

下列資料僅為賬目附加資料之部份，並不構成經審核賬目任何部份。

The following information is disclosed as part of the accompanying information to the accounts and does not form part of the audited accounts.

1 資本充足比率及流動資金比率

1 CAPITAL ADEQUACY AND LIQUIDITY RATIOS

		2003	2002
資本充足比率	Capital adequacy ratio	16.7%	17.9%
經調整資本充足比率	Adjusted capital adequacy ratio	16.7%	17.8%
流動資金比率	Liquidity ratio	41.3%	35.9%

資本充足比率指本銀行及友聯中國業務管理於二零零三年十二月三十一日及本銀行、工銀亞洲財務有限公司及友聯中國業務管理於二零零二年十二月三十一日按銀行業條例附表三編製之綜合比率。

The capital adequacy ratio represents the consolidated ratio of the Bank and UBCBM as at 31st December 2003, and the Bank, ICBC (Asia) Finance Limited and UBCBM as at 31st December 2002, computed in accordance with the Third Schedule of the Banking Ordinance.

經調整資本充足比率指本銀行及友聯中國業務管理於二零零三年十二月三十一日及本銀行、工銀亞洲財務有限公司及友聯中國業務管理於二零零二年十二月三十一日按香港金融管理局頒佈之「維持充足資本應付市場風險」指引編製之綜合比率。經調整資本充足比率已計及於十二月三十一日之信貸及市場風險。

The adjusted capital adequacy ratio represents the consolidated ratio of the Bank and UBCBM as at 31st December 2003, and the Bank, ICBC (Asia) Finance Limited and UBCBM as at 31st December 2002, computed in accordance with the guideline "Maintenance of Adequate Capital Against Market Risks" issued by the Hong Kong Monetary Authority. The adjusted ratio takes into account both credit and market risk as at 31st December.

流動資金比率為本銀行截至二零零三年十二月三十一日止年度及本銀行及工銀亞洲財務有限公司截至二零零二年十二月三十一日止年度之財政年度內十二個月各曆月之平均流動資金比率之簡單平均數計算，並已遵照銀行業條例附表四而編製。

The liquidity ratio is calculated as the simple average of each calendar month's average liquidity ratio for the twelve months of the financial year of the Bank for the year ended 31st December 2003, and of the Bank and ICBC (Asia) Finance Limited for the year ended 31st December 2002, computed in accordance with the Fourth Schedule of the Banking Ordinance.

2 扣減後之資本基礎組成部份

扣減後之資本基礎組成部份用作計算上述於十二月三十一日之資本充足比率並填報予香港金融管理局分析如下：

2 COMPONENTS OF CAPITAL BASE AFTER DEDUCTIONS

The capital base after deductions used in the calculation of the above capital adequacy ratios as at 31st December and reported to the Hong Kong Monetary Authority is analysed as follows:

		本集團 Group	
		2003 千港元 HK\$'000	2002 千港元 HK\$'000
核心資本：	Core capital:		
繳足普通股股本	Paid up ordinary share capital	1,248,749	1,248,749
可轉換非累計優先股股本	Convertible non-cumulative preference share capital	1,011,096	1,011,096
普通股溢價	Ordinary share premium	1,786,686	1,786,686
可轉換非累計優先股溢價	Convertible non-cumulative preference share premium	505,496	505,496
儲備	Reserves	990,966	743,975
減：商譽	Less: Goodwill	(621,212)	(656,710)
		4,921,781	4,639,292
附加資本：	Supplementary capital:		
土地及土地權益之重估儲備	Reserves on revaluation of land and interests in land	83,172	114,649
非持作買賣用途之證券重估儲備	Reserves on revaluation of holding of securities not held for trading purpose	(15,852)	4,456
一般呆賬準備金	General provision for doubtful debts	342,291	274,481
永久後償債務	Perpetual subordinated debts	1,931,584	1,000,000
有限期後償債務	Term subordinated debts	2,246,720	2,254,730
附加資本總額	Gross value of supplementary capital	4,587,915	3,648,316
可計算之附加資本	Eligible value of supplementary capital	4,587,915	3,648,316
扣減前之資本基礎總額	Total capital base before deductions	9,509,696	8,287,608
扣除：	Deductions:		
持有附屬公司或控股公司之股份	Shareholdings in subsidiaries or holding company	15,212	15,247
對關連公司之風險承擔	Exposures to connected companies	490,415	490,415
持有非附屬公司百分之二十或以上之股權	Equity investment of 20% or more in non-subsidiary companies	191,660	191,660
		697,287	697,322
扣減後之資本基礎總額	Total capital base after deductions	8,812,409	7,590,286

