deferred tax liabilities	**3,941**	4,742
	1,989	3,262

	2024 HK$'m	2023 HK$'m
Deferred tax assets to be recovered after more than twelve months	**(1,764)**	(1,453)
Deferred tax liabilities to be settled after more than twelve months	**4,935**	5,977
	3,171	4,524

As at 31 December 2024, the Group has no unrecognised deferred tax assets in respect of tax losses (2023: Nil).

37. Insurance contracts

(a) Reconciliation of remaining coverage and incurred claims for insurance contracts issued

	2024			
	Liabilities for remaining coverage			
	Excluding loss component HK$'m	Loss component HK$'m	Liabilities for incurred claims HK$'m	Total HK$'m
At 1 January	176,912	625	334	177,871
Insurance revenue	(2,695)	–	–	(2,695)
Insurance service expenses				
Incurred claims and other directly attributable expenses	–	(11)	441	430
Amortisation of insurance acquisition cash flows	367	–	–	367
Changes that relate to past service – changes in the fulfilment cash flow relating to the liabilities for incurred claims	–	–	(5)	(5)
Losses on onerous contracts and reversals of those losses	–	287	–	287
Losses for the net outflow recognised on initial recognition	–	138	–	138
	367	414	436	1,217
Insurance finance expenses/(income)	3,873	45	(3)	3,915
Investment components	(31,927)	–	31,927	–
Cash flows				
Premiums received	37,674	–	–	37,674
Claims and other directly attributable expenses paid	–	–	(32,375)	(32,375)
Insurance acquisition cash flows	(1,854)	–	–	(1,854)
	35,820	–	(32,375)	3,445
At 31 December	182,350	1,084	319	183,753
Insurance contract liabilities	182,352	1,084	319	183,755
Insurance contract assets	(2)	–	–	(2)
	182,350	1,084	319	183,753

37. Insurance contracts (continued)

(a) Reconciliation of remaining coverage and incurred claims for insurance contracts issued (continued)

	2023			
	Liabilities for remaining coverage			
	Excluding loss component HK$'m	Loss component HK$'m	Liabilities for incurred claims HK$'m	Total HK$'m
At 1 January	168,674	160	409	169,243
Insurance revenue	(1,897)	–	–	(1,897)
Insurance service expenses				
Incurred claims and other directly attributable expenses	–	(6)	478	472
Amortisation of insurance acquisition cash flows	177	–	–	177
Changes that relate to past service – changes in the fulfilment cash flow relating to the liabilities for incurred claims	–	–	(13)	(13)
Losses on onerous contracts and reversals of those losses	–	354	–	354
Losses for the net outflow recognised on initial recognition	–	69	–	69
	177	417	465	1,059
Insurance finance expenses/(income)	8,047	48	(5)	8,090
Investment components	(22,342)	–	22,342	–
Cash flows				
Premiums received	25,743	–	–	25,743
Claims and other directly attributable expenses paid	–	–	(22,877)	(22,877)
Insurance acquisition cash flows	(1,490)	–	–	(1,490)
	24,253	–	(22,877)	1,376
At 31 December	176,912	625	334	177,871
Insurance contract liabilities	176,917	625	331	177,873
Insurance contract assets	(5)	–	3	(2)
	176,912	625	334	177,871

37. Insurance contracts (continued)

(b) Reconciliation of the measurement components of insurance contracts not measured under the premium allocation approach

	2024			
		Contractual service margin		
	Present value of future cash flows and risk adjustment for non-financial risk HK$'m	Contracts recognised after transition date HK$'m	Contracts measured under the fair value approach at transition HK$'m	Total HK$'m
At 1 January	**166,528**	**4,470**	**6,863**	**177,861**
Changes that relate to current service				
Contractual service margin recognised for the service provided	**–**	**(572)**	**(1,034)**	**(1,606)**
Change in the risk adjustment for non-financial risk for the risk expired	**(41)**	**–**	**–**	**(41)**
Experience adjustments	**(228)**	**–**	**–**	**(228)**
	(269)	**(572)**	**(1,034)**	**(1,875)**
Changes that relate to future service				
Changes in estimates that adjust the contractual service margin	**140**	**446**	**(586)**	**–**
Changes in estimates that result in onerous contract losses and reversals of those losses	**287**	**–**	**–**	**287**
Contracts initially recognised	**(3,998)**	**4,136**	**–**	**138**
	(3,571)	**4,582**	**(586)**	**425**
Changes that relate to past service				
Changes in the fulfilment cash flow relating to the liabilities for incurred claims	**(5)**	**–**	**–**	**(5)**
Experience adjustments	**–**	**–**	**–**	**–**
	(5)	**–**	**–**	**(5)**
Insurance finance expenses/(income)	**3,861**	**(82)**	**136**	**3,915**
Cash flows				
Premiums received	**37,634**	**–**	**–**	**37,634**
Claims and other directly attributable expenses paid	**(32,351)**	**–**	**–**	**(32,351)**
Insurance acquisition cash flows	**(1,851)**	**–**	**–**	**(1,851)**
	3,432	**–**	**–**	**3,432**
At 31 December	**169,976**	**8,398**	**5,379**	**183,753**
Insurance contract liabilities	**169,977**	**8,398**	**5,379**	**183,754**
Insurance contract assets	**(1)**	**–**	**–**	**(1)**
	169,976	**8,398**	**5,379**	**183,753**

37. Insurance contracts (continued)

(b) Reconciliation of the measurement components of insurance contracts not measured under the premium allocation approach (continued)

	2023			
		Contractual service margin		
	Present value of future cash flows and risk adjustment for non-financial risk HK$'m	Contracts recognised after transition date HK$'m	Contracts measured under the fair value approach at transition HK$'m	Total HK$'m
At 1 January	158,233	1,750	9,256	169,239
Changes that relate to current service				
Contractual service margin recognised for the service provided	–	(246)	(895)	(1,141)
Change in the risk adjustment for non-financial risk for the risk expired	(23)	–	–	(23)
Experience adjustments	(91)	–	–	(91)
	(114)	(246)	(895)	(1,255)
Changes that relate to future service				
Changes in estimates that adjust the contractual service margin	1,599	(8)	(1,591)	–
Changes in estimates that result in onerous contract losses and reversals of those losses	354	–	–	354
Contracts initially recognised	(2,926)	2,995	–	69
	(973)	2,987	(1,591)	423
Changes that relate to past service				
Changes in the fulfilment cash flow relating to the liabilities for incurred claims	(13)	–	–	(13)
Experience adjustments	–	–	–	–
	(13)	–	–	(13)
Insurance finance expenses/(income)	8,018	(21)	93	8,090
Cash flows				
Premiums received	25,736	–	–	25,736
Claims and other directly attributable expenses paid	(22,869)	–	–	(22,869)
Insurance acquisition cash flows	(1,490)	–	–	(1,490)
	1,377	–	–	1,377
At 31 December	166,528	4,470	6,863	177,861
Insurance contract liabilities	166,529	4,470	6,863	177,862
Insurance contract assets	(1)	–	–	(1)
	166,528	4,470	6,863	177,861

37. Insurance contracts (continued)

(c) Impact of insurance contracts recognised in the year

	2024		
	Non-onerous contracts originated HK$'m	**Onerous contracts originated HK$'m**	**Total HK$'m**
Estimates of the present value of future cash outflows			
Insurance acquisition cash flows	**1,717**	**453**	**2,170**
Claims and other directly attributable expenses	**24,802**	**7,754**	**32,556**
	26,519	**8,207**	**34,726**
Estimates of the present value of future cash inflows	**(30,720)**	**(8,080)**	**(38,800)**
Risk adjustment for non-financial risk	**65**	**11**	**76**
Contractual service margin	**4,136**	**–**	**4,136**
Loss component on initial recognition	**–**	**138**	**138**

