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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 2023 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<sup>th</sup> June, 2023.

#### Consolidated Income Statement

		6 months ended 30/6/2023	6 months ended 30/6/2022
	Notes	HK\$ Mn	HK\$ Mn
Interest income	3	18,856	9,658
Interest income calculated using the effective interest method		17,563	10,154
Related interest income/(expense)		1,293	(496)
Interest expense	4	(10,811)	(3,828)
Net interest income		8,045	5,830
Fee and commission income	5	1,807	1,751
Fee and commission expense		(357)	(311)
Net fee and commission income		1,450	1,440
Net trading profit	6	645	441
Net result on financial instruments at FVTPL	7	(116)	34
Net result on financial assets measured at FVOCI	8	68	(1)
Net loss on sale of financial assets measured at amortised cost		(6)	-
Net hedging profit	9	51	67
Other operating income	10	139	307
Non-interest income		2,231	2,288
Operating income		10,276	8,118
Operating expenses	11	(4,588)	(4,406)
Operating profit before impairment losses		5,688	3,712
Impairment losses on financial instruments	12	(2,492)	(2,136)
Impairment losses on premises	22	(1)	-
Impairment losses on intangible assets		(5)	-
Impairment losses		(2,498)	(2,136)
Operating profit after impairment losses		3,190	1,576
Net profit on sale of assets held for sale		3	-
Net loss on disposal of subsidiaries/associates		(13)	-
Net (loss)/profit on disposal of fixed assets	13	(7)	33
Valuation (losses)/gains on investment properties	22	(22)	3
Share of profits less losses of associates and joint ventures		172	190
Profit for the period before taxation		3,323	1,802
Income tax	14	(685)	(292)
Profit for the period		2,638	1,510
Attributable to:			
Owners of the parent		2,636	1,499
Non-controlling interests		2	11
Profit for the period		2,638	1,510
Profit for the Bank		2,600	1,455
Earnings per share			
Basic	1(b)	HK\$0.87	HK\$0.39
Diluted	1(b)	HK\$0.87	HK\$0.39

## Consolidated Statement of Comprehensive Income

		6 months ended 30/6/2023	6 months ended 30/6/2022
	<i>Notes</i>	HK\$ Mn	HK\$ Mn
Net profit		<u>2,638</u>	<u>1,510</u>
Other comprehensive income for the period:			
Items that will not be reclassified to income statement:			
Premises:			
- deferred taxes	29	-	1
Fair value reserve (equity instruments):			
- net change in fair value		53	181
- deferred taxes	29	-	(4)
Liability credit reserve:			
- net change in fair value attributable to Group's own credit risk	24	(5)	82
- deferred taxes	24,29	2	(13)
Items that may be reclassified subsequently to income statement:			
Fair value reserve (debt instruments):			
- net change in fair value		765	(1,807)
- amount transferred to income statement on disposal		(43)	7
- deferred taxes	29	(118)	267
Share of changes in equity of associates and joint ventures		43	45
Exchange differences arising from translation of accounts/disposal of overseas branches, subsidiaries, associates and joint ventures		<u>(1,434)</u>	<u>(1,830)</u>
Other comprehensive income		<u>(737)</u>	<u>(3,071)</u>
Total comprehensive income		<u><u>1,901</u></u>	<u><u>(1,561)</u></u>
Total comprehensive income attributable to:			
Owners of the parent		1,899	(1,572)
Non-controlling interests		2	11
		<u><u>1,901</u></u>	<u><u>(1,561)</u></u>

## Consolidated Statement of Financial Position

		30/6/2023	31/12/2022
	Notes	HK\$ Mn	HK\$ Mn
<b>ASSETS</b>			
Cash and balances with banks	15	43,444	54,579
Placements with and advances to banks	16	58,308	60,203
Trade bills	17	1,460	529
Trading assets	18	3,840	1,530
Derivative assets	35(b)	12,028	11,092
Loans and advances to customers	19	526,235	542,394
Investment securities	20	157,887	147,007
Investments in associates and joint ventures	21	8,782	9,061
Fixed assets	22	13,320	13,476
- Investment properties		5,144	5,166
- Other properties and equipment		7,382	7,593
- Right-of-use assets		794	717
Goodwill and intangible assets		1,858	1,870
Deferred tax assets	29	1,828	1,849
Other assets	23	43,079	39,235
Total Assets		<u>872,069</u>	<u>882,825</u>
<b>EQUITY AND LIABILITIES</b>			
Deposits and balances of banks		25,975	25,478
- Designated at fair value through profit or loss	24	4,031	4,545
- At amortised cost		21,944	20,933
Deposits from customers		625,722	648,093
- Demand deposits and current accounts		53,380	65,899
- Savings deposits		129,825	145,107
- Time, call and notice deposits		442,517	437,087
Trading liabilities		1	5
Derivative liabilities	35(b)	4,777	4,145
Certificates of deposit issued		36,588	32,662
- Designated at fair value through profit or loss	24	18,127	19,001
- At amortised cost		18,461	13,661
Current taxation		1,586	1,252
Debt securities issued		1,508	2,892
- Designated at fair value through profit or loss	24	825	811
- At amortised cost		683	2,081
Deferred tax liabilities	29	438	226
Other liabilities	25	52,402	49,799
Loan capital – at amortised cost	26	15,753	11,927
Total Liabilities		<u>764,750</u>	<u>776,479</u>
Share capital	1(d)	41,878	41,856
Reserves	30	55,104	54,131
Total equity attributable to owners of the parent		96,982	95,987
Additional equity instruments	31	10,090	10,090
Non-controlling interests		247	269
Total Equity		<u>107,319</u>	<u>106,346</u>
Total Equity and Liabilities		<u>872,069</u>	<u>882,825</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 <sup>1</sup>	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 <sup>st</sup> 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 <sup>2</sup>	-	-	-	-	-	-	-	-	-	(184)	(184)	-	-	(184)
At 30 <sup>th</sup> 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
At 1 <sup>st</sup> January, 2022	41,645	13,658	1,905	895	1,058	152	1,925	(46)	5,191	35,395	101,778	13,968	304	116,050
Changes in equity														
Profit for the period	-	-	-	-	-	-	-	-	-	1,499	1,499	-	11	1,510
Other comprehensive income	-	-	1	-	(1,830)	-	(1,356)	69	45	-	(3,071)	-	-	(3,071)
Total comprehensive income	-	-	1	-	(1,830)	-	(1,356)	69	45	1,499	(1,572)	-	11	(1,561)
Shares issued in lieu of dividend	146	-	-	-	-	-	-	-	-	-	146	-	-	146
Equity settled share-based transaction	-	-	-	-	-	11	-	-	-	-	11	-	-	11
Transfer	-	-	-	-	-	(24)	-	-	(7)	31	-	-	-	-
Distribution/Dividends declared or approved during the period	-	-	-	-	-	-	-	-	-	(1,432)	(1,432)	-	(48)	(1,480)
Share buy-back <sup>3</sup>	-	-	-	-	-	-	-	-	-	(2,916)	(2,916)	-	-	(2,916)
Redemption of additional equity instruments	-	-	-	-	-	-	-	-	-	(47)	(47)	(3,878)	-	(3,925)
At 30 <sup>th</sup> June, 2022	41,791	13,658	1,906	895	(772)	139	569	23	5,229	32,530	95,968	10,090	267	106,325

- Notes:
1. Other reserves include statutory reserve and other reserves.
  2. In the first half of 2023, the Bank bought back 17,840,200 issued shares on the Stock Exchange at a consideration of HK\$183 million. Together with the direct transaction cost of approximately HK\$1 million, a total amount of HK\$184 million was accounted for as deduction from retained profits.
  3. On 28th March, 2022, the Bank executed a share buy-back deed with Elliott Investment Management's affiliate entities to repurchase approximately 247 million shares of the Bank. The share buy-back transaction was completed on 11th April, 2022 at a consideration of HK\$2,904 million. Together with the direct transaction cost of approximately HK\$12 million, a total amount of HK\$2,916 million was accounted for as deduction from retained profits. The shares repurchased were cancelled on 20<sup>th</sup> April, 2022.

## Condensed Consolidated Cash Flow Statement

	6 months ended 30/6/2023	6 months ended 30/6/2022
Notes	HK\$ Mn	HK\$ Mn
NET CASH (OUTFLOW)/INFLOW FROM OPERATIONS	(12,022)	9,305
Income tax paid		
Hong Kong profits tax paid	(67)	(6)
Outside Hong Kong profits tax paid	(243)	(121)
NET CASH (USED IN)/GENERATED FROM OPERATING ACTIVITIES	<u>(12,332)</u>	<u>9,178</u>
INVESTING ACTIVITIES		
Dividends received from associates and joint ventures	-	7
Dividends received from equity securities measured at FVOCI	17	9
Purchase of fixed assets	(221)	(179)
Proceeds from disposal of other properties and equipment	3	103
Proceeds from sale of assets held for sale	9	-
NET CASH USED IN INVESTING ACTIVITIES	<u>(192)</u>	<u>(60)</u>
FINANCING ACTIVITIES		
Ordinary dividends paid	(457)	(925)
Distribution to Additional Tier 1 issue holders	(299)	(409)
Payment for repurchase of shares	(184)	(2,916)
Issue of debt securities	-	390
Issue of loan capital	3,904	3,879
Capital element of lease rentals paid	(122)	(146)
Interest element of lease rentals paid	(13)	(13)
Redemption of debt securities issued	(1,408)	(2,931)
Redemption of additional equity instruments	-	(3,925)
Interest paid on debt securities issued	(40)	(126)
Interest paid on loan capital	(402)	(158)
NET CASH GENERATED FROM/(USED IN) FINANCING ACTIVITIES	<u>979</u>	<u>(7,280)</u>
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS	(11,545)	1,838
CASH AND CASH EQUIVALENTS AT 1 <sup>st</sup> JANUARY	112,149	120,646
Effect of foreign exchange rate changes	(1,738)	(2,338)
CASH AND CASH EQUIVALENTS AT 30 <sup>th</sup> JUNE	<u>98,866</u>	<u>120,146</u>
Cash flows from operating activities included:		
Interest received	18,710	9,736
Interest paid	9,545	3,619
Dividend received	22	20

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 2022 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<sup>st</sup> December, 2022 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<sup>st</sup> December, 2022 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\$2,337 million (six months ended 30<sup>th</sup> June, 2022: HK\$1,090 million) after accounting for the distribution of HK\$299 million (six months ended 30<sup>th</sup> June, 2022: HK\$409 million) to Additional Tier 1 issue holders, and on the weighted average of 2,677 million ordinary shares outstanding during the six months ended 30<sup>th</sup> June, 2023 (six months ended 30<sup>th</sup> June, 2022: 2,818 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<sup>th</sup> June, 2023, the weighted average of ordinary shares adjusted for the effects of all dilutive potential shares was 2,677 million (six months ended 30<sup>th</sup> June, 2022: 2,818 million).