3 外幣持盤量

3 CURRENCY CONCENTRATIONS

港元等值 二零零三年	Equivalent in Hong Kong dollars 2003	本集團 Group			總計 Total 千港元 HK\$'000
		美元 US\$ 千港元 HK\$'000	歐元 Euro 千港元 HK\$'000	人民幣 RMB 千港元 HK\$'000	
現貨資產	Spot assets	26,204,000	475,000	50,000	26,729,000
現貨負債	Spot liabilities	(40,430,000)	(114,000)	-	(40,544,000)
遠期買入	Forward purchases	23,079,000	32,000	566,000	23,677,000
遠期賣出	Forward sales	(8,678,000)	(407,000)	(566,000)	(9,651,000)
長/(短)盤淨額	Net long/(short) position	175,000	(14,000)	50,000	211,000

港元等值 二零零二年	Equivalent in Hong Kong dollars 2002	本集團 Group			總計 Total 千港元 HK\$'000
		美元 US\$ 千港元 HK\$'000	歐元 Euro 千港元 HK\$'000	人民幣 RMB 千港元 HK\$'000	
現貨資產	Spot assets	18,360,000	199,000	51,000	18,610,000
現貨負債	Spot liabilities	(29,789,000)	(224,000)	(40,000)	(30,053,000)
遠期買入	Forward purchases	16,903,000	38,000	79,000	17,020,000
遠期賣出	Forward sales	(5,415,000)	(29,000)	(79,000)	(5,523,000)
長/(短)盤淨額	Net long/(short) position	59,000	(16,000)	11,000	54,000

4 分類資料

(a) 客戶貸款

(i) 按行業分類之客戶貸款總額

		本集團 Group	
		2003 千港元 HK\$'000	2002 千港元 HK\$'000
在香港使用之貸款	Loans for use in Hong Kong		
工商及金融	Industrial, commercial and financial		
– 物業發展	– Property development	2,603,588	1,549,711
– 物業投資	– Property investment	4,565,689	4,738,696
– 金融企業	– Financial concerns	4,703,357	2,383,681
– 股票經紀	– Stockbrokers	28,765	30,636
– 批發及零售業	– Wholesale and retail trade	1,157,964	1,539,200
– 土木工程	– Civil engineering works	953,962	766,555
– 製造業	– Manufacturing	3,312,613	1,452,387
– 運輸及運輸設備	– Transport and transport equipment	6,058,827	4,832,851
– 電力、煤氣及通訊	– Electricity, gas and telecommunications	1,305,959	1,518,066
– 酒店、住宿及飲食	– Hotels, boarding house and catering	1,066,807	1,138,859
– 其他	– Others	4,081,030	3,358,114
個人	Individuals		
– 購買「居者有其屋計劃」、 「私人參建居屋計劃」及「租者置其 屋計劃」樓宇之貸款	– Loans for the purchase of flats in Home Ownership Scheme, Private Sector Participation Scheme and Tenants Purchase Scheme	91,024	118,356
– 購買其他住宅物業之貸款	– Loans for the purchase of other residential properties	7,891,846	6,337,275
– 其他	– Others	597,389	697,311
貿易融資	Trade finance	1,566,929	1,058,464
在香港以外使用之貸款	Loans for use outside Hong Kong	389,688	889,823
		40,375,437	32,409,985

(ii) 於二零零三年及二零零二年，本集團90%以上客戶貸款之交易方均位於香港。編撰本分析時並無計及與交易方處於不同國家之另一方所作擔保之轉移風險。

4 SEGMENTAL INFORMATION

(a) Advances to customers

(i) Gross advances to customers by industry sector

(ii) In 2003 and 2002, over 90% of the Group's advances to customers were made to counterparties located in Hong Kong. In determining this analysis no account has been taken of transfer of risk with respect to claims guaranteed by a party in a country different from that of the counterparty.

4 分類資料(續)

(b) 跨境申索

本集團按地區分析跨境申索。編撰本分析時已計及與本集團處於不同國家之另一方所作擔保之轉移風險。佔總跨境申索10%以上之地區列示如下：

4 SEGMENTAL INFORMATION (continued)

(b) Cross-border claims

The Group analyses cross-border claims by geographical area. In determining this analysis, it has been taken into account of transfer of risk with respect to claims guaranteed by a party in a country different from that of the Group. Those areas which constitute 10% or more of the aggregate cross-border claims are as follows:

		本集團 Group			
		銀行同業及 其他金融機構 Banks and other financial institutions 百萬港元 HK\$ million	公營機構 Public sector entities 百萬港元 HK\$ million	其他 Others 百萬港元 HK\$ million	總計 Total 百萬港元 HK\$ million
二零零三年	2003				
亞太區(不包括香港)	Asia Pacific excluding Hong Kong	13,479	1,269	4,275	19,023
北美及南美	North and South America	895	95	3,309	4,299
歐洲	Europe	9,665	-	928	10,593
二零零二年	2002				
亞太區(不包括香港)	Asia Pacific excluding Hong Kong	11,634	332	5,984	17,950
北美及南美	North and South America	229	-	1,554	1,783
歐洲	Europe	8,428	-	385	8,813

