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The Bank of East Asia, Limited

東亞銀行有限公司

(Incorporated in Hong Kong with limited liability in 1918)

(Stock Code: 23)

ANNOUNCEMENT OF 2024 INTERIM RESULTS

INTERIM RESULTS

The Board of Directors of the Bank is pleased to announce the unaudited results (Note 1(a)) of the Group for the six months ended 30 June 2024.

Consolidated Income Statement

		6 months ended 30/6/2024	6 months ended 30/6/2023
	Notes	HK\$ Mn	HK\$ Mn
Interest income	3	20,379	18,856
Interest income calculated using the effective interest method		18,930	17,563
Related interest income		1,449	1,293
Interest expense	4	(12,151)	(10,811)
Net interest income		8,228	8,045
Fee and commission income	5	1,829	1,807
Fee and commission expense		(411)	(357)
Net fee and commission income		1,418	1,450
Net trading profit	6	752	645
Net result on financial instruments at FVTPL	7	(59)	(116)
Net result on financial assets measured at FVOCI	8	(80)	68
Net profit/(loss) on sale of financial assets measured at amortised cost		2	(6)
Net hedging profit	9	85	51
Other operating income	10	138	139
Non-interest income		2,256	2,231
Operating income		10,484	10,276
Operating expenses	11	(4,813)	(4,588)
Operating profit before impairment losses		5,671	5,688
Impairment losses on financial instruments	12	(2,881)	(2,492)
Impairment losses on associate	21	(94)	-
Impairment losses on other assets		(2)	(6)
Impairment losses		(2,977)	(2,498)
Operating profit after impairment losses		2,694	3,190
Net profit on sale of assets held for sale		1	3
Net loss on disposal of subsidiaries/associates		-	(13)
Net loss on disposal of fixed assets	13	(10)	(7)
Valuation losses on investment properties	22	(75)	(22)
Share of profits less losses of associates and joint ventures		120	172
Profit for the period before taxation		2,730	3,323
Income tax	14	(609)	(685)
Profit for the period		2,121	2,638

Consolidated Income Statement (Continued)

		6 months ended 30/6/2024	6 months ended 30/6/2023
	Notes	HK\$ Mn	HK\$ Mn
Attributable to:			
Owners of the parent		2,111	2,636
Non-controlling interests		10	2
Profit for the period		<u>2,121</u>	<u>2,638</u>
Profit for the Bank		<u>1,909</u>	<u>2,600</u>
Earnings per share			
Basic	1(b)	HK\$0.69	HK\$0.87
Diluted	1(b)	HK\$0.69	HK\$0.87

Consolidated Statement of Comprehensive Income

		6 months ended 30/6/2024	6 months ended 30/6/2023
	Notes	HK\$ Mn	HK\$ Mn
Net profit		2,121	2,638
Other comprehensive income for the period:			
Items that will not be reclassified to income statement:			
Premises:			
- unrealised surplus on revaluation of premises		11	-
- deferred taxes	30	4	-
Fair value reserve (equity instruments):			
- net change in fair value		(88)	53
- deferred taxes	30	(3)	-
Liability credit reserve:			
- net change in fair value attributable to Group's own credit risk	24	(7)	(5)
- deferred taxes	24,30	1	2
Items that may be reclassified subsequently to income statement:			
Fair value reserve (debt instruments):			
- net change in fair value		915	765
- amount transferred to income statement on disposal		85	(43)
- deferred taxes	30	(169)	(118)
Share of changes in equity of associates and joint ventures		26	43
Exchange differences arising from translation of accounts/ disposal of overseas, Macau and Taiwan branches, subsidiaries, associates and joint ventures		(927)	(1,434)
Other comprehensive income		(152)	(737)
Total comprehensive income		1,969	1,901
Total comprehensive income attributable to:			
Owners of the parent		1,959	1,899
Non-controlling interests		10	2
		1,969	1,901

Consolidated Statement of Financial Position

		30/6/2024	31/12/2023
	Notes	HK\$ Mn	HK\$ Mn
ASSETS			
Cash and balances with banks	15	39,988	45,903
Placements with and advances to banks	16	44,088	43,691
Trade bills	17	1,669	373
Trading assets	18	919	3,049
Derivative assets	36(b)	3,080	9,056
Loans and advances to customers	19	530,393	526,984
Investment securities	20	182,899	167,270
Investments in associates and joint ventures	21	8,201	8,384
Fixed assets	22	13,234	13,493
- Investment properties		5,049	5,105
- Other properties and equipment		7,476	7,603
- Right-of-use assets		709	785
Goodwill and intangible assets		1,843	1,852
Deferred tax assets	30	1,690	1,836
Other assets	23	47,213	38,470
Total Assets		<u>875,217</u>	<u>860,361</u>
EQUITY AND LIABILITIES			
Deposits and balances of banks		35,099	25,619
- Designated at fair value through profit or loss	24	234	3,199
- At amortised cost		34,865	22,420
Deposits from customers	25	630,109	628,598
- Demand deposits and current accounts		58,389	65,643
- Savings deposits		126,113	118,163
- Time, call and notice deposits		445,607	444,792
Trading liabilities		22	-
Derivative liabilities	36(b)	3,037	4,007
Certificates of deposit issued		22,572	27,618
- Designated at fair value through profit or loss	24	3,213	9,415
- At amortised cost		19,359	18,203
Current taxation		1,736	1,602
Debt securities issued		540	844
- Designated at fair value through profit or loss	24	384	688
- At amortised cost		156	156
Deferred tax liabilities	30	678	468
Other liabilities	26	49,010	47,312
Loan capital – at amortised cost	27	23,033	15,967
Total Liabilities		<u>765,836</u>	<u>752,035</u>
Share capital	1(d)	41,933	41,915
Reserves	31	57,094	56,058
Total equity attributable to owners of the parent		<u>99,027</u>	<u>97,973</u>
Additional equity instruments	32	10,090	10,090
Non-controlling interests		264	263
Total Equity		<u>109,381</u>	<u>108,326</u>
Total Equity and Liabilities		<u>875,217</u>	<u>860,361</u>

Consolidated Statement of Changes in Equity

	Share capital	General reserve	Revaluation reserve of bank premises	Capital reserve	Exchange revaluation reserve	Capital reserve - staff share options issued	Fair value reserve	Liability credit reserve	Other reserves ¹	Retained profits	Total	Additional equity instruments	Non-controlling interests	Total equity
	HK\$ Mn	HK\$ Mn	HK\$ Mn	HK\$ Mn	HK\$ Mn	HK\$ Mn	HK\$ Mn	HK\$ Mn	HK\$ Mn	HK\$ Mn	HK\$ Mn	HK\$ Mn	HK\$ Mn	HK\$ Mn
At 1 January 2024	41,915	13,658	2,270	895	(2,545)	139	1,338	4	5,154	35,145	97,973	10,090	263	108,326
Changes in equity														
Profit for the period	-	-	-	-	-	-	-	-	-	2,111	2,111	-	10	2,121
Other comprehensive income	-	-	15	-	(927)	-	740	(6)	26	-	(152)	-	-	(152)
Total comprehensive income	-	-	15	-	(927)	-	740	(6)	26	2,111	1,959	-	10	1,969
Shares issued in lieu of dividend (Note 1(d))	18	-	-	-	-	-	-	-	-	-	18	-	-	18
Equity settled share-based transaction	-	-	-	-	-	11	-	-	-	-	11	-	-	11
Transfer	-	-	-	-	-	(37)	-	-	45	(8)	-	-	-	-
Distribution/Dividends declared or approved during the period	-	-	-	-	-	-	-	-	-	(774)	(774)	-	(9)	(783)
Share buy-back ²	-	-	-	-	-	-	-	-	-	(160)	(160)	-	-	(160)
At 30 June 2024	41,933	13,658	2,285	895	(3,472)	113	2,078	(2)	5,225	36,314	99,027	10,090	264	109,381
At 1 January 2023	41,856	13,658	2,255	895	(1,822)	150	510	15	5,105	33,365	95,987	10,090	269	106,346
Changes in equity														
Profit for the period	-	-	-	-	-	-	-	-	-	2,636	2,636	-	2	2,638
Other comprehensive income	-	-	-	-	(1,434)	-	657	(3)	43	-	(737)	-	-	(737)
Total comprehensive income	-	-	-	-	(1,434)	-	657	(3)	43	2,636	1,899	-	2	1,901
Shares issued in lieu of dividend (Note 1(d))	22	-	-	-	-	-	-	-	-	-	22	-	-	22
Equity settled share-based transaction	-	-	-	-	-	12	-	-	-	-	12	-	-	12
Transfer	-	-	-	-	-	-	-	-	81	(81)	-	-	-	-
Distribution/Dividends declared or approved during the period	-	-	-	-	-	-	-	-	-	(754)	(754)	-	(24)	(778)
Share buy-back ²	-	-	-	-	-	-	-	-	-	(184)	(184)	-	-	(184)
At 30 June 2023	41,878	13,658	2,255	895	(3,256)	162	1,167	12	5,229	34,982	96,982	10,090	247	107,319

Notes: 1. Other reserves include statutory reserve and other reserves.

2. In the first half of 2024, the Bank bought back 16 million (six months ended 30 June 2023: 18 million) issued shares on the Stock Exchange at a total consideration of HK\$159 million (six months ended 30 June 2023: HK\$183 million). Together with the direct transaction cost of approximately HK\$1 million (six months ended 30 June 2023: HK\$1 million), a total amount of HK\$160 million (six months ended 30 June 2023: HK\$184 million) was accounted for as a deduction from retained profits.

Condensed Consolidated Cash Flow Statement

		6 months ended 30/6/2024	6 months ended 30/6/2023
	Notes	HK\$ Mn	HK\$ Mn
NET CASH OUTFLOW FROM OPERATIONS		(12,376)	(12,022)
Income tax paid			
Hong Kong profits tax paid		(63)	(67)
Outside Hong Kong profits tax paid		(257)	(243)
NET CASH USED IN OPERATING ACTIVITIES		<u>(12,696)</u>	<u>(12,332)</u>
INVESTING ACTIVITIES			
Dividends received from equity securities measured at FVOCI		5	17
Purchase of fixed assets		(275)	(221)
Proceeds from disposal of other properties and equipment		4	3
Proceeds from sale of assets held for sale		8	9
NET CASH USED IN INVESTING ACTIVITIES		<u>(258)</u>	<u>(192)</u>
FINANCING ACTIVITIES			
Ordinary dividends paid		(467)	(457)
Distribution to Additional Tier 1 issue holders	1(c)	(298)	(299)
Payment for repurchase of shares		(160)	(184)
Issue of loan capital		8,914	3,904
Capital element of lease rentals paid		(133)	(122)
Interest element of lease rentals paid		(16)	(13)
Redemption of debt securities issued		(312)	(1,408)
Redemption of loan capital		(1,611)	-
Interest paid on debt securities issued		(12)	(40)
Interest paid on loan capital		(576)	(402)
NET CASH GENERATED FROM FINANCING ACTIVITIES		<u>5,329</u>	<u>979</u>
NET DECREASE IN CASH AND CASH EQUIVALENTS		(7,625)	(11,545)
CASH AND CASH EQUIVALENTS AT 1 JANUARY		92,134	112,149
Effect of foreign exchange rate changes		(745)	(1,738)
CASH AND CASH EQUIVALENTS AT 30 JUNE	33	<u>83,764</u>	<u>98,866</u>
Cash flows from operating activities included:			
Interest received		20,241	18,710
Interest paid		11,823	9,545
Dividend received		6	22

Notes:

1. (a) The information in this announcement is not audited or reviewed by the external auditors but is extracted from the interim report prepared under HKAS 34 "Interim Financial Reporting" issued by the HKICPA. Hence this announcement does not constitute the Group's statutory accounts. The interim report, which has been reviewed by the Bank's Audit Committee, is prepared on a basis consistent with the accounting policies and methods of computation adopted in the 2023 audited accounts, except for the accounting policy changes required under new HKFRSs and amendments that are first effective for the current accounting period as described in note 2 below, or otherwise explicitly stated, and has been reviewed by KPMG, in accordance with Hong Kong Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the HKICPA, whose unmodified review report is included in the interim report which will be published on the websites of the HKEX and the Bank, together with the disclosures required by the Banking (Disclosure) Rules and Part 6 of the Financial Institutions (Resolutions) (Loss-absorbing Capacity Requirements – Banking Sector) Rules issued by the HKMA.

The financial information relating to the financial year ended 31 December 2023 that is included in the interim financial report as comparative information does not constitute the Bank's statutory annual consolidated financial statements for that financial year but is derived from those financial statements. Further information relating to these statutory financial statements disclosed in accordance with section 436 of the Companies Ordinance is as follows:

The Bank has delivered the financial statements for the year ended 31 December 2023 to the Registrar of Companies in accordance with section 662(3) of, and Part 3 of Schedule 6 to, the Companies Ordinance.

The Bank's auditor has reported on those financial statements. The auditor's report was unqualified; did not include a reference to any matters to which the auditor drew attention by way of emphasis without qualifying its report; and did not contain a statement under section 406(2), 407(2) or (3) of the Companies Ordinance.

- (b) (i) The calculation of basic earnings per share is based on the consolidated profit for the period attributable to owners of the parent of HK\$1,813 million (six months ended 30 June 2023: HK\$2,337 million) after accounting for the distribution of HK\$298 million (six months ended 30 June 2023: HK\$299 million) to Additional Tier 1 issue holders, and on the weighted average of 2,645 million ordinary shares outstanding during the six months ended 30 June 2024 (six months ended 30 June 2023: 2,677 million).
- (ii) The calculation of diluted earnings per share is the same as the calculation of basic earnings per share, except that the weighted average of ordinary shares is adjusted for the effects of all dilutive potential shares. For the six months ended 30 June 2024, the weighted average of ordinary shares adjusted for the effects of all dilutive potential shares was 2,645 million (six months ended 30 June 2023: 2,677 million).

(c) Distribution/Dividends

- (i) Dividends payable to equity owners of the parent attributable to the interim period

	6 months ended 30/6/2024	6 months ended 30/6/2023
	HK\$ Mn	HK\$ Mn
Interim dividend declared after the interim period of HK\$0.31 per share on 2,636 million shares (six months ended 30 June 2023: HK\$0.36 per share on 2,664 million shares)	<u>817</u>	<u>959</u>

The interim dividend has not been recognised as a liability at the end of the reporting period.

1. (c) Distribution/Dividends (continued)

(ii) Dividends payable to equity owners of the parent attributable to the previous financial year, approved and paid during the interim period

	6 months ended 30/6/2024	6 months ended 30/6/2023
	HK\$ Mn	HK\$ Mn
Second interim dividend of HK\$0.18 per share on 2,645 million shares (2023: HK\$0.17 per share on 2,677 million shares)	<u>476</u>	<u>455</u>

(iii) Distribution to holders of Additional Tier 1 capital instruments

	6 months ended 30/6/2024	6 months ended 30/6/2023
	HK\$ Mn	HK\$ Mn
Distribution paid on the Additional Tier 1 capital instruments	<u>298</u>	<u>299</u>

(d) Share Capital

Movement of the Bank's ordinary shares is set out below:

	At 30 June 2024		At 31 December 2023	
	No. of shares Million	HK\$ Mn	No. of shares Million	HK\$ Mn
Ordinary shares, issued and fully paid:				
At 1 January	2,650	41,915	2,680	41,856
Shares issued in lieu of dividend	2	18	6	59
Share repurchased and cancelled	(16)	-	(36)	-
At 30 June/31 December	<u>2,636</u>	<u>41,933</u>	<u>2,650</u>	<u>41,915</u>

Share buy-back

In the first half of 2024, 16,042,600 shares were repurchased on the Stock Exchange at an aggregate consideration (excluding expenses) of HK\$159 million and 16,159,800 shares were cancelled (including 829,800 shares repurchased in 2023), representing 0.61% and 0.61% of the ordinary shares in issue at the beginning of the period, respectively. The remaining 712,600 shares repurchased in the first half of 2024 were cancelled on 29 July 2024.

In 2023, 35,940,800 shares were repurchased on the Stock Exchange at an aggregate consideration (excluding expenses) of HK\$366 million and 35,797,200 shares were cancelled (including 686,200 shares repurchased in 2022), representing 1.34% and 1.34% of the ordinary shares in issue at the beginning of the year, respectively. The remaining 829,800 shares repurchased in 2023 were cancelled on 8 January 2024.

2. Changes in Accounting Policies

The HKICPA has issued a number of amendments to HKFRSs that are first effective for the current accounting period of the Group.

None of these developments have had a material effect on how the Group's results and financial position for the current or prior periods have been prepared or presented. The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period.

3. Interest Income

	6 months ended 30/6/2024 HK\$ Mn	6 months ended 30/6/2023 HK\$ Mn
Loans, placements with banks, and trade bills	15,494	14,889
Investment securities		
- measured at amortised cost or FVOCI	4,816	3,851
- mandatorily measured at FVTPL	49	79
Trading assets	20	37
	<u>20,379</u>	<u>18,856</u>

For the transactions where interest rate risk is hedged, the periodic payments and receipts arising from interest rate contracts which are qualifying hedging instruments for, or individually managed in conjunction with, interest bearing financial assets are first netted together and then combined with the interest income from the corresponding financial assets.

The above included interest income of HK\$18,930 million (six months ended 30 June 2023: HK\$17,563 million), before hedging effect, for financial assets that are not recognised at fair value through profit or loss.

4. Interest Expense

	6 months ended 30/6/2024	6 months ended 30/6/2023
	HK\$ Mn	HK\$ Mn
Customer deposits and deposits of banks		
- at amortised cost	10,807	9,369
- designated at FVTPL	54	90
Certificates of deposit and debt securities issued		
- at amortised cost	380	279
- designated at FVTPL	175	541
Subordinated notes carried at amortised cost	617	436
Lease liabilities	16	14
Other borrowings	102	82
	<u>12,151</u>	<u>10,811</u>

For the transactions where interest rate risk is hedged, the periodic payments and receipts arising from interest rate contracts which are qualifying hedging instruments for, or individually managed in conjunction with, interest bearing financial liabilities are first netted together and then combined with the interest expense from the corresponding financial liabilities.

The above included interest expense of HK\$11,789 million (six months ended 30 June 2023: HK\$10,104 million), before hedging effect, for financial liabilities that are not recognised at fair value through profit or loss.

5. Fee and Commission Income

Fee and commission income is disaggregated by services:

	6 months ended 30/6/2024	6 months ended 30/6/2023
	HK\$ Mn	HK\$ Mn
Loans, overdrafts and guarantees	452	518
Credit cards	400	372
Sale of third party insurance policies	311	290
Other retail banking services	102	108
Investment products	100	90
Securities brokerage	93	83
Trust and other fiduciary activities	81	94
Trade finance	71	47
Others	219	205
Total fee and commission income	<u>1,829</u>	<u>1,807</u>

Net fee income on financial assets and financial liabilities that are not measured at FVTPL (other than those included in determining the effective interest rate)

	1,423	1,454
Fee income	1,829	1,807
Fee expense	(406)	(353)

6. Net Trading Profit

	6 months ended 30/6/2024	6 months ended 30/6/2023
	HK\$ Mn	HK\$ Mn
Profit on dealing in foreign currencies and funding swaps	255	233
Profit on trading securities	77	28
Net gain on derivatives	414	379
Dividend income from trading equity securities	6	5
	<u>752</u>	<u>645</u>

7. Net Result on Financial Instruments at FVTPL

	6 months ended 30/6/2024	6 months ended 30/6/2023
	HK\$ Mn	HK\$ Mn
Net loss from financial instruments designated at FVTPL	(64)	(137)
Net gain from financial instruments mandatorily measured at FVTPL (other than those included in net trading profits)	5	21
	<u>(59)</u>	<u>(116)</u>

8. Net Result on Financial Assets Measured at FVOCI

	6 months ended 30/6/2024	6 months ended 30/6/2023
	HK\$ Mn	HK\$ Mn
Net (loss)/profit on sale of debt securities	(85)	51
Dividend income from equity securities	5	17
	<u>(80)</u>	<u>68</u>

9. Net Hedging Profit

	6 months ended 30/6/2024	6 months ended 30/6/2023
	HK\$ Mn	HK\$ Mn
Fair value hedges		
- Net loss on hedged items attributable to the hedged risk	(1,102)	(351)
- Net gain on hedging instruments	1,187	402
	<u>85</u>	<u>51</u>

10. Other Operating Income

	6 months ended 30/6/2024	6 months ended 30/6/2023
	HK\$ Mn	HK\$ Mn
Rental from safe deposit boxes	59	59
Rental income on properties	56	65
Others	23	15
	<u>138</u>	<u>139</u>

11. Operating Expenses

	6 months ended 30/6/2024	6 months ended 30/6/2023
	HK\$ Mn	HK\$ Mn
Contributions to defined contribution plan		
- Hong Kong	110	94
- Outside Hong Kong	115	110
Equity settled share-based payment expenses	11	12
Salaries and other staff costs	2,562	2,479
Total staff costs	<u>2,798</u>	<u>2,695</u>
Premises and equipment expenses excluding depreciation		
- Expenses relating to short-term leases	5	4
- Expenses relating to low value assets	5	6
- Maintenance, repairs and others	434	390
Total premises and equipment expenses excluding depreciation	<u>444</u>	<u>400</u>
Depreciation and amortisation	<u>435</u>	<u>406</u>
Other operating expenses		
- Internet platform charges	277	265
- Legal and professional fees	231	207
- Communications, stationery and printing	139	137
- Advertising and business promotion expenses	124	116
- Others	365	362
Total other operating expenses	<u>1,136</u>	<u>1,087</u>
Total operating expenses	<u>4,813</u>	<u>4,588</u>

12. Impairment Losses on Financial Instruments

	6 months ended 30/6/2024	6 months ended 30/6/2023
	HK\$ Mn	HK\$ Mn
Loans and advances to customers	2,713	2,373
Debt securities	157	39
Others	11	80
	<u>2,881</u>	<u>2,492</u>

13. Net Loss on Disposal of Fixed Assets

	6 months ended 30/6/2024	6 months ended 30/6/2023
	HK\$ Mn	HK\$ Mn
Net loss on disposal of bank premises, furniture, fixtures and equipment	<u>(10)</u>	<u>(7)</u>

14. Income Tax

Taxation in the consolidated income statement represents:

	6 months ended 30/6/2024	6 months ended 30/6/2023
	HK\$ Mn	HK\$ Mn
Current tax – Hong Kong		
Tax for the period	300	300
Over-provision in respect of prior years	<u>(20)</u>	<u>(26)</u>
	<u>280</u>	<u>274</u>
Current tax – outside Hong Kong		
Tax for the period	344	392
Over-provision in respect of prior years	<u>(164)</u>	<u>(17)</u>
	<u>180</u>	<u>375</u>
Deferred tax		
Origination and reversal of temporary differences	<u>149</u>	<u>36</u>
	<u>609</u>	<u>685</u>

The provision for Hong Kong profits tax is calculated at 16.5% (six months ended 30 June 2023: 16.5%) of the estimated assessable profits for the six months ended 30 June 2024.