	2023		
	Non-onerous contracts originated HK$'m	Onerous contracts originated HK$'m	Total HK$'m
Estimates of the present value of future cash outflows			
Insurance acquisition cash flows	1,661	227	1,888
Claims and other directly attributable expenses	15,473	4,310	19,783
	17,134	4,537	21,671
Estimates of the present value of future cash inflows	(20,167)	(4,474)	(24,641)
Risk adjustment for non-financial risk	38	6	44
Contractual service margin	2,995	–	2,995
Loss component on initial recognition	–	69	69

37. Insurance contracts (continued)

(d) Expected release of the contractual service margin

An analysis of the expected release of the contractual service margin remaining at the end of the reporting period charge to income statement after the reporting date is provided in the following table:

	2024			
	Less than 1 year HK$'m	**1 to 5 years HK$'m**	**Over 5 years HK$'m**	**Total HK$'m**
Insurance contracts issued	**1,078**	**3,427**	**9,272**	**13,777**

	2023			
	Less than 1 year HK$'m	1 to 5 years HK$'m	Over 5 years HK$'m	Total HK$'m
Insurance contracts issued	837	2,729	7,767	11,333

The amounts disclosed in the table include projections of the contractual service margin recognition for the services that will be provided or received in the future for the contracts in force as at the reporting date, but do not take account of future interest accretion under the general measurement model and future adjustments of the contractual service margin reflecting changes in the variable fee for contracts under the variable fee approach.

38. Subordinated liabilities

	2024 HK$'m	2023 HK$'m
Subordinated loans, at amortised cost		
RMB10.0 billion(i)	–	11,018
USD1.0 billion(ii)	–	7,869
USD1.0 billion(iii)	–	7,853
RMB17.0 billion(iv)	–	18,704
USD1.0 billion(v)	–	7,836
RMB20.0 billion(vi)	–	22,043
RMB28.5 billion(vii)	**30,282**	–
RMB7.5 billion(viii)	**7,965**	–
RMB7.5 billion(ix)	**7,959**	–
RMB17.0 billion(x)	**18,037**	–
RMB7.3 billion(xi)	**7,739**	–
	71,982	75,323

In compliance with the applicable internal loss-absorbing capacity requirements under LAC rules, BOC has granted non-capital loss-absorbing capacity debt instruments totalling RMB67.8 billion to BOCHK in 2024.

(i) Interest rate at 2.47% per annum payable annually, early repaid in 2024.

(ii) Interest rate at 5.30% per annum payable annually, early repaid in 2024.

(iii) Interest rate at 5.02% per annum payable annually, early repaid in 2024.

(iv) Interest rate at 2.85% per annum payable annually, early repaid in 2024.

(v) Interest rate at 4.99% per annum payable annually, early repaid in 2024.

(vi) Interest rate at 2.67% per annum payable annually, early repaid in 2024.

(vii) Interest rate at 2.11% per annum payable annually, due in 2026 with early repayment option.

(viii) Interest rate at 2.19% per annum payable annually, due in 2028 with early repayment option.

(ix) Interest rate at 2.13% per annum payable annually, due in 2028 with early repayment option.

(x) Interest rate at 2.28% per annum payable annually, due in 2030 with early repayment option.

(xi) Interest rate at 2.10% per annum payable annually, due in 2030 with early repayment option.

39. Share capital

	2024 HK$'m	2023 HK$'m
Issued and fully paid:		
10,572,780,266 ordinary shares	**52,864**	52,864

40. Notes to consolidated cash flow statement

(a) Reconciliation of operating profit to operating cash inflow before taxation

	2024 HK$'m	2023 HK$'m
Operating profit	**48,677**	42,558
Depreciation and amortisation	**2,867**	2,919
Net charge of impairment allowances	**5,082**	6,333
Unwind of discount on impairment allowances	**(162)**	(143)
Advances written off net of recoveries	**(4,550)**	(2,955)
Interest expense on lease liabilities	**42**	41
Change in subordinated liabilities	**470**	1,413
Change in balances and placements with banks and other financial institutions with original maturity over three months	**(56,147)**	(5,111)
Change in financial assets at fair value through profit or loss	**(53,217)**	(21,460)
Change in derivative financial instruments	**(4,477)**	(1,092)
Change in advances and other accounts	**26,606**	(52,255)
Change in investment in securities	**(234,616)**	23,960
Change in other assets	**(26,057)**	(9,793)
Change in deposits and balances from banks and other financial institutions	**(21,621)**	57,047
Change in financial liabilities at fair value through profit or loss	**12,618**	6,750
Change in deposits from customers	**211,728**	124,475
Change in debt securities and certificates of deposit in issue	**3,297**	(1,637)
Change in other accounts and provisions	**71,718**	15,263
Change in insurance and reinsurance contract assets/liabilities	**11,926**	12,069
Effect of changes in exchange rates	**13,987**	5,495
Operating cash inflow before taxation	**8,171**	203,877

40. Notes to consolidated cash flow statement (continued)

(b) Reconciliation of liabilities arising from financing activities

	2024 HK$'m	2023 HK$'m
Subordinated liabilities		
At 1 January	**75,323**	76,393
Cash flows:		
Payment for redemption of subordinated liabilities	**(73,045)**	(21,937)
Interest paid for subordinated liabilities	**(2,535)**	(2,483)
Proceeds from subordinated liabilities	**71,769**	21,937
Non-cash changes:		
Exchange difference	**(1,977)**	(1,096)
Other changes	**2,447**	2,509
At 31 December	**71,982**	75,323

	2024 HK$'m	2023 HK$'m
Lease liabilities		
At 1 January	**1,206**	1,298
Cash flows:		
Payment of lease liabilities	**(600)**	(613)
Non-cash changes:		
Additions	**778**	480
Disposal	**(24)**	–
Other changes	**42**	41
At 31 December	**1,402**	1,206

(c) Analysis of the balances of cash and cash equivalents

	2024 HK$'m	2023 HK$'m
Cash and balances and placements with banks and other financial institutions with original maturity within three months	**492,709**	345,438
Treasury bills, certificates of deposit and other debt instruments with original maturity within three months		
– financial assets at fair value through profit or loss	**29,840**	229,191
– investment in securities	**126,739**	112,301
	649,288	686,930

41. Contingent liabilities and commitments

The following is a summary of the contractual amounts of each significant class of contingent liability and commitment and the aggregate credit risk-weighted amount and is prepared with reference to the completion instructions for the HKMA return of capital adequacy ratio.

	2024 HK$'m	2023 HK$'m
Direct credit substitutes	**1,104**	1,117
Transaction-related contingencies	**35,614**	28,132
Trade-related contingencies	**12,609**	16,068
Commitments that are unconditionally cancellable without prior notice	**625,977**	628,682
Other commitments with an original maturity of		
– up to one year	**16,093**	16,520
– over one year	**162,762**	168,212
	854,159	858,731
Credit risk-weighted amount	**74,205**	78,102

The credit risk-weighted amount is calculated in accordance with the Banking (Capital) Rules. The amount is dependent upon the status of the counterparty and the maturity characteristics of each type of contract.

42. Capital commitments

The Group has the following outstanding capital commitments not provided for in the financial statements:

	2024 HK$'m	2023 HK$'m
Authorised and contracted for but not provided for	**446**	592
Authorised but not contracted for	**132**	49
	578	641

The above capital commitments mainly relate to commitments to purchase computer equipment and software, and to renovate the Group's premises.

43. Operating lease commitments

As lessor

The Group has contracted with tenants for the following future minimum lease receivables under non-cancellable operating leases:

	2024 HK$'m	2023 HK$'m
Properties and equipment		
– Not later than one year	**375**	385
– One to two years	**199**	228
– Two to three years	**81**	73
– Three to four years	**4**	–
– Four to five years	**–**	–
	659	686

The Group leases its investment properties under operating lease arrangements, with leases typically for a period from one to three 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 upon the lease renewal.

44. Litigation

The Group has been served a number of claims and counterclaims by various independent parties. These claims and counterclaims are in relation to the normal commercial activities of the Group.

No material provision was made against these claims and counterclaims because the directors believe that the Group has meritorious defences against the claimants or the amounts involved in these claims are not expected to be material.