(c) Distribution/Dividends

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

	6 months ended 30/6/2023	6 months ended 30/6/2022
	HK\$ Mn	HK\$ Mn
Interim dividend declared after the interim period of HK\$0.36 per share on 2,664 million shares (six months ended 30 <sup>th</sup> June, 2022: HK\$0.16 per share on 2,689 million shares)	<u>959</u>	<u>430</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 30/6/2023	6 months ended 30/6/2022
	HK\$ Mn	HK\$ Mn
Second interim dividend of HK\$0.17 per share on 2,677 million shares (2022: HK\$0.35 per share on 2,923 million shares)	<u>455</u>	<u>1,023</u>

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

	6 months ended 30/6/2023	6 months ended 30/6/2022
	HK\$ Mn	HK\$ Mn
Distribution paid on the Additional Tier 1 capital instruments	<u>299</u>	<u>409</u>

(d) Share Capital

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

	At 30 <sup>th</sup> June, 2023		At 31 <sup>st</sup> December, 2022	
	No. of shares		No. of shares	
	Million	HK\$ Mn	Million	HK\$ Mn
Ordinary shares, issued and fully paid:				
At 1 <sup>st</sup> January	2,680	41,856	2,923	41,645
Shares issued in lieu of dividend	2	22	19	211
Share repurchased and cancelled	<u>(18)</u>	<u>-</u>	<u>(262)</u>	<u>-</u>
At 30 <sup>th</sup> June/31 <sup>st</sup> December	<u>2,664</u>	<u>41,878</u>	<u>2,680</u>	<u>41,856</u>

**Share buy-back**

In the first half of 2023, 17,840,200 shares were repurchased on the Stock Exchange at an aggregate consideration (excluding expenses) of HK\$183 million and 17,838,400 shares were cancelled (including 686,200 shares repurchased in 2022), representing 0.67% and 0.67% of the ordinary shares in issue at the beginning of the period, respectively. The remaining 688,000 shares repurchased in the first half of 2023 were cancelled on 31<sup>st</sup> July, 2023.

In 2022, the Bank repurchased 246,510,173 shares of the Bank by share buy-back deed with Elliot Investment Management's affiliate entities at a consideration of HK\$2,904 million, and 15,744,800 shares on the Stock Exchange at a consideration of HK\$134 million. As at 31<sup>st</sup> December, 2022, the total number of shares repurchased and cancelled were 262,254,973 and 261,568,773 respectively, representing 8.97% and 8.95% of the ordinary shares in issue at the beginning of the year.

## 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 30/6/2023	6 months ended 30/6/2022
	HK\$ Mn	HK\$ Mn
Loans, placements with banks, and trade bills	14,889	8,200
Investment securities		
- measured at amortised cost or FVOCI	3,851	1,385
- mandatorily measured at FVTPL	79	53
Trading assets	37	20
	<u>18,856</u>	<u>9,658</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\$17,563 million (six months ended 30<sup>th</sup> June, 2022: HK\$10,154 million), before hedging effect, for financial assets that are not recognised at fair value through profit or loss.

## 4. Interest Expense

	6 months ended 30/6/2023	6 months ended 30/6/2022
	HK\$ Mn	HK\$ Mn
Customer deposits and deposits of banks		
- at amortised cost	9,369	3,274
- designated at FVTPL	90	12
Certificates of deposit and debt securities issued		
- at amortised cost	279	238
- designated at FVTPL	541	118
Subordinated notes carried at amortised cost	436	166
Lease liabilities	14	15
Other borrowings	82	5
	<u>10,811</u>	<u>3,828</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\$10,104 million (six months ended 30<sup>th</sup> June, 2022: HK\$3,711 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 30/6/2023	6 months ended 30/6/2022
	HK\$ Mn	HK\$ Mn
Loans, overdrafts and guarantees	518	440
Credit cards	372	331
Sale of third party insurance policies	290	251
Other retail banking services	108	101
Trust and other fiduciary activities	94	112
Investment products	90	118
Securities brokerage	83	124
Trade finance	47	50
Others	205	224
Total fee and commission income	<u>1,807</u>	<u>1,751</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)

	1,454	1,445
Fee income	<u>1,807</u>	<u>1,751</u>
Fee expenses	<u>(353)</u>	<u>(306)</u>

## 6. Net Trading Profit

	6 months ended 30/6/2023	6 months ended 30/6/2022
	HK\$ Mn	HK\$ Mn
Profit on dealing in foreign currencies and funding swaps	233	275
Profit/(Loss) on trading securities	28	(88)
Net gain on derivatives	379	244
Loss on other dealing activities	-	(1)
Dividend income from trading equity securities	5	11
	<u>645</u>	<u>441</u>

**7. Net Result on Financial Instruments at FVTPL**

	6 months ended 30/6/2023 <u>HK\$ Mn</u>	6 months ended 30/6/2022 <u>HK\$ Mn</u>
Net (loss)/gain from financial instruments designated at FVTPL	(137)	289
Net gain/(loss) from financial instruments mandatorily measured at FVTPL (other than those included in net trading profits)	<u>21</u>	<u>(255)</u>
	<u>(116)</u>	<u>34</u>

**8. Net Result on Financial Assets Measured at FVOCI**

	6 months ended 30/6/2023 <u>HK\$ Mn</u>	6 months ended 30/6/2022 <u>HK\$ Mn</u>
Net profit/(loss) on sale of debt securities	51	(10)
Dividend income from equity securities	<u>17</u>	<u>9</u>
	<u>68</u>	<u>(1)</u>

**9. Net Hedging Profit**

	6 months ended 30/6/2023 <u>HK\$ Mn</u>	6 months ended 30/6/2022 <u>HK\$ Mn</u>
Fair value hedges		
- Net loss on hedged items attributable to the hedged risk	(351)	(6,462)
- Net gain on hedging instruments	<u>402</u>	<u>6,529</u>
	<u>51</u>	<u>67</u>

## 10. Other Operating Income

	6 months ended 30/6/2023	6 months ended 30/6/2022
	HK\$ Mn	HK\$ Mn
Net insurance profit ( <i>Note</i> )	-	157
Rental from safe deposit boxes	59	61
Rental income on properties	65	66
Government subsidy – Employment Support Scheme	-	4
Others	15	19
	<u>139</u>	<u>307</u>

*Note:*

	6 months ended 30/6/2023	6 months ended 30/6/2022
	HK\$ Mn	HK\$ Mn
(a) Net insurance profit		
Net interest income	-	14
Net trading profit	-	5
Net result on financial instruments at FVTPL	-	(12)
Net insurance premium	-	500
	<u>507</u>	<u>507</u>
Net insurance claims and expenses	-	(350)
	<u>157</u>	<u>157</u>
(b) Net insurance premium		
Gross insurance premium income	-	529
Reinsurer's share of gross insurance premium income	-	(29)
	<u>500</u>	<u>500</u>
(c) Net insurance claims and expenses		
Claims, benefits and surrenders paid	-	427
Movement in provisions	-	(124)
	<u>303</u>	<u>303</u>
Reinsurers' share of claim, benefits and surrenders paid	-	(24)
Reinsurers' share of movement in provisions	-	13
	<u>(11)</u>	<u>(11)</u>
	<u>292</u>	<u>292</u>
Net insurance commission expenses	-	58
	<u>350</u>	<u>350</u>

## 11. Operating Expenses

	6 months ended 30/6/2023	6 months ended 30/6/2022
	HK\$ Mn	HK\$ Mn
Contributions to defined contribution plan		
- Hong Kong	94	81
- Outside Hong Kong	110	114
Equity settled share-based payment expenses	12	11
Salaries and other staff costs	2,479	2,546
Total staff costs	<u>2,695</u>	<u>2,752</u>
Premises and equipment expenses excluding depreciation		
- Expenses relating to short-term leases	4	6
- Expenses relating to low value assets	6	-
- Variable lease payments not included in the measurement of lease liabilities ( <i>Note</i> )	-	(2)
- Maintenance, repairs and others	390	370
Total premises and equipment expenses excluding depreciation	<u>400</u>	<u>374</u>
Depreciation and amortisation	<u>406</u>	<u>457</u>
Other operating expenses		
- Internet platform charges	265	205
- Legal and professional fees	207	165
- Communications, stationery and printing	137	133
- Advertising and business promotion expenses	116	118
- Others	362	202
Total other operating expenses	<u>1,087</u>	<u>823</u>
Total operating expenses	<u>4,588</u>	<u>4,406</u>

*Note: For the six months ended 30<sup>th</sup> June, 2022, there were a credit of HK\$2 million of COVID-19-related rental concession and a credit of HK\$1 million of rental concession for the purpose of entering into a new lease. There was no such rental concession for the six months ended 30<sup>th</sup> June, 2023.*

## 12. Impairment Losses on Financial Instruments

	6 months ended 30/6/2023	6 months ended 30/6/2022
	HK\$ Mn	HK\$ Mn
Loans and advances to customers	2,373	1,822
Debt securities	39	155
Others	80	159
	<u>2,492</u>	<u>2,136</u>

### 13. Net (Loss)/Profit on Disposal of Fixed Assets

	6 months ended 30/6/2023 HK\$ Mn	6 months ended 30/6/2022 HK\$ Mn
Net (loss)/profit on disposal of bank premises, furniture, fixtures and equipment	<u>(7)</u>	<u>33</u>

### 14. Income Tax

Taxation in the consolidated income statement represents:

	6 months ended 30/6/2023 HK\$ Mn	6 months ended 30/6/2022 HK\$ Mn
Current tax – Hong Kong		
Tax for the period	300	208
Over-provision in respect of prior years	<u>(26)</u>	<u>(47)</u>
	<u>274</u>	<u>161</u>
Current tax – outside Hong Kong		
Tax for the period	392	151
(Over)/under-provision in respect of prior years	<u>(17)</u>	<u>1</u>
	<u>375</u>	<u>152</u>
Deferred tax		
Origination and reversal of temporary differences	<u>36</u>	<u>(21)</u>
	<u>685</u>	<u>292</u>

The provision for Hong Kong profits tax is calculated at 16.5% (six months ended 30<sup>th</sup> June, 2022: 16.5%) of the estimated assessable profits for the six months ended 30<sup>th</sup> June, 2023.

Taxation for overseas branches and subsidiaries is charged at the appropriate current rates of taxation ruling in the relevant countries.