Taxation for overseas, Macau and Taiwan branches and subsidiaries is charged at the appropriate current rates of taxation ruling in the relevant jurisdictions.

15. Cash and Balances with Banks

	30/6/2024	31/12/2023
	HK\$ Mn	HK\$ Mn
Cash in hand	920	1,417
Balances with central banks	25,669	32,139
Balances with other banks	13,400	12,348
Gross carrying amount before impairment allowances	39,989	45,904
Less: Impairment allowances	(1)	(1)
	<u>39,988</u>	<u>45,903</u>

16. Placements with and Advances to Banks

	30/6/2024	31/12/2023
	HK\$ Mn	HK\$ Mn
Placements with and advances to banks		
Maturing		
- within one month	35,975	40,885
- after one month but within one year	8,115	2,808
- after one year	-	-
Gross carrying amount before impairment allowances	44,090	43,693
Less: Impairment allowances	(2)	(2)
	<u>44,088</u>	<u>43,691</u>
Of which:		
Placements with and advances to central banks	<u>2,173</u>	<u>2,142</u>

17. Trade Bills

	30/6/2024	31/12/2023
	HK\$ Mn	HK\$ Mn
Measured at amortised cost		
Gross carrying amount before impairment allowances	1,478	251
Less: Impairment allowances	-	-
	<u>1,478</u>	<u>251</u>
Measured at FVOCI	191	122
	<u>1,669</u>	<u>373</u>

18. Trading Assets

	30/6/2024	31/12/2023
	HK\$ Mn	HK\$ Mn
Certificates of deposit held	286	-
Debt securities	304	2,764
Equity securities	167	285
Investment funds	162	-
	<u>919</u>	<u>3,049</u>

19. Loans and Advances to Customers

(a) Loans and Advances to Customers

	30/6/2024	31/12/2023
	HK\$ Mn	HK\$ Mn
Gross carrying amount before impairment allowances	535,310	532,111
Less: Impairment allowances	(4,917)	(5,127)
	<u>530,393</u>	<u>526,984</u>

(b) Loans and Advances to Customers - by Industry Sectors

The analysis of gross advances to customers and the percentage of secured advances by industry sector is based on the categories and definitions used by the HKMA.

	30/6/2024		31/12/2023	
	Gross advances	% of gross advances covered by collateral	Gross advances	% of gross advances covered by collateral
	HK\$ Mn	%	HK\$ Mn	%
Loans for use in Hong Kong				
Industrial, commercial and financial				
- Property development	22,086	58.65	28,590	59.39
- Property investment	43,602	92.73	50,155	92.35
- Financial concerns	15,338	51.15	14,171	54.48
- Stockbrokers	931	99.76	1,218	91.77
- Wholesale and retail trade	8,146	40.20	5,996	53.85
- Manufacturing	4,050	34.15	3,219	39.40
- Transport and transport equipment	4,435	39.49	4,106	50.05
- Recreational activities	23	96.15	108	99.41
- Information technology	3,205	43.77	2,093	63.13
- Others	28,857	57.92	20,868	54.76
Sub-total	<u>130,673</u>	66.36	<u>130,524</u>	70.14
Individuals				
- Loans for the purchase of flats in the Home Ownership Scheme, Private Sector Participation Scheme and Tenants Purchase Scheme	1,044	98.63	1,081	99.10
- Loans for the purchase of other residential properties	97,793	99.36	96,147	99.53
- Credit card advances	3,938	0.00	4,740	0.00
- Others	18,790	55.21	20,555	58.71
Sub-total	<u>121,565</u>	89.31	<u>122,523</u>	88.83
Total loans for use in Hong Kong	252,238	77.42	253,047	79.19
Trade finance	7,257	22.95	5,592	32.97
Loans for use outside Hong Kong (Note)	275,815	33.52	273,472	35.82
Total advances to customers	<u>535,310</u>	54.06	<u>532,111</u>	56.41

Note: Loans for use outside Hong Kong include the following loans for use in Chinese Mainland and loans for use outside Hong Kong and Chinese Mainland.

19. Loans and Advances to Customers (continued)

(b) Loans and Advances to Customers - by Industry Sectors (continued)

	30/6/2024		31/12/2023	
	Gross advances	% of gross advances covered by collateral	Gross advances	% of gross advances covered by collateral
	HK\$ Mn	%	HK\$ Mn	%
Loans for use in Chinese Mainland				
Industrial, commercial and financial				
- Property development	26,294	44.55	29,598	43.16
- Property investment	6,821	64.01	7,796	67.72
- Financial concerns	47,681	12.43	43,746	10.19
- Stockbrokers	-	0.00	440	100.00
- Wholesale and retail trade	11,787	7.47	8,509	10.42
- Manufacturing	15,458	1.41	14,255	7.35
- Transport and transport equipment	1,847	63.85	1,921	61.89
- Recreational activities	86	0.00	-	0.00
- Information technology	1,943	1.43	1,194	0.74
- Others	20,334	15.33	18,123	14.07
Sub-total	<u>132,251</u>	20.74	<u>125,582</u>	22.80
Individuals				
- Loans for the purchase of other residential properties	9,170	99.77	10,398	99.96
- Credit card advances	3,299	0.00	3,825	0.00
- Others	16,217	0.28	18,552	3.67
Sub-total	<u>28,686</u>	32.05	<u>32,775</u>	33.79
Total loans for use in Chinese Mainland	<u>160,937</u>	22.76	<u>158,357</u>	25.08

19. Loans and Advances to Customers (continued)

(b) Loans and Advances to Customers - by Industry Sectors (continued)

	30/6/2024		31/12/2023	
	Gross advances	% of gross advances covered by collateral	Gross advances	% of gross advances covered by collateral
	HK\$ Mn	%	HK\$ Mn	%
Loans for use outside Hong Kong and Chinese Mainland				
Industrial, commercial and financial				
- Property development	7,381	57.19	8,239	50.27
- Property investment	31,380	76.54	33,696	77.20
- Financial concerns	12,066	69.64	14,109	73.80
- Wholesale and retail trade	4,951	12.66	4,808	15.39
- Manufacturing	12,953	1.40	15,032	1.41
- Transport and transport equipment	3,933	29.94	2,693	44.13
- Recreational activities	1,227	43.03	885	80.27
- Information technology	5,975	3.10	4,741	3.66
- Others	31,935	41.99	27,536	40.97
Sub-total	<u>111,801</u>	47.18	<u>111,739</u>	49.11
Individuals				
- Loans for the purchase of other residential properties	3,019	100.00	3,297	99.91
- Credit card advances	1	0.00	1	0.00
- Others	57	99.87	78	99.65
Sub-total	<u>3,077</u>	99.97	<u>3,376</u>	99.86
Total loans for use outside Hong Kong and Chinese Mainland	<u>114,878</u>	48.60	<u>115,115</u>	50.60
Total loans for use outside Hong Kong	<u>275,815</u>	33.52	<u>273,472</u>	35.82

19. Loans and Advances to Customers (continued)

(b) Loans and Advances to Customers - by Industry Sectors (continued)

Individually impaired loans, as well as relevant information, in respect of industry sectors which constitute 10% or more of total advances to customers are as follows:

	<u>30/6/2024</u>	<u>31/12/2023</u>
	HK\$ Mn	HK\$ Mn
(i) Property development		
a. Individually impaired loans	7,234	7,581
b. Specific provisions	2,282	2,162
c. Collective provisions	151	404
d. New provision charged to income statement	1,824	2,157
e. Written off	1,532	3,934
(ii) Property investment		
a. Individually impaired loans	3,682	4,094
b. Specific provisions	425	441
c. Collective provisions	89	67
d. New provision charged to income statement	443	227
e. Written off	403	910
(iii) Loans for purchase of residential properties		
a. Individually impaired loans	385	359
b. Specific provisions	5	12
c. Collective provisions	35	25
d. New provision charged to income statement	21	17
e. Written off	1	1
(iv) Financial concerns		
a. Individually impaired loans	697	640
b. Specific provisions	132	50
c. Collective provisions	58	121
d. New provision charged to income statement	374	140
e. Written off	304	45

The specific provisions represent lifetime expected credit loss provisions for credit impaired (Stage 3) exposures and the collective provisions represent the 12-month and lifetime expected credit loss provisions for non-credit impaired (Stage 1 and Stage 2) exposures.

19. Loans and Advances to Customers (continued)

(c) Loans and Advances to Customers – by Geographical Areas

The information concerning the breakdown of the gross amount of advances to customers by geographical areas is derived according to the location of the counterparties after taking into account any transfer of risk in accordance with the requirements of Banking (Disclosure) Rules. In general, such transfer of risk takes place if the claims are guaranteed by a party in a country which is different from that of the counterparty or if the claims are on an overseas branch of a bank whose head office is located in another country. The location of a party is determined by its residence which is the economic territory under whose laws the party is incorporated or registered. This requirement is different from the allocation under segment reporting in Note 28 which is prepared in a manner consistent with the way in which information is reported internally to the Group's Senior Management. The specific provisions represent lifetime expected credit loss provisions for credit impaired (Stage 3) exposures and the collective provisions represent the 12-month and lifetime expected credit loss provisions for non-credit impaired (Stage 1 and Stage 2) exposures.

	30/6/2024				
	Total advances to customers	Advances overdue for over three months	Impaired advances to customers	Specific provisions	Collective provisions
	HK\$ Mn	HK\$ Mn	HK\$ Mn	HK\$ Mn	HK\$ Mn
Hong Kong	240,053	3,607	4,930	898	211
Chinese Mainland	189,028	3,492	8,209	2,689	656
Other Asian Countries and Regions	36,776	89	237	141	93
Others	69,453	382	640	63	166
Total	535,310	7,570	14,016	3,791	1,126
% of total advances to customers			<u>2.62%</u>		
	31/12/2023				
	Total advances to customers	Advances overdue for over three months	Impaired advances to customers	Specific provisions	Collective provisions
	HK\$ Mn	HK\$ Mn	HK\$ Mn	HK\$ Mn	HK\$ Mn
Hong Kong	251,929	2,329	4,863	825	215
Chinese Mainland	174,954	5,393	8,567	2,648	1,072
Other Asian Countries and Regions	31,279	61	111	31	121
Others	73,949	297	793	32	183
Total	532,111	8,080	14,334	3,536	1,591
% of total advances to customers			<u>2.69%</u>		

Impaired loans and advances are individually assessed loans with objective evidence of impairment on an individual basis. The above information by geographical areas is derived according to the location of the counterparties after taking into account any transfer of risk.

20. Investment Securities

	30/6/2024					
	Treasury bills (including Exchange Fund Bills)	Certificates of deposit held	Debt securities	Equity securities	Investment funds	Total
	HK\$ Mn	HK\$ Mn	HK\$ Mn	HK\$ Mn	HK\$ Mn	HK\$ Mn
Investment securities measured at amortised cost						
Gross carrying amount before impairment allowances	2,545	980	20,218	-	-	23,743
Less: Impairment allowances	-	-	(824)	-	-	(824)
	<u>2,545</u>	<u>980</u>	<u>19,394</u>	<u>-</u>	<u>-</u>	<u>22,919</u>
Investment securities measured at FVOCI	29,724	-	126,746	871	-	157,341
Investment securities mandatorily measured at FVTPL	-	-	1,879	-	760	2,639
	<u>32,269</u>	<u>980</u>	<u>148,019</u>	<u>871</u>	<u>760</u>	<u>182,899</u>
	31/12/2023					
	Treasury bills (including Exchange Fund Bills)	Certificates of deposit held	Debt securities	Equity securities	Investment funds	Total
	HK\$ Mn	HK\$ Mn	HK\$ Mn	HK\$ Mn	HK\$ Mn	HK\$ Mn
Investment securities measured at amortised cost						
Gross carrying amount before impairment allowances	2,660	1,103	8,099	-	-	11,862
Less: Impairment allowances	-	-	(672)	-	-	(672)
	<u>2,660</u>	<u>1,103</u>	<u>7,427</u>	<u>-</u>	<u>-</u>	<u>11,190</u>
Investment securities measured at FVOCI	27,914	-	124,347	959	-	153,220
Investment securities mandatorily measured at FVTPL	-	-	2,076	-	784	2,860
	<u>30,574</u>	<u>1,103</u>	<u>133,850</u>	<u>959</u>	<u>784</u>	<u>167,270</u>

Equity Securities Designated at FVOCI

	30/6/2024		31/12/2023	
	Fair value	Dividend income recognised	Fair value	Dividend income recognised
	HK\$ Mn	HK\$ Mn	HK\$ Mn	HK\$ Mn
Equity investments held for long-term strategic purposes	<u>871</u>	<u>5</u>	<u>959</u>	<u>34</u>

21. Investments in Associates and Joint Ventures

	30/6/2024	31/12/2023
	HK\$ Mn	HK\$ Mn
Share of net assets	9,389	9,469
Goodwill	431	440
	<u>9,820</u>	<u>9,909</u>
Less: Impairment allowances	(1,619)	(1,525)
	<u>8,201</u>	<u>8,384</u>

In the first half of 2024, the Group recognised an impairment loss of HK\$94 million for its investment in an unlisted associate operating in Chinese Mainland as a result of decrease in value-in-use of the investment (six months ended 30 June 2023: no impairment charge). At 30 June 2024, the investment's assessed recoverable amount of HK\$89 million (representing the estimated fair value less costs of disposal) was below the investment carrying value of HK\$183 million. The fair value (categorised as Level 3 valuation) was measured under market-comparable approach with reference to multiples of comparable listed companies, adjusted for a marketability discount to reflect the fact that the shares are not actively traded.

Update on impairment assessment of the Group's investment in AFFIN Bank Berhad ("AFFIN")

At 30 June 2024, the fair value of the Group's investment in AFFIN based on the quoted market price had been persistently below the carrying amount. As a result, the Group performed an impairment test on the investment using a value-in-use ("VIU") methodology and this demonstrated that the recoverable amount of the investment was HK\$3,287 million. The recoverable amount was higher than the carrying value of HK\$2,969 million and no further impairment charge was recognised (six months ended 30 June 2023: no impairment charge). The VIU calculation uses discounted cash flow projections based on AFFIN's latest forecast of financial results and estimates made by the Group's management for the next five years and extrapolating in perpetuity using a long-term growth rate of 3% to derive a terminal value. Discount rate of 11.56% (31/12/2023: 12.03%), which is based on a Capital Asset Pricing Model calculation for AFFIN, is used in the VIU calculation.

The following table illustrates the impact on VIU of reasonably possible changes to key assumptions. This reflects the sensitivity of the VIU to each key assumption on its own and it is possible that more than one favourable and/or unfavourable change may occur at the same time.

	Favourable change		Unfavourable change			
	Increase in VIU	VIU		Decrease in VIU	VIU	
	HK\$ Mn	HK\$ Mn		HK\$ Mn	HK\$ Mn	
At 30 June 2024						
Discount rate	-50 bps	225	3,512	+50 bps	(199)	3,088
Long-term growth rate	+50 bps	21	3,308	-50 bps	(20)	3,267
Expected cash flows	+10%	329	3,616	-10%	(329)	2,958

22. Fixed Assets

30/6/2024

	Investment properties	Bank premises	Furniture, fixtures and equipment	Sub-total	Right-of-use assets – Bank premises	Right-of-use assets - Furniture, fixtures and equipment	Sub-total	Total
	HK\$ Mn	HK\$ Mn	HK\$ Mn	HK\$ Mn	HK\$ Mn	HK\$ Mn	HK\$ Mn	HK\$ Mn
Cost or valuation								
At 1 January 2024	5,105	7,931	6,910	14,841	1,428	23	1,451	21,397
Additions	-	3	272	275	72	2	74	349
Revaluation deficit	(75)	-	-	-	-	-	-	(75)
Disposals	-	(8)	(117)	(125)	-	-	-	(125)
Remeasurement	-	-	-	-	(2)	-	(2)	(2)
Revaluation surplus on bank premises upon transfer to investment properties	-	11	-	11	-	-	-	11
Transfer from bank premises to investment properties	45	(45)	-	(45)	-	-	-	-
Transfer from investment properties to bank premises	(26)	26	-	26	-	-	-	-
Expiry/termination of lease contracts	-	-	-	-	(83)	(1)	(84)	(84)
Less: Elimination of accumulated depreciation on revalued bank premises	-	(6)	-	(6)	-	-	-	(6)
Exchange adjustments	-	(98)	(55)	(153)	(16)	-	(16)	(169)
At 30 June 2024	5,049	7,814	7,010	14,824	1,399	24	1,423	21,296
Accumulated depreciation and impairment								
At 1 January 2024	-	2,365	4,873	7,238	651	15	666	7,904
Depreciation for the period	-	65	228	293	132	3	135	428
Expiry/termination of lease contracts	-	-	-	-	(79)	(1)	(80)	(80)
Elimination of accumulated depreciation on revalued bank premises	-	(6)	-	(6)	-	-	-	(6)
Written off on disposal	-	(4)	(107)	(111)	-	-	-	(111)
Exchange adjustments	-	(33)	(33)	(66)	(7)	-	(7)	(73)
At 30 June 2024	-	2,387	4,961	7,348	697	17	714	8,062
Net book value at 30 June 2024	5,049	5,427	2,049	7,476	702	7	709	13,234
The gross amounts of the above assets are stated:								
At cost	-	7,066	7,010	14,076	1,399	24	1,423	15,499
At Directors' valuation - 1989	-	748	-	748	-	-	-	748
At professional valuation - 2024	5,049	-	-	-	-	-	-	5,049
	5,049	7,814	7,010	14,824	1,399	24	1,423	21,296

22. Fixed Assets (continued)

31/12/2023

	Investment properties	Bank premises	Furniture, fixtures and equipment	Sub-total	Right-of-use assets - Bank premises	Right-of-use assets - Furniture, fixtures and equipment	Sub-total	Total
	HK\$ Mn	HK\$ Mn	HK\$ Mn	HK\$ Mn	HK\$ Mn	HK\$ Mn	HK\$ Mn	HK\$ Mn
Cost or valuation								
At 1 January 2023	5,166	8,064	6,478	14,542	1,304	25	1,329	21,037
Additions	-	13	667	680	326	2	328	1,008
Revaluation deficit	(86)	-	-	-	-	-	-	(86)
Disposals	-	(24)	(191)	(215)	-	-	-	(215)
Revaluation surplus on bank premises upon transfer to investment properties	-	13	-	13	-	-	-	13
Transfer from bank premises to investment properties	24	(24)	-	(24)	-	-	-	-
Expiry/termination of lease contracts	-	-	-	-	(199)	(4)	(203)	(203)
Less: Elimination of accumulated depreciation on revalued bank premises	-	(3)	-	(3)	-	-	-	(3)
Transfer to asset classified as assets held for sale	-	(21)	-	(21)	-	-	-	(21)
Exchange adjustments	1	(87)	(44)	(131)	(3)	-	(3)	(133)
At 31 December 2023	5,105	7,931	6,910	14,841	1,428	23	1,451	21,397
Accumulated depreciation and impairment								
At 1 January 2023	-	2,289	4,660	6,949	598	14	612	7,561
Depreciation for the year	-	134	413	547	255	5	260	807
Impairment for the year	-	1	-	1	-	-	-	1
Expiry/termination of lease contracts	-	-	-	-	(199)	(4)	(203)	(203)
Elimination of accumulated depreciation on revalued bank premises	-	(3)	-	(3)	-	-	-	(3)
Written off on disposal	-	(13)	(174)	(187)	-	-	-	(187)
Transfer to asset classified as assets held for sale	-	(8)	-	(8)	-	-	-	(8)
Exchange adjustments	-	(35)	(26)	(61)	(3)	-	(3)	(64)
At 31 December 2023	-	2,365	4,873	7,238	651	15	666	7,904
Net book value at 31 December 2023	5,105	5,566	2,037	7,603	777	8	785	13,493
The gross amounts of the above assets are stated:								
At cost	-	7,183	6,910	14,093	1,428	23	1,451	15,544
At Directors' valuation - 1989	-	748	-	748	-	-	-	748
At professional valuation - 2023	5,105	-	-	-	-	-	-	5,105
	5,105	7,931	6,910	14,841	1,428	23	1,451	21,397

23. Other Assets

	30/6/2024	31/12/2023
	HK\$ Mn	HK\$ Mn
Accrued interest	4,338	4,200
Customer liabilities under acceptances	33,493	26,771
Other accounts	9,753	7,776
Gross carrying amount before impairment allowances	47,584	38,747
Less: Impairment allowances	(386)	(292)
	47,198	38,455
Assets held for sale	15	15
	47,213	38,470

24. Financial Liabilities Designated at Fair Value through Profit or Loss

	30/6/2024	31/12/2023
	HK\$ Mn	HK\$ Mn
Deposits and balances of banks	234	3,199
Deposits from customers (Note 25)	-	199
Certificates of deposit issued	3,213	9,415
Debt securities issued	384	688
	3,831	13,501

Financial liabilities above have been designated at FVTPL when the Group holds related derivatives at FVTPL, and designation therefore eliminates or significantly reduces an accounting mismatch that would otherwise arise.