45. Segmental reporting

The Group manages the business mainly from a business segment perspective and over 90% of the Group's revenues, profits before tax and assets are derived from Hong Kong. Currently, four operating segments are identified: Personal Banking, Corporate Banking, Treasury and Insurance. The classification of the Group's operating segments is based on customer segment and product type, which is aligned with the RPC (relationship, product and channel) management model of the Group.

Both Personal Banking and Corporate Banking provide general banking services including various deposit products, overdrafts, loans, credit cards, trade related products and other credit facilities, investment and insurance products, and foreign currency and derivative products. Personal Banking mainly serves retail customers and small enterprises, while Corporate Banking mainly deals with corporate customers. Treasury manages the funding and liquidity, and the interest rate and foreign exchange positions of the Group in addition to proprietary trades. The Insurance segment represents business mainly relating to life insurance products, including individual life insurance and group life insurance products. "Others" mainly represents the Group's holdings of premises, investment properties, equity investments, certain interests in associates and joint ventures and the businesses of the Southeast Asian entities.

Measurement of segment assets, liabilities, income, expenses, results and capital expenditure is based on the Group's accounting policies. The segment information includes items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Inter-segment funding is charged according to the internal funds transfer pricing mechanism of the Group, which is primarily based on market rates with the consideration of specific features of the product.

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. Under the same consideration, insurance service result is also presented on a net basis.

45. Segmental reporting (continued)

	Personal Banking HK$'m	Corporate Banking HK$'m	Treasury HK$'m	Insurance HK$'m	Others HK$'m	Subtotal HK$'m	Eliminations HK$'m	Consolidated HK$'m
Year ended 31 December 2024								
Net interest (expense)/income								
– External	(12,632)	12,902	43,094	5,116	3,854	52,334	–	52,334
– Inter-segment	31,537	6,134	(37,549)	(119)	(3)	–	–	–
	18,905	19,036	5,545	4,997	3,851	52,334	–	52,334
Net fee and commission income/(expense)								
– External	7,724	3,763	275	(2,567)	698	9,893	–	9,893
– Inter-segment	(2,515)	5	131	2,561	676	858	(858)	–
	5,209	3,768	406	(6)	1,374	10,751	(858)	9,893
Insurance service result	–	–	–	1,603	–	1,603	148	1,751
Net trading gain/(loss)	546	1,674	10,197	(2,136)	688	10,969	19	10,988
Net loss on other financial instruments at fair value through profit or loss	(11)	–	(376)	(397)	–	(784)	2	(782)
Net gain/(loss) on other financial instruments	–	5	(1,301)	(123)	3	(1,416)	–	(1,416)
Insurance finance (expenses)/income	–	–	–	(2,139)	–	(2,139)	–	(2,139)
Other operating income	31	1	37	17	1,748	1,834	(1,210)	624
Net operating income before impairment allowances	24,680	24,484	14,508	1,816	7,664	73,152	(1,899)	71,253
Net (charge)/reversal of impairment allowances	(388)	(4,328)	(98)	1	(269)	(5,082)	–	(5,082)
Net operating income	24,292	20,156	14,410	1,817	7,395	68,070	(1,899)	66,171
Operating expenses	(10,011)	(3,961)	(1,731)	(96)	(3,594)	(19,393)	1,899	(17,494)
Operating profit	14,281	16,195	12,679	1,721	3,801	48,677	–	48,677
Net loss from disposal of/fair value adjustments on investment properties	–	–	–	–	(1,487)	(1,487)	–	(1,487)
Net loss from disposal/revaluation of properties, plant and equipment	(2)	–	–	–	(330)	(332)	–	(332)
Share of results after tax of associates and joint ventures	(15)	–	2	23	(114)	(104)	–	(104)
Profit before taxation	14,264	16,195	12,681	1,744	1,870	46,754	–	46,754
At 31 December 2024								
ASSETS								
Segment assets	632,499	1,012,672	2,218,383	191,679	193,582	4,248,815	(55,603)	4,193,212
Interests in associates and joint ventures	98	–	5	357	736	1,196	–	1,196
	632,597	1,012,672	2,218,388	192,036	194,318	4,250,011	(55,603)	4,194,408
LIABILITIES								
Segment liabilities	1,373,979	1,324,199	893,360	188,541	127,702	3,907,781	(55,603)	3,852,178
Year ended 31 December 2024								
Other information								
Capital expenditure	64	71	–	106	2,887	3,128	–	3,128
Depreciation and amortisation	1,067	338	142	86	1,277	2,910	(43)	2,867

45. Segmental reporting (continued)

	Personal Banking HK$'m	Corporate Banking HK$'m	Treasury HK$'m	Insurance HK$'m	Others HK$'m	Subtotal HK$'m	Eliminations HK$'m	Consolidated HK$'m
Year ended 31 December 2023								
Net interest (expense)/income								
– External	(11,050)	19,864	34,195	4,499	3,570	51,078	–	51,078
– Inter-segment	30,784	438	(30,764)	(100)	(358)	–	–	–
	19,734	20,302	3,431	4,399	3,212	51,078	–	51,078
Net fee and commission income/(expense)								
– External	6,393	3,820	185	(2,054)	823	9,167	–	9,167
– Inter-segment	(2,005)	4	125	2,043	577	744	(744)	–
	4,388	3,824	310	(11)	1,400	9,911	(744)	9,167
Insurance service result	–	–	–	828	–	828	118	946
Net trading gain/(loss)	515	1,752	6,113	(734)	657	8,303	12	8,315
Net gain/(loss) on other financial instruments at fair value through profit or loss	39	–	(142)	2,379	–	2,276	1	2,277
Net gain/(loss) on other financial instruments	–	10	(1,322)	(151)	(5)	(1,468)	–	(1,468)
Insurance finance (expenses)/income	–	–	–	(5,430)	–	(5,430)	–	(5,430)
Other operating income	27	1	31	16	1,743	1,818	(1,205)	613
Net operating income before impairment allowances	24,703	25,889	8,421	1,296	7,007	67,316	(1,818)	65,498
Net (charge)/reversal of impairment allowances	(392)	(6,212)	(1)	(1)	273	(6,333)	–	(6,333)
Net operating income	24,311	19,677	8,420	1,295	7,280	60,983	(1,818)	59,165
Operating expenses	(9,607)	(3,811)	(1,457)	(97)	(3,453)	(18,425)	1,818	(16,607)
Operating profit	14,704	15,866	6,963	1,198	3,827	42,558	–	42,558
Net loss from disposal of/fair value adjustments on investment properties	–	–	–	–	(1,270)	(1,270)	–	(1,270)
Net loss from disposal/revaluation of properties, plant and equipment	(1)	–	–	–	(134)	(135)	–	(135)
Share of results after tax of associates and joint ventures	(22)	–	5	–	(222)	(239)	–	(239)
Profit before taxation	14,681	15,866	6,968	1,198	2,201	40,914	–	40,914
At 31 December 2023								
ASSETS								
Segment assets	629,699	1,041,554	1,884,129	187,152	189,328	3,931,862	(64,354)	3,867,508
Interests in associates and joint ventures	113	–	3	309	850	1,275	–	1,275
	629,812	1,041,554	1,884,132	187,461	190,178	3,933,137	(64,354)	3,868,783
LIABILITIES								
Segment liabilities	1,366,745	1,120,307	819,223	182,912	120,521	3,609,708	(64,354)	3,545,354
Year ended 31 December 2023								
Other information								
Capital expenditure	41	19	1	52	1,681	1,794	–	1,794
Depreciation and amortisation	1,088	324	127	81	1,340	2,960	(41)	2,919

46. Offsetting financial instruments

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

	2024					
	Gross amounts of recognised financial assets HK$'m	Gross amounts of recognised financial liabilities set off in the balance sheet HK$'m	Net amounts of financial assets presented in the balance sheet HK$'m	Related amounts not set off in the balance sheet: Financial instruments* HK$'m	Related amounts not set off in the balance sheet: Cash collateral received HK$'m	Net amount HK$'m
Assets						
Derivative financial instruments	56,770	–	56,770	(31,851)	(18,675)	6,244
Reverse repurchase agreements	27,879	–	27,879	(27,879)	–	–
Securities borrowing agreements	3,800	–	3,800	(3,800)	–	–
Other assets	15,585	(8,694)	6,891	(1)	–	6,890
	104,034	(8,694)	95,340	(63,531)	(18,675)	13,134