5 逾期及重整貸款

(a) 本集團客戶貸款之逾期部份總額分析如下：

5 OVERDUE AND RESCHEDULED ADVANCES

(a) The gross amount of the Group's advances to customers which have been overdue are analysed as follows:

		本集團 Group					
		總貸款 Gross advances 千港元 HK\$'000	佔客戶貸款 百分比 Percentage of advances to customers	抵押品市值 Market value of collateral 千港元 HK\$'000	有抵押金額 Secured amount 千港元 HK\$'000	無抵押金額 Unsecured amount 千港元 HK\$'000	專項撥備 Specific provision 千港元 HK\$'000
於二零零三年 十二月三十一日	At 31st December 2003						
六個月或以下但 超過三個月	Six months or less but over three months	38,943	0.1%	44,929	35,556	3,387	3,574
一年或以下但 超過六個月	One year or less but over six months	130,546	0.3%	39,426	35,886	94,660	76,748
超過一年	Over one year	342,423	0.9%	191,133	151,815	190,608	177,690
		511,912	1.3%	275,488	223,257	288,655	258,012
於二零零二年 十二月三十一日	At 31st December 2002						
六個月或以下但 超過三個月	Six months or less but over three months	52,925	0.2%	47,905	41,562	11,363	9,570
一年或以下但 超過六個月	One year or less but over six months	22,505	0.1%	26,355	21,907	598	1,304
超過一年	Over one year	378,542	1.1%	305,299	251,956	126,586	113,971
		453,972	1.4%	379,559	315,425	138,547	124,845

於二零零三年十二月三十一日及二零零二年十二月三十一日，並無逾期超過三個月之銀行同業及其他金融機構貸款、商業票據或債券。

At 31st December 2003 and 31st December 2002, there were no advances to banks and other financial institutions, trade bills, or debt securities which were overdue for over three months.

5 逾期及重整貸款 (續)

(b) 重整貸款

重整客戶貸款	Rescheduled advances to customers	2003 千港元 HK\$'000	佔客戶貸款 百分比 Percentage of advances to customers %	2002 千港元 HK\$'000	佔客戶貸款 百分比 Percentage of advances to customers %
		61,487	0.2%	232,682	0.7%

根據修訂後還款條款逾期超過三個月之重整貸款已列入上文(a)段之逾期貸款分析內。

於二零零三年十二月三十一日及二零零二年十二月三十一日，並無重整銀行同業及其他金融機構之貸款。

(c) 逾期及重整貸款與不履約貸款(暫記或停計利息者)之對賬如下：

5 OVERDUE AND RESCHEDULED ADVANCES (continued)

(b) Rescheduled advances

		本集團 Group	
		佔客戶貸款 百分比 Percentage of advances to customers %	佔客戶貸款 百分比 Percentage of advances to customers %
2003 千港元 HK\$'000		2002 千港元 HK\$'000	
		232,682	0.7%

Rescheduled advances which have been overdue for more than three months under the revised repayment terms are included in the analysis of overdue advances in (a) above.

At 31st December 2003 and 31st December 2002, there were no rescheduled advances to banks and other financial institutions.

(c) Overdue and rescheduled advances are reconciled to non-performing loans, which represent advances on which interest is being placed in suspense or on which interest accrual has ceased, as follows:

		本集團 Group 客戶貸款	
		Advances to customers	
		2003 千港元 HK\$'000	2002 千港元 HK\$'000
逾期超過三個月之貸款	Advances which are overdue for more than three months	511,912	453,972
重整貸款	Rescheduled advances	61,487	232,682
		573,399	686,654
減：逾期超過三個月但仍累計利息之貸款	Less: Advances which are overdue for more than three months and on which interest is still being accrued	(3,367)	(3,475)
減：仍累計利息之重整貸款	Less: Rescheduled advances on which interest is still being accrued	(14,516)	(20,796)
加：逾期不超過三個月或未經重整之不履約貸款	Add: Non-performing loans which are not overdue for more than three months or rescheduled	112,881	76,549
不履約貸款	Non-performing loans	668,397	738,932

於二零零三年及二零零二年，本集團超過90%之逾期及不履約貸款均源自香港之客戶。

In 2003 and 2002, over 90% of the Group's overdue and non-performing loans were made to counterparties located in Hong Kong.