**15. Cash and Balances with Banks**

	<u>30/6/2023</u>	<u>31/12/2022</u>
	HK\$ Mn	HK\$ Mn
Cash in hand	1,014	1,465
Balances with central banks	29,820	34,496
Balances with other banks	<u>12,611</u>	<u>18,620</u>
Gross carrying amount before impairment allowances	43,445	54,581
Less: Impairment allowances	<u>(1)</u>	<u>(2)</u>
	<u>43,444</u>	<u>54,579</u>

**16. Placements with and Advances to Banks**

	<u>30/6/2023</u>	<u>31/12/2022</u>
	HK\$ Mn	HK\$ Mn
Placements with and advances to banks		
Maturing		
- within one month	49,280	52,337
- after one month but within one year	9,030	7,867
- after one year	<u>-</u>	<u>-</u>
Gross carrying amount before impairment allowances	58,310	60,204
Less: Impairment allowances	<u>(2)</u>	<u>(1)</u>
	<u>58,308</u>	<u>60,203</u>
Of which:		
Placements with and advances to central banks	<u>1,058</u>	<u>495</u>

**17. Trade Bills**

	<u>30/6/2023</u>	<u>31/12/2022</u>
	HK\$ Mn	HK\$ Mn
Measured at amortised cost		
Gross carrying amount before impairment allowances	546	41
Less: Impairment allowances	<u>-</u>	<u>-</u>
	546	41
Measured at FVOCI	914	488
	<u>1,460</u>	<u>529</u>

**18. Trading Assets**

	<u>30/6/2023</u>	<u>31/12/2022</u>
	HK\$ Mn	HK\$ Mn
Treasury bills (including Exchange Fund Bills)	-	292
Debt securities	3,476	983
Equity securities	<u>364</u>	<u>255</u>
	<u>3,840</u>	<u>1,530</u>

## 19. Loans and Advances to Customers

### (a) Loans and advances to customers

	30/6/2023	31/12/2022
	HK\$ Mn	HK\$ Mn
Gross carrying amount before impairment allowances	531,617	549,014
Less: Impairment allowances	(5,382)	(6,620)
	<u>526,235</u>	<u>542,394</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.

	30/6/2023		31/12/2022	
	Gross advances	% of gross advances covered by collateral	Gross advances	% of gross advances covered by collateral
	HK\$ Mn	%	HK\$ Mn	%
<b>Loans for use in Hong Kong</b>				
Industrial, commercial and financial				
- Property development	34,436	57.57	36,872	59.19
- Property investment	51,411	91.75	52,366	92.57
- Financial concerns	14,402	62.49	14,892	67.56
- Stockbrokers	1,045	71.27	708	99.54
- Wholesale and retail trade	6,043	51.67	6,560	56.18
- Manufacturing	3,896	31.98	4,485	29.00
- Transport and transport equipment	5,034	44.87	5,495	42.22
- Recreational activities	287	99.75	347	93.76
- Information technology	1,474	45.11	1,438	34.22
- Others	19,089	54.80	16,262	49.00
Sub-total	<u>137,117</u>	69.12	<u>139,425</u>	69.69
Individuals				
- Loans for the purchase of flats in the Home Ownership Scheme, Private Sector Participation Scheme and Tenants Purchase Scheme	1,131	99.97	1,200	99.97
- Loans for the purchase of other residential properties	93,954	99.97	91,944	99.95
- Credit card advances	4,311	0.00	4,115	0.00
- Others	22,596	59.05	24,367	55.23
Sub-total	<u>121,992</u>	88.86	<u>121,626</u>	87.61
Total loans for use in Hong Kong	259,109	78.41	261,051	78.07
Trade finance	5,107	36.39	5,110	38.56
Loans for use outside Hong Kong ( <i>Note</i> )	267,401	34.65	282,853	35.50
Total advances to customers	<u>531,617</u>	56.00	<u>549,014</u>	55.75

## 19. Loans and Advances to Customers (Continued)

### (b) Loans and advances to customers - by industry sectors (continued)

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.

	30/6/2023		31/12/2022	
	Gross advances HK\$ Mn	% of gross advances covered by collateral %	Gross advances HK\$ Mn	% of gross advances covered by collateral %
<b>Loans for use in Chinese Mainland</b>				
Industrial, commercial and financial				
- Property development	30,995	37.60	38,339	33.92
- Property investment	8,541	71.98	10,918	76.61
- Financial concerns	41,087	2.25	43,747	0.79
- Stockbrokers	647	100.00	678	100.00
- Wholesale and retail trade	9,454	10.42	9,331	13.91
- Manufacturing	14,856	6.32	13,291	7.76
- Transport and transport equipment	2,274	66.80	2,077	81.44
- Information technology	1,353	0.33	1,994	0.27
- Others	16,765	10.64	18,709	11.63
Sub-total	<u>125,972</u>	19.54	<u>139,084</u>	20.56
Individuals				
- Loans for the purchase of other residential properties	11,245	100.00	13,139	100.00
- Credit card advances	4,222	0.00	4,962	0.00
- Others	16,516	3.65	16,340	3.34
Sub-total	<u>31,983</u>	37.04	<u>34,441</u>	39.73
Total loans for use in Chinese Mainland	<u>157,955</u>	23.08	<u>173,525</u>	24.37

## 19. Loans and Advances to Customers (Continued)

### (b) Loans and advances to customers - by industry sectors (continued)

	30/6/2023		31/12/2022	
	Gross advances	% of gross advances covered by collateral	Gross advances	% of gross advances covered by collateral
	HK\$ Mn	%	HK\$ Mn	%
<b>Loans for use outside Hong Kong and Chinese Mainland</b>				
Industrial, commercial and financial				
- Property development	9,663	53.64	11,335	56.55
- Property investment	36,370	77.75	40,054	78.58
- Financial concerns	6,271	43.75	3,379	41.54
- Wholesale and retail trade	3,810	17.15	4,184	18.43
- Manufacturing	13,920	4.02	13,440	3.69
- Transport and transport equipment	2,658	48.89	3,069	44.94
- Recreational activities	668	95.96	517	94.78
- Information technology	4,619	12.68	4,063	8.12
- Others	27,909	45.50	25,444	45.35
Sub-total	105,888	49.72	105,485	51.47
Individuals				
- Loans for the purchase of other residential properties	3,487	99.81	3,767	100.00
- Credit card advances	2	0.00	2	0.00
- Others	69	99.04	74	87.24
Sub-total	3,558	99.75	3,843	99.70
Total loans for use outside Hong Kong and Chinese Mainland	109,446	51.34	109,328	53.16
Total loans for use outside Hong Kong	267,401	34.65	282,853	35.50

## 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:

	30/6/2023	31/12/2022
	HK\$ Mn	HK\$ Mn
(i) Property development		
a. Individually impaired loans	6,494	8,114
b. Specific provisions	1,653	2,643
c. Collective provisions	300	502
d. New provision charged to income statement	842	2,949
e. Written off	2,733	659
(ii) Property investment		
a. Individually impaired loans	5,214	3,325
b. Specific provisions	1,193	956
c. Collective provisions	103	286
d. New provision charged to income statement	734	589
e. Written off	-	605
(iii) Loans for purchase of residential properties		
a. Individually impaired loans	299	318
b. Specific provisions	9	13
c. Collective provisions	22	40
d. New provision charged to income statement	7	34
e. Written off	-	3
(iv) Financial concerns		
a. Individually impaired loans	240	43
b. Specific provisions	32	27
c. Collective provisions	44	118
d. New provision charged to income statement	26	107
e. Written off	-	-

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.

### (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 27 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.

## 19. Loans and Advances to Customers (Continued)

(c) Loans and advances to customers – by geographical areas (continued)

	30/6/2023				
	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	263,013	2,507	3,863	1,173	302
Chinese Mainland	175,262	3,402	9,260	2,509	774
Other Asian Countries and Regions	30,670	47	60	7	96
Others	62,672	-	400	42	479
<b>Total</b>	<b>531,617</b>	<b>5,956</b>	<b>13,583</b>	<b>3,731</b>	<b>1,651</b>
% of total advances to customers			<u>2.56%</u>		
	31/12/2022				
	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	270,332	552	1,924	813	450
Chinese Mainland	183,886	4,405	10,824	3,623	1,069
Other Asian Countries and Regions	30,227	48	58	8	109
Others	64,569	-	339	74	474
<b>Total</b>	<b>549,014</b>	<b>5,005</b>	<b>13,145</b>	<b>4,518</b>	<b>2,102</b>
% of total advances to customers			<u>2.39%</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

30/6/2023						
	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	2,463	2,022	9,478	-	-	13,963
Less: Impairment allowances	-	-	(556)	-	-	(556)
	2,463	2,022	8,922	-	-	13,407
Investment securities measured at FVOCI	23,375	-	116,795	892	-	141,062
Investment securities mandatorily measured at FVTPL	-	-	2,586	-	832	3,418
	25,838	2,022	128,303	892	832	157,887
31/12/2022						
	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	2,428	809	11,630	-	-	14,867
Less: Impairment allowances	-	-	(405)	-	-	(405)
	2,428	809	11,225	-	-	14,462
Investment securities measured at FVOCI	22,390	-	105,167	839	-	128,396
Investment securities mandatorily measured at FVTPL	-	-	3,270	37	842	4,149
	24,818	809	119,662	876	842	147,007

### Equity securities designated at FVOCI

	30/6/2023		31/12/2022	
	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	892	17	839	16

## 21. Investments in Associates and Joint Ventures

	30/6/2023	31/12/2022
	HK\$ Mn	HK\$ Mn
Share of net assets	9,146	9,408
Goodwill	435	452
	9,581	9,860
Less: Impairment allowances	(799)	(799)
	<u>8,782</u>	<u>9,061</u>

At 30<sup>th</sup> June, 2023, the fair value of the Group's investment in AFFIN Bank Berhad ("AFFIN") based on the quoted market price had been persistently below the carrying amount for a period of time. 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\$3,602 million. The recoverable amount was higher than the carrying value of HK\$3,508 million and no further impairment charge was recognised (2022: 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 12.23% (31/12/2022: 11.95%), 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 <sup>th</sup> June, 2023						
Discount rate	-50 bps	240	3,842	+50 bps	(215)	3,387
Long-term growth rate	+50 bps	28	3,630	-50 bps	(26)	3,576
Expected cash flows	+10%	360	3,962	-10%	(360)	3,242

## 22. Fixed Assets

30/6/2023

	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 <sup>st</sup> January, 2023	5,166	8,064	6,478	14,542	1,304	25	1,329	21,037
Additions	-	2	219	221	210	-	210	431
Revaluation deficit	(22)	-	-	-	-	-	-	(22)
Disposals	-	-	(106)	(106)	-	-	-	(106)
Expiry/termination of lease contracts	-	-	-	-	(62)	-	(62)	(62)
Transfer to asset classified as assets held for sale	-	(21)	-	(21)	-	-	-	(21)
Exchange adjustments	-	(170)	(84)	(254)	(13)	-	(13)	(267)
At 30 <sup>th</sup> June, 2023	5,144	7,875	6,507	14,382	1,439	25	1,464	20,990
Accumulated depreciation and impairment								
At 1 <sup>st</sup> January, 2023	-	2,289	4,660	6,949	598	14	612	7,561
Depreciation for the period	-	68	202	270	126	3	129	399
Impairment for the period	-	1	-	1	-	-	-	1
Expiry/termination of lease contracts	-	-	-	-	(62)	-	(62)	(62)
Written off on disposal	-	-	(96)	(96)	-	-	-	(96)
Transfer to asset classified as assets held for sale	-	(8)	-	(8)	-	-	-	(8)
Exchange adjustments	-	(62)	(54)	(116)	(9)	-	(9)	(125)
At 30 <sup>th</sup> June, 2023	-	2,288	4,712	7,000	653	17	670	7,670
Net book value at 30 <sup>th</sup> June, 2023	5,144	5,587	1,795	7,382	786	8	794	13,320
The gross amounts of the above assets are stated:								
At cost	-	7,127	6,507	13,634	1,439	25	1,464	15,098
At Directors' valuation - 1989	-	748	-	748	-	-	-	748
At professional valuation - 2023	5,144	-	-	-	-	-	-	5,144
	5,144	7,875	6,507	14,382	1,439	25	1,464	20,990