	2024					
	Gross amounts of recognised financial liabilities HK$'m	Gross amounts of recognised financial assets set off in the balance sheet HK$'m	Net amounts of financial liabilities presented in the balance sheet HK$'m	Related amounts not set off in the balance sheet: Financial instruments* HK$'m	Related amounts not set off in the balance sheet: Cash collateral pledged HK$'m	Net amount HK$'m
Liabilities						
Derivative financial instruments	42,548	–	42,548	(31,613)	(8,613)	2,322
Repurchase agreements	96,933	–	96,933	(96,933)	–	–
Other liabilities	8,995	(8,694)	301	(1)	–	300
	148,476	(8,694)	139,782	(128,547)	(8,613)	2,622

46. Offsetting financial instruments (continued)

	2023					
				Related amounts not set off in the balance sheet		
	Gross amounts of recognised financial assets HK$'m	Gross amounts of recognised financial liabilities set off in the balance sheet HK$'m	Net amounts of financial assets presented in the balance sheet HK$'m	Financial instruments* HK$'m	Cash collateral received HK$'m	Net amount HK$'m
Assets						
Derivative financial instruments	37,191	–	37,191	(23,668)	(12,310)	1,213
Reverse repurchase agreements	21,771	–	21,771	(21,771)	–	–
Securities borrowing agreements	3,800	–	3,800	(3,800)	–	–
Other assets	15,689	(11,684)	4,005	–	–	4,005
	78,451	(11,684)	66,767	(49,239)	(12,310)	5,218

	2023					
				Related amounts not set off in the balance sheet		
	Gross amounts of recognised financial liabilities HK$'m	Gross amounts of recognised financial assets set off in the balance sheet HK$'m	Net amounts of financial liabilities presented in the balance sheet HK$'m	Financial instruments* HK$'m	Cash collateral pledged HK$'m	Net amount HK$'m
Liabilities						
Derivative financial instruments	28,454	–	28,454	(23,614)	(2,288)	2,552
Repurchase agreements	44,495	–	44,495	(44,495)	–	–
Other liabilities	14,964	(11,684)	3,280	–	–	3,280
	87,913	(11,684)	76,229	(68,109)	(2,288)	5,832

* Including non-cash collateral.

For master netting agreements of OTC derivative, sale and repurchase and securities lending and borrowing transactions entered into by the Group, related amounts with the same counterparty can be offset if an event of default or other predetermined events occur.

47. Assets pledged as security

As at 31 December 2024, the liabilities of the Group amounting to HK$31,957 million (2023: HK$38,253 million) were secured by assets deposited with central depositories to facilitate settlement operations. In addition, the liabilities of the Group amounting to HK$116,933 million (2023: HK$84,241 million) were secured by debt securities related to sale and repurchase arrangements. The amount of assets pledged by the Group to secure these liabilities was HK$149,091 million (2023: HK$122,929 million) mainly included in "Financial assets at fair value through profit or loss" and "Investment in securities".

In addition, the Group pledges securities amounting to HK$3,179 million (2023: HK$3,271 million) as initial margin of derivative transactions.

48. Transfers of financial assets

Transferred financial assets that do not qualify for derecognition include debt securities held by counterparties as collateral under sale and repurchase agreements. The counterparties are allowed to sell or re-pledge these securities in the absence of default by the Group, but have an obligation to return the securities upon maturity of the contract. These securities are not derecognised since the Group retains substantially all the risks and rewards. Amounts received under sale and repurchase agreements are recognised as financial liabilities.

The following table analyses the carrying amount of the financial assets transferred to counterparties that do not qualify for derecognition and their associated financial liabilities:

	2024		2023	
	Carrying amount of transferred assets HK$'m	**Carrying amount of associated liabilities HK$'m**	Carrying amount of transferred assets HK$'m	Carrying amount of associated liabilities HK$'m
Repurchase agreements	**97,135**	**96,933**	44,389	43,866

49. Interests in unconsolidated structured entities

The Group involves a number of investment funds in the normal course of business, which meet the definition of unconsolidated structured entities, and earns management fee and trustee fee from those sponsored by the Group. The Group's investment holding interests in the unconsolidated structured entities were recognised in financial assets measured at FVPL. As at 31 December 2024, the total net asset value of unconsolidated structured entities sponsored by the Group amounted to HK$302,388 million (2023: HK$187,435 million). Interests in unconsolidated structured entities sponsored by the Group amounted to HK$660 million (2023: HK$511 million) and interests in those sponsored by other financial institutions amounted to HK$21,317 million (2023: HK$12,078 million). For the year ended 31 December 2024, the above-mentioned management fee and trustee fee amounted to HK$776 million (2023: HK$660 million). The maximum exposure to loss from Group's interests in these fund investments is equal to the total fair value of its investments in these funds.

50. Loans to directors

Particulars of loans made to directors of the Company pursuant to section 383 of the Hong Kong Companies Ordinance and Part 3 of the Companies (Disclosure of Information about Benefits of Directors) Regulation are as follows:

	2024 HK$'m	2023 HK$'m
Aggregate amount of relevant transactions outstanding at year end	**5**	5
Maximum aggregate amount of relevant transactions outstanding during the year	**6**	5

51. Significant related party transactions

The Group is subject to the control of the State Council of the PRC Government through China Investment Corporation ("CIC"), its wholly-owned subsidiary Central Huijin Investment Ltd. ("Central Huijin"), and BOC in which Central Huijin has controlling equity interests.

(a) Transactions with the parent companies and the other companies controlled by the parent companies

General information of the parent companies:

The Group is controlled by BOC. Central Huijin is the controlling entity of BOC, and it is a wholly-owned subsidiary of CIC which is a wholly state-owned company engaging in foreign currency investment management.

Central Huijin has controlling equity interests in certain other entities in the PRC.

The Group enters into banking and other transactions with these entities in the normal course of business which include loans, investment securities, money market and reinsurance transactions.

51. Significant related party transactions (continued)

(a) Transactions with the parent companies and the other companies controlled by the parent companies (continued)

The majority of transactions with BOC arise from money market activities. Related party transactions with BOC as disclosed below constitute connected transactions as defined in Chapter 14A of the Listing Rules but under exemption from its disclosure requirement.

	2024 HK$'m	2023 HK$'m
Income statement items		
– Interest income	**3,190**	2,520
– Interest expenses	**3,694**	4,240
Balance sheet items		
– Cash and balances and placements with banks and other financial institutions	**117,459**	134,248
– Other assets	**585**	3,727
– Investment in securities	**14,070**	8,009
– Deposits and balances from banks and other financial institutions	**74,463**	75,445

Related party transactions with subsidiaries of BOC are summarised as below:

	2024 HK$'m	2023 HK$'m
Balance sheet items		
– Cash and balances and placements with banks and other financial institutions	**1,627**	516
– Advances and other accounts	**12,109**	2,416
– Deposits and balances from banks and other financial institutions	**16,693**	19,238

For details of subordinated liabilities granted by BOC, please refer to Note 38.

Except as disclosed above, other transactions with BOC and with companies controlled by BOC are not considered significant.

51. Significant related party transactions (continued)

(b) Transactions with government authorities, agencies, affiliates and other state controlled entities

The Group is subject to the control of the State Council of the PRC Government through CIC and Central Huijin, which also directly or indirectly controls a significant number of entities through its government authorities, agencies, affiliates and other state controlled entities. The Group enters into banking transactions with government authorities, agencies, affiliates and other state controlled entities in the normal course of business at commercial terms.