The amount of change, during the period and cumulatively, in the fair value of financial liabilities designated at FVTPL that is attributable to changes in the credit risk of these liabilities and recognised in other comprehensive income is set out below.

	30/6/2024	31/12/2023
	HK\$ Mn	HK\$ Mn
Balance at 1 January	4	15
Recognised in other comprehensive income during the period	(7)	(13)
Deferred tax	1	2
Balance at 30 June/31 December	(2)	4

There was no transfer of cumulative gain or loss within equity due to de-recognition of liabilities designated at FVTPL during first half of 2024 (31/12/2023: Nil).

The change in fair value attributable to changes in credit risk on financial liabilities is calculated using the difference between the fair value of the financial liabilities at the reporting date and the present value computed with adjusted asset swap spread.

The carrying amount of financial liabilities designated at FVTPL at 30 June 2024 was HK\$34 million lower than the contractual amount due at maturity (31/12/2023: HK\$120 million lower).

25. Deposits from customers

	30/6/2024	31/12/2023
	HK\$ Mn	HK\$ Mn
Measured at amortised cost	630,109	628,399
Designated at FVTPL (Note 24)	-	199
	<u>630,109</u>	<u>628,598</u>

26. Other Liabilities

	30/6/2024	31/12/2023
	HK\$ Mn	HK\$ Mn
Accrued interest payable	5,005	5,265
Acceptance draft payable	33,493	26,771
Impairment allowances on financial guarantee contracts issued and loan commitments issued	135	415
Lease liabilities	777	852
Other accounts (Note)	9,600	14,009
	<u>49,010</u>	<u>47,312</u>

Note: Include contract liabilities of HK\$2,043 million (31/12/2023: HK\$2,162 million) from contracts with customers under HKFRS 15.

27. Loan Capital

	30/6/2024	31/12/2023
	HK\$ Mn	HK\$ Mn
Subordinated notes, at amortised cost with fair value hedge adjustments:		
USD500 million fixed rate Tier 2 capital securities due 22 April 2032 (1)	3,707	3,750
USD600 million fixed rate Tier 2 capital securities due 29 May 2030 (2)	4,673	4,727
USD650 million fixed rate Tier 2 capital securities due 27 June 2034 (3)	5,029	-
USD250 million fixed rate non-preferred loss absorbing capacity notes due 7 July 2028 (4)	1,872	1,899
USD500 million fixed rate non-preferred loss absorbing capacity notes due 15 March 2027 (5)	3,889	3,942
USD500 million fixed rate non-preferred loss absorbing capacity notes due 13 March 2027 (6)	3,863	-
Subordinated notes, at amortised cost without hedging:		
RMB1,500 million fixed rate due 25 April 2029 (7)	-	1,649
	<u>23,033</u>	<u>15,967</u>

The Group has not had any defaults of principal, interest or other breaches with respect to its debt securities during the period/year ended 30 June 2024 and 31 December 2023.

27. Loan Capital (continued)

- (1) Loan capital with face value of US\$500 million (equivalent to HK\$3,904 million) and carrying amount of HK\$3,707 million (31/12/2023: HK\$3,750 million) represents subordinated notes carrying a coupon rate of 4.875% p.a. qualifying as Tier 2 capital and meeting the loss-absorbing capacity requirements issued on 22 April 2022 by the Bank. The notes are listed on the Stock Exchange, will mature on 22 April 2032 and are callable on 22 April 2027. The notes are under fair value hedge accounting and insignificant hedge ineffectiveness was recorded in first half of 2024.
- (2) Loan capital with face value of US\$600 million (equivalent to HK\$4,685 million) and carrying amount of HK\$4,673 million (31/12/2023: HK\$4,727 million) represents subordinated notes carrying a coupon of 4% p.a. qualifying as Tier 2 capital and meeting the loss-absorbing capacity requirements issued on 29 May 2020 by the Bank. The notes are listed on the Stock Exchange, will mature on 29 May 2030 and are callable on 29 May 2025. The notes are under fair value hedge accounting and hedge ineffectiveness of HK\$19 million profit was recorded in first half of 2024.
- (3) Loan capital with face value of US\$650 million (equivalent to HK\$5,076 million) and carrying amount of HK\$5,029 million represents subordinated notes carrying a coupon of 6.75% p.a. qualifying as Tier 2 capital and meeting the loss-absorbing capacity requirements issued on 27 June 2024 by the Bank. The notes are listed on the Stock Exchange, will mature on 27 June 2034 and are callable on 27 June 2029. The notes are under fair value hedge accounting and hedge ineffectiveness of HK\$4 million profit was recorded in first half of 2024.
- (4) Loan capital with face value of US\$250 million (equivalent to HK\$1,952 million) and carrying amount of HK\$1,872 million (31/12/2023: HK\$1,899 million) represents non-preferred loss-absorbing capacity notes carrying a coupon rate of 5.125% p.a. and meeting the loss-absorbing capacity requirements issued on 7 July 2022 by the Bank. The notes are listed on the Stock Exchange, will mature on 7 July 2028 and are callable on 7 July 2027. The notes are under fair value hedge accounting and insignificant hedge ineffectiveness was recorded in first half of 2024.
- (5) Loan capital with face value of US\$500 million (equivalent to HK\$3,904 million) and carrying amount of HK\$3,889 million (31/12/2023: HK\$3,942 million) represents non-preferred loss-absorbing capacity notes carrying a coupon rate of 6.75% p.a. and meeting the loss-absorbing capacity requirements issued on 15 March 2023 by the Bank. The notes are listed on the Stock Exchange, will mature on 15 March 2027 and are callable on 15 March 2026. The notes are under fair value hedge accounting and hedge ineffectiveness of HK\$1 million profit was recorded in first half of 2024.
- (6) Loan capital with face value of US\$500 million (equivalent to HK\$3,904 million) and carrying amount of HK\$3,863 million represents non-preferred loss-absorbing capacity notes carrying a coupon rate of 6.625% p.a. and meeting the loss-absorbing capacity requirements issued on 13 March 2024 by the Bank. The notes are listed on the Stock Exchange, will mature on 13 March 2027 and are callable on 13 March 2026. The notes are under fair value hedge accounting and insignificant hedge ineffectiveness was recorded in first half of 2024.
- (7) Loan capital with face value of RMB1,500 million (equivalent to HK\$1,650 million) and carrying amount of HK\$1,649 million as at 31 December 2023 represented subordinated notes carrying a coupon of 4.94% p.a. issued on 25 April 2019 by the Bank's subsidiary, The Bank of East Asia (China) Limited. The notes were fully redeemed when they became callable on 25 April 2024.

28. Segment Reporting

The Group manages its businesses by divisions, which are organised by a mixture of both business lines and geography. In a manner consistent with the way in which information is reported internally to the Group's Senior Management for the purposes of resource allocation and performance assessment, the Group has presented the following eight reportable segments.

Hong Kong operations divided into the following five reportable segments.

Personal banking includes branch operations, personal internet banking, consumer finance, property loans, MPF business, and credit card business.

Wholesale banking includes corporate lending and loan syndication, asset based lending, commercial lending, securities lending and trade financing activities with correspondent banks and corporates.

Treasury markets include treasury operations and securities dealing.

Wealth management includes private banking business, investment products & advisory and securities & futures broking.

Others mainly include trust business carried out by subsidiaries operating in Hong Kong and other supporting units of Hong Kong operations.

Chinese Mainland operations mainly include the back office unit for Chinese Mainland operations in Hong Kong, all subsidiaries and associates operating in Chinese Mainland, except those subsidiaries carrying out data processing and other back office operations for Hong Kong operations in Chinese Mainland.

Overseas, Macau and Taiwan operations mainly include the back office unit for Overseas, Macau and Taiwan operations in Hong Kong, Macau Branch, Taiwan Branch and all branches, subsidiaries and associates operating overseas.

Corporate management absorbs the regulatory capital cost of loan capital issued by the Bank and receives, from Hong Kong operations, the interest income on business activities funded by capital instruments issued by the Bank.

For the purposes of assessing segment performance and allocating resources among segments, the Group's Senior Management monitors the results, assets and liabilities attributable to each reportable segment on the following bases:

Segment assets include all assets with the exception of interests in associates and joint ventures and assets held for sale. Segment liabilities include deposits, financial liabilities and other liabilities attributable to the individual segments.

Revenue and expenses are allocated to the reportable segments with reference to interest and fee and commission income generated by those segments and the expenses incurred by those segments or which otherwise arise from the depreciation or amortisation of assets attributable to those segments.

28. Segment Reporting (continued)

	Hong Kong operations					Total	Chinese Mainland operations	Overseas, Macau and Taiwan operations	Corporate management	Inter-segment elimination	Total
	Personal banking	Wholesale banking	Treasury markets	Wealth management	Others						
	HK\$ Mn	HK\$ Mn	HK\$ Mn	HK\$ Mn	HK\$ Mn						
6 months ended 30 June 2024											
Net interest income/(expense)	2,794	1,395	684	186	(124)	4,935	1,922	1,326	45	-	8,228
Non-interest income	614	352	55	352	164	1,537	643	91	-	(15)	2,256
Operating income	3,408	1,747	739	538	40	6,472	2,565	1,417	45	(15)	10,484
Operating expenses	(848)	(227)	(95)	(196)	(1,336)	(2,702)	(1,711)	(415)	-	15	(4,813)
Operating profit/(loss) before impairment losses	2,560	1,520	644	342	(1,296)	3,770	854	1,002	45	-	5,671
(Charge for)/write back of impairment losses on financial instruments	(78)	(1,666)	5	(306)	2	(2,043)	(719)	(119)	-	-	(2,881)
Impairment losses on associate	-	-	-	-	-	-	(94)	-	-	-	(94)
Impairment losses on other assets	-	-	-	-	-	-	(2)	-	-	-	(2)
Operating profit/(loss) after impairment losses	2,482	(146)	649	36	(1,294)	1,727	39	883	45	-	2,694
Net profit on sale of asset held for sales	-	-	-	-	-	-	-	1	-	-	1
Net loss on disposal of fixed assets	(1)	-	-	-	-	(1)	(9)	-	-	-	(10)
Valuation losses on investment properties	-	-	-	-	(74)	(74)	-	(1)	-	-	(75)
Share of profits less losses of associates and joint ventures	-	-	-	-	(3)	(3)	28	95	-	-	120
Profit/(loss) before taxation	2,481	(146)	649	36	(1,371)	1,649	58	978	45	-	2,730
Depreciation for the period	(105)	(9)	(6)	(4)	(112)	(236)	(163)	(29)	-	-	(428)
At 30 June 2024											
Segment assets	123,994	149,094	247,319	15,393	11,337	547,137	235,061	124,710	-	(39,907)	867,001
Investments in associates and joint ventures	-	-	-	-	44	44	3,690	4,467	-	-	8,201
Other assets – Assets held for sale	-	-	-	-	15	15	-	-	-	-	15
Total assets	123,994	149,094	247,319	15,393	11,396	547,196	238,751	129,177	-	(39,907)	875,217
Total liabilities	360,720	40,678	46,511	31,683	2,975	482,567	210,784	111,923	-	(39,438)	765,836

28. Segment Reporting (continued)

	Hong Kong operations (Restated) ^{Note}						Chinese Mainland operations	Overseas, Macau and Taiwan operations	Corporate management	Inter-segment elimination	Total
	Personal banking	Wholesale banking	Treasury markets	Wealth management	Others	Total					
	HK\$ Mn	HK\$ Mn	HK\$ Mn	HK\$ Mn	HK\$ Mn	HK\$ Mn					
6 months ended 30 June 2023											
Net interest income/(expense)	2,652	1,420	456	194	(108)	4,614	2,061	1,303	67	-	8,045
Non-interest income	637	390	49	305	173	1,554	587	103	-	(13)	2,231
Operating income	3,289	1,810	505	499	65	6,168	2,648	1,406	67	(13)	10,276
Operating expenses	(854)	(226)	(102)	(183)	(1,171)	(2,536)	(1,672)	(393)	-	13	(4,588)
Operating profit/(loss) before impairment losses	2,435	1,584	403	316	(1,106)	3,632	976	1,013	67	-	5,688
(Charge for)/write back of impairment losses on financial instruments	(52)	(1,629)	142	(46)	(4)	(1,589)	(833)	(70)	-	-	(2,492)
Impairment losses on other assets	-	-	-	-	-	-	(6)	-	-	-	(6)
Operating profit/(loss) after impairment losses	2,383	(45)	545	270	(1,110)	2,043	137	943	67	-	3,190
Net profit/(loss) on sale of asset held for sales	-	-	-	-	4	4	(1)	-	-	-	3
Net loss on disposal of subsidiaries/associates	-	-	-	-	-	-	-	(13)	-	-	(13)
Net loss on disposal of fixed assets	(3)	-	-	-	-	(3)	(4)	-	-	-	(7)
Valuation losses on investment properties	-	-	-	-	(21)	(21)	-	(1)	-	-	(22)
Share of profits less losses of associates and joint ventures	-	-	-	-	(4)	(4)	45	131	-	-	172
Profit/(loss) before taxation	2,380	(45)	545	270	(1,131)	2,019	177	1,060	67	-	3,323
Depreciation for the period	(104)	(9)	(6)	(4)	(103)	(226)	(144)	(29)	-	-	(399)
At 31 December 2023											
Segment assets	124,381	150,293	233,644	17,488	11,299	537,105	231,335	128,647	-	(45,125)	851,962
Investments in associates and joint ventures	-	-	-	-	48	48	3,843	4,493	-	-	8,384
Other assets – Assets held for sale	-	-	-	-	15	15	-	-	-	-	15
Total assets	124,381	150,293	233,644	17,488	11,362	537,168	235,178	133,140	-	(45,125)	860,361
Total liabilities	358,753	41,148	37,547	33,026	3,139	473,613	206,654	116,422	-	(44,654)	752,035

Note: The financials of Hong Kong operations have been restated to conform to the current period's presentation which reflected organisational restructure made in the second half of 2023. The restructure involves regrouping merchant acquiring business from "Personal banking" segment to "Wholesale banking" segment.

29. Analysis of Assets and Liabilities by Remaining Maturity

	30/6/2024							
	Repayable on demand	Within 1 month	3 months or less but over 1 month	1 year or less but over 3 months	5 years or less but over 1 year	Over 5 years	Undated or overdue	Total
	HK\$ Mn	HK\$ Mn	HK\$ Mn	HK\$ Mn	HK\$ Mn	HK\$ Mn	HK\$ Mn	HK\$ Mn
Assets								
Cash and balances with banks	31,722	4	67	202	-	-	7,993	39,988
Placements with and advances to banks	-	35,973	7,251	864	-	-	-	44,088
Trade bills	1	1,139	249	280	-	-	-	1,669
Trading assets	-	-	-	286	108	196	329	919
Derivative assets	-	-	-	-	-	-	3,080	3,080
Loans and advances to customers	2,847	73,239	48,638	119,079	163,714	115,349	7,527	530,393
Investment securities	-	9,708	13,772	28,476	65,826	63,292	1,825	182,899
Investments in associates and joint ventures	-	-	-	-	-	-	8,201	8,201
Fixed assets	-	-	-	-	-	-	13,234	13,234
Goodwill and intangible assets	-	-	-	-	-	-	1,843	1,843
Deferred tax assets	-	-	-	-	-	-	1,690	1,690
Other assets	20	7,500	10,388	18,758	674	643	9,230	47,213
Total assets	34,590	127,563	80,365	167,945	230,322	179,480	54,952	875,217
Liabilities								
Deposits and balances of banks	1,169	18,879	9,349	5,702	-	-	-	35,099
Deposits from customers	186,024	112,622	184,282	126,654	20,527	-	-	630,109
- Demand deposits and current accounts	58,389	-	-	-	-	-	-	58,389
- Savings deposits	126,113	-	-	-	-	-	-	126,113
- Time, call and notice deposits	1,522	112,622	184,282	126,654	20,527	-	-	445,607
Trading liabilities	-	-	-	-	-	-	22	22
Derivative liabilities	-	-	-	-	-	-	3,037	3,037
Certificates of deposit issued	-	5,794	5,026	10,348	1,404	-	-	22,572
Current taxation	-	-	-	1,736	-	-	-	1,736
Debt securities issued	-	-	155	385	-	-	-	540
Deferred tax liabilities	-	-	-	-	-	-	678	678
Other liabilities	1,130	7,341	11,162	19,907	1,685	1,217	6,568	49,010
- Lease liabilities	1	21	41	155	363	196	-	777
- Other accounts	1,129	7,320	11,121	19,752	1,322	1,021	6,568	48,233
Loan capital	-	-	-	4,673	18,360	-	-	23,033
Total liabilities	188,323	144,636	209,974	169,405	41,976	1,217	10,305	765,836
Net gap	(153,733)	(17,073)	(129,609)	(1,460)	188,346	178,263		

29. Analysis of Assets and Liabilities by Remaining Maturity (continued)

	31/12/2023							Total HK\$ Mn
	Repayable on demand	Within 1 month	3 months or less but over 1 month	1 year or less but over 3 months	5 years or less but over 1 year	Over 5 years	Undated or overdue	
	HK\$ Mn	HK\$ Mn	HK\$ Mn	HK\$ Mn	HK\$ Mn	HK\$ Mn	HK\$ Mn	
Assets								
Cash and balances with banks	37,014	12	20	121	-	-	8,736	45,903
Placements with and advances to banks	-	40,883	2,687	121	-	-	-	43,691
Trade bills	94	62	133	84	-	-	-	373
Trading assets	-	-	66	1,925	773	-	285	3,049
Derivative assets	-	-	-	-	-	-	9,056	9,056
Loans and advances to customers	2,460	64,389	47,667	118,973	170,070	115,063	8,362	526,984
Investment securities	-	10,854	18,513	21,090	60,567	54,242	2,004	167,270
Investments in associates and joint ventures	-	-	-	-	-	-	8,384	8,384
Fixed assets	-	-	-	-	-	-	13,493	13,493
Goodwill and intangible assets	-	-	-	-	-	-	1,852	1,852
Deferred tax assets	-	-	-	-	-	-	1,836	1,836
Other assets	23	6,748	12,635	10,463	575	571	7,455	38,470
Total assets	39,591	122,948	81,721	152,777	231,985	169,876	61,463	860,361
Liabilities								
Deposits and balances of banks	633	9,318	8,777	6,891	-	-	-	25,619
Deposits from customers	185,225	125,787	188,736	113,622	15,228	-	-	628,598
- Demand deposits and current accounts	65,643	-	-	-	-	-	-	65,643
- Savings deposits	118,163	-	-	-	-	-	-	118,163
- Time, call and notice deposits	1,419	125,787	188,736	113,622	15,228	-	-	444,792
Derivative liabilities	-	-	-	-	-	-	4,007	4,007
Certificates of deposit issued	-	2,783	5,296	8,851	10,688	-	-	27,618
Current taxation	-	-	-	1,602	-	-	-	1,602
Debt securities issued	-	-	155	306	383	-	-	844
Deferred tax liabilities	-	-	-	-	-	-	468	468
Other liabilities	1,005	7,392	13,936	11,373	1,445	1,317	10,844	47,312
- Lease liabilities	-	27	43	167	389	226	-	852
- Other accounts	1,005	7,365	13,893	11,206	1,056	1,091	10,844	46,460
Loan capital	-	-	-	1,649	14,318	-	-	15,967
Total liabilities	186,863	145,280	216,900	144,294	42,062	1,317	15,319	752,035
Net gap	(147,272)	(22,332)	(135,179)	8,483	189,923	168,559		

30. Deferred Tax Assets and Liabilities Recognised

The components of deferred tax assets/(liabilities) recognised in the consolidated statement of financial position and the movements during the period are as follows:

Deferred tax arising from:	Depreciation allowances in excess of related depreciation	Revaluation of properties	Impairment losses on financial assets	Revaluation of financial assets at FVOCI	Tax losses	Others	Total
	HK\$ Mn	HK\$ Mn	HK\$ Mn	HK\$ Mn	HK\$ Mn	HK\$ Mn	HK\$ Mn
At 31 December 2023/ 1 January 2024	(381)	(111)	1,863	(119)	3	113	1,368
(Charged)/credited to income statement	(14)	-	(87)	-	4	(52)	(149)
Credited/(charged) to reserves	-	4	-	(172)	-	1	(167)
Exchange and other adjustments	-	-	(39)	-	-	(1)	(40)
At 30 June 2024	<u>(395)</u>	<u>(107)</u>	<u>1,737</u>	<u>(291)</u>	<u>7</u>	<u>61</u>	<u>1,012</u>

Deferred tax assets and liabilities are offset on an individual entity basis when there is a legally enforceable right to set off current tax assets against current tax liabilities and when the deferred income taxes relate to the same authority. The following amounts, determined after appropriate offsetting, are shown in the consolidated statement of financial position:

	30/6/2024 HK\$ Mn	31/12/2023 HK\$ Mn
Net deferred tax assets recognised on the statement of financial position	1,690	1,836
Net deferred tax liabilities recognised on the statement of financial position	(678)	(468)
	<u>1,012</u>	<u>1,368</u>

31. Reserves

	30/6/2024	31/12/2023
	HK\$ Mn	HK\$ Mn
General reserve	13,658	13,658
Revaluation reserve on bank premises	2,285	2,270
Capital reserve	895	895
Exchange revaluation reserve	(3,472)	(2,545)
Capital reserve – staff share options issued	113	139
Fair value reserve	2,078	1,338
Liability credit reserve	(2)	4
Other reserves	5,225	5,154
Retained profits (<i>Note</i>)	36,314	35,145
	<u>57,094</u>	<u>56,058</u>
Proposed dividends, not provided for	<u>817</u>	<u>477</u>

Note: A regulatory reserve is maintained to satisfy the provisions of the Hong Kong Banking Ordinance for prudential supervision purposes by earmarking amounts in respect of losses which the Bank will or may incur on loans and advances and investments in addition to impairment losses recognised. Movements in the reserve are earmarked directly through retained earnings and in consultation with the HKMA. As at 30 June 2024, the effect of this requirement is to restrict the amount of reserves which can be distributed by the Bank to shareholders by HK\$2,626 million (31/12/2023: HK\$2,138 million).