## 22. Fixed Assets (Continued)

31/12/2022								
	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 <sup>st</sup> January, 2022	4,992	8,529	6,448	14,977	1,507	23	1,530	21,499
Additions	-	82	473	555	238	4	242	797
Revaluation deficit	(179)	-	-	-	-	-	-	(179)
Disposals	-	(209)	(270)	(479)	-	-	-	(479)
Remeasurement	-	-	-	-	(15)	-	(15)	(15)
Revaluation surplus on bank premises upon transfer to investment properties	-	354	-	354	-	-	-	354
Transfer from bank premises to investment properties	493	(493)	-	(493)	-	-	-	-
Transfer from investment properties to bank premises	(139)	139	-	139	-	-	-	-
Expiry/termination of lease contracts	-	-	-	-	(367)	(2)	(369)	(369)
Less: Elimination of accumulated depreciation on revalued bank premises	-	(35)	-	(35)	-	-	-	(35)
Exchange adjustments	(1)	(303)	(173)	(476)	(59)	-	(59)	(536)
At 31 <sup>st</sup> December, 2022	5,166	8,064	6,478	14,542	1,304	25	1,329	21,037
Accumulated depreciation and impairment								
At 1 <sup>st</sup> January, 2022	-	2,378	4,584	6,962	682	11	693	7,655
Depreciation for the year	-	139	428	567	290	5	295	862
Expiry/termination of lease contracts	-	-	-	-	(350)	(2)	(352)	(352)
Elimination of accumulated depreciation on revalued bank premises	-	(35)	-	(35)	-	-	-	(35)
Written off on disposal	-	(83)	(239)	(322)	-	-	-	(322)
Exchange adjustments	-	(110)	(113)	(223)	(24)	-	(24)	(247)
At 31 <sup>st</sup> December, 2022	-	2,289	4,660	6,949	598	14	612	7,561
Net book value at 31 <sup>st</sup> December, 2022	5,166	5,775	1,818	7,593	706	11	717	13,476
The gross amounts of the above assets are stated:								
At cost	-	7,316	6,478	13,794	1,304	25	1,329	15,123
At Directors' valuation - 1989	-	748	-	748	-	-	-	748
At professional valuation - 2022	5,166	-	-	-	-	-	-	5,166
	5,166	8,064	6,478	14,542	1,304	25	1,329	21,037

## 23. Other Assets

	<u>30/6/2023</u>	<u>31/12/2022</u>
	HK\$ Mn	HK\$ Mn
Accrued interest	3,683	3,537
Customer liabilities under acceptances	29,259	27,796
Other accounts	<u>10,405</u>	<u>8,094</u>
Gross carrying amount before impairment allowances	43,347	39,427
Less: Impairment allowances	<u>(297)</u>	<u>(219)</u>
	<u>43,050</u>	<u>39,208</u>
Assets held for sale	<u>29</u>	<u>27</u>
	<u>43,079</u>	<u>39,235</u>

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

	<u>30/6/2023</u>	<u>31/12/2022</u>
	HK\$ Mn	HK\$ Mn
Deposits and balances of banks	4,031	4,545
Certificates of deposit issued	18,127	19,001
Debt securities issued	<u>825</u>	<u>811</u>
	<u>22,983</u>	<u>24,357</u>

Financial liabilities above have been designated as 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.

	<u>30/6/2023</u>	<u>31/12/2022</u>
	HK\$ Mn	HK\$ Mn
Balance at 1 <sup>st</sup> January	15	(46)
Recognised in other comprehensive income during the period	(5)	73
Deferred tax	<u>2</u>	<u>(12)</u>
Balance at 30 <sup>th</sup> June/31 <sup>st</sup> December	<u>12</u>	<u>15</u>

There was no transfer of cumulative gain or loss within equity due to de-recognition of liabilities designated at FVTPL during first half of 2023 (31/12/2022: 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 as at FVTPL at 30<sup>th</sup> June, 2023 was HK\$294 million lower than the contractual amount due at maturity (31/12/2022: HK\$428 million lower).

## 25. Other Liabilities

	<u>30/6/2023</u>	<u>31/12/2022</u>
	HK\$ Mn	HK\$ Mn
Accrued interest payable	5,421	4,155
Acceptance draft payable	29,259	27,796
Impairment allowances on financial guarantee contracts issued and loan commitments issued	379	318
Lease liabilities	855	774
Other accounts ( <i>Note</i> )	<u>16,488</u>	<u>16,756</u>
	<u>52,402</u>	<u>49,799</u>

*Note: Include contract liabilities of HK\$2,321 million (31/12/2022: HK\$2,476 million) from contracts with customers under HKFRS 15.*

## 26. Loan Capital

		<u>30/6/2023</u>	<u>31/12/2022</u>
		HK\$ Mn	HK\$ Mn
Subordinated notes/Loss absorbing notes, at amortised cost with fair value hedge adjustments			
USD500 million fixed rate subordinated notes due 22 <sup>nd</sup> April, 2032	(1)	3,675	3,691
USD250 million fixed rate loss absorbing notes due 7 <sup>th</sup> July, 2028	(2)	1,864	1,876
USD500 million fixed rate loss absorbing notes due 15 <sup>th</sup> March, 2027	(3)	3,910	-
Subordinated notes, at amortised cost without hedging			
RMB1,500 million fixed rate subordinated notes due 25 <sup>th</sup> April, 2029	(4)	1,617	1,695
USD600 million fixed rate subordinated notes due 29 <sup>th</sup> May, 2030	(5)	<u>4,687</u>	<u>4,665</u>
		<u>15,753</u>	<u>11,927</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<sup>th</sup> June, 2023 and 31<sup>st</sup> December, 2022.

- (1) Loan capital with face value of US\$500 million (equivalent to HK\$3,917 million) and carrying amount of HK\$3,675 million (31/12/2022: HK\$3,691 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<sup>nd</sup> April, 2022 by the Bank. The notes are listed on the Hong Kong Stock Exchange, will mature on 22<sup>nd</sup> April, 2032 and are callable on 22<sup>nd</sup> April, 2027. The notes are under fair value hedge accounting and hedge ineffectiveness of HK\$0.4 million loss was recorded in first half of 2023.

## 26. Loan Capital (Continued)

- (2) Loan capital with face value of US\$250 million (equivalent to HK\$1,958 million) and carrying amount of HK\$1,864 million (31/12/2022: HK\$1,876 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<sup>th</sup> July, 2022 by the Bank. The notes are listed on the Hong Kong Stock Exchange, will mature on 7<sup>th</sup> July, 2028 and are callable on 7<sup>th</sup> July, 2027. The notes are under fair value hedge accounting and insignificant hedge ineffectiveness was recorded in first half of 2023.
- (3) Loan capital with face value of US\$500 million (equivalent to HK\$3,917 million) and carrying amount of HK\$3,910 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<sup>th</sup> March, 2023 by the Bank. The notes are listed on the Hong Kong Stock Exchange, will mature on 15<sup>th</sup> March, 2027 and are callable on 15<sup>th</sup> March, 2026. The notes are under fair value hedge accounting and hedge ineffectiveness of HK\$5.9 million loss was recorded in first half of 2023.
- (4) Loan capital with face value of RMB1,500 million (equivalent to HK\$1,618 million) and carrying amount of HK\$1,617 million (31/12/2022: HK\$1,695 million) represents subordinated notes carrying a coupon of 4.94% p.a. issued on 25<sup>th</sup> April, 2019 by the Bank's subsidiary, The Bank of East Asia (China) Limited. The notes will mature on 25<sup>th</sup> April, 2029 and are callable on 25<sup>th</sup> April, 2024.
- (5) Loan capital with face value of US\$600 million (equivalent to HK\$4,700 million) and carrying amount of HK\$4,687 million (31/12/2022: HK\$4,665 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<sup>th</sup> May, 2020 by the Bank. The notes are listed on the Hong Kong Stock Exchange, will mature on 29<sup>th</sup> May, 2030 and are callable on 29<sup>th</sup> May, 2025.

## 27. 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 based in Hong Kong.
- **Wholesale banking** includes corporate lending and loan syndication, asset based lending, commercial lending, securities lending and trade financing activities with correspondent banks and corporates based in Hong Kong.
- **Treasury markets** include treasury operations and securities dealing in Hong Kong.
- **Wealth management** includes private banking business, investment products & advisory and securities & futures broking based in Hong Kong.
- **Others** mainly include trust business carried out by subsidiaries operating in Hong Kong and other supporting units of Hong Kong operations.

## 27. Segment Reporting (Continued)

**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 operations** mainly include the back office unit for Overseas 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.

**27. Segment Reporting (Continued)**

	Hong Kong operations						Chinese Mainland operations	Overseas 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					
<b>6 months ended 30<sup>th</sup> June, 2023</b>											
Net interest income/(expense)	2,652	1,420	456	194	(108)	4,614	2,061	1,303	67	-	8,045
Non-interest income	648	379	49	305	173	1,554	587	103	-	(13)	2,231
Operating income	3,300	1,799	505	499	65	6,168	2,648	1,406	67	(13)	10,276
Operating expenses	(862)	(218)	(102)	(183)	(1,171)	(2,536)	(1,672)	(393)	-	13	(4,588)
Operating profit/(loss) before impairment losses	2,438	1,581	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)
Other impairment losses	-	-	-	-	-	-	(6)	-	-	-	(6)
Operating profit/(loss) after impairment losses	2,386	(48)	545	270	(1,110)	2,043	137	943	67	-	3,190
Net profit/(loss) on disposal 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	2,383	(48)	545	270	(1,131)	2,019	177	1,060	67	-	3,323
Depreciation for the period	(105)	(8)	(6)	(4)	(103)	(226)	(144)	(29)	-	-	(399)
<b>At 30<sup>th</sup> June, 2023</b>											
Segment assets	121,932	159,215	233,721	20,135	13,352	548,355	231,804	126,644	-	(43,545)	863,258
Investments in associates and joint ventures	-	-	-	-	52	52	3,762	4,968	-	-	8,782
Other assets – Assets held for sale	-	-	-	-	15	15	14	-	-	-	29
Total assets	121,932	159,215	233,721	20,135	13,419	548,422	235,580	131,612	-	(43,545)	872,069
Total liabilities	361,208	35,618	51,898	33,613	2,593	484,930	207,562	115,339	-	(43,081)	764,750