These transactions include, but are not limited to, the following:

- lending, provision of credits and guarantees, and deposit taking;
- inter-bank balance taking and placing;
- sales, purchases, underwriting and redemption of bonds issued by other state controlled entities;
- rendering of foreign exchange, remittance and investment related services;
- provision of fiduciary activities; and
- purchase of utilities, transport, telecommunication and postage services.

(c) Summary of transactions entered into during the ordinary course of business with associates, joint ventures and other related parties

The Group enters into banking and other transactions with associates, joint ventures and other related parties which include but are not limited to loans, investment securities and money market transactions. The aggregate income/expenses and balances arising from related party transactions with these entities are summarised as follows:

	2024 HK$'m	2023 HK$'m
Income statement items		
Associates and joint ventures		
– Fee and commission income	**12**	20
– Other operating expenses	**14**	70
Balance sheet items		
Associates and joint ventures		
– Investment in securities	**957**	941
– Deposits and balances from banks and other financial institutions	**49**	406

51. Significant related party transactions (continued)

(c) Summary of transactions entered into during the ordinary course of business with associates, joint ventures and other related parties (continued)

The related party transactions in respect of the other operating expenses arising from associates and joint ventures above constitute connected transactions as defined in Chapter 14A of the Listing Rules and the required disclosures are provided in "Connected transactions" on pages 304 to 305.

Except as disclosed above, other transactions with associates, joint ventures and other related parties of the Group are not considered significant.

(d) Key management personnel

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the Group, directly or indirectly, including directors and senior management. The Group accepts deposits from and grants loans and credit facilities to key management personnel in the ordinary course of business. During both the current and prior years, no significant transaction was conducted with key management personnel of the Company and its holding companies, as well as parties related to them.

The compensation of key management personnel for the year ended 31 December is detailed as follows:

	2024 **HK$'m**	2023 HK$'m
Salaries and other short-term employee benefits	**43**	38

52. International claims

The below analysis is prepared with reference to the completion instructions for the HKMA return of international banking statistics. In response to the HKMA revision of the relevant completion instructions, which took effect at the end of September 2024, the following analysis for the year is prepared with reference to the revised completion instructions. International claims are exposures to counterparties on which the ultimate risk lies based on the locations of the counterparties after taking into account the transfer of risk, and represent the sum of cross-border claims in all currencies and local claims in foreign currencies. For a claim guaranteed by a party situated in a location different from the counterparty, the risk will be transferred to the location of the guarantor. For a claim on an overseas branch of a bank whose head office is located in another location, the risk will be transferred to the location where its head office is located.

Claims on individual countries/regions, after risk transfer, amounting to 10% or more of the aggregate international claims of the Group in either year end are shown as follows:

	2024				
			Non-bank private sector		
	Banks HK$'m	**Official sector HK$'m**	**Non-bank financial institutions HK$'m**	**Non-financial private sector HK$'m**	**Total HK$'m**
Chinese mainland	**339,628**	**344,179**	**14,223**	**63,022**	**761,052**
Hong Kong, China	**13,587**	**17,796**	**35,876**	**366,393**	**433,652**
United States	**23,897**	**191,831**	**58,687**	**8,145**	**282,560**

	2023				
			Non-bank private sector		
	Banks HK$'m	Official sector HK$'m	Non-bank financial institutions HK$'m	Non-financial private sector HK$'m	Total HK$'m
Chinese mainland	330,222	391,169	12,064	116,644	850,099
Hong Kong, China	8,439	16,902	43,698	357,831	426,870
United States	29,635	146,302	14,412	24,334	214,683

53. Non-bank Mainland exposures

The analysis of non-bank Mainland exposures is based on the categories of non-bank counterparties and the types of direct exposures with reference to the completion instructions for the HKMA return of Mainland activities, which includes the Mainland exposures extended by BOCHK's Hong Kong office only.

	2024			
	Items in the HKMA return	On-balance sheet exposure HK$'m	Off-balance sheet exposure HK$'m	Total exposure HK$'m
Central government, central government-owned entities and their subsidiaries and joint ventures	1	**333,254**	**43,226**	**376,480**
Local governments, local government-owned entities and their subsidiaries and joint ventures	2	**71,221**	**3,893**	**75,114**
PRC nationals residing in Mainland or other entities incorporated in Mainland and their subsidiaries and joint ventures	3	**105,293**	**11,873**	**117,166**
Other entities of central government not reported in item 1 above	4	**27,687**	**2,804**	**30,491**
Other entities of local governments not reported in item 2 above	5	**900**	**1**	**901**
PRC nationals residing outside Mainland or entities incorporated outside Mainland where the credit is granted for use in Mainland	6	**49,494**	**6,337**	**55,831**
Other counterparties where the exposures are considered to be non-bank Mainland exposures	7	**2,475**	**–**	**2,475**
Total	8	**590,324**	**68,134**	**658,458**
Total assets after provision	9	**3,925,776**		
On-balance sheet exposures as percentage of total assets	10	**15.04%**		

53. Non-bank Mainland exposures (continued)

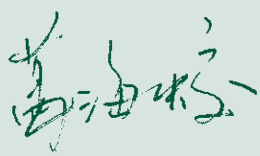
	2023			
	Items in the HKMA return	On-balance sheet exposure HK$'m	Off-balance sheet exposure HK$'m	Total exposure HK$'m
Central government, central government-owned entities and their subsidiaries and joint ventures	1	348,102	23,154	371,256
Local governments, local government-owned entities and their subsidiaries and joint ventures	2	84,392	4,981	89,373
PRC nationals residing in Mainland or other entities incorporated in Mainland and their subsidiaries and joint ventures	3	125,112	20,785	145,897
Other entities of central government not reported in item 1 above	4	27,853	2,460	30,313
Other entities of local governments not reported in item 2 above	5	1,406	162	1,568
PRC nationals residing outside Mainland or entities incorporated outside Mainland where the credit is granted for use in Mainland	6	56,366	10,321	66,687
Other counterparties where the exposures are considered to be non-bank Mainland exposures	7	2,917	–	2,917
Total	8	646,148	61,863	708,011
Total assets after provision	9	3,621,071		
On-balance sheet exposures as percentage of total assets	10	17.84%		

54. Balance sheet and statement of changes in equity

(a) Balance sheet

As at 31 December	2024 HK$'m	2023 HK$'m
ASSETS		
Bank balances with a subsidiary	**1,011**	1,147
Investment in securities	**841**	822
Investment in subsidiaries	**55,422**	55,422
Amounts due from a subsidiary	**17,906**	12,095
Investment in associates and joint ventures	**685**	928
Other assets	**–**	2
Total assets	**75,865**	70,416
LIABILITIES		
Amounts due to a subsidiary	**3**	5
Total liabilities	**3**	5
EQUITY		
Share capital	**52,864**	52,864
Reserves	**22,998**	17,547
Total equity	**75,862**	70,411
Total liabilities and equity	**75,865**	70,416

Approved by the Board of Directors on 26 March 2025 and signed on behalf of the Board by:



GE Haijiao
Director

SUN Yu
Director

54. Balance sheet and statement of changes in equity (continued)

(b) Statement of changes in equity

	Share capital HK$'m	Reserves: Reserve for financial assets at FVOCI HK$'m	Reserves: Retained earnings HK$'m	Total equity HK$'m
At 1 January 2023	52,864	(3,180)	18,307	67,991
Profit for the year	–	–	17,598	17,598
Other comprehensive income:				
Equity instruments at fair value through other comprehensive income	–	15	–	15
Total comprehensive income	–	15	17,598	17,613
Dividends	–	–	(15,193)	(15,193)
At 31 December 2023	52,864	(3,165)	20,712	70,411
At 1 January 2024	**52,864**	**(3,165)**	**20,712**	**70,411**
Profit for the year	**–**	**–**	**23,564**	**23,564**
Other comprehensive income:				
Equity instruments at fair value through other comprehensive income	**–**	**19**	**–**	**19**
Total comprehensive income	**–**	**19**	**23,564**	**23,583**
Dividends	**–**	**–**	**(18,132)**	**(18,132)**
At 31 December 2024	**52,864**	**(3,146)**	**26,144**	**75,862**

55. Principal subsidiaries

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

Name	Place of incorporation and operation	Issued share capital	Interest held	Principal activities
Bank of China (Hong Kong) Limited	Hong Kong, China	HK$43,042,840,858	*100%	Banking business
BOC Group Life Assurance Company Limited	Hong Kong, China	HK$3,538,000,000	*51%	Life insurance business
BOC Credit Card (International) Limited	Hong Kong, China	HK$565,000,000	100%	Credit card services
Bank of China (Malaysia) Berhad	Malaysia	RM760,518,480	100%	Banking business
Bank of China (Thai) Public Company Limited	Thailand	Baht10,000,000,000	100%	Banking business

* Shares held directly by the Company

The issued share capital of Bank of China (Malaysia) Berhad had increased by RM54,216,310 to RM814,734,790 on 28 February 2025.