5 逾期及重整貸款 (續)

(d) 應計利息

		本集團 Group	
		2003 千港元 HK\$'000	2002 千港元 HK\$'000
逾期：	Overdue for:		
– 六個月或以下但超過三個月	– Six months or less but over three months	233	473
– 一年或以下但超過六個月	– One year or less but over six months	342	488
– 超過一年	– Over one year	3,442	4,422
		4,017	5,383
重整資產	Rescheduled assets	78	71
		4,095	5,454

(e) 收回資產

於二零零三年十二月三十一日，本集團之收回資產為35,464,000港元(二零零二年：107,113,000港元)。

6 企業管治

本銀行已完全遵守香港金融管理局於二零零一年九月二十一日頒佈之監管政策手冊「本地註冊認可機構之企業管治」所載之規定。

管理委員會

管理委員會乃於二零零一年九月二十四日成立之營運主管機構，負責監督本集團之整體營運。該委員會由行政總裁(任委員會主席)、所有副總經理及由行政總裁指派之兩名助理總經理組成。於本財政年度，該委員會共召開12次會議。

信貸委員會

信貸委員會維持本銀行均衡之信貸風險組合及設定個別風險決策之架構。該委員會亦負責審閱及審批大額信貸風險及風險集中管理。該委員會由風險管理部主管(任委員會主席)及所有副總經理組成。該委員會定期審閱與信貸有關之政策或程序，以及批准來自本銀行及其附屬公司之信貸報告。

5 OVERDUE AND RESCHEDULED ADVANCES (continued)

(d) Accrued interest

		本集團 Group	
		2003 千港元 HK\$'000	2002 千港元 HK\$'000
逾期：	Overdue for:		
– Six months or less but over three months		233	473
– One year or less but over six months		342	488
– Over one year		3,442	4,422
		4,017	5,383
Rescheduled assets		78	71
		4,095	5,454

(e) Repossessed assets

At 31st December 2003, the repossessed assets of the Group amounted to HK\$35,464,000 (2002: HK\$107,113,000).

6 CORPORATE GOVERNANCE

The Bank has fully complied with the requirements set out in the Supervisory Policy Manual “Corporate Governance of Locally Incorporated Authorized Institutions” issued by the Hong Kong Monetary Authority on 21st September 2001.

General Management Committee

The General Management Committee was established on 24th September 2001 as an operation authority and to supervise the overall operation of the Group. The Committee comprises the Chief Executive Officer who is the Chairman of the Committee, all Deputy General Managers and two Assistant General Managers designated by the Chief Executive Officer. Twelve meetings were held during the current financial year.

Credit Committee

The Credit Committee maintains a well-balanced credit risk portfolio of the Bank and sets the framework for decisions of individual exposures. The Committee is also responsible for the review and approval of the large credit exposures and management of risk concentrations. The Committee consists of the Head of Risk Management Department who is the Chairman of the Committee and all Deputy General Managers. The Committee regularly reviews credit-related policies and procedures and to approve credit reports originating from the Bank and its subsidiaries.

6 企業管治(續)

資產及負債管理委員會

資產及負債管理委員會於一九九九年七月十二日成立，負責密切監察各種流動資產及資金來源之組合，以及利率及外匯變動風險。該委員會成員亦負責審閱因應內部需求及外圍市場指數而釐定最佳流動資金水平。該委員會由財務總監(任委員會主席)、所有副總經理、負責業務部門之助理總經理、信貸風險管理部主管、中怡風險管理部主管及財資部主管組成。該委員會每月舉行一次例會。

風險管理委員會

風險管理委員會於二零零二年九月五日成立，負責審閱及向董事會報告本集團風險管理程序、政策及體制之充分性及效率。該委員會專注於信貸風險、利率風險、市場風險、流動資金風險、營運風險、信譽風險及策略風險。該委員會由行政總裁、負責風險管理之副總經理(任委員會主席)、本銀行一名獨立非執行董事、負責財資部之副總經理、財務總監、財資部主管、風險管理部主管、中怡風險管理部主管和系統及資訊科技主管組成。該委員會每個季度向董事會報告一次。

7 風險管理

本集團已釐定一系列關於辨識、釐定、控制及監察信貸、流動資金、外匯、息率及市場風險之策略及步驟。高層管理人員及相關功能委員會定期評審該等策略及步驟。內部核數師亦會進行定期審查，確保能符合該等策略及步驟。

(a) 信貸風險管理

信貸風險乃指本集團之借款人或交易方未能或不願意履行其還款責任之風險。本集團已制訂多項標準、政策及程序，並設立指定職能部門控制及監察有關風險。

6 CORPORATE GOVERNANCE (continued)

Asset and Liability Management Committee

The Asset and Liability Management Committee was established on 12th July 1999 to closely monitor the mix of liquid assets and funding channels, and the exposure to movements in interest rate and foreign exchange. The Committee members also meet to review the optimal liquidity level in response to internal requirements and external market indicators. The Committee comprises the Chief Financial Officer who is the Chairman of the Committee, all Deputy General Managers, the Assistant General Manager in charge of Business Units, the Head of Credit Risk Management Department, the Head of Middle Office Department and the Head of Treasury & Markets Department. The Committee meets on a monthly basis.