## 27. Segment Reporting (Continued)

	Hong Kong operations (Restated) <sup>Note</sup>						Chinese Mainland operations	Overseas 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					
<b>6 months ended 30<sup>th</sup> June, 2022</b>											
Net interest income/(expense)	1,221	1,393	(22)	156	(8)	2,740	1,948	993	149	-	5,830
Non-interest income	676	327	31	331	380	1,745	498	59	-	(14)	2,288
Operating income	1,897	1,720	9	487	372	4,485	2,446	1,052	149	(14)	8,118
Operating expenses	(819)	(225)	(98)	(164)	(1,231)	(2,537)	(1,512)	(371)	-	14	(4,406)
Operating profit/(loss) before impairment losses	1,078	1,495	(89)	323	(859)	1,948	934	681	149	-	3,712
(Charge for)/Write back of impairment losses on financial instruments	(45)	(1,116)	(46)	-	-	(1,207)	(990)	61	-	-	(2,136)
Operating profit/(loss) after impairment losses	1,033	379	(135)	323	(859)	741	(56)	742	149	-	1,576
Net (loss)/profit on disposal of fixed assets	(11)	-	-	-	-	(11)	44	-	-	-	33
Valuation gains on investment properties	-	-	-	-	3	3	-	-	-	-	3
Share of profits less losses of associates and joint ventures	-	-	-	-	(5)	(5)	(3)	198	-	-	190
Profit/(Loss) before taxation	1,022	379	(135)	323	(861)	728	(15)	940	149	-	1,802
Depreciation for the period	(131)	(6)	(6)	(3)	(126)	(272)	(149)	(29)	-	-	(450)
<b>At 31<sup>st</sup> December, 2022</b>											
Segment assets	120,130	163,395	231,299	22,679	11,560	549,063	245,349	126,730	-	(47,405)	873,737
Investments in associates and joint ventures	-	-	-	-	56	56	3,893	5,112	-	-	9,061
Other assets – Assets held for sale	-	-	-	-	15	15	12	-	-	-	27
Total assets	120,130	163,395	231,299	22,679	11,631	549,134	249,254	131,842	-	(47,405)	882,825
Total liabilities	343,092	54,165	51,773	35,141	2,940	487,111	220,008	116,307	-	(46,947)	776,479

Note: The financials of Hong Kong operations have been restated to conform to the current period's presentation that reflected the organisational restructure during the first half of 2023. The restructure includes regrouping MPF business from "Others" segment to "Personal banking" segment and combining previous "Centralised operations" segment and "Others" segment into one single "Others" segment under Hong Kong operations.

## 28. Analysis of Assets and Liabilities by Remaining Maturity

	30/6/2023							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	
<b>Assets</b>								
Cash and balances with banks	33,974	-	-	158	-	-	9,312	43,444
Placements with and advances to banks	-	49,278	8,913	117	-	-	-	58,308
Trade bills	3	871	243	343	-	-	-	1,460
Trading assets	-	-	-	2,241	1,235	-	364	3,840
Derivative assets	-	-	-	-	-	-	12,028	12,028
Loans and advances to customers	3,603	58,797	49,186	102,311	188,653	115,537	8,148	526,235
Investment securities	-	4,923	12,806	27,821	61,561	49,052	1,724	157,887
Investments in associates and joint ventures	-	-	-	-	-	-	8,782	8,782
Fixed assets	-	-	-	-	-	-	13,320	13,320
Goodwill and intangible assets	-	-	-	-	-	-	1,858	1,858
Deferred tax assets	-	-	-	-	-	-	1,828	1,828
Other assets	35	9,144	10,150	14,449	732	533	8,036	43,079
<b>Total assets</b>	<b>37,615</b>	<b>123,013</b>	<b>81,298</b>	<b>147,440</b>	<b>252,181</b>	<b>165,122</b>	<b>65,400</b>	<b>872,069</b>
<b>Liabilities</b>								
Deposits and balances of banks	1,562	11,061	7,480	5,872	-	-	-	25,975
Deposits from customers	184,357	103,578	189,924	131,726	16,137	-	-	625,722
- Demand deposits and current accounts	53,380	-	-	-	-	-	-	53,380
- Savings deposits	129,825	-	-	-	-	-	-	129,825
- Time, call and notice deposits	1,152	103,578	189,924	131,726	16,137	-	-	442,517
Trading liabilities	-	-	-	-	-	-	1	1
Derivative liabilities	-	-	-	-	-	-	4,777	4,777
Certificates of deposit issued	-	4,988	13,134	9,852	8,614	-	-	36,588
Current taxation	-	-	-	1,586	-	-	-	1,586
Debt securities issued	-	-	-	981	527	-	-	1,508
Deferred tax liabilities	-	-	-	-	-	-	438	438
Other liabilities	932	8,085	11,420	16,173	1,280	1,405	13,107	52,402
- Lease liabilities	1	20	40	166	384	244	-	855
- Other accounts	931	8,065	11,380	16,007	896	1,161	13,107	51,547
Loan capital	-	-	-	1,617	14,136	-	-	15,753
<b>Total liabilities</b>	<b>186,851</b>	<b>127,712</b>	<b>221,958</b>	<b>167,807</b>	<b>40,694</b>	<b>1,405</b>	<b>18,323</b>	<b>764,750</b>
<b>Net gap</b>	<b>(149,236)</b>	<b>(4,699)</b>	<b>(140,660)</b>	<b>(20,367)</b>	<b>211,487</b>	<b>163,717</b>		

## 28. Analysis of Assets and Liabilities by Remaining Maturity (Continued)

	31/12/2022							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	
<b>Assets</b>								
Cash and balances with banks	44,156	-	-	96	-	-	10,327	54,579
Placements with and advances to banks	-	52,337	7,866	-	-	-	-	60,203
Trade bills	1	147	148	233	-	-	-	529
Trading assets	-	1,176	99	-	-	-	255	1,530
Derivative assets	-	-	-	-	-	-	11,092	11,092
Loans and advances to customers	2,594	53,685	38,832	116,096	202,555	121,575	7,057	542,394
Investment securities	-	10,446	10,510	19,043	64,709	40,618	1,681	147,007
Investments in associates and joint ventures	-	-	-	-	-	-	9,061	9,061
Fixed assets	-	-	-	-	-	-	13,476	13,476
Goodwill and intangible assets	-	-	-	-	-	-	1,870	1,870
Deferred tax assets	-	-	-	-	-	-	1,849	1,849
Other assets	27	4,845	7,463	18,286	505	437	7,672	39,235
<b>Total assets</b>	<b>46,778</b>	<b>122,636</b>	<b>64,918</b>	<b>153,754</b>	<b>267,769</b>	<b>162,630</b>	<b>64,340</b>	<b>882,825</b>
<b>Liabilities</b>								
Deposits and balances of banks	2,263	8,074	9,255	5,886	-	-	-	25,478
Deposits from customers	212,727	106,604	160,879	151,421	16,462	-	-	648,093
- Demand deposits and current accounts	65,899	-	-	-	-	-	-	65,899
- Savings deposits	145,107	-	-	-	-	-	-	145,107
- Time, call and notice deposits	1,721	106,604	160,879	151,421	16,462	-	-	437,087
Trading liabilities	-	-	-	-	-	-	5	5
Derivative liabilities	-	-	-	-	-	-	4,145	4,145
Certificates of deposit issued	-	3,559	12,971	12,244	3,888	-	-	32,662
Current taxation	-	-	-	1,252	-	-	-	1,252
Debt securities issued	-	-	1,404	672	816	-	-	2,892
Deferred tax liabilities	-	-	-	-	-	-	226	226
Other liabilities	779	5,027	8,261	19,697	1,124	1,541	13,370	49,799
- Lease liabilities	1	24	40	155	347	207	-	774
- Other accounts	778	5,003	8,221	19,542	777	1,334	13,370	49,025
Loan capital	-	-	-	-	11,927	-	-	11,927
<b>Total liabilities</b>	<b>215,769</b>	<b>123,264</b>	<b>192,770</b>	<b>191,172</b>	<b>34,217</b>	<b>1,541</b>	<b>17,746</b>	<b>776,479</b>
<b>Net gap</b>	<b>(168,991)</b>	<b>(628)</b>	<b>(127,852)</b>	<b>(37,418)</b>	<b>233,552</b>	<b>161,089</b>		

## 29. 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 <sup>st</sup> December, 2022/ 1 <sup>st</sup> January, 2023	(354)	(113)	1,904	15	16	155	1,623
(Charged)/Credited to income statement	(18)	-	31	-	(16)	(33)	(36)
(Charged)/Credited to reserves	-	-	-	(118)	-	2	(116)
Exchange and other adjustments	-	-	(77)	2	-	(6)	(81)
At 30 <sup>th</sup> June, 2023	<u>(372)</u>	<u>(113)</u>	<u>1,858</u>	<u>(101)</u>	<u>-</u>	<u>118</u>	<u>1,390</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:

	30/6/2023 HK\$ Mn	31/12/2022 HK\$ Mn
Net deferred tax assets recognised on the statement of financial position	1,828	1,849
Net deferred tax liabilities recognised on the statement of financial position	<u>(438)</u>	<u>(226)</u>
	<u>1,390</u>	<u>1,623</u>

## 30. Reserves

	30/6/2023 HK\$ Mn	31/12/2022 HK\$ Mn
General reserve	13,658	13,658
Revaluation reserve on bank premises	2,255	2,255
Capital reserve	895	895
Exchange revaluation reserve	(3,256)	(1,822)
Capital reserve – staff share options issued	162	150
Fair value reserve	1,167	510
Liability credit reserve	12	15
Other reserves	5,229	5,105
Retained profits ( <i>Note</i> )	<u>34,982</u>	<u>33,365</u>
	<u>55,104</u>	<u>54,131</u>
Proposed dividends, not provided for	<u>959</u>	<u>456</u>

### 30. Reserves (Continued)

*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<sup>th</sup> June, 2023, the effect of this requirement is to restrict the amount of reserves which can be distributed by the Bank to shareholders by HK\$2,071 million (31/12/2022: HK\$1,742 million).*

### 31. Additional Equity Instruments

	<u>30/6/2023</u> HK\$ Mn	<u>31/12/2022</u> HK\$ Mn
Additional Tier 1 Capital Securities		
USD650 million undated non-cumulative subordinated capital securities (1)	5,069	5,069
USD650 million undated non-cumulative subordinated capital securities (2)	<u>5,021</u>	<u>5,021</u>
	<u>10,090</u>	<u>10,090</u>

- (1) On 19<sup>th</sup> 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<sup>th</sup> 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<sup>st</sup> 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<sup>st</sup> 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.