The particulars of a subsidiary with significant non-controlling interests are as follows:

BOC Group Life Assurance Company Limited

	2024	2023
Proportion of ownership interests and voting rights held by non-controlling interests	**49%**	49%

	2024 HK$'m	2023 HK$'m
Profit attributable to non-controlling interests	**678**	557
Accumulated non-controlling interests	**3,206**	2,993
Summarised financial information:		
– total assets	**191,436**	187,153
– total liabilities	**184,894**	181,046
– profit for the year	**1,384**	1,136
– total comprehensive income for the year	**485**	1,429
– dividend paid to non-controlling interests	**25**	–

56. Ultimate and immediate holding companies

The Group is subject to the control of the State Council of the PRC Government through China Investment Corporation, its wholly-owned subsidiary Central Huijin Investment Ltd. ("Central Huijin"), and BOC in which Central Huijin has controlling equity interests. The immediate holding company of the Group is BOC Hong Kong (BVI) Limited, an indirect wholly-owned subsidiary of BOC.

57. Events after the balance sheet date

Proposed acquisition and proposed disposal

According to the announcement of the Company made on 24 January 2025, BOCHK and BOCI Asia Limited ("BOCI Asia") have entered into (i) a sale and purchase agreement, pursuant to which BOCHK has agreed to acquire a total of 1,000,000 issued ordinary shares of Bank of China International Limited ("BOCI Private Bank"), representing all the issued shares of BOCI Private Bank, from BOCI Asia at a consideration of RMB1,914 million (equivalent to approximately HK$2,097 million) (the "Proposed Acquisition"), and (ii) a sale and purchase agreement, pursuant to which BOCHK has agreed to dispose a total of 3,350,000 issued ordinary shares of Po Sang Securities Limited ("Po Sang Securities"), representing all the issued shares of Po Sang Securities, to BOCI Asia at a consideration of RMB410 million (equivalent to approximately HK$449 million) (the "Proposed Disposal"). For further details, please refer to the announcement of the Company dated 24 January 2025.

As at the date of this Annual Report, the Proposed Acquisition and the Proposed Disposal were not completed. The gain (or loss) arising from the Proposed Disposal to be recognised in the consolidated income statement of the Group will be calculated based on the consideration for the Proposed Disposal, less the net asset of Po Sang Securities as of the completion date of the Proposed Disposal and the transaction costs for the Proposed Disposal. Based on the existing information available, the expected gain arising from the Proposed Disposal to be recognised in the consolidated income statement of the Group is not expected to be material. The Group intends to apply the majority of the sales proceeds from the Proposed Disposal for its general working capital, with the remaining allocated for payment of the transaction costs for the Proposed Disposal.

As of 31 December, the profit after tax and net assets of Po Sang Securities are as follow:

	Profit after tax		Net assets	
	2024 HK$'m	2023 HK$'m	**2024 HK$'m**	2023 HK$'m
Po Sang Securities	**6**	9	**381**	384

The completion of each of the Proposed Acquisition and the Proposed Disposal is subject to the satisfaction (or, if applicable, waiver) of its respective conditions precedent stated in the Acquisition Agreement and the Disposal Agreement including the obtaining of requisite approvals from regulatory authorities. Upon completion of the Proposed Acquisition and the Proposed Disposal, BOCI Private Bank will become a wholly-owned subsidiary of BOCHK and Po Sang Securities will cease to be a subsidiary of BOCHK respectively.

58. Approval of financial statements

The financial statements were approved and authorised for issue by the Board of Directors on 26 March 2025.

Unaudited Supplementary Financial Information

1. Regulatory Disclosures

The Regulatory Disclosures, together with the disclosures in this Annual Report, contained all the disclosures required by the Banking (Disclosure) Rules and Financial Institutions (Resolution) (Loss-absorbing Capacity Requirements – Banking Sector) Rules issued by the HKMA. The Regulatory Disclosures is available under the section "Regulatory Disclosures" on BOCHK's website at www.bochk.com.

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.

2. Connected transactions

In 2024, BOCHK, a wholly-owned subsidiary of the Company, and its subsidiaries engaged on a regular basis and in the usual course of their business in numerous transactions with BOC and its Associates. As BOC is the Company's controlling shareholder and therefore a connected person of the Company, all such transactions constituted connected transactions for the purposes of the Listing Rules. The Group is subject to the control of the State Council of the PRC Government through China Investment Corporation ("CIC"), its wholly-owned subsidiary Central Huijin Investment Ltd. ("Central Huijin"), and BOC in which Central Huijin has controlling equity interests. Central Huijin is the ultimate controlling shareholder of the Company. Central Huijin has accepted PRC Government's authorisation in carrying out equity investment in core financial enterprises. For the purposes of this report, therefore, Central Huijin and its Associates have not been treated as connected persons to the Company.

The transactions fell into the following two categories:

1. exempted transactions entered into in the ordinary and usual course of business and under normal commercial terms or better. Such transactions were (1) fully exempted from shareholders' approval, annual review and all disclosure requirements and/or (2) exempted from shareholders' approval requirement by virtue of Rules 14A.76 and 14A.87 to 14A.101 of the Listing Rules;

2. certain continuing connected transactions conducted pursuant to the New Services and Relationship Agreement entered into among, inter alia, the Company and BOC dated 30 December 2022 (which the parties will continue to carry out, amongst others, the Continuing Connected Transactions during the period commencing from 1 January 2023 to 31 December 2025), whereas BOC has agreed to, and agreed to procure its Associates to, enter into all future arrangements with the Group on an arm's length basis, on normal commercial terms and at rates no less favourable than those offered to independent third parties, in relation to certain areas including, among others, information technology services, administration services, foreign exchange transactions, derivatives transactions, support and services to the BOCHK entities, and the Company has agreed to, and agreed to procure its subsidiaries to, enter into all future arrangements on the same basis, provided that the rates offered by the Group to BOC and its Associates will be no more favourable than those offered to independent third parties. On 30 December 2022 the Company made an announcement (the "Announcement") in accordance with Rule 14A.35 of the Listing Rules, and has got the approval from the independent shareholders on 29 June 2023. The Announcement listed those continuing connected transactions that exceeded the de minimis threshold and set out caps in respect of such transactions for 2023-2025. These transactions were conducted in the ordinary and usual course of its business and on normal commercial terms or better. Details of these continuing connected transactions are set out below and are described in the announcements which may be viewed at the Company's website. The Company has complied with the disclosure requirements in accordance with Chapter 14A of the Listing Rules.