Risk Management Committee

The Risk Management Committee was established on 5th September 2002 to review and report to the Board of Directors on the adequacy and efficiency of risk management procedures, policies and systems of the Group. The Committee focuses on credit risk, interest rate risk, market risk, liquidity risk, operational risk, reputation risk and strategic risk. The Committee comprises the Chief Executive Officer, the Deputy General Manager in charge of Risk Management who is the Chairman of the Committee, an Independent Non-executive Director of the Bank, the Deputy General Manager in charge of Treasury & Markets, the Chief Financial Officer, the Head of Treasury & Markets Department, the Head of Risk Management Department, the Head of Middle Office Department and the Head of Systems & IT. The Committee reports quarterly to the Board.

7 RISK MANAGEMENT

The Group has established policies and procedures for the identification, measurement, control and monitoring of credit, liquidity, foreign exchange, interest rate and market risks. The policies and procedures are reviewed on a regular basis by senior management and the relevant functional committees. The internal auditors also perform regular checks to ensure compliance with policies and procedures.

(a) Credit risk management

Credit risk is the risk that a borrower or counterparty of the Group will be unable or unwilling to honour a repayment obligation. The Group has standards, policies and procedures and designated functional departments in place to control and monitor these risks.

7 風險管理 (續)

(a) 信貸風險管理 (續)

本集團深明信貸風險管理必須妥善有效，方可取得業務增長及提高本集團之資源效益。管理層編製信貸手冊及其他政策文件，訂下各項信貸政策，建立所需信貸風險管理程序，藉此識辨、釐定及監控各項信貸風險，確保本集團對信貸承諾持審慎態度，及早察覺及解決其潛在問題，使損失降至最低。

本集團之信貸政策方針，由信貸委員會、管理委員會及董事會權衡市場及規管發展，再配合日常審批情況及業務發展等因素，加以制定、檢討及定期修訂。此外，彼等亦會檢定信貸審批效率及授出審批權力。

信貸手冊亦載有信貸審批矩陣審批信貸建議。為確保執行專業之信貸審批權力，每名信貸審批員均由信貸委員會挑選，其權限則按照個別信貸主任之負責範圍、風險及經驗而釐定。為求客觀公正，本集團採用「雙重審批」制度，任何信貸建議均須最少兩名信貸審批員聯名批准，或得到信貸委員會批准。

信貸風險管理部乃本集團授權執行信貸政策之中央部門。此外，該部門亦提供獨立信貸評估、審批後信貸管理及其他信貸監控等，務求信貸過程符合管理層制訂之信貸政策及指引。除獨立信貸評估及矩陣審批過程外，信貸風險管理部亦就特定貸款組合或營運單位進行定期信貸審核。為了保持獨立性，信貸風險管理部直接向風險管理部匯報，而風險管理部則向獨立於業務之副總經理匯報。

7 RISK MANAGEMENT (continued)

(a) Credit risk management (continued)

The Group recognises that sound credit risk management is essential to business growth and maximisation of the return on Group's resources employed. The management has laid down credit policies in forms of Credit Manual and other policy papers, which formulate the necessary credit risk management process to identify, measure, monitor and control risks inherent in the operation of various lending business. This process ensures prudence in lending and enables potential problems to be detected and tackled as early as practicable, thereby minimising business loss.

High-level credit policies of the Group are set, reviewed and constantly updated by the Credit Committee, the General Management Committee, and the Board to take balanced accounts of the dynamic market situation, regulatory development, the Group's usual prudent lending practices and the latest business strategies. They also review the efficiency of credit approval processes and delegate credit approval authorities.

Contained in the Credit Manual is also the credit approval matrix for sanctioning lending propositions. To uphold a high degree of professionalism in the exercise of credit approval authorities, credit approvers are selected by Credit Committee with level of authority commensurate with the individual credit officer's area of responsibilities, exposure and experience level. To maintain objectivity and balance, the Group adopts a "dual approval" system whereby credit proposition generally requires joint-approval by at least two credit approvers or otherwise requires approval by Credit Committee.

Credit Risk Management Department is the centralised department in the Group mandated to carry out credit policies. The department performs independent credit assessment, post-approval credit administration and other credit control functions to ensure that the credit process complies with credit policies and guidelines laid down by the Management. Apart from the independent credit assessment and matrix approval process, regular credit audits are conducted on specific loan portfolio or operating units in the credit process. To maintain its independence, Credit Risk Management has a direct reporting line to Risk Management Department, which in turn reports to a Deputy General Manager independent of business.