32. Additional Equity Instruments

		30/6/2024	31/12/2023
		HK\$ Mn	HK\$ Mn
USD650 million Additional Tier 1 capital securities	(1)	5,069	5,069
USD650 million Additional Tier 1 capital securities	(2)	5,021	5,021
		<u>10,090</u>	<u>10,090</u>

- (1) On 19 September 2019, the Bank issued Additional Tier 1 capital securities with a face value of US\$650 million (equivalent to HK\$5,069 million net of related issuance costs). The Additional Tier 1 capital securities are undated non-cumulative subordinated capital securities and bear a 5.875% per annum coupon until the first call date on 19 September 2024. The coupon will be reset every five years, if the Additional Tier 1 capital securities are not redeemed, to a fixed rate equivalent to the then-prevailing five-year US Treasury rate plus 4.257% per annum. The coupon payments may be cancelled at the sole discretion of the Bank. The Additional Tier 1 capital securities will be written down if a non-viability event occurs and is continuing. They rank higher than ordinary shares in the event of a winding-up, and meet the loss-absorbing capacity requirement.
- (2) On 21 October 2020, the Bank issued Additional Tier 1 capital securities with a face value of US\$650 million (equivalent to HK\$5,021 million net of related issuance costs). The Additional Tier 1 capital securities are undated non-cumulative subordinated capital securities and bear a 5.825% per annum coupon until the first call date on 21 October 2025. The coupon will be reset every five years, if the Additional Tier 1 capital securities are not redeemed, to a fixed rate equivalent to the then-prevailing five-year US Treasury rate plus 5.527% per annum. The coupon payments may be cancelled at the sole discretion of the Bank. The Additional Tier 1 capital securities will be written down if a non-viability event occurs and is continuing. They rank higher than ordinary shares in the event of a winding-up, and meet the loss-absorbing capacity requirement.

33. Consolidated Cash Flow Statement

Cash and cash equivalents

	30/6/2024	30/6/2023
	HK\$ Mn	HK\$ Mn
(i) Components of cash and cash equivalents in the consolidated cash flow statement		
Cash and balances with banks with original maturity within three months	31,723	33,974
Placements with and advances to banks with original maturity within three months	40,867	57,940
Treasury bills with original maturity within three months	10,620	4,930
Certificates of deposit held with original maturity within three months	-	1,444
Debt securities with original maturity within three months	554	578
	<u>83,764</u>	<u>98,866</u>
(ii) Reconciliation with the consolidated statement of financial position		
Cash and balances with banks	39,988	43,444
Placements with and advances to banks	44,088	58,308
Treasury bills, certificates of deposit held and debt securities		
- trading assets	590	3,476
- investment securities	181,268	156,163
	<u>181,858</u>	<u>159,639</u>
Amounts shown in the consolidated statement of financial position	265,934	261,391
Less: Amounts with an original maturity of beyond three months	(173,904)	(153,054)
Cash balance with central bank subject to regulatory restriction	(8,266)	(9,471)
Cash and cash equivalents in the consolidated cash flow statement	<u>83,764</u>	<u>98,866</u>

34. Fair Values of Financial Instruments

(a) Financial Instruments Carried at Fair Value

Fair value estimates are generally subjective in nature, and are made as of a specific point in time based on the characteristics of the financial instruments and relevant market information. The Group measures fair values using the following hierarchy of methods:

Level 1 – Quoted market price in an active market for an identical instrument.

Level 2 – Valuation techniques based on observable input. This category includes instruments valued using: quoted market prices in active markets for similar instruments; quoted prices for similar instruments in markets that are considered less than active; or other valuation techniques where all significant inputs are directly or indirectly observable from market data.

Level 3 – Valuation techniques using significant unobservable inputs. This category includes all instruments where the valuation technique includes inputs not based on observable data and the unobservable inputs could have a significant effect on the instrument's valuation. This category includes instruments that are valued based on quoted prices for similar instruments where significant unobservable adjustments or assumptions are required to reflect differences between the instruments.

Fair values of financial assets and financial liabilities that are traded in active markets are based on quoted market prices or counterparty quotations. For all other financial instruments the Group determines fair values using valuation techniques. Valuation techniques include net present value and discounted cash flow models and various market recognised option pricing models. Assumptions and inputs used in valuation techniques include risk-free and benchmark interest rates, equity prices, foreign currency exchange rates, index prices, historical or implied volatilities and correlations. The objective of valuation techniques is to arrive at a fair value measurement that reflects the price of the financial instrument that would be received to sell the asset or paid to transfer the liability in an orderly transaction between market participants at the reporting date.

The Group uses widely recognised valuation models for determining the fair value of common and simpler financial instruments, like interest rate and currency swaps that use only observable market data and require little management judgement and estimation. Observable prices and model inputs are usually available in the market for listed debt and equity securities, exchange traded derivatives and simple over-the-counter derivatives like interest rate swaps. Availability of observable market prices and model inputs reduces the need for management judgement and estimation and also reduces the uncertainty associated with determination of fair values. Availability of observable market prices and inputs varies depending on the products and markets and is prone to changes based on specific events and general conditions in the financial markets.

For more complex instruments, the Group uses valuation models, which usually are developed from recognised valuation methodologies. Some or all of the significant inputs into these models may not be observable in the market, and are derived from market prices or rates or are estimated based on assumptions. Valuation models that employ significant unobservable inputs require a higher degree of management judgement and estimation in determination of fair value. Management judgement and estimation are usually required for selection of the appropriate valuation model to be used, determination of expected future cash flows on the financial instrument being valued, determination of probability of counterparty default and prepayments and selection of appropriate discount rates.

The Group has an established control framework with respect to the measurement of fair values. This framework includes a valuation control function, namely Financial Instruments Valuation Group ("FIVG"), which comprises control units independent of front office management. Procedures for price verification have been established. Any pricing models to be used would be subject to a rigorous validation and approval process.

34. Fair Values of Financial Instruments (continued)

(a) Financial Instruments Carried at Fair Value (continued)

The table below analyses financial instruments, measured at fair value at the end of the reporting period, by the level in the fair value hierarchy into which the fair value treatment is categorised:

	30/6/2024				31/12/2023			
	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
	HK\$ Mn	HK\$ Mn	HK\$ Mn	HK\$ Mn	HK\$ Mn	HK\$ Mn	HK\$ Mn	HK\$ Mn
Recurring fair value measurement								
Assets								
Trade Bills – Measured at FVOCI	-	191	-	191	-	122	-	122
Trading assets	329	590	-	919	285	2,764	-	3,049
Derivative assets	3	3,077	-	3,080	12	9,044	-	9,056
Investment securities								
- Mandatorily measured at FVTPL	-	2,133	506	2,639	-	2,327	533	2,860
- Measured at FVOCI	35,192	121,278	871	157,341	35,922	116,339	959	153,220
	<u>35,524</u>	<u>127,269</u>	<u>1,377</u>	<u>164,170</u>	<u>36,219</u>	<u>130,596</u>	<u>1,492</u>	<u>168,307</u>
Liabilities								
Trading liabilities	22	-	-	22	-	-	-	-
Derivative liabilities	-	3,037	-	3,037	-	4,007	-	4,007
Financial liabilities designated at FVTPL	-	3,831	-	3,831	-	13,501	-	13,501
	<u>22</u>	<u>6,868</u>	<u>-</u>	<u>6,890</u>	<u>-</u>	<u>17,508</u>	<u>-</u>	<u>17,508</u>

During the period ended 30 June 2024 and year ended 31 December 2023, there were no significant transfers of financial instruments between Level 1 and Level 2 of the fair value hierarchy. The Group's policy is to recognise transfers between levels of fair value hierarchy as at the end of the reporting period in which they occur.

34. Fair Values of Financial Instruments (continued)

(a) Financial Instruments Carried at Fair Value (continued)

Information about significant unobservable inputs in Level 3 valuations:

	<u>Valuation technique</u>	<u>Significant unobservable input(s)</u>	<u>Range</u>
Unlisted equity securities and investment funds	Net asset value	N/A	N/A
	Discounted cash flow model	Discount rate	30/6/2024: 10.8% (31/12/2023: 13.4%)
		Marketability discount	30/6/2024: 20% (31/12/2023: 20%)
	Market-comparable approach	Earnings multiple	30/6/2024: 23.45–27.89 (31/12/2023: 14.38–36.36)
		EV/EBIT	30/6/2024: 19.32–21.16 (31/12/2023: 18.26–26.75)
		Marketability discount	30/6/2024: 50% (31/12/2023: 50%)

The fair values of unlisted equity instruments mandatorily measured at FVTPL or measured at FVOCI are estimated using the discounted cash flow model, on the basis of an analysis of the investee's financial position and results, or with reference to multiples of comparable listed companies, adjusted for a marketability discount to reflect the fact that the shares are not actively traded. An increase in the ratio/investee's financial position and results in isolation will result in favourable movement in the fair values, while an increase in discount rate/marketability discount in isolation will result in unfavourable movement. The fair value of the unlisted investment funds are estimated by using the net asset valuations ("NAV") provided by the managers of the funds.

Valuation of financial instruments in Level 3 are subject to the same valuation control framework as described above and reviewed regularly by FIVG.

34. Fair Values of Financial Instruments (continued)

(a) Financial Instruments Carried at Fair Value (continued)

(1) Valuation of financial instruments with significant unobservable inputs

Movements in the recognised fair values of instruments with significant unobservable inputs were as follows:

	30/6/2024		31/12/2023	
	Investment securities mandatorily measured at FVTPL HK\$ Mn	Investment securities measured at FVOCI HK\$ Mn	Investment securities mandatorily measured at FVTPL HK\$ Mn	Investment securities measured at FVOCI HK\$ Mn
Assets				
At 1 January	533	959	732	839
Additions/Purchases	1	-	8	-
Disposals/Settlements	(18)	-	(208)	-
Changes in fair value recognised in the income statement	(10)	-	1	-
Changes in fair value recognised in the other comprehensive income	-	(88)	-	120
At 30 June/31 December	<u>506</u>	<u>871</u>	<u>533</u>	<u>959</u>
Total (losses)/gains for the period included in FVOCI fair value reserve of the other comprehensive income for assets held at the end of the reporting period	<u>-</u>	<u>(88)</u>	<u>-</u>	<u>120</u>
Total (losses)/gains for the period included in net result on financial instruments at FVTPL of the income statement for assets held at the end of the reporting period	<u>(9)</u>	<u>-</u>	<u>1</u>	<u>-</u>

34. Fair Values of Financial Instruments (continued)

(a) Financial Instruments Carried at Fair Value (continued)

- (2) Effects of changes in significant unobservable assumptions to reasonably possible alternative assumptions

	30/6/2024			
	Effect recorded in profit or loss		Effect recorded directly in equity	
	Favourable	(Unfavourable)	Favourable	(Unfavourable)
	HK\$ Mn	HK\$ Mn	HK\$ Mn	HK\$ Mn
Financial assets				
Investment securities mandatorily measured at FVTPL	42	(42)	-	-
Investment securities measured at FVOCI	-	-	73	(73)
	<u>42</u>	<u>(42)</u>	<u>73</u>	<u>(73)</u>
	31/12/2023			
	Effect recorded in profit or loss		Effect recorded directly in equity	
	Favourable	(Unfavourable)	Favourable	(Unfavourable)
	HK\$ Mn	HK\$ Mn	HK\$ Mn	HK\$ Mn
Financial assets				
Investment securities mandatorily measured at FVTPL	45	(45)	-	-
Investment securities measured at FVOCI	-	-	80	(80)
	<u>45</u>	<u>(45)</u>	<u>80</u>	<u>(80)</u>

The fair values of financial instruments are in certain circumstances, measured using valuation models that incorporate assumptions that are not supported by prices from observable current market transactions in the same instrument and are not based on observable market data. The table above shows the sensitivity of fair values due to parallel movement of plus or minus 10 per cent in reasonably possible alternative assumptions.

34. Fair Values of Financial Instruments (continued)

(b) Fair Values of Financial Instruments Carried at other than Fair Value

The following methods and significant assumptions have been applied in determining the fair values of financial instruments presented below:

- (i) The fair value of demand deposits and savings accounts with no specific maturity is assumed to be the amount payable on demand at the end of the reporting period.
- (ii) The fair value of variable rate financial instruments is assumed to be approximated by their carrying amounts and, in the case of loans and unquoted debt securities, does not, therefore, reflect changes in their credit quality, as the impact of credit risk is recognised separately by deducting the amount of the impairment allowances from both the carrying amount and fair value.
- (iii) The fair value of fixed rate loans and mortgages carried at amortised cost is estimated by comparing market interest rates when the loans were granted with current market rates offered on similar loans. Changes in the credit quality of loans within the portfolio are not taken into account in determining gross fair values, as the impact of credit risk is recognised separately by deducting the amount of the impairment loss and allowances from both the carrying amount and fair value.
- (iv) The fair value of financial guarantees issued is determined by reference to fees charged in an arm's length transaction for similar services, when such information is obtainable, or is otherwise estimated by reference to interest rate differentials, by comparing the actual rates charged by lenders when the guarantee is made available with the estimated rates that lenders would have charged, had the guarantees not been available, where reliable estimates of such information can be made.

The carrying amounts of the Group's financial instruments carried at cost or amortised cost are not materially different from their fair values as at 30 June 2024 and 31 December 2023.

35. Credit Risk

The mapping between the Group's Stage Allocation and the HKMA's 5-Grade Asset classification is as follows:

HKMA's 5-Grade Asset Classification		Stage Allocation
Pass	General (i.e. do not meet the Bank's criteria of "Significant Increase of Credit Risk")	1
	Meet the Bank's criteria of "Significant Increase of Credit Risk"	2
Special Mention		2
Substandard		3
Doubtful		
Loss		

The criterion of "significant increase of credit risk" takes into consideration of any one of the following key factors:

1. The exposure has a significant deterioration of internal or external rating as compared with the rating at the time when the exposure was originated;
2. The exposure is classified as Special Mention;
3. The rating of the exposure falls out of the "Low-Credit Risk Threshold" that is equivalent to the globally understood definition of "investment grade"; or
4. Other events and indications that the credit risk of the exposure has significantly increased since origination or purchase.

35. Credit Risk (continued)

(a) Credit Quality Analysis

Credit quality of loans and advances

The following tables set out information about the credit quality of loans and advances to customers. Unless specifically indicated, the amounts in the table represent gross carrying amounts.

	30/6/2024							
	12-month ECL		Lifetime ECL not credit-impaired		Lifetime ECL credit-impaired		Total	
	Principal	Accrued interest	Principal	Accrued interest	Principal	Accrued interest	Principal	Accrued interest
	HK\$ Mn	HK\$ Mn	HK\$ Mn	HK\$ Mn	HK\$ Mn	HK\$ Mn	HK\$ Mn	HK\$ Mn
Loans and advances to customers at amortised cost								
Grades 1-15: Pass	496,345	1,673	15,153	51	-	-	511,498	1,724
Grades 16-17: Special Mention	-	-	9,796	59	-	-	9,796	59
Grade 18: Substandard	-	-	-	-	4,391	99	4,391	99
Grade 19: Doubtful	-	-	-	-	4,914	257	4,914	257
Grade 20: Loss	-	-	-	-	4,711	295	4,711	295
Total gross carrying amount	496,345	1,673	24,949	110	14,016	651	535,310	2,434
Impairment allowances	(836)	(4)	(290)	(2)	(3,791)	(249)	(4,917)	(255)
Carrying amount	495,509	1,669	24,659	108	10,225	402	530,393	2,179

Market value of collateral held against impaired loans and advances to customers

6,259

	31/12/2023							
	12-month ECL		Lifetime ECL not credit-impaired		Lifetime ECL credit-impaired		Total	
	Principal	Accrued interest	Principal	Accrued interest	Principal	Accrued interest	Principal	Accrued interest
	HK\$ Mn	HK\$ Mn	HK\$ Mn	HK\$ Mn	HK\$ Mn	HK\$ Mn	HK\$ Mn	HK\$ Mn
Loans and advances to customers at amortised cost								
Grades 1-15: Pass	493,730	1,748	14,060	50	-	-	507,790	1,798
Grades 16-17: Special Mention	-	-	9,987	55	-	-	9,987	55
Grade 18: Substandard	-	-	-	-	6,711	120	6,711	120
Grade 19: Doubtful	-	-	-	-	1,918	99	1,918	99
Grade 20: Loss	-	-	-	-	5,705	230	5,705	230
Total gross carrying amount	493,730	1,748	24,047	105	14,334	449	532,111	2,302
Impairment allowances	(900)	(4)	(691)	(7)	(3,536)	(163)	(5,127)	(174)
Carrying amount	492,830	1,744	23,356	98	10,798	286	526,984	2,128

Market value of collateral held against impaired loans and advances to customers

7,041

Collateral includes any tangible security that carries a fair market value and is readily marketable. This includes (but is not limited to) cash and deposits, stocks and bonds, mortgages over properties and charges over other fixed assets such as plant and equipment. Where collateral values are greater than gross loans and advances to customers, only the amount of collateral up to the gross loans and advances is included.

35. Credit Risk (continued)

(a) Credit Quality Analysis (continued)

Credit quality of financial assets other than loans and advances

The following tables set out the credit analysis for financial assets other than loans and advances to customers, measured at amortised cost and FVOCI. Unless specifically indicated, for financial assets, the amounts in the table represent gross carrying amounts/fair value. For loan commitment and financial guarantee contracts, the amounts in the table represent the amounts committed or guaranteed, respectively.