### 32. Consolidated Cash Flow Statement

Cash and cash equivalents

	30/6/2023	30/6/2022
	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	33,974	44,365
Placements with and advances to banks with original maturity within three months	57,940	65,084
Treasury bills with original maturity within three months	4,930	10,088
Certificates of deposit held with original maturity within three months	1,444	-
Debt securities with original maturity within three months	578	606
Add: Cash and balances with banks included in "Assets held for sale"	-	3
	<u>98,866</u>	<u>120,146</u>
(ii) Reconciliation with the consolidated statement of financial position		
Cash and balances with banks	43,444	54,817
Placements with and advances to banks	58,308	67,128
Treasury bills, certificates of deposit held and debt securities		
- trading assets	3,476	151
- investment securities	156,163	148,623
	159,639	148,774
Add: Cash and balances with banks included in "Assets held for sale"	-	3
Certificates of deposit held – investment securities included in "Assets held for sale"	-	638
Debt securities – investment securities included in "Assets held for sale"	-	918
Amounts shown in the consolidated statement of financial position	261,391	272,278
Less: Amounts with an original maturity of beyond three months	(153,054)	(141,678)
Cash balance with central bank subject to regulatory restriction	(9,471)	(10,454)
Cash and cash equivalents in the consolidated cash flow statement	<u>98,866</u>	<u>120,146</u>

### 33. 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.

### 33. 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:

	30/6/2023				31/12/2022			
	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
<b>Recurring fair value measurement</b>								
<b>Assets</b>								
Trade Bills – Measured at FVOCI	-	914	-	914	-	488	-	488
Trading assets	364	3,476	-	3,840	354	1,176	-	1,530
Derivative assets	-	12,028	-	12,028	200	10,892	-	11,092
Investment securities								
- Mandatorily measured at FVTPL	-	2,707	711	3,418	-	3,417	732	4,149
- Measured at FVOCI	27,772	112,398	892	141,062	24,654	102,903	839	128,396
	<u>28,136</u>	<u>131,523</u>	<u>1,603</u>	<u>161,262</u>	<u>25,208</u>	<u>118,876</u>	<u>1,571</u>	<u>145,655</u>
<b>Liabilities</b>								
Trading liabilities	1	-	-	1	5	-	-	5
Derivative liabilities	3	4,774	-	4,777	99	4,046	-	4,145
Financial liabilities designated at FVTPL	-	22,983	-	22,983	-	24,357	-	24,357
	<u>4</u>	<u>27,757</u>	<u>-</u>	<u>27,761</u>	<u>104</u>	<u>28,403</u>	<u>-</u>	<u>28,507</u>

During the period ended 30<sup>th</sup> June, 2023 and year ended 31<sup>st</sup> December, 2022, 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.

Information about significant unobservable inputs in Level 3 valuations:

	Valuation technique	Significant unobservable input(s)	Range
Unlisted debt securities, equity securities and investment funds	Counterparty quote	N/A	N/A
	Net asset value	N/A	N/A
	Discounted cash flow model	Discount rate	30/6/2023: 12.1% (31/12/2022: 12.2%)
		Marketability discount	30/6/2023: 20% (31/12/2022: 20%)
	Market-comparable approach	Earnings multiple	30/6/2023: 15.14 – 29.03 (31/12/2022: 20.51 – 27.66)
		EV/EBIT	30/6/2023: 18.26 – 26.75 (31/12/2022: 21.61 – 27.78)
		Marketability discount	30/6/2023: 50% (31/12/2022: 50%)

### 33. Fair Values of Financial Instruments (Continued)

#### (a) Financial instruments carried at fair value (continued)

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.

#### (1) Valuation of financial instruments with significant unobservable inputs

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

	30/6/2023		31/12/2022	
	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
<b>Assets</b>				
At 1 <sup>st</sup> January	732	839	808	712
Additions/Purchases	4	-	31	-
Disposals/Settlements	(54)	-	(27)	-
Changes in fair value recognised in the income statement	29	-	(80)	-
Changes in fair value recognised in the other comprehensive income	-	53	-	127
At 30 <sup>th</sup> June/31 <sup>st</sup> December	<u>711</u>	<u>892</u>	<u>732</u>	<u>839</u>
Total 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>53</u>	<u>-</u>	<u>127</u>
Total gains/(losses) for the period included in the income statement for assets held at the end of the reporting period recorded in net results from other financial instruments at FVTPL	<u>31</u>	<u>-</u>	<u>(80)</u>	<u>-</u>

### 33. 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

	30/6/2023			
	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	59	(59)	-	-
Investment securities				
measured at FVOCI	-	-	74	(74)
	<u>59</u>	<u>(59)</u>	<u>74</u>	<u>(74)</u>
	31/12/2022			
	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	61	(61)	-	-
Investment securities				
measured at FVOCI	-	-	70	(70)
	<u>61</u>	<u>(61)</u>	<u>70</u>	<u>(70)</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.

(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.

### 33. Fair Values of Financial Instruments (Continued)

(b) Fair values of financial instruments carried at other than fair value (continued)

- (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<sup>th</sup> June, 2023 and 31<sup>st</sup> December, 2022.

### 34. 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.

### 34. 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.

	30/6/2023							
	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
<b>Loans and advances to customers at amortised cost</b>								
- Grades 1-15: Pass	497,973	1,583	10,587	34	-	-	508,560	1,617
- Grades 16-17: Special Mention	-	-	9,474	54	-	-	9,474	54
- Grade 18: Substandard	-	-	-	-	5,423	79	5,423	79
- Grade 19: Doubtful	-	-	-	-	5,836	219	5,836	219
- Grade 20: Loss	-	-	-	-	2,324	85	2,324	85
Total gross carrying amount	497,973	1,583	20,061	88	13,583	383	531,617	2,054
Impairment allowances	(1,085)	(6)	(566)	(4)	(3,731)	(183)	(5,382)	(193)
Carrying amount	496,888	1,577	19,495	84	9,852	200	526,235	1,861

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

6,876

	31/12/2022							
	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
<b>Loans and advances to customers at amortised cost</b>								
- Grades 1-15: Pass	508,308	1,534	11,543	51	-	-	519,851	1,585
- Grades 16-17: Special Mention	-	-	16,018	95	-	-	16,018	95
- Grade 18: Substandard	-	-	-	-	9,498	96	9,498	96
- Grade 19: Doubtful	-	-	-	-	2,756	97	2,756	97
- Grade 20: Loss	-	-	-	-	891	30	891	30
Total gross carrying amount	508,308	1,534	27,561	146	13,145	223	549,014	1,903
Impairment allowances	(1,084)	(5)	(1,018)	(8)	(4,518)	(123)	(6,620)	(136)
Carrying amount	507,224	1,529	26,543	138	8,627	100	542,394	1,767

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

5,901

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.

### 34. 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.

	30/6/2023							
	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
<b>Trade bills measured at amortised cost</b>								
- Grades 1-15: Pass	546	-	-	-	-	-	546	-
Total gross carrying amount	546	-	-	-	-	-	546	-
Impairment allowances	-	-	-	-	-	-	-	-
Carrying amount	546	-	-	-	-	-	546	-

	31/12/2022							
	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
<b>Trade bills measured at amortised cost</b>								
- Grades 1-15: Pass	41	-	-	-	-	-	41	-
Total gross carrying amount	41	-	-	-	-	-	41	-
Impairment allowances	-	-	-	-	-	-	-	-
Carrying amount	41	-	-	-	-	-	41	-

### 34. Credit Risk (Continued)

#### (a) Credit quality analysis (continued)

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

		30/6/2023							
		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
<b>Trade bills measured at FVOCI</b>									
- Grades 1-15: Pass		914	-	-	-	-	-	914	-
Total carrying amount at fair value		914	-	-	-	-	-	914	-
Impairment allowances		-	-	-	-	-	-	-	-

		31/12/2022							
		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
<b>Trade bills measured at FVOCI</b>									
- Grades 1-15: Pass		480	-	8	-	-	-	488	-
Total carrying amount at fair value		480	-	8	-	-	-	488	-
Impairment allowances		-	-	-	-	-	-	-	-

		30/6/2023							
		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
<b>Placements with and advances to banks</b>									
- Grades 1-15: Pass		58,310	87	-	-	-	-	58,310	87
Total gross carrying amount		58,310	87	-	-	-	-	58,310	87
Impairment allowances		(2)	-	-	-	-	-	(2)	-
Carrying amount		58,308	87	-	-	-	-	58,308	87

		31/12/2022							
		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
<b>Placements with and advances to banks</b>									
- Grades 1-15: Pass		60,204	122	-	-	-	-	60,204	122
Total gross carrying amount		60,204	122	-	-	-	-	60,204	122
Impairment allowances		(1)	-	-	-	-	-	(1)	-
Carrying amount		60,203	122	-	-	-	-	60,203	122

### 34. Credit Risk (Continued)

#### (a) Credit quality analysis (continued)

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

	30/6/2023			
	12-month ECL	Lifetime ECL not credit-impaired	Lifetime ECL credit-impaired	Total
	HK\$ Mn	HK\$ Mn	HK\$ Mn	HK\$ Mn
<b>Loan commitments</b>				
- Grades 1-15: Pass	339,822	4,215	-	344,037
- Grades 16-17: Special Mention	-	563	-	563
- Grade 18: Substandard	-	-	-	-
Total	339,822	4,778	-	344,600
Impairment allowances	(90)	(16)	-	(106)
<b>Financial guarantee contracts</b>				
- Grades 1-15: Pass	10,839	944	-	11,783
- Grades 16-17: Special Mention	-	13	-	13
- Grade 18: Substandard	-	-	631	631
Total	10,839	957	631	12,427
Impairment allowances	(14)	(26)	(233)	(273)
	31/12/2022			
	12-month ECL	Lifetime ECL not credit-impaired	Lifetime ECL credit-impaired	Total
	HK\$ Mn	HK\$ Mn	HK\$ Mn	HK\$ Mn
<b>Loan commitments</b>				
- Grades 1-15: Pass	334,520	3,906	-	338,426
- Grades 16-17: Special Mention	-	373	-	373
- Grade 18: Substandard	-	-	-	-
Total	334,520	4,279	-	338,799
Impairment allowances	(107)	(19)	-	(126)
<b>Financial guarantee contracts</b>				
- Grades 1-15: Pass	12,476	1,058	-	13,534
- Grades 16-17: Special Mention	-	28	-	28
- Grade 18: Substandard	-	-	662	662
Total	12,476	1,086	662	14,224
Impairment allowances	(14)	(4)	(174)	(192)

### 34. 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:

	30/6/2023							
	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
<b>Debt investment securities measured at amortised cost</b>								
Aaa	-	-	-	-	-	-	-	-
Aa1 to Aa3	3,242	1	-	-	-	-	3,242	1
A1 to A3	3,422	35	-	-	-	-	3,422	35
Baa1 to Baa3	2,864	14	-	-	-	-	2,864	14
Below Baa3	441	3	372	3	488	21	1,301	27
Unrated	2,765	41	-	-	369	10	3,134	51
Total gross carrying amount	12,734	94	372	3	857	31	13,963	128
Impairment allowances	(21)	-	(21)	-	(514)	(31)	(556)	(31)
Carrying amount	12,713	94	351	3	343	-	13,407	97