7 風險管理 (續)

(a) 信貸風險管理 (續)

管理層竭盡所能，致力監控貸款組合之質素及行為。本集團於二零零零年最後一季首次引入內部信貸風險評級制度，以監察本集團之貸款組合素質。本集團之評級制度超出香港金管局要求之標準5級制度，並採納15級分層制度，透過衡量借款人之財政狀況、管理素質、擁有權及行業風險等特徵而分層。經過多年經驗累積，內部數據得以持續增加，預期本集團將可更進一步利用內部信貸風險評級制度之統計數據，捕捉並剖析信貸風險流向及計算拖欠還款之機會率等。

(b) 流動資金風險管理

流動資金風險乃指本集團於財務責任到期時未能償債之風險。因此，流動資金風險管理可確保本集團具備充足之流動現金，務求以具成本效益之方法應付一般及突發情況下之任何財務責任，並同時遵守一切監管規定。為管理流動資金風險，本集團已制定資產及流動資金管理政策，並經由資產及負債管理委員會（「資產負債委員會」）審閱，及得到董事會批核。本集團每日均緊密管理及預測流動資金流向，務求讓財資部及資產負債委員會按照市況波動迅速行動，並且及時實行應變計劃。本集團繼續發掘及拓展多項融資渠道，以充份把握業務擴充機會。本集團身為中國工商銀行集團之成員，地位有所提升，創造更多空間及能力管理流動資金。年內，本集團發行達2,926,000,000港元及440,000,000美元之存款證，從而取得較長期資金。

二零零三年之流動資金狀況依然穩健，平均流動資金比率為41.3%（二零零二年：35.9%），遠高於法定最低要求之25%。

7 RISK MANAGEMENT (continued)

(a) Credit risk management (continued)

The management spares no efforts in monitoring the quality and behavior of the loan portfolio. The Group's internal credit risks grading system was first introduced in the the last quarter of 2000 to track the health of the Group's loan portfolio. The grading system expands beyond HKMA's standard 5-grades system and incorporates a 15-tier classification system by weighing borrowers' financial, management, ownership, industrial and other characteristics. With internal data being constantly enriched through years of experience, it is expected that the Group could make further use of statistics in the internal credit risk grading system to profile and track down credit risk migration and to measure loan default probabilities etc.

(b) Liquidity risk management

Liquidity risk is the risk that the Group cannot meet its financial obligations as and when they fall due. Liquidity risk management is therefore to ensure that there is adequate cash flows to meet all financial obligations in both normal and contingency circumstances in a cost-effective manner whereas at the same time complies with all regulatory requirements. To manage liquidity risk, the Group has established the Asset and Liquidity Management Policy which is reviewed by the Group's Asset and Liability Management Committee (the "ALCO") and approved by the Board of Directors. Liquidity is also managed and forecasted on a daily basis to enable Treasury and Markets Department and ALCO to react proactively according to fluctuations in market conditions and implement contingency plans on a timely basis. The Group continues to explore and diversify funding channels to capitalise on opportunities for the Group's business expansion. The elevation of the Group's profile, being a member of ICBC Group, has created more rooms and capabilities in liquidity management. During the year, the Group issued HK\$2,926,000,000 and US\$440,000,000 certificates of deposit to secure longer term funding.

The liquidity position remained strong throughout the year of 2003 with average liquidity ratio at 41.3% (2002: 35.9%), which was well above the statutory requirement of 25%.

7 風險管理 (續)

(c) 資本管理

本集團須管理其資本，藉此以具效益之方式執行其策略性業務計劃，並支持本集團之增長及投資。本集團於二零零三年十二月三十一日之資本基礎水平及資本比率保持穩健，資本充足比率遠高於法定最低要求。年內，本集團已發行120,000,000美元之永久後償浮息票據，務求為日後之業務增長擴大資本基礎。本集團於二零零三年十二月三十一日之經調整一級及總資本充足比率分別為9.7%及16.7%。

(d) 市場風險管理

市場風險是指資產、負債及資產負債表外持倉額之市場息率及價格出現變動而導致之盈虧風險。一般而言，本集團之市場風險與買賣賬冊中之外匯、債券、股票及衍生工具之持倉額相關。大部分在資產負債表外之衍生工具持倉額源自執行客戶指令及用作對沖買賣賬冊中其他項目之持倉額。

各類交易之市場風險乃按照資產負債委員會審批之風險限額及指引進行管理。有關風險乃以未平倉盤及止蝕數額之基準衡量及監察。獨立之中怡風險管理部負責進行一般風險監察工作，以確保所有交易活動進行時並無超出獲批的限額。本集團之市場風險會由資產負債委員會審核，假若出現超出限額之例外情況，則會進行匯報。內部審核部門會作出定期核查及測試，以確保符合所有內部指引。

7 RISK MANAGEMENT (continued)

(c) Capital management

The Group manages its capital to execute its strategic business plans and support its growth and investments in an efficient way. The Group's level of capital base and capital ratio at 31st December 2003 remained strong, with capital adequacy ratios well above the regulatory requirements. During the year, the Group has issued US\$120,000,000 perpetual subordinated floating rate notes to expand the capital base for future business growth. The Group's adjusted Tier 1 and total capital adequacy ratios were 9.7% and 16.7%, respectively at 31st December 2003.