	30/6/2024							
	12-month ECL		Lifetime ECL not credit-impaired		Lifetime ECL credit-impaired		Total	
	Principal	Accrued interest	Principal	Accrued interest	Principal	Accrued interest	Principal	Accrued interest
	HK\$ Mn	HK\$ Mn	HK\$ Mn	HK\$ Mn	HK\$ Mn	HK\$ Mn	HK\$ Mn	HK\$ Mn
Trade bills measured at amortised cost								
Grades 1-15: Pass	1,478	-	-	-	-	-	1,478	-
Total gross carrying amount	1,478	-	-	-	-	-	1,478	-
Impairment allowances	-	-	-	-	-	-	-	-
Carrying amount	1,478	-	-	-	-	-	1,478	-

	31/12/2023							
	12-month ECL		Lifetime ECL not credit-impaired		Lifetime ECL credit-impaired		Total	
	Principal	Accrued interest	Principal	Accrued interest	Principal	Accrued interest	Principal	Accrued interest
	HK\$ Mn	HK\$ Mn	HK\$ Mn	HK\$ Mn	HK\$ Mn	HK\$ Mn	HK\$ Mn	HK\$ Mn
Trade bills measured at amortised cost								
Grades 1-15: Pass	250	-	1	-	-	-	251	-
Total gross carrying amount	250	-	1	-	-	-	251	-
Impairment allowances	-	-	-	-	-	-	-	-
Carrying amount	250	-	1	-	-	-	251	-

35. Credit Risk (continued)

(a) Credit Quality Analysis (continued)

Credit quality of financial assets other than loans and advances (continued)

	30/6/2024							
	12-month ECL		Lifetime ECL not credit-impaired		Lifetime ECL credit-impaired		Total	
	Principal	Accrued interest	Principal	Accrued interest	Principal	Accrued interest	Principal	Accrued interest
	HK\$ Mn	HK\$ Mn	HK\$ Mn	HK\$ Mn	HK\$ Mn	HK\$ Mn	HK\$ Mn	HK\$ Mn
Trade bills measured at FVOCI								
Grades 1-15: Pass	191	-	-	-	-	-	191	-
Total carrying amount at fair value	191	-	-	-	-	-	191	-
Impairment allowances	-	-	-	-	-	-	-	-

	31/12/2023							
	12-month ECL		Lifetime ECL not credit-impaired		Lifetime ECL credit-impaired		Total	
	Principal	Accrued interest	Principal	Accrued interest	Principal	Accrued interest	Principal	Accrued interest
	HK\$ Mn	HK\$ Mn	HK\$ Mn	HK\$ Mn	HK\$ Mn	HK\$ Mn	HK\$ Mn	HK\$ Mn
Trade bills measured at FVOCI								
Grades 1-15: Pass	122	-	-	-	-	-	122	-
Total carrying amount at fair value	122	-	-	-	-	-	122	-
Impairment allowances	-	-	-	-	-	-	-	-

	30/6/2024							
	12-month ECL		Lifetime ECL not credit-impaired		Lifetime ECL credit-impaired		Total	
	Principal	Accrued interest	Principal	Accrued interest	Principal	Accrued interest	Principal	Accrued interest
	HK\$ Mn	HK\$ Mn	HK\$ Mn	HK\$ Mn	HK\$ Mn	HK\$ Mn	HK\$ Mn	HK\$ Mn
Placements with and advances to banks								
Grades 1-15: Pass	44,090	115	-	-	-	-	44,090	115
Total gross carrying amount	44,090	115	-	-	-	-	44,090	115
Impairment allowances	(2)	-	-	-	-	-	(2)	-
Carrying amount	44,088	115	-	-	-	-	44,088	115

	31/12/2023							
	12-month ECL		Lifetime ECL not credit-impaired		Lifetime ECL credit-impaired		Total	
	Principal	Accrued interest	Principal	Accrued interest	Principal	Accrued interest	Principal	Accrued interest
	HK\$ Mn	HK\$ Mn	HK\$ Mn	HK\$ Mn	HK\$ Mn	HK\$ Mn	HK\$ Mn	HK\$ Mn
Placements with and advances to banks								
Grades 1-15: Pass	43,693	164	-	-	-	-	43,693	164
Total gross carrying amount	43,693	164	-	-	-	-	43,693	164
Impairment allowances	(2)	-	-	-	-	-	(2)	-
Carrying amount	43,691	164	-	-	-	-	43,691	164

35. Credit Risk (continued)

(a) Credit Quality Analysis (continued)

Credit quality of financial assets other than loans and advances (continued)

	30/6/2024			
	12-month ECL	Lifetime ECL not credit-impaired	Lifetime ECL credit-impaired	Total
	HK\$ Mn	HK\$ Mn	HK\$ Mn	HK\$ Mn
Loan commitments				
Grades 1-15: Pass	276,907	6,677	-	283,584
Grades 16-17: Special Mention	-	243	-	243
Total	276,907	6,920	-	283,827
Impairment allowances	(93)	(15)	-	(108)
Financial guarantee contracts				
Grades 1-15: Pass	12,918	542	-	13,460
Grades 16-17: Special Mention	-	1	-	1
Grade 18: Substandard	-	-	182	182
Total	12,918	543	182	13,643
Impairment allowances	(17)	(10)	-	(27)
	31/12/2023			
	12-month ECL	Lifetime ECL not credit-impaired	Lifetime ECL credit-impaired	Total
	HK\$ Mn	HK\$ Mn	HK\$ Mn	HK\$ Mn
Loan commitments				
Grades 1-15: Pass	355,118	4,843	-	359,961
Grades 16-17: Special Mention	-	522	-	522
Total	355,118	5,365	-	360,483
Impairment allowances	(90)	(11)	-	(101)
Financial guarantee contracts				
Grades 1-15: Pass	13,110	8	-	13,118
Grades 16-17: Special Mention	-	136	-	136
Grade 18: Substandard	-	-	630	630
Total	13,110	144	630	13,884
Impairment allowances	(22)	(11)	(281)	(314)

35. Credit Risk (continued)

(a) Credit Quality Analysis (continued)

Credit quality of financial assets other than loans and advances (continued)

Credit risk of treasury transactions is managed in the same way as the Group manages its corporate and bank lending risk and risk gradings are applied to the counterparties with individual counterparty limits set.

At the end of the reporting period, the credit quality of investment in debt securities analysed by designation of external credit assessment institution, Moody's Investor Services, or equivalent, is as follows:

	30/6/2024							
	12-month ECL		Lifetime ECL not credit-impaired		Lifetime ECL credit-impaired		Total	
	Principal	Accrued interest	Principal	Accrued interest	Principal	Accrued interest	Principal	Accrued interest
	HK\$ Mn	HK\$ Mn	HK\$ Mn	HK\$ Mn	HK\$ Mn	HK\$ Mn	HK\$ Mn	HK\$ Mn
Debt investment securities measured at amortised cost								
Aaa	-	-	-	-	-	-	-	-
Aa1 to Aa3	17,345	126	-	-	-	-	17,345	126
A1 to A3	1,301	14	-	-	-	-	1,301	14
Baa1 to Baa3	1,131	6	-	-	-	-	1,131	6
Below Baa3	544	4	-	-	181	7	725	11
Unrated	2,060	30	299	4	882	46	3,241	80
Total gross carrying amount	22,381	180	299	4	1,063	53	23,743	237
Impairment allowances	(14)	-	(5)	-	(805)	(53)	(824)	(53)
Carrying amount	22,367	180	294	4	258	-	22,919	184

	31/12/2023							
	12-month ECL		Lifetime ECL not credit-impaired		Lifetime ECL credit-impaired		Total	
	Principal	Accrued interest	Principal	Accrued interest	Principal	Accrued interest	Principal	Accrued interest
	HK\$ Mn	HK\$ Mn	HK\$ Mn	HK\$ Mn	HK\$ Mn	HK\$ Mn	HK\$ Mn	HK\$ Mn
Debt investment securities measured at amortised cost								
Aaa	-	-	-	-	-	-	-	-
Aa1 to Aa3	3,252	2	-	-	-	-	3,252	2
A1 to A3	2,244	49	-	-	-	-	2,244	49
Baa1 to Baa3	1,886	8	-	-	-	-	1,886	8
Below Baa3	650	6	172	1	682	29	1,504	36
Unrated	2,395	27	207	6	374	16	2,976	49
Total gross carrying amount	10,427	92	379	7	1,056	45	11,862	144
Impairment allowances	(19)	-	(8)	-	(645)	(45)	(672)	(45)
Carrying amount	10,408	92	371	7	411	-	11,190	99

35. Credit Risk (continued)

(a) Credit Quality Analysis (continued)

Credit quality of financial assets other than loans and advances (continued)

	30/6/2024							
	12-month ECL		Lifetime ECL not credit-impaired		Lifetime ECL credit-impaired		Total	
	Principal	Accrued interest	Principal	Accrued interest	Principal	Accrued interest	Principal	Accrued interest
	HK\$ Mn	HK\$ Mn	HK\$ Mn	HK\$ Mn	HK\$ Mn	HK\$ Mn	HK\$ Mn	HK\$ Mn
Debt investment securities measured at FVOCI								
Aaa	6,045	2	-	-	-	-	6,045	2
Aa1 to Aa3	34,242	135	-	-	-	-	34,242	135
A1 to A3	69,321	868	-	-	-	-	69,321	868
Baa1 to Baa3	44,142	504	-	-	-	-	44,142	504
Below Baa3	217	1	-	-	13	6	230	7
Unrated	2,245	25	245	2	-	-	2,490	27
Total carrying amount at fair value	156,212	1,535	245	2	13	6	156,470	1,543
where impairment allowances included	(74)	(1)	(2)	-	(77)	(6)	(153)	(7)

	31/12/2023							
	12-month ECL		Lifetime ECL not credit-impaired		Lifetime ECL credit-impaired		Total	
	Principal	Accrued interest	Principal	Accrued interest	Principal	Accrued interest	Principal	Accrued interest
	HK\$ Mn	HK\$ Mn	HK\$ Mn	HK\$ Mn	HK\$ Mn	HK\$ Mn	HK\$ Mn	HK\$ Mn
Debt investment securities measured at FVOCI								
Aaa	9,057	3	-	-	-	-	9,057	3
Aa1 to Aa3	30,720	131	-	-	-	-	30,720	131
A1 to A3	66,383	848	-	-	-	-	66,383	848
Baa1 to Baa3	42,922	473	-	-	-	-	42,922	473
Below Baa3	76	-	315	3	14	4	405	7
Unrated	2,243	43	531	9	-	-	2,774	52
Total carrying amount at fair value	151,401	1,498	846	12	14	4	152,261	1,514
where impairment allowances included	(98)	(1)	(14)	-	(48)	(4)	(160)	(5)

35. Credit Risk (continued)

(a) Credit Quality Analysis (continued)

Credit quality of financial assets other than loans and advances (continued)

The following table sets out the credit analysis for non-trading debt investment securities measured at FVTPL.

	<u>30/6/2024</u>	<u>31/12/2023</u>
	HK\$ Mn	HK\$ Mn
Non-trading debt investment securities measured at FVTPL		
Aaa	-	-
Aa1 to Aa3	-	-
A1 to A3	1,239	-
Baa1 to Baa3	633	2,076
Below Baa3	-	-
Unrated	7	-
Total carrying amount at fair value	<u>1,879</u>	<u>2,076</u>

The following table sets out the credit analysis for trading debt investment securities.

	<u>30/6/2024</u>	<u>31/12/2023</u>
	HK\$ Mn	HK\$ Mn
Trading debt investment securities measured at FVTPL		
Aaa	-	-
Aa1 to Aa3	64	-
A1 to A3	526	2,764
Baa1 to Baa3	-	-
Below Baa3	-	-
Unrated	-	-
Total carrying amount at fair value	<u>590</u>	<u>2,764</u>

The following table shows the credit quality of the counterparties to which there were exposures arising from derivative asset transactions.

	<u>30/6/2024</u>	<u>31/12/2023</u>
	HK\$ Mn	HK\$ Mn
Derivative assets		
Aa1 to Aa3	107	6,438
A1 to A3	1,119	989
Baa1 to Baa3	982	698
Below Baa3	-	-
Unrated	872	931
Total carrying amount at fair value	<u>3,080</u>	<u>9,056</u>

Cash and balances with banks

At 30 June 2024, the Group held cash and balances with banks of HK\$39,989 million (31 December 2023: HK\$45,904 million), of which 97% (31 December 2023: 96%) of cash and balances with banks counterparties that are rated at investment grade, based on Moody's Investor Services, or equivalent ratings.

35. Credit Risk (continued)

(b) Impairment Allowances Reconciliation

The following tables show reconciliations from the opening to the closing balance of the impairment allowance by type of financial instrument. The reconciliation is prepared by comparing the position of impairment allowance between 1 January and 30 June/31 December at transaction level. Transfers between different stages of ECL are deemed to occur at the beginning of the year and therefore amounts transferred net to zero. The re-measurement of ECL resulting from a change in ECL stage is reported under the ECL stage in which they are transferred to.

	30/6/2024			
	12-month ECL	Lifetime ECL not credit- impaired	Lifetime ECL credit- impaired	Total
	HK\$ Mn	HK\$ Mn	HK\$ Mn	HK\$ Mn
Loans and advances to customers				
Balance at 1 January	904	698	3,699	5,301
Transfer to 12-month ECL	35	(35)	-	-
Transfer to lifetime ECL not credit-impaired	(8)	8	-	-
Transfer to lifetime ECL credit-impaired	(4)	(408)	412	-
New financial assets originated or purchased, assets derecognised, repayments and further lending	170	6	100	276
Write-offs	-	-	(2,892)	(2,892)
Changes in models	(124)	(45)	-	(169)
Net remeasurement of impairment allowances (including exchange adjustments)	(133)	68	2,721	2,656
Balance at 30 June	<u>840</u>	<u>292</u>	<u>4,040</u>	<u>5,172</u>
Of which:				
For loans and advances to customers at amortised cost (Note 19(a))	836	290	3,791	4,917
For related accrued interest receivable (Note 23)	4	2	249	255
	<u>840</u>	<u>292</u>	<u>4,040</u>	<u>5,172</u>

35. Credit Risk (continued)

(b) Impairment Allowances Reconciliation (continued)

	31/12/2023			
	12-month ECL	Lifetime ECL not credit- impaired	Lifetime ECL credit- impaired	Total
	HK\$ Mn	HK\$ Mn	HK\$ Mn	HK\$ Mn
Loans and advances to customers				
Balance at 1 January	1,089	1,026	4,641	6,756
Transfer to 12-month ECL	117	(117)	-	-
Transfer to lifetime ECL not credit- impaired	(24)	24	-	-
Transfer to lifetime ECL credit-impaired	(37)	(493)	530	-
New financial assets originated or purchased, assets derecognised, repayments and further lending	106	232	344	682
Write-offs	-	-	(6,819)	(6,819)
Changes in models	(175)	(34)	-	(209)
Net remeasurement of impairment allowances (including exchange adjustments)	(172)	60	5,003	4,891
Balance at 31 December	<u>904</u>	<u>698</u>	<u>3,699</u>	<u>5,301</u>
Of which:				
For loans and advances to customers at amortised cost (Note 19(a))	900	691	3,536	5,127
For related accrued interest receivable (Note 23)	4	7	163	174
	<u>904</u>	<u>698</u>	<u>3,699</u>	<u>5,301</u>

35. Credit Risk (continued)

(b) Impairment Allowances Reconciliation (continued)

	30/6/2024			
	12-month ECL	Lifetime ECL not credit- impaired	Lifetime ECL credit- impaired	Total
	HK\$ Mn	HK\$ Mn	HK\$ Mn	HK\$ Mn
Debt investment securities				
Balance at 1 January	118	22	742	882
Transfer to 12-month ECL	4	(4)	-	-
Transfer to lifetime ECL not credit-impaired	-	-	-	-
Transfer to lifetime ECL credit-impaired	-	-	-	-
New financial assets originated or purchased, assets derecognised, repayments and further investment	3	(8)	-	(5)
Write-offs	-	-	-	-
Net remeasurement of impairment allowances (including exchange adjustments)	(36)	(3)	199	160
Balance at 30 June	<u>89</u>	<u>7</u>	<u>941</u>	<u>1,037</u>
Of which:				
For debt investment securities measured at amortised cost (Note 20)	14	5	805	824
For related accrued interest receivable (Note 23)	-	-	53	53
	<u>14</u>	<u>5</u>	<u>858</u>	<u>877</u>
For debt investment securities measured at FVOCI	74	2	77	153
For related accrued interest receivable	1	-	6	7
	<u>75</u>	<u>2</u>	<u>83</u>	<u>160</u>

35. Credit Risk (continued)

(b) Impairment Allowances Reconciliation (continued)

	31/12/2023			
	12-month ECL	Lifetime ECL not credit- impaired	Lifetime ECL credit- impaired	Total
	HK\$ Mn	HK\$ Mn	HK\$ Mn	HK\$ Mn
Debt investment securities				
Balance at 1 January	283	141	248	672
Transfer to 12-month ECL	12	(12)	-	-
Transfer to lifetime ECL not credit- impaired	(7)	7	-	-
Transfer to lifetime ECL credit-impaired	-	(99)	99	-
New financial assets originated or purchased, assets derecognised, repayments and further investment	(16)	(10)	-	(26)
Write-offs	-	-	-	-
Net remeasurement of impairment allowances (including exchange adjustments)	(154)	(5)	395	236
Balance at 31 December	<u>118</u>	<u>22</u>	<u>742</u>	<u>882</u>
Of which:				
For debt investment securities measured at amortised cost (Note 20)	19	8	645	672
For related accrued interest receivable (Note 23)	-	-	45	45
	<u>19</u>	<u>8</u>	<u>690</u>	<u>717</u>
For debt investment securities measured at FVOCI	98	14	48	160
For related accrued interest receivable	1	-	4	5
	<u>99</u>	<u>14</u>	<u>52</u>	<u>165</u>

The impairment allowances of debt investment securities measured at FVOCI are not separately recognised in the statement of financial position because they have been adjusted to the carrying amounts of debt investment securities measured at FVOCI as their fair values.

35. Credit Risk (continued)

(b) Impairment Allowances Reconciliation (continued)

	30/6/2024			
	12-month ECL	Lifetime ECL not credit- impaired	Lifetime ECL credit- impaired	Total
	HK\$ Mn	HK\$ Mn	HK\$ Mn	HK\$ Mn
Others				
Balance at 1 January	122	22	347	491
Transfer to 12-month ECL	2	(2)	-	-
Transfer to lifetime ECL not credit- impaired	(1)	1	-	-
Transfer to lifetime ECL credit-impaired	-	-	-	-
New financial assets originated or purchased, assets derecognised and repayments	12	(2)	(2)	8
Write-offs	-	-	(282)	(282)
Net remeasurement of impairment allowances (including exchange adjustments)	(6)	6	(1)	(1)
Balance at 30 June	<u>129</u>	<u>25</u>	<u>62</u>	<u>216</u>
Of which:				
For trade bills measured at FVOCI	-	-	-	-
For related accrued interest receivable	-	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
For trade bills measured at amortised cost (Note 17)	-	-	-	-
For related accrued interest receivable	-	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
For placements with and advances to banks (Note 16)	2	-	-	2
For related accrued interest receivable	-	-	-	-
	<u>2</u>	<u>-</u>	<u>-</u>	<u>2</u>
For cash and balances with banks (Note 15)	1	-	-	1
For related accrued interest receivable	-	-	-	-
	<u>1</u>	<u>-</u>	<u>-</u>	<u>1</u>
For loan commitments and financial guarantee contracts (Note 26)	<u>110</u>	<u>25</u>	<u>-</u>	<u>135</u>
For account receivables and other accounts other than accrued interest receivable (Note 23)	<u>16</u>	<u>-</u>	<u>62</u>	<u>78</u>

35. Credit Risk (continued)

(b) Impairment Allowances Reconciliation (continued)

	31/12/2023			
	12-month ECL	Lifetime ECL not credit- impaired	Lifetime ECL credit- impaired	Total
	HK\$ Mn	HK\$ Mn	HK\$ Mn	HK\$ Mn
Others				
Balance at 1 January	133	23	238	394
Transfer to 12-month ECL	12	(12)	-	-
Transfer to lifetime ECL not credit- impaired	(1)	1	-	-
Transfer to lifetime ECL credit-impaired	-	-	-	-
New financial assets originated or purchased, assets derecognised and repayments	(18)	2	(11)	(27)
Write-offs	-	-	(2)	(2)
Net remeasurement of impairment allowances (including exchange adjustments)	(4)	8	122	126
Balance at 31 December	<u>122</u>	<u>22</u>	<u>347</u>	<u>491</u>
Of which:				
For trade bills measured at FVOCI	-	-	-	-
For related accrued interest receivable	-	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
For trade bills measured at amortised cost (Note 17)	-	-	-	-
For related accrued interest receivable	-	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
For placements with and advances to banks (Note 16)	2	-	-	2
For related accrued interest receivable	-	-	-	-
	<u>2</u>	<u>-</u>	<u>-</u>	<u>2</u>
For cash and balances with banks (Note 15)	1	-	-	1
For related accrued interest receivable	-	-	-	-
	<u>1</u>	<u>-</u>	<u>-</u>	<u>1</u>
For loan commitments and financial guarantee contracts (Note 26)	<u>112</u>	<u>22</u>	<u>281</u>	<u>415</u>
For account receivables and other accounts other than accrued interest receivable (Note 23)	<u>7</u>	<u>-</u>	<u>66</u>	<u>73</u>

The impairment allowances of trade bills measured at FVOCI are not separately recognised in the statement of financial position because they have been adjusted to the carrying amount of trade bills measured at FVOCI as their fair values.

36. Off-Balance Sheet Exposures

(a) Contingent Liabilities and Commitments

The following is a summary of the contractual amounts of each significant class of contingent liabilities and commitments and the aggregate credit risk-weighted amount and is prepared with reference to the completion instructions for the HKMA return of capital adequacy ratio.

	30/6/2024	31/12/2023
	HK\$ Mn	HK\$ Mn
Contingent liabilities		
Direct credit substitutes	3,064	3,522
Transaction-related contingencies	5,058	3,927
Trade-related contingencies	6,965	7,741
	<u>15,087</u>	<u>15,190</u>
Commitments		
Commitments that are unconditionally cancellable without prior notice	256,028	332,203
Other commitments with an original maturity		
- up to 1 year	4,797	2,531
- over 1 year	22,390	25,168
	<u>283,215</u>	<u>359,902</u>
Total	<u>298,302</u>	<u>375,092</u>
Credit risk-weighted amounts	<u>17,103</u>	<u>17,458</u>

(b) Derivatives

	30/6/2024	31/12/2023
	HK\$ Mn	HK\$ Mn
Fair value of derivatives		
Assets		
Exchange rate contracts	1,981	1,650
Interest rate contracts	914	7,307
Equity contracts	185	99
	<u>3,080</u>	<u>9,056</u>
Liabilities		
Exchange rate contracts	1,730	1,733
Interest rate contracts	1,099	2,169
Equity contracts	208	105
	<u>3,037</u>	<u>4,007</u>
Notional amount of derivatives		
Exchange rate contracts	380,048	314,909
Interest rate contracts	327,913	318,824
Equity contracts	9,793	6,245
	<u>717,754</u>	<u>639,978</u>

36. Off-Balance Sheet Exposures (continued)

(c) Capital Commitments

Capital commitments outstanding as at 30 June and 31 December and not provided for in the financial statements were as follows:

	<u>30/6/2024</u>	<u>31/12/2023</u>
	HK\$ Mn	HK\$ Mn
Expenditure authorised and contracted for	353	484
Expenditure authorised but not contracted for	130	90
	<u>483</u>	<u>574</u>

(d) Contingencies

The Group receives legal claims against it arising in the normal courses of business. The Group considers none of these matters as material. Where appropriate the Group recognises provisions for liabilities when it is probable that an outflow of economic resources embodying economic benefits will be required and for which a reliable estimate can be made of the obligation.