	31/12/2022							
	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
<b>Debt investment securities measured at amortised cost</b>								
Aaa	-	-	-	-	-	-	-	-
Aa1 to Aa3	3,210	1	-	-	-	-	3,210	1
A1 to A3	4,068	72	-	-	-	-	4,068	72
Baa1 to Baa3	2,248	18	-	-	-	-	2,248	18
Below Baa3	538	7	405	4	193	2	1,136	13
Unrated	3,584	48	368	8	253	5	4,205	61
Total gross carrying amount	13,648	146	773	12	446	7	14,867	165
Impairment allowances	(66)	(1)	(98)	(2)	(241)	(7)	(405)	(10)
Carrying amount	13,582	145	675	10	205	-	14,462	155

### 34. Credit Risk (Continued)

#### (a) Credit quality analysis (continued)

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

	30/6/2023							
	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
<b>Debt investment securities measured at FVOCI</b>								
Aaa	8,748	9	-	-	-	-	8,748	9
Aa1 to Aa3	24,174	91	-	-	-	-	24,174	91
A1 to A3	60,333	761	-	-	-	-	60,333	761
Baa1 to Baa3	43,353	481	333	3	-	-	43,686	484
Below Baa3	447	5	61	1	-	-	508	6
Unrated	2,721	32	-	-	-	-	2,721	32
Total carrying amount at fair value	139,776	1,379	394	4	-	-	140,170	1,383
where impairment allowances included	(103)	(1)	(20)	-	-	-	(123)	(1)

	31/12/2022							
	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
<b>Debt investment securities measured at FVOCI</b>								
Aaa	7,305	10	-	-	-	-	7,305	10
Aa1 to Aa3	21,855	37	-	-	-	-	21,855	37
A1 to A3	56,412	798	-	-	-	-	56,412	798
Baa1 to Baa3	37,906	419	803	9	-	-	38,709	428
Below Baa3	233	2	228	3	-	-	461	5
Unrated	2,815	37	-	-	-	-	2,815	37
Total carrying amount at fair value	126,526	1,303	1,031	12	-	-	127,557	1,315
where impairment allowances included	(214)	(2)	(41)	-	-	-	(255)	(2)

The following table sets out the credit analysis for non-trading financial assets measured at FVTPL.

	30/6/2023	31/12/2022
	HK\$ Mn	HK\$ Mn
<b>Non-trading debt investment securities measured at FVTPL</b>		
Aaa	-	-
Aa1 to Aa3	-	-
A1 to A3	144	192
Baa1 to Baa3	2,334	2,963
Below Baa3	-	-
Unrated	108	115
Total carrying amount at fair value	2,586	3,270

### 34. 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 trading debt investment securities.

	<u>30/6/2023</u>	<u>31/12/2022</u>
	HK\$ Mn	HK\$ Mn
<b>Trading debt investment securities measured at FVTPL</b>		
Aaa	-	-
Aa1 to Aa3	-	99
A1 to A3	3,476	1,176
Baa1 to Baa3	-	-
Below Baa3	-	-
Unrated	-	-
Total carrying amount at fair value	<u>3,476</u>	<u>1,275</u>

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

	<u>30/6/2023</u>	<u>31/12/2022</u>
	HK\$ Mn	HK\$ Mn
<b>Derivative assets</b>		
Aa1 to Aa3	9,209	8,317
A1 to A3	558	1,183
Baa1 to Baa3	630	612
Below Baa3	-	-
Unrated	1,631	980
Total carrying amount at fair value	<u>12,028</u>	<u>11,092</u>

#### *Cash and balances with banks*

At 30<sup>th</sup> June, 2023, the Group held cash and balances with banks of HK\$43,445 million (31<sup>st</sup> December, 2022: HK\$54,581 million), of which 96% (31<sup>st</sup> December, 2022: 97%) of cash and balances with banks counterparties that are rated at investment grade, based on Moody's Investor Services, or equivalent ratings.

### 34. 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<sup>st</sup> January and 30<sup>th</sup> June/31<sup>st</sup> 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.

	30/6/2023			
	12-month ECL	Lifetime ECL not credit- impaired	Lifetime ECL credit-impaired	Total
	HK\$ Mn	HK\$ Mn	HK\$ Mn	HK\$ Mn
<b>Loans and advances to customers</b>				
Balance at 1 <sup>st</sup> January	1,089	1,026	4,641	6,756
Transfer to 12-month ECL	78	(78)	-	-
Transfer to lifetime ECL not credit-impaired	(24)	24	-	-
Transfer to lifetime ECL credit-impaired	(4)	(469)	473	-
New financial assets originated or purchased, assets derecognised, repayments and further lending	205	(118)	33	120
Write-offs	-	-	(3,541)	(3,541)
Changes in models	(72)	(1)	-	(73)
Net remeasurement of impairment allowances (including exchange adjustments)	(181)	186	2,308	2,313
Balance at 30 <sup>th</sup> June	<u>1,091</u>	<u>570</u>	<u>3,914</u>	<u>5,575</u>
Of which:				
For loans and advances to customers at amortised cost ( <i>Note 19(a)</i> )	1,085	566	3,731	5,382
For related accrued interest receivable ( <i>Note 23</i> )	6	4	183	193
	<u>1,091</u>	<u>570</u>	<u>3,914</u>	<u>5,575</u>

### 34. Credit Risk (Continued)

(b) Impairment allowances reconciliation (continued)

	31/12/2022			
	12-month ECL	Lifetime ECL not credit- impaired	Lifetime ECL credit-impaired	Total
	HK\$ Mn	HK\$ Mn	HK\$ Mn	HK\$ Mn
<b>Loans and advances to customers</b>				
Balance at 1 <sup>st</sup> January	670	528	3,231	4,429
Transfer to 12-month ECL	155	(155)	-	-
Transfer to lifetime ECL not credit- impaired	(27)	54	(27)	-
Transfer to lifetime ECL credit-impaired	(24)	(141)	165	-
New financial assets originated or purchased, assets derecognised, repayments and further lending	350	114	273	737
Write-offs	-	-	(3,095)	(3,095)
Net remeasurement of impairment allowances (including exchange adjustments)	(35)	626	4,094	4,685
Balance at 31 <sup>st</sup> December	<u>1,089</u>	<u>1,026</u>	<u>4,641</u>	<u>6,756</u>
Of which:				
For loans and advances to customers at amortised cost ( <i>Note 19(a)</i> )	1,084	1,018	4,518	6,620
For related accrued interest receivable ( <i>Note 23</i> )	5	8	123	136
	<u>1,089</u>	<u>1,026</u>	<u>4,641</u>	<u>6,756</u>

### 34. Credit Risk (Continued)

(b) Impairment allowances reconciliation (continued)

	30/6/2023			
	12-month ECL	Lifetime ECL not credit- impaired	Lifetime ECL credit-impaired	Total
	HK\$ Mn	HK\$ Mn	HK\$ Mn	HK\$ Mn
<b>Debt investment securities</b>				
Balance at 1 <sup>st</sup> January	283	141	248	672
Transfer to 12-month ECL	24	(24)	-	-
Transfer to lifetime ECL not credit- impaired	(1)	1	-	-
Transfer to lifetime ECL credit-impaired	-	(81)	81	-
New financial assets originated or purchased, assets derecognised, repayments and further investment	1	(4)	-	(3)
Write-offs	-	-	-	-
Net remeasurement of impairment allowances (including exchange adjustments)	(182)	8	216	42
Balance at 30 <sup>th</sup> June	<u>125</u>	<u>41</u>	<u>545</u>	<u>711</u>
Of which:				
For debt investment securities measured at amortised cost	21	21	514	556
For related accrued interest receivable (Note 23)	-	-	31	31
	<u>21</u>	<u>21</u>	<u>545</u>	<u>587</u>
For debt investment securities measured at FVOCI	103	20	-	123
For related accrued interest receivable	1	-	-	1
	<u>104</u>	<u>20</u>	<u>-</u>	<u>124</u>

### 34. Credit Risk (Continued)

#### (b) Impairment allowances reconciliation (continued)

	31/12/2022			
	12-month ECL	Lifetime ECL not credit- impaired	Lifetime ECL credit-impaired	Total
	HK\$ Mn	HK\$ Mn	HK\$ Mn	HK\$ Mn
<b>Debt investment securities</b>				
Balance at 1 <sup>st</sup> January	284	47	-	331
Transfer to 12-month ECL	-	-	-	-
Transfer to lifetime ECL not credit- impaired	(11)	11	-	-
Transfer to lifetime ECL credit-impaired	(5)	(13)	18	-
New financial assets originated or purchased, assets derecognised, repayments and further investment	25	21	-	46
Write-offs	-	-	-	-
Net remeasurement of impairment allowances (including exchange adjustments)	(10)	75	230	295
Balance at 31 <sup>st</sup> December	<u>283</u>	<u>141</u>	<u>248</u>	<u>672</u>
Of which:				
For debt investment securities measured at amortised cost	66	98	241	405
For related accrued interest receivable (Note 23)	1	2	7	10
	<u>67</u>	<u>100</u>	<u>248</u>	<u>415</u>
For debt investment securities measured at FVOCI	214	41	-	255
For related accrued interest receivable	2	-	-	2
	<u>216</u>	<u>41</u>	<u>-</u>	<u>257</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.

### 34. Credit Risk (Continued)

(b) Impairment allowances reconciliation (continued)

	30/6/2023			
	12-month ECL	Lifetime ECL not credit-impaired	Lifetime ECL credit-impaired	Total
	HK\$ Mn	HK\$ Mn	HK\$ Mn	HK\$ Mn
<b>Others</b>				
Balance at 1 <sup>st</sup> January	133	23	238	394
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	(18)	-	(14)	(32)
Write-offs	-	-	-	-
Net remeasurement of impairment allowances (including exchange adjustments)	(1)	21	73	93
Balance at 30 <sup>th</sup> June	<u>115</u>	<u>43</u>	<u>297</u>	<u>455</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 25)	<u>104</u>	<u>42</u>	<u>233</u>	<u>379</u>
For account receivables and other accounts other than accrued interest receivable (Note 23)	<u>8</u>	<u>1</u>	<u>64</u>	<u>73</u>

### 34. Credit Risk (Continued)

#### (b) Impairment allowances reconciliation (continued)

	31/12/2022			
	12-month ECL	Lifetime ECL not credit- impaired	Lifetime ECL credit-impaired	Total
	HK\$ Mn	HK\$ Mn	HK\$ Mn	HK\$ Mn
<b>Others</b>				
Balance at 1 <sup>st</sup> January	143	24	85	252
Transfer to 12-month ECL	2	(2)	-	-
Transfer to lifetime ECL not credit- impaired	-	-	-	-
Transfer to lifetime ECL credit-impaired	(1)	(7)	8	-
New financial assets originated or purchased, assets derecognised and repayments	11	(3)	68	76
Write-offs	-	-	-	-
Net remeasurement of impairment allowances (including exchange adjustments)	(22)	11	77	66
Balance at 31 <sup>st</sup> December	<u>133</u>	<u>23</u>	<u>238</u>	<u>394</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)	1	-	-	1
For related accrued interest receivable	-	-	-	-
	<u>1</u>	<u>-</u>	<u>-</u>	<u>1</u>
For cash and balances with banks (Note 15)	2	-	-	2
For related accrued interest receivable	-	-	-	-
	<u>2</u>	<u>-</u>	<u>-</u>	<u>2</u>
For loan commitments and financial guarantee contracts (Note 25)	<u>121</u>	<u>23</u>	<u>174</u>	<u>318</u>
For account receivables and other accounts other than accrued interest receivable (Note 23)	<u>9</u>	<u>-</u>	<u>64</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.