2. Connected transactions (continued)

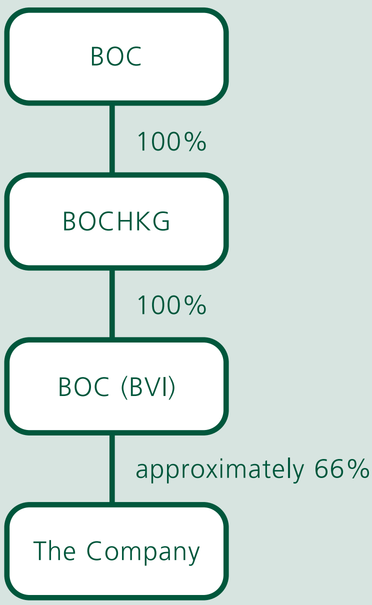
Type of Transaction	2024 Cap (HK$'m)	2024 Actual Amount (HK$'m)
Information Technology Services	**1,000**	**212**
Property Transactions	**1,000**	**191**
Bank-note Delivery	**1,000**	**282**
Provision of Insurance Cover	**1,000**	**302**
Card Services	**1,000**	**93**
Custody Business	**1,000**	**107**
Contact Centre Services	**1,000**	**14**
Securities Transactions	**7,000**	**216**
Fund Distribution Transactions	**7,000**	**43**
Insurance Agency and Insurance Referral	**7,000**	**2,693**
Investment Products Transactions	**250,000**	**1,119**
Asset Management and Referral Services	**7,000**	**171**
Foreign Exchange Transactions	**7,000**	**1,863**
Derivatives Transactions	**7,000**	**20**
Trading of Financial Assets	**250,000**	**1,651**
Inter-bank Capital Markets	**250,000**	**157,540**

3. Reconciliation between HKFRSs vs IFRSs/CASs

The Company understands that BOC, an intermediate holding company as well as controlling shareholder of the Company, will prepare and disclose consolidated financial information in accordance with IFRSs and CASs for which the Company and its subsidiaries will form part of the consolidated financial statements. The requirements of CASs have substantially converged with HKFRSs and IFRSs.

The consolidated financial information of "BOC Hong Kong Group" for the periods disclosed by BOC in its consolidated financial statements is not the same as the consolidated financial information of the Group for the periods published by the Company pursuant to applicable laws and regulations in Hong Kong. There are two reasons for this.

First, the definitions of "BOC Hong Kong Group" (as adopted by BOC for the purpose of its own financial disclosure) and "Group" (as adopted by the Company in preparing and presenting its consolidated financial information) are different: "BOC Hong Kong Group" refers to BOCHKG and its subsidiaries, whereas "Group" refers to the Company and its subsidiaries (see the below organisation chart). Though there is difference in definitions between "BOC Hong Kong Group" and "Group", their financial results for the periods presented are substantially the same. This is because BOCHKG and BOC (BVI) are holding companies only and have no substantive operations of their own.



Second, the Group has prepared its consolidated financial statements in accordance with HKFRSs; whereas the consolidated financial information reported to BOC is prepared in accordance with IFRSs and CASs respectively. There is a difference in the election of subsequent measurement basis of bank premises by the Group and by BOC respectively.

3. Reconciliation between HKFRSs vs IFRSs/CASs (continued)

The Board considers that the best way to ensure that shareholders and the investing public understand the material differences between the consolidated financial information of the Group published by the Company on the one hand, and the consolidated financial information of BOC Hong Kong Group disclosed by BOC in its consolidated financial statements on the other hand, is to present reconciliations of the profit after tax/net assets of the Group prepared under HKFRSs to the profit after tax/net assets of the Group prepared under IFRSs/CASs respectively for the periods presented.

The major differences which arise from the difference in measurement basis relate to the following:

(a) Restatement of carrying value of bank premises

The Company has elected for a revaluation model rather than cost model to account for bank premises under HKFRSs. On the contrary, BOC has elected for the cost model for bank premises under IFRSs and CASs. Therefore, adjustments have been made to the carrying value of bank premises as well as to re-calculate the depreciation charge and disposal gain/loss under IFRSs and CASs.

(b) Deferred tax adjustments

These represent the deferred tax effect of the aforesaid adjustments.

Profit after tax/net assets reconciliation

HKFRSs vs IFRSs/CASs

	Profit after tax		Net assets	
	2024 HK$'m	2023 HK$'m	**2024 HK$'m**	2023 HK$'m
Profit after tax/net assets of BOC Hong Kong (Holdings) Limited prepared under HKFRSs	**39,118**	34,857	**342,230**	323,429
Add: IFRSs/CASs adjustments				
Restatement of carrying value of bank premises	**1,159**	998	**(23,144)**	(27,389)
Deferred tax adjustments	**(161)**	(152)	**3,890**	4,577
Profit after tax/net assets of BOC Hong Kong (Holdings) Limited prepared under IFRSs/CASs	**40,116**	35,703	**322,976**	300,617

Appendix

Subsidiaries of the Company

The particulars of subsidiaries are as follows:

Name	Place and date of incorporation/ operation	Issued share capital	Interest held	Principal activities
Directly held:				
Bank of China (Hong Kong) Limited	Hong Kong, China 16 October 1964	HK$43,042,840,858	100.00%	Banking business
BOC Group Life Assurance Company Limited	Hong Kong, China 12 March 1997	HK$3,538,000,000	51.00%	Life insurance business
BOCHK Asset Management (Cayman) Limited	Cayman Islands 7 October 2010	HK$383,000,000	100.00%	Investment holding
Indirectly held:				
BOC Credit Card (International) Limited	Hong Kong, China 9 September 1980	HK$565,000,000	100.00%	Credit card services
BOC Group Trustee Company Limited	Hong Kong, China 1 December 1997	HK$200,000,000	66.00%	Investment holding
BOCI-Prudential Trustee Limited	Hong Kong, China 11 October 1999	HK$300,000,000	42.24%*	Trustee services
Bank of China (Malaysia) Berhad	Malaysia 14 April 2000	RM814,734,790	100.00%	Banking business
Bank of China (Thai) Public Company Limited	Thailand 1 April 2014	Baht10,000,000,000	100.00%	Banking business
Bank of China (Hong Kong) Nominees Limited	Hong Kong, China 1 October 1985	HK$2	100.00%	Nominee services
Bank of China (Hong Kong) Trustees Limited	Hong Kong, China 6 November 1987	HK$3,000,000	100.00%	Trustee and agency services
BOC Digital Services (Nanning) Company Limited**	Nanning, China 19 February 2019	Registered capital HK$60,000,000	100.00%	Financial operational services
BOCHK Information Technology (Shenzhen) Co., Ltd.**	Shenzhen, China 16 April 1990	Registered capital HK$70,000,000	100.00%	Property holding
BOCHK Information Technology Services (Shenzhen) Co., Ltd.**	Shenzhen, China 26 May 1993	Registered capital HK$40,000,000	100.00%	Information technology services
Po Sang Financial Investment Services Company Limited	Hong Kong, China 23 September 1980	HK$335,000,000	100.00%	Gold trading and investment holding
Po Sang Securities Limited	Hong Kong, China 19 October 1993	HK$335,000,000	100.00%	Securities brokerage
Sin Hua Trustee Limited	Hong Kong, China 27 October 1978	HK$3,000,000	100.00%	Trustee services
Billion Express Development Inc.	British Virgin Islands 7 February 2014	US$1	100.00%	Investment holding

Subsidiaries of the Company (continued)

Name	Place and date of incorporation/ operation	Issued share capital	Interest held	Principal activities
Billion Orient Holdings Ltd.	British Virgin Islands 3 February 2014	US$1	100.00%	Investment holding
Elite Bond Investments Ltd.	British Virgin Islands 7 February 2014	US$1	100.00%	Investment holding
Express Capital Enterprise Inc.	British Virgin Islands 3 February 2014	US$1	100.00%	Investment holding
Express Charm Holdings Corp.	British Virgin Islands 7 February 2014	US$1	100.00%	Investment holding
Express Shine Assets Holdings Corp.	British Virgin Islands 3 January 2014	US$1	100.00%	Investment holding
Express Talent Investment Ltd.	British Virgin Islands 13 February 2014	US$1	100.00%	Investment holding
Gold Medal Capital Inc.	British Virgin Islands 3 January 2014	US$1	100.00%	Investment holding
Gold Tap Enterprises Inc.	British Virgin Islands 13 February 2014	US$1	100.00%	Investment holding
Maxi Success Holdings Ltd.	British Virgin Islands 7 February 2014	US$1	100.00%	Investment holding
Smart Linkage Holdings Inc.	British Virgin Islands 13 February 2014	US$1	100.00%	Investment holding
Smart Union Capital Investments Ltd.	British Virgin Islands 3 January 2014	US$1	100.00%	Investment holding
Success Trend Development Ltd.	British Virgin Islands 18 February 2014	US$1	100.00%	Investment holding
Wise Key Enterprises Corp.	British Virgin Islands 18 February 2014	US$1	100.00%	Investment holding
BOCHK Asset Management Limited	Hong Kong, China 28 October 2010	HK$372,500,000	100.00%	Asset management
Greater Bay Area Investment (GP) Limited	Hong Kong, China 4 February 2021	HK$1	100.00%	Investment holding

* BOCI-Prudential Trustee Limited is a subsidiary of a non-wholly-owned subsidiary of the Company and, accordingly, is accounted for as a subsidiary by virtue of the Company's control over it.