37. Material Related Party Transactions

(a) Key Management Personnel Remuneration

Remuneration for key management personnel of the Group, including amounts paid to the directors and certain of the highest paid employees, is as follows:

	<u>30/6/2024</u>	<u>30/6/2023</u>
	HK\$ Mn	HK\$ Mn
Short-term employee benefits	79	80
Post-employment benefits	4	4
Equity compensation benefits	11	11
	<u>94</u>	<u>95</u>

- (b) The Group maintains certain retirement benefit schemes for its staff. In the six months ended 30 June 2024, the total amount of contributions the Group made to the schemes was HK\$122 million (six months ended 30 June 2023: HK\$108 million).

The Group enters into a number of transactions with the Group's related parties, including its associates, shareholders with significant influence, and key management personnel and their close family members and companies controlled or significantly influenced by them. The transactions include accepting deposits from and extending credit facilities to them. All interest rates in connection with the deposits taken and credit facilities extended are under terms and conditions normally applicable to customers of comparable standing.

37. Material Related Party Transactions (continued)

The interest received from and interest paid to the Group's related parties for the six months ended 30 June 2024, outstanding balances of amounts due from and due to them at 30 June 2024, and maximum outstanding balance of amounts due from and due to them for the six months ended 30 June 2024 are aggregated as follows:

	Key management personnel		Associates		Shareholders with significant influence	
	30/6/2024	30/6/2023	30/6/2024	30/6/2023	30/6/2024	30/6/2023
	HK\$ Mn	HK\$ Mn	HK\$ Mn	HK\$ Mn	HK\$ Mn	HK\$ Mn
Interest income	22	21	32	31	10	5
Interest expense	56	51	-	-	-	-
Amounts due from	665	880	678	1,717	489	1,446
Amounts due to	2,523	2,421	118	216	61	5
Maximum amounts due from	910	1,623	1,626	1,717	888	1,766
Maximum amounts due to	4,030	4,646	363	571	164	103
Committed facilities to	1,186	1,308	2,293	1,642	113	59

38. Basis of Consolidation

Unless otherwise stated, all financial information contained in this interim results announcement is prepared according to the consolidation basis for accounting purposes.

The capital adequacy ratio, leverage ratio and liquidity position of the Group are prepared according to the basis of consolidation for regulatory purposes. The main difference between the consolidation bases for accounting and regulatory purposes is that the former includes the Bank and all its subsidiaries, associates and joint ventures whereas the latter includes the Bank and only some of the Group's subsidiaries which mainly conduct banking business or other businesses incidental to banking business.

39. Comparative Figures

Certain 2023 comparative figures have been restated to conform to current period's presentation. Please refer to Note 28 for the effect of the restatement.

40. Statement of Compliance

The Interim Report has been prepared in accordance with the applicable disclosure provisions of the Listing Rules and in compliance with HKAS 34, "Interim Financial Reporting", issued by the HKICPA. It was authorised for issue on 22 August 2024.

This Interim Report contains condensed consolidated financial statements and selected explanatory notes. The notes include an explanation of events and transactions that are significant to an understanding of the changes in financial position and performance of the Group since the 2023 annual financial statements. The condensed consolidated interim financial statements and notes thereon do not include all of the information required for a full set of financial statements prepared in accordance with HKFRSs.

The Banking Disclosure Statement (refer to Note E of Supplementary Financial Information), together with the disclosures in the interim financial report, contained all the disclosures required by the Banking (Disclosure) Rules and Part 6 of the Financial Institutions (Resolutions) (Loss-absorbing Capacity Requirements – Banking Sector) Rules issued by the HKMA.

Supplementary Financial Information (Unaudited)

A. Capital Adequacy

	<u>30/6/2024</u>	<u>31/12/2023</u>
	HK\$ Mn	HK\$ Mn
Capital base		
- Common Equity Tier 1 capital	84,351	83,590
- Additional Tier 1 capital	10,090	10,090
- Total Tier 1 capital	<u>94,441</u>	<u>93,680</u>
- Tier 2 capital	17,783	12,682
- Total capital	<u><u>112,224</u></u>	<u><u>106,362</u></u>
Risk-weighted assets by risk type		
- Credit risk	432,235	430,128
- Market risk	5,189	3,758
- Operational risk	37,809	35,221
- Capital floor adjustment	19,415	16,579
	<u>494,648</u>	<u>485,686</u>
Less: Deductions	<u>(2,801)</u>	<u>(2,829)</u>
	<u><u>491,847</u></u>	<u><u>482,857</u></u>
	<u>30/6/2024</u>	<u>31/12/2023</u>
	%	%
Common Equity Tier 1 capital ratio	17.1	17.3
Tier 1 capital ratio	19.2	19.4
Total capital ratio	22.8	22.0

Capital adequacy ratios are compiled in accordance with the Capital Rules issued by the HKMA. In accordance with the Capital Rules, the Bank has adopted the foundation internal ratings-based approach for the calculation of the risk-weighted assets for credit risk and the internal models approach for the calculation of market risk and standardised approach for operational risk.

The basis of consolidation for regulatory purposes is different from the basis of consolidation for accounting purposes. Subsidiaries included in consolidation for regulatory purposes are specified in a notice from the HKMA in accordance with Section 3C of the Capital Rules. Subsidiaries not included in consolidation for regulatory purposes are non-financial companies and the securities and insurance companies that are authorised and supervised by a regulator and subject to supervisory arrangements regarding the maintenance of adequate capital to support business activities comparable to those prescribed for authorised institutions under the Capital Rules and the Banking Ordinance. The Bank's shareholdings in these subsidiaries are deducted from its Common Equity Tier 1 capital subject to the thresholds as determined in accordance with Part 3 of the Capital Rules.

Supplementary Financial Information (Unaudited) (continued)

A. Capital Adequacy (continued)

The subsidiaries that are included in consolidation for regulatory purposes are listed in Note 38 of the Interim Report.

The Group operates subsidiaries in a number of countries and territories where capital is governed by local rules and there may be restrictions on the transfer of regulatory capital and funds between members of the Group.

For the purpose of compliance with the Banking (Disclosure) Rules and Part 6 of the Financial Institutions (Resolutions) (Loss-absorbing Capacity Requirements – Banking Sector) Rules, the Group has established a section on the Bank's website. Additional information relating to the Group's regulatory capital and other disclosures can be found in this section of the Bank's website, accessible through the "Regulatory Disclosure" link on the home page of the Bank's website at www.hkbea.com or at the following direct link: www.hkbea.com/regulatory_disclosures.

B. Leverage Ratio

	<u>30/6/2024</u> HK\$ Mn	<u>31/12/2023</u> HK\$ Mn
Total Tier 1 capital	94,441	93,680
Exposure measure	916,589	907,840
	<u>30/6/2024</u> %	<u>31/12/2023</u> %
Leverage ratio	10.3	10.3

The leverage ratio is computed on the same consolidated basis as specified in a notice from the HKMA in accordance with section 3C of the Capital Rules. The relevant disclosures can be found on the Bank's website accessible through the "Regulatory Disclosures" link on the home page of the Bank's website at www.hkbea.com or at the following direct link: www.hkbea.com/regulatory_disclosures.

Supplementary Financial Information (Unaudited) (continued)

C. Liquidity Position

Liquidity coverage ratio

	<u>30/6/2024</u>	<u>31/12/2023</u>
	%	%
Average liquidity coverage ratio		
- First quarter	213.1	182.9
- Second quarter	271.0	208.9
- Third quarter	N/A	191.4
- Fourth quarter	N/A	201.5

The liquidity coverage ratio is calculated in accordance with the Banking (Liquidity) Rules. The information for the regulatory disclosure can be found on the Bank's website accessible through the "Regulatory Disclosures" link on the home page of the Bank's website at www.hkbea.com or at the following direct link: www.hkbea.com/regulatory_disclosures.

The Bank held an amount of HKD-denominated level 1 assets that was not less than 20% of its HKD-denominated total net cash outflows. There is no significant currency mismatch in the Bank's LCR at respective levels of consolidation.

Net stable funding ratio

	<u>30/6/2024</u>	<u>31/12/2023</u>
	HK\$ Mn	HK\$ Mn
Total available stable funding	596,245	589,018
Total required stable funding	474,640	469,180
	<u>30/6/2024</u>	<u>31/12/2023</u>
	%	%
Net stable funding ratio	125.6	125.5

The net stable funding ratio is calculated in accordance with the Banking (Liquidity) Rules. The information for the regulatory disclosure can be found on the Bank's website accessible through the "Regulatory Disclosures" link on the home page of the Bank's website at www.hkbea.com or at the following direct link: www.hkbea.com/regulatory_disclosures.

Supplementary Financial Information (Unaudited) (continued)

D. Overdue, Rescheduled and Repossessed Assets

(a) Overdue and Rescheduled Advances to Customers

	30/6/2024		31/12/2023	
	HK\$ Mn	% of total advances to customers	HK\$ Mn	% of total advances to customers
Advances to customers overdue for				
- 6 months or less but over 3 months	1,359	0.2	3,039	0.6
- 1 year or less but over 6 months	3,223	0.6	2,772	0.5
- Over 1 year	2,988	0.6	2,269	0.4
	<u>7,570</u>	<u>1.4</u>	<u>8,080</u>	<u>1.5</u>
Rescheduled advances to customers	1,440	0.3	1,002	0.2
Total overdue and rescheduled advances	<u>9,010</u>	<u>1.7</u>	<u>9,082</u>	<u>1.7</u>
Covered portion of overdue advances	<u>4,061</u>	<u>0.8</u>	<u>3,958</u>	<u>0.7</u>
Uncovered portion of overdue advances	<u>3,509</u>	<u>0.6</u>	<u>4,122</u>	<u>0.8</u>
Current market value of collateral held against the covered portion of overdue advances	<u>6,763</u>		<u>7,201</u>	
Specific provisions made on advances overdue for more than 3 months	<u>2,058</u>		<u>2,262</u>	

Loans and advances with a specific repayment date are classified as overdue when the principal or interest is overdue and remains unpaid at the period-end. Loans repayable by regular instalments are treated as overdue when an instalment payment is overdue and remains unpaid at period-end. Loans 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 demand notice, and/or when the loans have remained continuously outside the approved limit advised to the borrower for more than the overdue period in question.

An asset considered as an eligible collateral should generally satisfy the following:

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

The two main types of "Eligible Collateral" are as follows:

- "Eligible Financial Collateral" mainly comprises cash deposits and shares.
- "Eligible Physical Collateral" mainly comprises land and buildings, vehicles and equipment.

When the Bank's clients face financial difficulties and fail to settle their loans, depending on different situations, the Bank usually takes the following actions to recover the debt:

- Debt rescheduling/restructuring
- Enforcement of security
- Legal action
- Recovery via debt collector

Supplementary Financial Information (Unaudited) (continued)

D. Overdue, Rescheduled and Repossessed Assets (continued)

(b) Overdue and Rescheduled Advances to Banks

	30/6/2024 HK\$ Mn	31/12/2023 HK\$ Mn
Advances to banks overdue for		
- 6 months or less but over 3 months	-	-
- 1 year or less but over 6 months	-	-
- Over 1 year	-	-
	-	-
Rescheduled advances to banks	-	-
Total overdue and rescheduled advances	-	-

(c) Other Overdue and Rescheduled Assets

	30/6/2024		
	Accrued interest HK\$ Mn	Debt securities HK\$ Mn	Other assets* HK\$ Mn
Other assets overdue for			
- 6 months or less but over 3 months	13	39	-
- 1 year or less but over 6 months	163	568	-
- Over 1 year	339	469	-
	515	1,076	-
Rescheduled assets	67	-	-
Total other overdue and rescheduled assets	582	1,076	-

Specific provisions made on other assets overdue for more than 3 months	190	882	-
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	31/12/2023		
	Accrued Interest HK\$ Mn	Debt Securities HK\$ Mn	Other assets* HK\$ Mn
Other assets overdue for			
- 6 months or less but over 3 months	44	374	-
- 1 year or less but over 6 months	140	144	-
- Over 1 year	181	319	-
	365	837	-
Rescheduled assets	26	-	-
Total other overdue and rescheduled assets	391	837	-

Specific provisions made on other assets overdue for more than 3 months	119	576	-
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* Other assets refer to trade bills and receivables.

Supplementary Financial Information (Unaudited) (continued)

D. Overdue, Rescheduled and Repossessed Assets (continued)

(d) Repossessed Assets

	<u>30/6/2024</u>	<u>31/12/2023</u>
	HK\$ Mn	HK\$ Mn
Reposessed land and buildings (<i>Note</i>)	1,634	1,703
Reposessed vehicles and equipment	-	1
Reposessed machines	-	-
Total reposessed assets	<u>1,634</u>	<u>1,704</u>

The amount represents the estimated market value of the reposessed assets as at 30 June 2024 and 31 December 2023.

Note: The balance included HK\$21 million (31/12/2023: Nil) relating to properties that were contracted for sale but not yet completed.

E. Banking Disclosure Statement

Additional information disclosures for this period which are prepared in accordance with the Banking (Disclosure) Rules, the disclosure requirements in Part 6 of Financial Institutions (Resolution) (Loss-absorbing Capacity Requirements – Banking Sector) Rules and disclosure templates issued by the HKMA can be found on the Bank's website accessible through the "Regulatory Disclosures" link on the home page of the Bank's website at www.hkbea.com or at the following direct link: www.hkbea.com/regulatory_disclosures.

INTERIM DIVIDEND

The Board has declared an interim dividend for the six months ended 30 June 2024 of HK\$0.31 per Share (the "2024 Interim Dividend") (2023 Interim Dividend: HK\$0.36 per Share). The 2024 Interim Dividend will be paid on or about Monday, 14 October 2024 in cash, with an option to receive new, fully paid Shares in lieu of cash dividend at the market value (except for adjustments for fractions) equal to the total amount of the dividend that such shareholder would otherwise be entitled to receive in cash (the "Scrip Dividend Scheme"), to shareholders whose names appear on the Register of Members of the Bank at the close of business on Tuesday, 10 September 2024. For the purpose of calculating the number of new Shares to be allotted under the Scrip Dividend Scheme, the market value of the new Shares means the average closing price of the Shares on the Stock Exchange from Wednesday, 4 September 2024 (being the first day that the Shares will be traded ex-dividend) to Tuesday, 10 September 2024 (both days inclusive). The listing document containing details of the Scrip Dividend Scheme and the election form will be sent to shareholders on or about Thursday, 19 September 2024.

The Scrip Dividend Scheme is conditional upon the Stock Exchange granting the listing of and permission to deal in the new Shares to be issued under the Scrip Dividend Scheme. The dividend warrants and the share certificates for the scrip dividend will be sent to shareholders by ordinary mail on or about Monday, 14 October 2024.

CLOSURE OF REGISTER OF MEMBERS

For the purpose of determining shareholders who qualify for the 2024 Interim Dividend, the Register of Members of the Bank will be closed from Friday, 6 September 2024 to Tuesday, 10 September 2024 (both days inclusive). In order to qualify for the 2024 Interim Dividend, all transfer documents accompanied by the relevant share certificates should be lodged for registration with Tricor Standard Limited at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong by 4:00 p.m. on Thursday, 5 September 2024.

FINANCIAL REVIEW

Financial Performance

The operating environment for the banking industry was complex in the first half of 2024. Despite lingering concerns over geopolitical tensions, investment sentiment picked up towards the end of the period. Global inflationary pressures began to subside, and economic growth was steady across the Bank's major markets. However, the situation facing developers in both the Chinese Mainland and Hong Kong continued to be difficult.

For the first six months of 2024, BEA and its subsidiaries earned a profit attributable to owners of the parent of HK\$2,111 million, representing a decrease of 19.9% compared with the HK\$2,636 million earned in the same period in 2023.

Basic earnings per share were HK\$0.69 in the first half of 2024, compared to HK\$0.87 in the corresponding period in 2023. The annualised return on average assets was 0.4%, while the annualised return on average equity was 3.7%.

Core business was resilient. Pre-provision operating profit ("PPOP") was held stable year-on-year at HK\$5,671 million, despite the challenging external conditions.

Net interest income increased by HK\$183 million, or 2.3%, to HK\$8,228 million. Net interest margin ("NIM") widened by 7 basis points year-on-year, from 2.03% to 2.10%.

Net fee and commission income slightly decreased by 2.2% year-on-year to HK\$1,418 million amid continued weak market sentiment. A decline in net fee income from lending business and credit cards was offset by a growing contribution of fees from trade finance and sales of third-party insurance policies.

Taken together, net trading and hedging results and net results from other financial instruments increased by HK\$58 million, or 9.0%, to HK\$700 million. Non-interest income increased by 1.1% to HK\$2,256 million.

Overall, total operating income increased by 2.0% to HK\$10,484 million.

Operating expenses rose by HK\$225 million, or 4.9%, to HK\$4,813 million. We continued to invest in talent and digital capabilities while realising efficiency gains from our transformation initiatives. The cost-to-income ratio for the first half of 2024 slightly increased by 1.2 percentage points to 45.9%.

Impairment losses on financial instruments were HK\$2,881 million for the first half of 2024, higher year-on-year but lower than the level recorded in the second half of 2023. The Mainland commercial real estate ("CRE") sector continued to be the main concern for asset quality, accounting for some 52% of loan loss provisions. The Group's impaired loan ratio decreased from 2.69% at the end of December 2023 to 2.62% at the end of June 2024.

Financial Position

Total equity attributable to owners of the parent rose by 1.1% to HK\$99,027 million.

We remained cautious in our approach to new lending, focusing instead on risk management and portfolio diversification. Gross advances to customers slightly increased by 0.6% to HK\$535,310 million in the period under review. Total consolidated assets of the Group stood at HK\$875,217 million at the end of June 2024, representing an increase of HK\$14,856 million, or 1.7%, compared to HK\$860,361 million at the end of 2023.

Total deposits from customers increased by 0.2% to HK\$630,109 million in the first half of 2024. Of the total, demand deposits and current account balances decreased by HK\$7,254 million, or 11.1%; savings deposits increased by HK\$7,950 million, or 6.7%; and time deposits increased by HK\$815 million, or 0.2%. Total deposit funds, comprising deposits from customers and all certificates of deposit issued, amounted to HK\$652,681 million at the end of June 2024.

The loan-to-deposit ratio stood at 82.0% at the end of June 2024, compared to 81.1% at the end of 2023.

The Group continued its on-market share buyback programme. During the first half of 2024, 16,042,600 shares were repurchased on the Stock Exchange for a total consideration of HK\$159 million.

As at 30 June 2024, the total capital ratio, tier 1 capital ratio, and common equity tier 1 capital ratio remained solid at 22.8%, 19.2%, and 17.1%, respectively. The average liquidity coverage ratio for the period ended 30 June 2024 was 271.0%, well above the statutory minimum of 100%.

MAJOR RECOGNITION – BUSINESS

The Bank of East Asia, Limited

Global Brand Awards 2024

Best Retail Bank of the Year – Hong Kong
Best Digital Banking – Hong Kong
Best Bank for Customer Experience – Hong Kong
Global Brands Magazine

Financial Institution Awards 2024

Customer Engagement – Excellence Performance
Bank of the Year – Outstanding Performance
Premium Segment Client Service – Outstanding Performance
SME Engagement (China Greater Bay Area) – Outstanding Performance
Bloomberg Businessweek (Chinese Edition)

2024 Best SME's Partner Award

Best SME's Partner Gold Award
Hong Kong General Chamber of Small and Medium Business

The Asian Banker Awards 2024

Best eKYC and Digital Account Opening in Hong Kong
The Asian Banker

Private Banking Awards 2024

Hong Kong's Best for Sustainability
Euromoney

Asian Private Banker 6th China Wealth Awards 2023

Best Private Bank – GBA (Silver)
Asian Private Banker

The Bank of East Asia (China) Limited

2023 Outstanding Work Performance Award

Institutional Contribution Award of Shanghai Banking Industry
Excellent Case of Digital Transformation in Shanghai's Banking Industry
Innovation Case of Cross-border Financial Services in Shanghai Banking Industry
Shanghai Banking Industry Excellent Professional Committee
Shanghai Banking Association

BEA Union Investment Management Limited

BENCHMARK Fund of the Year Awards 2023

Fund of the Year House Awards 2023 – Asia Fixed Income - Best-In-Class
BENCHMARK

2023 Refinitiv Lipper Fund Awards

BEA (MPF) Value Scheme – BEA Balanced (10 years)
Lipper

Professional Investment Awards 2024

Performance Awards – Global Equity (3 Years & 10 Years)
Performance Awards – Global Aggregate Bonds (10 Years)
Performance Awards – China A-Share (5 Years & 10 Years)
Investment Insights & Mandates

Bank of East Asia (Trustees) Limited

2024 MPF Awards

MPF Scheme Ratings and Awards – Gold Ratings – BEA (MPF) Value Scheme
MPF Scheme Ratings and Awards – 5 Year Consecutive Gold Rated Scheme – BEA (MPF) Value Scheme
MPF Ratings Limited

BUSINESS REVIEW

Economic Review

In the first half of 2024, driven by a boom in the artificial intelligence sector and a resurgence in consumer demand, the global economy eked out a modest but resilient growth in spite of strong headwinds. Nonetheless, growth was uneven, diverging across economic blocs.