(d) Market risk management

Market risk is the risk that market rates and prices on assets, liabilities and off-balance sheet positions change, thus causing profits or losses. Generally, the Group's market risk is associated with its positions in foreign exchange, debt securities, equity securities and derivatives in the trading book. Most off-balance sheet derivative positions arise from the execution of customer-related orders and positions taken to hedge other elements of the trading book.

Market risk exposure for different types of transactions is managed within risk limits and guidelines approved by the ALCO. Exposures are measured and monitored on the basis of limits like outstanding positions and stop-loss amounts. General risk monitoring is carried out by an independent Middle Office Department, which ensures all trading activities are executed within approved limits. The Group's market risk exposures are reviewed by the ALCO, to which all exceptions to limits are reported. Internal Audit also performs regular review and testing to ensure compliance with all internal guidelines.

7 風險管理 (續)

(d) 市場風險管理 (續)

於年內，本集團源自市場風險相關業務之平均每日收益為36,000港元(二零零二年：39,000港元)，而每日收益之標準偏差為173,000港元(二零零二年：103,000港元)。

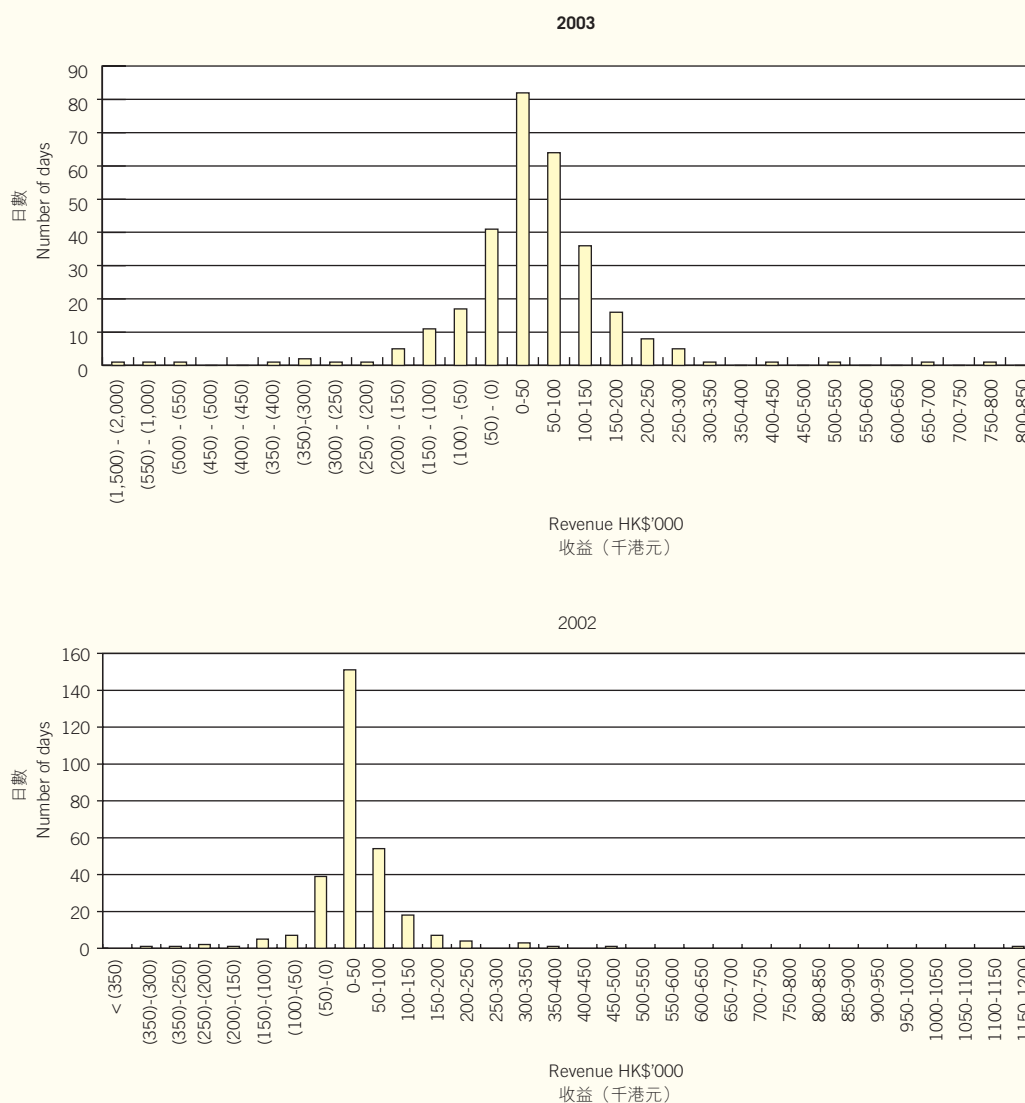
下列統計圖表列示本集團源自市場風險活動之每日收益於二零零三年及二零零二年之分佈情況。