** It is registered as limited liability company in China.

BOC Financial Services (Nanning) Company Limited has changed company's name to BOC Digital Services (Nanning) Company Limited on 12 January 2024.

BOC Equity Investment Management (Shenzhen) Limited was dissolved on 4 December 2024.

China Bridge (Malaysia) Sdn. Bhd. has commenced members' voluntary winding up on 18 November 2024.

The issued share capital of Bank of China (Malaysia) Berhad had increased by RM54,216,310 to RM814,734,790 on 28 February 2025.

Definitions

In this Annual Report, unless the context otherwise requires, the following terms shall have the meanings set out below:

Terms	Meanings
"Acquisition Agreement"	the sale and purchase agreement entered into on 24 January 2025 between BOCHK and BOCI Asia for the acquisition of all of the issued shares of BOCI Private Bank by BOCHK from BOCI Asia
"ADR"	American Depositary Receipt
"ADS(s)"	American Depositary Share(s)
"ALCO"	the Asset and Liability Management Committee
"AT1"	Additional Tier 1
"ATM"	Automated Teller Machine
"ASEAN"	The Association of Southeast Asian Nations
"Associates"	has the meaning ascribed to "associates" in the Listing Rules
"BOC"	Bank of China Limited, a joint stock commercial bank with limited liability established under the laws of the PRC, the H shares and A shares of which are listed on the Hong Kong Stock Exchange and the Shanghai Stock Exchange respectively
"BOC (BVI)"	BOC Hong Kong (BVI) Limited, a company incorporated under the laws of the British Virgin Islands and a wholly-owned subsidiary of BOCHKG
"BOCCC"	BOC Credit Card (International) Limited, a company incorporated under the laws of Hong Kong and a wholly-owned subsidiary of BOCHK
"BOCG Insurance"	Bank of China Group Insurance Company Limited, a company incorporated under the laws of Hong Kong and a wholly-owned subsidiary of BOC
"BOCHKG"	BOC Hong Kong (Group) Limited, a company incorporated under the laws of Hong Kong and a wholly-owned subsidiary of BOC
"BOCHK" or "the Bank"	Bank of China (Hong Kong) Limited, a company incorporated under the laws of Hong Kong and a wholly-owned subsidiary of the Company
"BOCI"	BOC International Holdings Limited, a company incorporated under the laws of Hong Kong and a wholly-owned subsidiary of BOC
"BOCI-Prudential Asset Management"	BOCI-Prudential Asset Management Limited, a company incorporated under the laws of Hong Kong, in which BOCI Asset Management Limited, a wholly-owned subsidiary of BOC International Holdings Limited, and Prudential Corporation Holdings Limited hold equity interests of 64% and 36% respectively
"BOCI-Prudential Trustee"	BOCI-Prudential Trustee Limited, a company incorporated under the laws of Hong Kong, in which BOC Group Trustee Company Limited and Prudential Corporation Holdings Limited hold equity interests of 64% and 36% respectively
"BOC Life"	BOC Group Life Assurance Company Limited, a company incorporated under the laws of Hong Kong, in which the Group and BOCG Insurance hold equity interests of 51% and 49% respectively
"BOC Malaysia"	Bank of China (Malaysia) Berhad, a wholly-owned subsidiary of BOCHK
"BOC Thailand"	Bank of China (Thai) Public Company Limited, a wholly-owned subsidiary of BOCHK
"Board" or "Board of Directors"	the Board of Directors of the Company
"CAS"	Chinese Accounting Standard for Business Enterprises
"CE"	Chief Executive
"CET1"	Common Equity Tier 1

Terms	Meanings
"CFO"	Chief Financial Officer
"CIC"	China Investment Corporation
"CRO"	Chief Risk Officer
"CVA"	Credit Valuation Adjustment
"Central Huijin"	Central Huijin Investment Ltd.
"DCE"	Deputy Chief Executive
"Disposal Agreement"	the sale and purchase agreement entered into on 24 January 2025 between BOCHK and BOCI Asia for the disposal of all of the issued shares of Po Sang Securities by BOCHK to BOCI Asia
"DVA"	Debit Valuation Adjustment
"ECL"	Expected Credit Loss
"EVE"	Economic Value Sensitivity Ratio
"FCC"	the Financial Crime Compliance Department
"FIRB"	Foundation Internal Ratings-based
"Fitch"	Fitch Ratings
"FVOCI"	Fair value through other comprehensive income
"FVPL"	Fair value through profit or loss
"GDP"	Gross Domestic Product
"HIBOR"	Hong Kong Interbank Offered Rate
"HKAS"	Hong Kong Accounting Standard
"HKFRS"	Hong Kong Financial Reporting Standard
"HKICPA"	Hong Kong Institute of Certified Public Accountants
"HKMA"	Hong Kong Monetary Authority
"Hong Kong" or "Hong Kong SAR" or "HKSAR" or "Hong Kong, China"	Hong Kong Special Administrative Region of the PRC
"ICAAP"	Internal Capital Adequacy Assessment Process
"IFRS"	International Financial Reporting Standard
"IMM"	Internal Models
"IT"	Information Technology
"LCO"	the Legal & Compliance and Operational Risk Management Department
"LCR"	Liquidity Coverage Ratio
"LIBOR"	London Interbank Offered Rate
"Listing Rules"	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
"MC"	the Management Committee
"MCO"	Maximum Cumulative Cash Outflow
"MPF"	Mandatory Provident Fund
"MPF Schemes Ordinance"	the Mandatory Provident Fund Schemes Ordinance, Chapter 485 of the Laws of Hong Kong, as amended
"Moody's"	Moody's Investors Service
"N/A"	Not applicable
"NII"	Net Interest Income Sensitivity Ratio
"NSFR"	Net Stable Funding Ratio

DEFINITIONS

Terms	Meanings
"ORSO schemes"	the Occupational Retirement Schemes under Occupational Retirement Schemes Ordinance, Chapter 426 of the Laws of Hong Kong
"OTC"	Over-the-counter
"PD"	Probability of Default
"PRC" or "China"	the People's Republic of China
"Proposed Acquisition"	the proposed acquisition of BOCI Private Bank pursuant to the terms and conditions of the Acquisition Agreement
"Proposed Disposal"	the proposed disposal of Po Sang Securities pursuant to the terms and conditions of the Disposal Agreement
"PVBP"	Price Value of a Basis Point
"RMB" or "Renminbi"	Renminbi, the lawful currency of the PRC
"RC"	the Risk Committee
"RMD"	the Risk Management Department
"RWA"	Risk-weighted Assets
"SFO"	the Securities and Futures Ordinance, Chapter 571 of the Laws of Hong Kong
"SME"	Small and Medium-sized Enterprise
"STC"	Standardised (Credit Risk)
"STM"	Standardised (Market Risk)
"STO"	Standardised (Operational Risk)
"Standard & Poor's"	Standard & Poor's Ratings Services
"Stock Exchange" or "Hong Kong Stock Exchange" or "Stock Exchange of Hong Kong"	The Stock Exchange of Hong Kong Limited
"the Company"	BOC Hong Kong (Holdings) Limited, a company incorporated under the laws of Hong Kong
"the Group"	the Company and its subsidiaries collectively referred as the Group
"US"	the United States of America
"VaR"	Value at Risk

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