Global inflation receded in the first half, but still lagged the hopeful optimism of G7 central bank forecasts. While the supply disruptions that pockmarked 2023 have subsided, ongoing geopolitical tensions and conflagrations continue to disrupt and threaten the global supply chain.

As inflation tapered from 2023 highs, various central banks worldwide acted to reduce interest rates with many signalling a shift to a less restrictive policy stance. However, the celebratory mood has softened due to stickier inflation. Most notably, the US Fed has intimated that rate cuts will only be considered in the later part of 2024.

In contrast, the Chinese Mainland adopted a supportive monetary policy stance to stabilise growth. Real GDP grew by 5.0% year-on-year in the first half of 2024. This growth was driven by a turnaround in external demand while industrial production outperformed retail sales and investment. Policy orientation has

remained focused on high-quality development rather than large-scale stimulus. Specifically, the authorities loosened monetary policy, revamped the sovereign bond market, and further boosted high-tech, infrastructure, and support for the property sectors. These calibrated policies are intended to sustain the 5% GDP growth momentum from specified strategic sectors.

In Hong Kong, real GDP grew by around 3.0% year-on-year in the first half of 2024. The recovery was powered by an improvement in merchandise trade and a revival in inbound tourism. Meanwhile, private consumption recorded a slight decline and investment showed a moderate expansion. Labour market conditions were solid, with a low unemployment rate, while inflation remained moderate.

Business – Hong Kong

Our Hong Kong operations recorded an attributable profit of HK\$1,310 million in the first half of 2024, a decline of 21.4% year-on-year. The drop was primarily due to an increase in impairment losses on financial instruments.

Nevertheless, top-line income recorded solid growth despite the challenging operating environment. PPOP increased by 3.8%.

We have continued to benefit from the favourable interest rate environment. Net interest income increased by 7.0% year-on-year, with a 14 basis point expansion in NIM.

Net fee and commission income was down slightly by 1.8%. Businesses remained cautious in view of persistent macro and geopolitical uncertainties. The decline in fees from lending was partly offset by higher income from third-party insurance sales and investment activity.

Operating expenses increased by 6.6%, in line with the Bank's investments in digital technology and capabilities.

The challenges facing clients in the Chinese Mainland CRE sector have been particularly acute for offshore financing. We have worked closely with affected borrowers to restructure problem loans, but given persistent liquidity issues for developers, recovery has been slower than anticipated. Meanwhile, provisions have also been made on certain Hong Kong CRE accounts following a drop in collateral value.

Under these conditions, risk management has remained a priority. Customer loans in Hong Kong were down slightly compared to year-end 2023 as a result of efforts to reduce high-risk exposure and further diversify the portfolio. Deposits were managed in accordance with funding demand.

At the same time, we have focused on upgrading our service platform and operating model. To date, digital service enhancements have driven encouraging acquisition of customers and funds that will provide a foundation for sustainable revenue growth when market conditions improve. We plan to implement additional digital and data solutions in the second half, including a new customer relationship management system and AI-enabled compliance tools. Meanwhile, operations are being further centralised, streamlined, and nearshored to deliver a scalable model for future business expansion.

Retail Banking

Our retail operations recorded solid growth of 4.2% in net profit for the first half, driven by higher operating income and well-controlled costs.

Net interest income rose by 5.4% on a continued tailwind from elevated interest rates and a steady inflow of new customer deposits. NIM benefitted from efforts to optimise the credit card and unsecured loan portfolio.

Fee income held up well, despite a drag from lower mortgage-related fees in line with the market. Although brokerage activity remained subdued, investment-related income picked up on higher sales of unit trusts and fixed income products. Bancassurance also performed well with a steady rise in annualised new premiums.

The revamped BEA Mobile smartphone application has seen a positive response since its launch in late 2023. The app has recorded a 42.4% year-on-year rise in the number of mobile financial transactions, contributing

to an encouraging growth in digital revenues. This momentum is expected to continue as customers demonstrate a strong preference for accessing products including investments, insurance, and deposits via mobile.

With account opening and basic transactions increasingly being migrated online, we are redefining our branch operating model to focus on value-added services. To this end, a new SupremeGold Centre was opened in Harbour City in June. The centre features an all-new design with enhanced facilities, catering to the wealth management needs of affluent customers in Hong Kong and throughout the Greater Bay Area ("GBA").

BEA's customer segmentation strategy has continued to yield sustainable results. Notably, significant growth in acquisition was recorded across the premium, affluent, and young customer bases. We have also seen good momentum in cross-boundary business, with a 57.6% year-on-year increase in the number of southbound clients.

Wholesale Banking

Performance for Wholesale Banking was pressured by the external operating environment. Corporate loan demand was subdued. Meanwhile, impairments were required on lending to clients in the Chinese Mainland and Hong Kong CRE sectors, impacting the division's bottom line.

We maintained a prudent approach to loan business. In particular, the Hong Kong CRE portfolio was closely monitored, with priority given to high-quality names. Meanwhile, efforts to diversify into new strategic sectors continued. Wholesale Banking recorded an 18.5% increase in loans to non-CRE borrowers, particularly state-owned enterprises, when compared to the end of 2023.

Top-line performance was resilient. Net interest income was marginally down year-on-year, as growth in Current Account and Savings Account deposits largely offset the impact of a mild drop in the average loan balance.

Non-interest income was affected by lower credit-related handling fees. However, there was a notable rise in income from insurance and treasury, which increased by 20.1% and 22.1% respectively. Expenses were well-contained.

BEA is dedicated to supporting the SME sector, and we have expanded our offering and capabilities to serve the needs of small- and medium-sized businesses. Continuous improvements have been made to our transaction banking services and corporate online platform, with growth recorded in deposits, payments, and trade finance activities.

We are also leveraging the latest technologies to further enhance service provision. The Bank has streamlined the credit evaluation process for SMEs using the Hong Kong Monetary Authority's ("HKMA") Commercial Data Interchange, enabling customers to quickly obtain financing for working capital or business development. In May, BEA became the first traditional bank to join the pilot Shenzhen-Hong Kong cross-boundary data validation platform, which utilises blockchain technology to enable fast and effective validation of KYC reports between BEA China and our team in Hong Kong.

Wealth Management

Market sentiment was soft at the beginning of the year, although momentum picked up in the second quarter on rallies in the Hong Kong and US stock markets. Overall, investors remained cautious given the high levels of political uncertainty worldwide. As a result, Private Banking's loan and assets under management ("AUM") balances declined during the period under review, while net interest income was down by 6.6% year-on-year.

Despite this, top-line performance in fact improved. Private Banking's operating income rose by 11.5%, driven by a 28.3% increase in non-interest income. Clients favoured instruments for wealth preservation such as structured products, notes, and bonds, while there was significant demand for insurance protection and savings plans.

Following continued efforts to onboard high-net-worth customers from across the region, Private Banking accounts increased by 4.2% year-on-year. We are growing an active and diverse client base that will provide

opportunities for future growth.

We shall continue to focus on providing effective wealth planning, hedging, and investment solutions to meet the holistic needs of our clients. The opening of BEA's wealth management centre in Singapore, as well as enhancements to discretionary portfolio management and advisory mandate services, will enable us to develop recurring revenue streams.

Meanwhile, a new digital investment trading platform for both high-net-worth and mass market customers was launched in July. The platform provides fast and secure access to stock trading on a range of global markets, including Hong Kong, the US, and China A-shares, complementing the comprehensive banking and financial services available via our BEA Mobile app.

Business – Chinese Mainland

For the six months ended 30 June, BEA China recorded operating income of HK\$2,563 million, down 3.2% year-on-year and flat in constant currency terms. On a half-on-half basis, operating income rebounded 6.4% driven by a calibrated approach to develop new business and navigate market headwinds.

With heightened competition and lower lending rates, net interest income declined by 6.8% year-on-year to HK\$1,916 million. NIM decreased by 6 basis points to 2.01%. Meanwhile, non-interest income rose 9.6% to HK\$647 million. This solid growth was mainly attributable to trade finance, syndicated loans, and treasury sales. Operating expenses rose 2.5% to HK\$1,666 million with continued investment in digital and IT capabilities, as well as business volume-related platform fees from the internet lending portfolio.

Total loans and advances rose by 5.3% from the end of 2023 to HK\$149,119 million. The increase was mainly driven by the provision of services to targeted strategic industries supported by national policies and trade-related finance, as BEA China's exposure to property continued to be managed downward.

Impairment losses on financial instruments decreased by 13.7% to HK\$719 million as a consequence of asset management measures taken, while the impaired loan ratio decreased by 2 basis points to 2.66% compared to the end of 2023 through the orderly exit of high-risk accounts and enhanced recovery efforts.

As a result, net profit came in at HK\$110 million. This reversed the loss recorded in the previous half, but was 19% lower year-on-year.

Despite domestic challenges, BEA China steadily advanced the implementation of its strategic priorities for the wholesale and personal banking segments while deepening cooperation with Hong Kong, Macau, and overseas branches under the OneBank initiative.

On the wholesale banking side, operating income fell by 5.6%. Continued de-risking saw the proportion of property-related loans reduced to 17.5% from 25% in the year-ago period. Net fee income from transaction banking jumped by 75.9% and the trade finance business portfolio increased by 35.8% year to date. The share of low-cost deposits was enlarged by 6.7 percentage points year-on-year, accounting for 54.8% of the deposit base.

On the personal banking side, operating income rose by 0.3% from a year earlier. BEA China scaled back its mortgage and credit card lending in response to market uncertainties. Nevertheless, the Group's targeted approach of serving the growing affluent market in the GBA, Shanghai, and Beijing delivered promising results. Non-interest income from the affluent segment expanded by 9.4% year-on-year, boosted by increased relationship manager productivity. BEA China's affluent client base grew by 27.3% with a 10.5% rise in AUM.

Besides ongoing efforts to centralise, streamline, and automate back-end processes, BEA China is building future-ready infrastructure with digital and artificial intelligence related projects to better serve customers.

As of 30 June 2024, BEA China operates 30 branches and 31 sub-branches covering 38 cities on the Mainland. In the GBA, BEA China has one of the most extensive networks among foreign banks, with 20 outlets covering all the cities in the region.

Business – Overseas, Macau, and Taiwan

In the first half of 2024, the Bank's overseas, Macau, and Taiwan branches continued to perform well, benefiting from the high interest rate environment.

During the period under review, net interest income rose by 1.7% year-on-year to HK\$1,327 million, driven by a 7 basis-point improvement in the NIM.

Net fee and commission income decreased by 18.8% to HK\$47 million. The decline in fee income was due to the recognition of certain loan fees, such as commitment and bank guarantee fees, in the year-ago period, which did not reoccur.

PPOP fell modestly from last year's record base by 1.3% to HK\$1,023 million, primarily due to higher operating expenses from the impact of inflation and continued investment in technology. The cost-to-income ratio rose marginally to 27.9% from 26.4%.

Net profit after tax increased by 0.2% to HK\$684 million. The impaired loan ratio increased to 1.43% at the end of June 2024, compared to 1.10% at the end of 2023. As a result, impairment losses rose to HK\$122 million, up from HK\$70 million in the same period last year.

The Bank's operations in the US and UK delivered solid growth in PPOP and net profit. Amid heightened credit risk within the CRE sector, the branches will continue to proactively reduce CRE exposure, and focus on selective industries where borrowers exhibit sound balance sheets and strong cash flows.

Singapore Branch's revenue and profit declined from record results last year, partly due to its de-risking strategy and a compression in NIM. Nonetheless, the branch is well-positioned to serve targeted industries in the ASEAN countries, such as healthcare, information technology, infrastructure and utilities, as well as cross-border initiatives supported by growing business ties between China and Singapore.

Macau Branch has been proactively managing its asset quality and capitalising on the growing cross-boundary business in the GBA. Meanwhile, Taiwan Branch has maintained a vigilant approach to new business with a focus on enhancing the Group's revenue from Taiwanese customers.

Our overseas, Macau, and Taiwan branches are continuously implementing measures to align with the Group's ESG strategies and are stepping up efforts to contribute to its sustainability objectives, including actively pursuing opportunities for green and sustainable financing in local markets.

The Bank's overseas, Macau, and Taiwan operations remain committed to optimising risk-weighted assets, enhancing returns, and maintaining cost discipline. Simultaneously, the operations' digital capabilities are being further advanced to deliver seamless customer experience and improve operational efficiency.

Looking ahead, the OneBank strategy will continue to be a key focus of the overseas, Macau, and Taiwan branches, strengthening collaboration with other business units within the Bank, to drive business growth.

BEA Union Investment Management Limited

Markets in the first half had been filled with uncertainties. Investors sought clarity on interest rates, as mixed economic data constantly swayed the prospects for rate cuts. Looking past short-term challenges, our investment team remained focused on managing risks and identifying opportunities across markets to deliver added value to our clients. The business demonstrated resilience, with AUM and advisory remaining steady at US\$7,120 million as at 30 June 2024.

Following the launch of the BU Asia Impact Bond Fund last year, we have published our first Annual Impact Report. The report allows investors to assess the positive externalities generated by their investments, and describes and quantifies the environmental and social impact of projects financed through green, social, and sustainability bonds (collectively, "GSS bond" or "impact bond").

To further demonstrate our commitment to sustainable investment, we are a signatory to the United Nations Principles for Responsible Investments ("PRI") and Contributing Investor in Climate Action 100+ ("CA100+"). We were also a speaker at industry-leading events, such as The Financial Times - Future of Asset Management Asia 2024 Conference in Singapore and The 17th Asian Financial Forum in Hong Kong.

Looking ahead, we will continue to stay abreast of the latest trends and identify investment opportunities for clients.

Our People

As at 30 June 2024, the BEA Group employed 8,092 people:

	As at 30 June 2024	As at 31 December 2023	As at 30 June 2023
Hong Kong	4,683	4,672	4,726
Chinese Mainland	2,852	2,906	2,980
Macau and Taiwan	116	118	122
Overseas	441	444	433
Total	8,092	8,140	8,261

People are central to the Bank's transformation and sustainability, and we continuously invest in various initiatives to establish a progressive and agile workforce that embraces and implements changes.

To transform the people function, we have focused on strategic hires to enhance Group oversight. We believe with the right talent, we can underpin the Bank's growth, innovation initiatives, and compliance with banking regulations, as well as build a strong candidate pipeline for future goals.

In addition, we are transforming the workforce of the Bank. By bringing in change leaders in senior management succession, we empower our staff to be the drivers of change initiatives and be capable of navigating changes. Through strategic workforce planning, we are making good progress in rightsizing and adjusting the organisation structure. We adopt robust people planning through headcount governance, front-to-back ratio monitoring, talent attraction and retention, capacity building and cultural training, and HR operations modernisation. The empowered workforce can leverage our transformed organisation and ensure we are fit for the future.

At BEA, we are committed to upholding a performance driven culture. To institutionalise this culture, we have revamped balanced scorecards and launched divisional people dashboards. To further foster collaboration across the Bank and to demonstrate "leading by example", a peer evaluation exercise has been introduced and further extended to all senior managers and above since 2024.

We prioritise workforce stability and engagement, which in turn fosters innovation and drives business performance and service excellence. We benchmark peer compensation and benefits regularly to ensure market competitiveness and minimise talent gaps due to attrition. The employee survey is conducted on an annual basis. The recent survey results suggest most employees feel proud to work for BEA and are positive about the Bank's commitment to its transformation journey.

The Bank is also committed to strengthening staff competence to form a future-proof workforce. We have incorporated structured training frameworks and enhanced development support to upskill and reskill our staff, enabling them to capture evolving opportunities from the fast development of tech and data, green and sustainable finance ("GSF"), and cross-boundary business. We encourage and subsidise our staff to pursue continuous learning and development, including the professional qualifications under the HKMA's Enhanced Competency Frameworks. Group-wide thematic programmes are also implemented to cultivate our staff with the mindset and skills to embrace transformation and innovation. We have a clear strategy and well-established framework of talent development to nurture home-grown talents and future leaders, including Group Management Trainees, Functional Trainees, and also high-potential mid-career executives.

The year 2024 marks BEA's 105th anniversary. To celebrate this milestone, a bank-wide sports carnival was held in West Kowloon Art Park, Hong Kong, in January 2024. Some 4,000 employees from Hong Kong, the Chinese Mainland, and overseas together with family and friends, immersed themselves in a range of family-friendly activities and themed workshops throughout the day.

Moving forward, we remain devoted to building an inclusive and collaborative workplace where each and every employee can share their views and develop their skills as we continue on our transformation journey.

Outlook

Global economic growth is expected to continue on its gradual path to recovery. Sound household finances and corporate balance sheets should support private sector demand. Provided inflationary pressures continue to subside, major central banks in Europe and the US can then implement orderly rate reductions, thereby offering an additional boost to the global economy. This all is predicated on the assumption of no further worsening of geopolitical tensions.

The Chinese Mainland economy is anticipated to sustain its growth momentum. Domestic demand, supported by enhanced and targeted macro policies, will be the major driver, with services consumption and industrial production projected to post solid growth. Fast-growing infrastructure and high-tech investment will continue to dominate headlines with the Central Government's push towards new quality productive forces. The Mainland economy is expected to achieve its growth target of around 5.0% in 2024.

Hong Kong is expected to benefit further from merchandise trade. The anticipated monetary loosening by major central banks could help stabilise asset markets while Hong Kong's resilient labour market should also underpin private consumption. Recent reforms announced by the Central Government are expected to provide additional growth impetus to Hong Kong and in particular, its financial sector. For these reasons, we project that the Hong Kong economy is on track to achieve the SAR Government's growth forecast of between 2.5% and 3.5% in 2024.

With rates set to remain elevated for longer, BEA continues to benefit from strong NIMs. However, with tepid global economic growth and the Chinese Mainland placing renewed emphasis on its domestic economy, BEA remains committed to strengthening the fundamentals by improving our asset quality, growing diversified sustainable income and building future capabilities.

As we de-risk our portfolio, new segments are groomed to serve as new growth drivers for BEA. Encouraging progress and good momentum can be seen in the cross-boundary wealth management, digital banking, transaction banking, and SME segments. The fruits of our digital and data investments are also increasingly reflected in improved customer satisfaction and controlled operating expenditure. Meanwhile, new capabilities such as an AI-powered compliance suite of solutions are being rolled out and on track to serve BEA's global network in the near future.

Despite lukewarm economic growth and persistent global uncertainties, BEA maintains a strong balance sheet, sustains cost discipline and is improving our core business fundamentals.

RISK MANAGEMENT

We recognise that a sound risk culture is the foundation of our strength. To this end, we maintain a prudent and proactive risk management framework that supports risk awareness, proper behaviour and sound judgement in relation to risk-taking. All employees are responsible for the management of risk.

Principal Risks

BEA Group faces a variety of risks that could affect its franchise, operations and financial health. The principal risks identified by the Group include credit risk, interest-rate risk, market risk, liquidity risk, operational risk, reputation risk, strategic risk, legal risk, compliance risk and technology risk. The description of principal risks, and how they are managed, are set out in the "Risk Management" section of the Bank's Annual Report 2023.

Key Developments

The business environment of BEA Group faced multiple headwinds and challenges including the downturn in the Hong Kong and Chinese Mainland real estate sectors, as well as the global economic uncertainties stemming from monetary tightening, elevated interest rates, and intensified geopolitical tensions. At the same time, cyberattacks and fraud cases have also been on the rise around the globe.

In response to these challenges, we have actively managed the associated risks, with enhanced risk management in the following areas in the first half of 2024:

- On top of the continuous efforts to enhance credit monitoring and special assets management, additional internal training and credit discussion forums were held to intensify the risk mindset and awareness among the first and second lines of defence of the Bank Group. The training and forums aim at aligning staff to the latest credit strategies, as well as emphasising the importance of customer sector diversification and thorough cash flow analysis during credit assessment to accurately evaluate borrowers' repayment capabilities.
- We constantly review the Operational Risk Management Framework to manage material operational risk, assure sustainability, and enhance incident management and third-party risk management capabilities. The Operational Resilience Framework is developed to set out the core principles and standards to govern resilience-related controls. Operational resilience parameters include critical operations, tolerance for disruption and severe but plausible scenarios. Through continuously performing process mapping and scenario testing, we are able to enhance our resilience by transforming various operational procedures, mitigating the vulnerabilities identified, and revising business continuity plans.
- We work collaboratively with other stakeholders to enhance anti-fraud controls amidst the constantly evolving threat landscape, including the implementation of initiatives and enhancement measures proposed by the HKMA and the Hong Kong Police Force. For instance, we enhanced our systems for payment card protection, and is one of the 10 participating banks of the Anti-Deception Alliance as well as a participating institution of the Anti-Scam Consumer Protection Charter 2.0.
- Complementing the detection and protection control measures, we continue to enhance our data backup arrangements as proposed by the HKMA and Hong Kong Association of Banks ("HKAB"), and perform regular testing to address the risk of destructive cyberattacks.
- The risk appetite statement is aligned strategically with the Group's Sustainability Vision and Mission Statements, and continuous efforts have been made to expand green and sustainable lending to support customers to realise their transition plans to a low-carbon economy. Furthermore, under the Group's GSF framework, sector policies have been developed to establish a consistent Bank-wide stance towards lending to high carbon-emitting sectors.