7 RISK MANAGEMENT (continued)

(d) Market risk management (continued)

The average daily revenue earned from the Group's market risk related activities during the year was HK\$36,000 (2002: HK\$39,000) and the standard deviation for such daily revenue was HK\$173,000 (2002: HK\$103,000).

The following histograms show the frequency distribution of daily revenues related to market risk activities of the Group in 2003 and 2002.



7 風險管理 (續)

(e) 息率風險管理

息率風險乃指由於市場息率變動而對本集團財政狀況造成不利影響之風險。本集團之息率風險主要源自期限錯配和計息資產及負債重訂息率時之時差。

本集團透過資產負債表外之息率對沖工具管理其息率風險。資產負債委員會會按市場及息率形勢持續檢討有關策略。

(f) 外匯風險管理

外匯風險乃指由於匯率變動而導致對本集團之財政狀況有不利影響之外匯淨倉風險。由於外匯持倉額擁有多種限制，故本集團所承受之外匯風險非常有限。外匯淨倉額由財資部按資產負債委員會審批之既定限額進行管理。

用以購買港元資產之外匯資金一般會採用掉期或遠期貨幣兌換合約對沖外匯風險。

(g) 營運風險管理

營運風險管理指源自人為失誤、欺詐行為、未經授權活動、系統故障及天災而造成突如其來經濟損失之風險。每家商業機構均存在營運風險，分佈於各個不同層面。透過實施全面之內部監控制度、投購充足保險及設置境外電腦後備設施，加上周詳應變計劃及定期測試，可減低該等風險。此外，內部審核能有效偵察營運程序之任何違規情況，亦可獨立而客觀地找出各營運層面不足之處。

(h) 法律及規管風險管理

法律及規管風險乃不能執行合約及違反或不遵守法規所產生之預期風險。去年，本集團大力加強有關法律及規管方面之風險控制。法律合規部於二零零一年十一月成立，負責處理一切有關本集團之法律及合規事宜。合規部透過訂定合規政策、刊發合規月報及提供定期合規培訓，以協助全體員工掌握有關法律及規管之最新發展。法律合規部亦執行合規審查，就新產品及公司事務提供意見，以確保各方面概無違規情況。

7 RISK MANAGEMENT (continued)

(e) Interest rate risk management

Interest rate risk is the risk that the Group's position may be adversely affected by a change in market interest rates. The Group's interest rate risk arises mainly from the timing differences in the maturity mismatch and repricing of interest bearing assets and liabilities.

The Group manages its interest rate risk by way of entering into on-balance sheet and off-balance sheet interest rate hedging instruments. The strategy is continually reviewed by the ALCO based on market and interest rate conditions.

(f) Foreign exchange risk management

Foreign exchange risk is the risk that the net exposure positions in foreign currencies will adversely affect the Group as a result of a change in exchange rates. The Group has very limited foreign exchange exposure as there are various limits on foreign exchange positions. The foreign exchange positions are managed by Treasury and Markets Department within established limits approved by the ALCO.

Foreign currency funding used to fund Hong Kong dollar assets is normally hedged using currency swaps or forward exchange contracts to mitigate the foreign exchange risk.

(g) Operational risk management

Operational risk is the risk of unexpected financial losses attributable to human error, fraud, unauthorised activities, system failure and natural disaster. It is inherent to every business organisation and covers a wide spectrum of issues. Such risk is mitigated through the implementation of comprehensive internal control system, adequate insurance cover, offshore computer back-up sites and thorough contingency plans with periodic drills. Internal Audit also plays an important role in detecting any deviations from operating procedures and identifying weaknesses at all operating levels independently and objectively.

(h) Legal and compliance risk management

Legal and compliance risk is the prospective risk arising from unenforceable contracts and violations of, or nonconformance with, laws and regulations. Over the past year, the Group took significant steps to further enhance controls regarding legal and compliance risk. The Legal & Compliance Department was established in November 2001 to handle relevant legal and compliance issues concerning the Group. With the issuance of Compliance Policy and monthly Compliance Bulletin, together with the provision of regular compliance training, all staff is kept abreast of the latest legal and regulatory developments. The Legal & Compliance Department also performs compliance checking and provides advice on new products and corporate issues to ensure compliance in all aspects.