Principal Uncertainties

During the first half of 2024, the Group identified a number of emerging risks. The key uncertainties currently facing the Group and the mitigating measures implemented are set out below.

Principal Uncertainties	Mitigating Measures
Macro-economy	
The global economic recovery remained slow and uneven. Geopolitical tensions posed significant headwinds, possibly resulting in wider regional conflicts, global supply chain disruptions, higher transportation and commodity prices, tariffs, and even export and investment restrictions. These challenges could lead to elevated prices and weak investment confidence around the globe. Although inflation in most advanced economies has passed its peak, it has remained sticky, indicating that the final	We will continue to closely monitor the market situation and our portfolios in order to manage risk exposure. From a credit risk perspective, we continue to identify potential adverse events and devise ways to mitigate any impact on BEA's capital adequacy and asset quality. Such measures include enhanced credit control on loan exposures, thematic reviews on high-risk sectors, and stress testing on capital

steps to reach policy targets could take longer than expected. Amid rising economic uncertainties, the consumer and business sectors are likely to stay cautious, accompanied by a higher level of asset market volatility.

In the US, headline economic growth moderated in the first quarter of 2024, while underlying demand remained firm. The pace of disinflation remained slow, causing the Federal Reserve to delay its rate cut pivot, and hold rates higher for longer.

In the Chinese Mainland, reviving external demand and consumer spending contributed to solid GDP growth in the first quarter of 2024. The Mainland authorities have been committed to stabilising the property market by implementing more forceful support and measures. Despite this, the ongoing geopolitical tensions, global economic slowdown, and the consolidation of domestic asset markets mean that the pace of the Mainland's economic recovery may remain gradual and uneven.

The Hong Kong economy grew moderately in the first quarter of 2024, led by improved goods trade and a revival of inbound tourism. The removal of property cooling measures has sent a positive signal to the market. However, prolonged high interest rates and an increasing housing supply will continue to dampen homebuyer confidence ahead.

Cybersecurity Risk

Cybersecurity risk is a key focus area for regulators and the banking industry as this risk evolves rapidly. Attackers are constantly seeking more sophisticated and efficient ways to undermine banks' cybersecurity and operations.

adequacy and loan-loss allowances. In response to the uncertainties arising from the liquidity and refinancing risks of the property sector, we are taking a conservative approach, with accounts being monitored closely. Overall credit exposure to the sector is being reduced amid the broader diversification strategy. While remaining alert to the development of the Mainland property market, we are also closely monitoring our commercial real estate exposure in Hong Kong and overseas. The Group's lending appetite has become highly selective, with prudent and proactive credit risk management adopted to control loan asset quality.

From a market and interest rate risks perspective, we continue to assess trends, manage exposures, perform hedging scenario analysis and stress-testing, review our risk-taking strategy, and formulate mitigating actions as necessary.

From a compliance risk perspective, we continue to track the development of relevant sanction regimes and mitigate risk exposure where appropriate.

The Group takes a multi-pronged approach to tackle cybersecurity risk and improve cyber resilience:

- Engage external consultants to assess the Group's cybersecurity controls against relevant information security standards and emerging risks to identify and implement necessary improvements
 - Engage independent parties to perform Intelligence-led Cyber Attack Simulation Testing ("ICAST") based on the HKMA's Cyber Resilience Assessment Framework ("C-RAF"), and continue to enhance the Group's cybersecurity capabilities
 - Analyse different intelligence sources to monitor the latest worldwide threats and establish industry-wide collaborations on sharing of cyber threat intelligence
 - Maintain a proper incident response management process, including cybersecurity insurance
 - Enhance cyber and information security training programmes to promote security awareness among staff and improve security practices
 - Regularly report to Directors in Risk Committee meetings
-

ESG Risks

Climate change poses both short and long-term risks to the banking industry. "Physical risk" refers to the impacts of weather and climate-related events, which could lead to disruptions to the business and operations of banks and their clients. "Transition risk" refers to the risk related to the adjustment process towards a low-carbon economy, which can be prompted by policy, legal, technology, and market changes as climate change mitigation and adaptation measures are adopted.

To manage the potential risks from ESG and cultivate ESG awareness throughout the Group, we have:

- Refined the GSF framework to manage the Group's risk exposure to "brown sectors" and to capture GSF business opportunities, and support customers' transition to a low-carbon economy, while gradually adopting tools launched by the HKMA to enhance climate risk assessment capability
 - Conducted a second round of climate risk stress test
 - Introduced quantitative and qualitative risk appetite statements to monitor the Group's performance and risk tolerance on ESG/climate risk
 - Formulated a climate risk heat map framework to assess and monitor physical and transition risks of vulnerable industries
 - Integrated ESG/climate risk considerations when deriving the internal Pillar 2 capital requirement, and incorporated greenness together with ESG/climate risk/greenwashing risk assessment for new green/ESG-themed products and services
-

SUSTAINABILITY

Climate action continued to be a key priority of the BEA Group in the first half of 2024. Two goals on the Bank-wide scorecard for 2024 are directly related to financed emissions, which comprise more than 99% of the Bank Group's total emissions. The first goal calls for the completion of the measurement of financed emissions in all high carbon-emitting sector portfolios. Further to the interim reduction targets set for the Power and Energy (oil & gas) sectors in 2023, we will refine the scope of measurement of financed emissions based on the sector requirements of the Net-Zero Banking Alliance, and set targets for additional sectors in the second half of 2024. To achieve these targets, we must deepen our understanding of our clients' environmental performance and decarbonisation plans. As for the second goal, relevant units across the organisation will collect all available emission and transition plan data from portfolio companies. This data will then inform the development of customer engagement strategies that reference best practices in the market.

BEA's resilience in the face of climate change also depends on effective climate risk management. In June, we strengthened the climate risk assessment of borrowers in our corporate loan portfolio. Through an enhanced climate risk assessment template, credit decisions will take into account a customer's climate risk profile covering both physical and transition risks. During the period under review, we also completed the HKMA-led climate risk stress test, which began in 2023. We conducted climate scenario analysis which included three long-term scenarios covering the period from 2023 to 2050 and one short-term scenario for the 2023-2027 period, with reference to climate models developed by the Network of Central Banks and Supervisors for Greening the Financial System.

We have also stepped up our efforts to support customers' transition to a low carbon economy through the provision of GSF. In the first half of 2024, we served as Mandated Lead Arranger and Coordinator of the HK\$500 million syndicated Sustainability-Linked Loan ("SLL") extended to CR Construction Group Holdings Limited. This is CR Construction Group's first syndicated SLL, and the proceeds will be used to support its business operations with targets to reduce total greenhouse gases and total energy consumption. By the end of June 2024, 16.0% of BEA's Group-wide total corporate loans and bond investments were classified as GSF.

In the first half of 2024, the Group actively participated in a number of industry and sustainability events and forums. In February, BEA China sponsored the Hong Kong Green Tech Summit in support of the HKSAR Government's initiative to develop innovative green technologies. In April, BEA became a member of the Hong Kong Green Finance Association to work more closely with other financial institutions in the promotion of GSF and the transition to net zero.

An informed and inspired workforce is vital for us to realise our vision to be the sustainability leader among financial institutions in Greater China and beyond. At the end of 2023, the Board-level ESG Committee approved the proposal to develop a mandatory sustainability training programme for all staff members of the Group.

We recognise the need to measure and reduce our operational emissions, although they only account for a relatively small portion of our overall emissions. Following the deployment of a cloud-based environmental data platform at the end of 2023, we have begun regularly tracking our emissions performance in 2024. Meanwhile, we have started the installation of flexible, space-efficient solar photovoltaic panels on the roof of our Head Office Building in Central, which will be completed in the third quarter of 2024. Once installed, the panels are expected to generate about 15,954 kWh of electricity annually.

For the ninth consecutive year, BEA served as the title sponsor of The Community Chest BEA Charity Golf Day, which raised over HK\$2.9 million for mental health services, a record high since the event first began. In May, BEA sponsored the YO Dancical Hip-Hop Street Dance Drama 2024 《角·渡》, performed at Sha Tin Town Hall. Organised by Youth Outreach, "YO Dancical" is an annual fundraising event that provides a professional platform for young people to develop their talent, and at the same time, raises funds to help at-risk youth grow into responsible members of our community.

The Palliative Care for the Elderly Programme ("The Programme") successfully achieved its mission to promote palliative care as an end-of-life pathway in Hong Kong with the legislative amendment on 3 June 2024, facilitating the choice of dying in place for terminally ill patients in residential care homes in Hong Kong. Launched by The Bank of East Asia Charitable Foundation, "la Caixa" Banking Foundation, and The Salvation Army Hong Kong and Macau Territory in 2010, the Programme will continue to support older adults in end-of-life care and improve the wellbeing of Hong Kong's ageing population.

Throughout the period under review, BEA organised activities that enable its staff to contribute to the wider community. We continued to encourage all staff members to participate in the Bank-wide "Join Hands, Reach Further!" volunteer campaign. Activities included a Lunar New Year food donation drive, coastal clean-up, a reforestation initiative, and workshops of our corporate social responsibility flagship programmes, Beyond Environmental Arts Festival and The Palliative Care for the Elderly Programme Phase V - Golden Adventures, which involved more than 490 staff volunteers who contributed over 2,100 service hours.

In the Chinese Mainland, BEA China officially launched the Green Firefly public welfare forest (绿色萤火虫公益林) project, which aims to plant more than 27,000 Chinese pines over the next three years. The tree-planting initiative will help tackle climate change through carbon sequestration of at least 2,000 tonnes of CO₂. BEA China also organised the "Green Earth, Green Bank" campaign in 22 cities across the Chinese Mainland. More than 700 employees and their family members participated in activities such as tree planting and biodiversity conservation.

Our volunteer teams in other markets also engaged with members of the communities we serve under our three focus areas: education, social welfare, and the environment.

- In January, New York Branch hosted a financial literacy workshop for students from Primary School P.S. 002 Meyer London in Manhattan and donated US\$3,000 to the school in support of education.
- Singapore Branch hosted a special lunch for high school and university students visiting from rural China, as part of Chi Heng Foundation's experiential camp that aims to broaden the students' horizons and empower them to pursue their dreams through various activities.
- London Branch volunteers participated in the Habitat Restoration Day organised by Thames21 to help rewild the River Brent in Brent Lodge Park.
- Los Angeles Branch staff volunteered at the Los Angeles Regional Food Bank. Alongside other members of the community, a total of 1,680 boxes of food and essentials were assembled for distribution to low-income individuals and families.

Major Recognition – Sustainability

In recognition of our sustainability-related performance, the Bank received a number of awards including:

- "Mentor Pioneer Award for ESG Connect" by the Hong Kong Quality Assurance Agency;
- "Best Employee Wellness Strategy - Silver Award" - Employee Experience Awards 2024 by Human Resources Online;
- "Corporate and Non-commercial Organization (Volunteer Hours) - Bronze Award" - Hong Kong Volunteer Award 2023 co-organised by the Home and Youth Affairs Bureau and the Agency for Volunteer Service;
- "Diamond Award" in the Corporate & Employee Contribution Programme 2023/2024 (for the 30th consecutive year) by The Community Chest of Hong Kong; and
- "Caring Company" (for the 21st consecutive year) by The Hong Kong Council of Social Service.

Furthermore, BEA's achievements in sustainability garnered us recognition from FTSE Russell as a constituent of the FTSE4Good Index Series as well as a listing in the S&P Global Sustainability Yearbook 2024 (China Edition).

PURCHASE, SALE OR REDEMPTION OF THE BANK'S LISTED SECURITIES

On-market Share Buy-back

During the six months ended 30 June 2024, the Bank bought back a total of 16,042,600 Shares on the Stock Exchange at an aggregate consideration (excluding expenses) of approximately HK\$159.28 million. Details of the Shares bought back are set out below:

Month (2024)	No. of Shares bought back	Purchase price per Share		Aggregate consideration (excluding expenses) (HK\$)
		Highest (HK\$)	Lowest (HK\$)	
February	3,936,200	10.04	9.29	38,555,994
March	1,538,400	10.06	9.53	15,157,712
April	2,908,400	9.95	9.01	27,439,096
May	4,757,200	10.96	9.90	49,398,680
June	2,902,400	10.42	9.59	28,724,456
Total	16,042,600			159,275,938

Out of 16,042,600 Shares bought back:

- 15,330,000 Shares were cancelled by 30 June 2024;
- the remaining 712,600 Shares were cancelled on 29 July 2024;
- 10,553,400 Shares were bought back pursuant to the general mandate granted by the shareholders at the 2023 Annual General Meeting held on 11 May 2023 at an aggregate consideration of approximately HK\$103.26 million; and
- the remaining 5,489,200 Shares were bought back pursuant to the general mandate granted by the shareholders at the 2024 Annual General Meeting held on 10 May 2024 at an aggregate consideration of approximately HK\$56.02 million.

The on-market share buy-backs were conducted in the interest of the Bank and the shareholders as a whole.

Save for the on-market share buy-backs as disclosed herein, there was no purchase, sale or redemption by the Bank or any of its subsidiaries, of the listed securities of the Bank during the six months ended 30 June 2024.

COMPLIANCE WITH CORPORATE GOVERNANCE CODE

The Group is committed to maintaining high standards of corporate governance and considers such commitment essential in balancing the interests of shareholders, customers, employees and other relevant stakeholders; and in upholding accountability and transparency.

The Bank has in place a Corporate Governance Framework which identifies all the key participants of the Group and their roles in the application of effective governance policies and processes. A *Corporate Governance Policy* has also been established to direct and guide the business conducts and affairs of the Group. The Framework is reviewed and updated (where appropriate) from time to time to ensure it complies with the evolving regulatory requirements and meets the needs of the Bank Group.

Throughout the six months ended 30 June 2024, the Bank has complied with all code provisions set out in the CG Code.

During the six months ended 30 June 2024, the Bank has also followed the modules on CG-1, CG-5, Guidance on Empowerment of INEDs, and the circular on Bank Culture Reform issued by the HKMA.

The Bank received confirmations from Directors that they have spent sufficient time performing their responsibilities as Directors of the Bank and have given sufficient time and attention to the Bank Group's affairs. All Directors acknowledged that they have participated, from time to time, in continuous professional development to develop and refresh their knowledge and skills for carrying out their duties and responsibilities as Directors of the Bank.

The Audit Committee of the Bank has reviewed the results of the Bank for the six months ended 30 June 2024 and the Bank's Interim Report 2024.

COMPLIANCE WITH MODEL CODE

The Bank has adopted its own code of securities transactions to be observed by the Directors and Chief Executive, i.e. *Policy on Insider Dealing – Directors and Chief Executive* (the "Bank's Policy") on terms no less exacting than the required standard set out in Appendix C3 – Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") of the Listing Rules.

The Bank has also adopted a *Policy on Insider Dealing – Group Personnel* to be observed by the employees of the Bank or directors or employees of the Bank's subsidiaries in respect of their dealings in the securities of the Bank.

Following specific enquiries by the Bank, all Directors confirmed that they had complied with the required standard set out in the Model Code and the Bank's Policy throughout the six months ended 30 June 2024.

By order of the Board
Adrian David LI Man-kiu
Co-Chief Executive

Brian David LI Man-bun
Co-Chief Executive

Hong Kong, 22 August 2024

As at the date of this announcement, the Board of Directors of the Bank comprises Dr. the Hon. Sir David LI Kwok-po[#] (Executive Chairman), Professor Arthur LI Kwok-cheung (Deputy Chairman), Dr. Allan WONG Chi-yun** (Deputy Chairman), Mr. Aubrey LI Kwok-sing*, Mr. Winston LO Yau-lai*, Mr. Stephen Charles LI Kwok-sze*, Mr. Adrian David LI Man-kiu[#] (Co-Chief Executive), Mr. Brian David LI Man-bun[#] (Co-Chief Executive), Dr. Daryl NG Win-kong*, Mr. Masayuki OKU*, Dr. the Hon. Rita FAN HSU Lai-tai**, Mr. Meocre LI Kwok-wing**, Dr. the Hon. Henry TANG Ying-yen**, Dr. Delman LEE**, Mr. William Junior Guilherme DOO**, Dr. David MONG Tak-yeung** and Dr. Francisco Javier SERRADO TREPAT*.*

[#] Executive Director

^{*} Non-executive Director

^{**} Independent Non-executive Director

GLOSSARY

詞彙

Bank or BEA 「本行」或「東亞銀行」	The Bank of East Asia, Limited, a limited liability company incorporated in Hong Kong 東亞銀行有限公司，於香港註冊成立的有限公司
Bank Culture Reform 「銀行企業文化改革」	Bank Culture Reform as elaborated in the circular issued by the HKMA on 2 March 2017 金管局於 2017 年 3 月 2 日發出之通告所闡述的銀行企業文化改革
Bank Group or BEA Group or Group 「集團」或「東亞銀行集團」或「本集團」	The Bank and its subsidiaries 東亞銀行及其附屬公司
Banking Ordinance 「《銀行業條例》」	The Banking Ordinance (Chapter 155 of the Laws of Hong Kong) 《銀行業條例》（香港法例第 155 章）
BEA China 「東亞中國」	The Bank of East Asia (China) Limited, a wholly-owned subsidiary of the Bank 東亞銀行（中國）有限公司，本行的全資附屬公司
Board 「董事會」	Board of Directors of the Bank 本行的董事會
Capital Rules 「《資本規則》」	Banking (Capital) Rules issued by the HKMA 金管局頒布之《銀行業（資本）規則》
CG Code 「《企業管治守則》」	Corporate Governance Code, Appendix C1 to the Listing Rules 《上市規則》附錄 C1 內所載的《企業管治守則》
CG-1 「CG-1」	Supervisory Policy Manual CG-1 on Corporate Governance of Locally Incorporated Authorized Institutions, issued by the HKMA 金管局頒布之監管政策手冊 CG-1《本地註冊認可機構的企業管治》
CG-5 「CG-5」	Supervisory Policy Manual CG-5 on Guideline on a Sound Remuneration System, issued by the HKMA 金管局頒布之監管政策手冊 CG-5《穩健的薪酬制度指引》
China or PRC 「中國」	People's Republic of China 中華人民共和國
Companies Ordinance 「《公司條例》」	The Companies Ordinance (Chapter 622 of the Laws of Hong Kong) 《公司條例》（香港法例第 622 章）
Director(s) 「董事」	Includes any person who occupies the position of a director, by whatever name called, of the Bank or otherwise as the context may require 包括任何任職本行（或文義另有所指的實體）董事職位的人士（不論其職銜如何）
ECL 「預期信貸損失」	Expected credit loss 預期信貸損失
ESG 「環境、社會及管治」	Environmental, social, and governance 環境、社會及管治

FVOCI 「通過其他全面收益以反映公平價值」	Fair value through other comprehensive income 通過其他全面收益以反映公平價值
FVTPL 「通過損益以反映公平價值」	Fair value through profit or loss 通過損益以反映公平價值
GBA 「大灣區」	Guangdong-Hong Kong-Macao Greater Bay Area 粵港澳大灣區
GDP 「國內生產總值」	Gross domestic product 國內生產總值
Guidance on Empowerment of INEDs 「提升獨立非執行董事的專業能力指引」	The guidance on Empowerment of Independent Non-Executive Directors (INEDs) in the Banking Industry in Hong Kong, issued by the HKMA 金管局頒布之提升香港銀行業獨立非執行董事的專業能力指引
HK\$ or HKD 「港幣」	Hong Kong dollar, the lawful currency of Hong Kong 香港法定貨幣
HK\$ Mn 「港幣百萬元」	HK\$ Million 港幣百萬元
HKAS 「香港會計準則」	Hong Kong Accounting Standards 香港會計準則
HKEX 「香港交易所」	Hong Kong Exchanges and Clearing Limited 香港交易及結算所有限公司
HKFRS 「香港財務報告準則」	Hong Kong Financial Reporting Standards 香港財務報告準則
HKICPA 「香港會計師公會」	Hong Kong Institute of Certified Public Accountants 香港會計師公會
HKMA 「金管局」	Hong Kong Monetary Authority 香港金融管理局
Hong Kong or HK or HKSAR 「香港」	Hong Kong Special Administrative Region of the PRC 中華人民共和國香港特別行政區
LCR 「流動性覆蓋比率」	Liquidity Coverage Ratio 流動性覆蓋比率
Listing Rules 「《上市規則》」	The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited 《香港聯合交易所有限公司證券上市規則》
MPF 「強積金」	Mandatory Provident Fund 強制性公積金
RMB 「人民幣」	Renminbi, the lawful currency of the PRC 中國法定貨幣

Senior Management 「高層管理人員」	The Co-Chief Executives and Deputy Chief Executives of the Bank 本行的聯席行政總裁及副行政總裁
Share(s) 「股」或「股份」	Ordinary share(s) of the Bank 本行普通股
Stock Exchange 「聯交所」	The Stock Exchange of Hong Kong Limited 香港聯合交易所有限公司
UK 「英國」	United Kingdom 英國
US 「美國」	United States of America 美利堅合眾國
US\$ or USD 「美元」	United States dollar, the lawful currency of the US 美國法定貨幣