### 35. 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.

	<u>30/6/2023</u> HK\$ Mn	<u>31/12/2022</u> HK\$ Mn
Contingent liabilities		
Direct credit substitutes	3,501	4,220
Transaction-related contingencies	3,176	3,846
Trade-related contingencies	5,713	6,143
	<u>12,390</u>	<u>14,209</u>
Commitments		
Commitments that are unconditionally cancellable without prior notice	315,928	303,920
Other commitments with an original maturity		
- up to 1 year	2,151	2,229
- over 1 year	26,103	32,043
	<u>344,182</u>	<u>338,192</u>
Total	<u>356,572</u>	<u>352,401</u>
Credit risk-weighted amounts	<u>18,117</u>	<u>23,651</u>

#### (b) Derivatives

##### Fair value of derivatives

##### Assets

Exchange rate contracts	1,745	1,781
Interest rate contracts	10,143	9,220
Equity contracts	140	91
	<u>12,028</u>	<u>11,092</u>

##### Liabilities

Exchange rate contracts	1,939	1,749
Interest rate contracts	2,692	2,297
Equity contracts	146	99
	<u>4,777</u>	<u>4,145</u>

##### Notional amount of derivatives

Exchange rate contracts	283,218	292,921
Interest rate contracts	418,215	319,625
Equity contracts	7,954	4,774
	<u>709,387</u>	<u>617,320</u>

### 35. Off-balance Sheet Exposures (Continued)

#### (c) Capital commitments

Capital commitments outstanding as at 30<sup>th</sup> June and 31<sup>st</sup> December and not provided for in the financial statements were as follows:

	<u>30/6/2023</u> HK\$ Mn	<u>31/12/2022</u> HK\$ Mn
Expenditure authorised and contracted for	346	452
Expenditure authorised but not contracted for	66	138
	<u>412</u>	<u>590</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.

### 36. 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>30/6/2023</u> HK\$ Mn	<u>30/6/2022</u> HK\$ Mn
Short-term employee benefits	80	78
Post-employment benefits	4	4
Equity compensation benefits	11	11
	<u>95</u>	<u>93</u>

- (b) The Group maintains certain retirement benefit schemes for its staff. In the six months ended 30<sup>th</sup> June, 2023, the total amount of contributions the Group made to the schemes was HK\$108 million (six months ended 30<sup>th</sup> June, 2022: HK\$99 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.

### 36. Material Related Party Transactions (Continued)

The interest received from and interest paid to the Group's related parties for the six months ended 30<sup>th</sup> June, 2023, outstanding balances of amounts due from and due to them at 30<sup>th</sup> June, 2023, and maximum outstanding balance of amounts due from and due to them for the six months ended 30<sup>th</sup> June, 2023 are aggregated as follows:

	Key management personnel		Associates		Shareholders with significant influence	
	30/6/2023	30/6/2022	30/6/2023	30/6/2022	30/6/2023	30/6/2022
	HK\$ Mn	HK\$ Mn	HK\$ Mn	HK\$ Mn	HK\$ Mn	HK\$ Mn
Interest income	21	10	31	43	5	-
Interest expense	51	6	-	-	-	-
Amounts due from	880	972	1,717	1,665	1,446	2,197
Amounts due to	2,421	2,144	216	183	5	40
Maximum amounts due from	1,623	2,030	1,717	1,792	1,766	8,259
Maximum amounts due to	4,646	3,893	571	390	103	244
Committed facilities to	1,308	548	1,642	1,703	59	-

### 37. 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.

### 38. Exposures to Interbank Offered Rates

Following the decision of global regulators to phase out LIBORs and replace them with risk free rates as alternative reference rates (“ARRs”), LIBORs of CHF, EUR, GBP and JPY ceased after 2021. SG Swap Offer Rate and USD LIBORs also ceased after June 2023.

With the completion of the IBOR Reform Project, the Group has the operational capability to trade in ARR and manage the remaining demising regional rates that have yet to transit to alternative benchmarks.

The following table shows outstanding amounts of financial instruments referencing the interest rate benchmarks that have yet to transit to alternative benchmark rates at the end of the reporting period. They are with adequate fall-back provisions, will transit to ARR upon next repricing date, or will expire before the synthetic LIBOR cessation date. The amounts of financial assets and liabilities are shown at gross carrying amounts, and derivatives are shown at notional amounts.

	30/6/2023			
	Gross Carrying Amount / Notional Amount			
	USD LIBOR	GBP LIBOR	SG Swap Offer Rate	SIBOR
	HK\$ Mn	HK\$ Mn	HK\$ Mn	HK\$ Mn
<b>Assets</b>				
Loans and advances to customers	19,311	95	1,440	2,271
Negotiable debt instruments held, including negotiable certificates of deposit	78	-	-	-
<b>Total Asset</b>	<b>19,389</b>	<b>95</b>	<b>1,440</b>	<b>2,271</b>
<b>Liabilities</b>				
Certificates of deposit and debt securities issued	2,726	-	-	-
<b>Total liabilities</b>	<b>2,726</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Derivatives</b>				
Interest rate swaps	47,470	-	-	-
Cross currency swaps	1,596	-	-	-
Other derivatives	157	-	-	-
<b>Gross total derivatives</b>	<b>49,223</b>	<b>-</b>	<b>-</b>	<b>-</b>

### 39. Comparative Figures

Certain 2022 comparative figures have been restated to conform to current period's presentation. Please refer to Note 27 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 24<sup>th</sup> August, 2023.

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 2022 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

	30/6/2023	31/12/2022
	HK\$ Mn	HK\$ Mn
Capital base		
- Common Equity Tier 1 capital	82,132	81,282
- Additional Tier 1 capital	10,090	10,090
- Total Tier 1 capital	92,222	91,372
- Tier 2 capital	12,504	12,048
- Total capital	104,726	103,420
Risk-weighted assets by risk type		
- Credit risk	452,899	483,104
- Market risk	4,540	4,053
- Operational risk	32,483	30,580
- Capital floor adjustment	3,052	-
	492,974	517,737
Less: Deductions	(2,853)	(2,864)
	490,121	514,873
	30/6/2023	31/12/2022
	%	%
Common Equity Tier 1 capital ratio	16.8	15.8
Tier 1 capital ratio	18.8	17.7
Total capital ratio	21.4	20.1

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.

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](http://www.hkbea.com) or at the following direct link: [www.hkbea.com/regulatory\\_disclosures](http://www.hkbea.com/regulatory_disclosures).

## Supplementary Financial Information (unaudited) (Continued)

### **B. Leverage Ratio**

	<u>30/6/2023</u>	<u>31/12/2022</u>
	HK\$ Mn	HK\$ Mn
Total Tier 1 capital	92,222	91,372
Exposure measure	917,707	935,197
	<u>30/6/2023</u>	<u>31/12/2022</u>
	%	%
Leverage ratio	10.0	9.8

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](http://www.hkbea.com) or at the following direct link: [www.hkbea.com/regulatory\\_disclosures](http://www.hkbea.com/regulatory_disclosures).

### **C. Liquidity Position**

#### Liquidity coverage ratio

	<u>30/6/2023</u>	<u>31/12/2022</u>
	%	%
Average liquidity coverage ratio		
- First quarter	182.9	184.2
- Second quarter	208.9	187.5
- Third quarter	N/A	179.1
- Fourth quarter	N/A	197.7

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](http://www.hkbea.com) or at the following direct link: [www.hkbea.com/regulatory\\_disclosures](http://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>30/6/2023</u>	<u>31/12/2022</u>
	HK\$ Mn	HK\$ Mn
Total available stable funding	577,415	568,204
Total required stable funding	480,463	489,801
	<u>30/6/2023</u>	<u>31/12/2022</u>
	%	%
Net stable funding ratio	120.2	116.0

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](http://www.hkbea.com) or at the following direct link: [www.hkbea.com/regulatory\\_disclosures](http://www.hkbea.com/regulatory_disclosures).

## Supplementary Financial Information (unaudited) (Continued)

### D. Overdue, Rescheduled and Repossessed Assets

(a) Overdue and rescheduled advances to customers

	30/6/2023		31/12/2022	
	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	1,587	0.3	2,257	0.4
- 1 year or less but over 6 months	3,385	0.6	1,630	0.3
- Over 1 year	984	0.2	1,118	0.2
	<u>5,956</u>	<u>1.1</u>	<u>5,005</u>	<u>0.9</u>
Rescheduled advances to customers	1,319	0.3	1,193	0.2
Total overdue and rescheduled advances	<u>7,275</u>	<u>1.4</u>	<u>6,198</u>	<u>1.1</u>
Covered portion of overdue advances	<u>4,311</u>	<u>0.8</u>	<u>2,745</u>	<u>0.5</u>
Uncovered portion of overdue advances	<u>1,645</u>	<u>0.3</u>	<u>2,261</u>	<u>0.4</u>
Current market value of collateral held against the covered portion of overdue advances	<u>6,467</u>		<u>5,454</u>	
Specific provisions made on advances overdue for more than 3 months	<u>1,378</u>		<u>1,830</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

	30/6/2023	31/12/2022
	HK\$ Mn	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

	30/6/2023		
	Accrued interest	Debt securities	Other assets*
	HK\$ Mn	HK\$ Mn	HK\$ Mn
Other assets overdue for			
- 6 months or less but over 3 months	28	140	-
- 1 year or less but over 6 months	98	195	-
- Over 1 year	103	116	-
	229	451	-
Rescheduled assets	35	-	-
Total other overdue and rescheduled assets	264	451	-
Specific provisions made on other assets overdue for more than 3 months	112	301	-
	31/12/2022		
	Accrued Interest	Debt Securities	Other assets*
	HK\$ Mn	HK\$ Mn	HK\$ Mn
Other assets overdue for			
- 6 months or less but over 3 months	31	124	-
- 1 year or less but over 6 months	48	114	-
- Over 1 year	68	-	-
	147	238	-
Rescheduled assets	23	-	-
Total other overdue and rescheduled assets	170	238	-
Specific provisions made on other assets overdue for more than 3 months	78	166	-

\* Other assets refer to trade bills and receivables.

## **Supplementary Financial Information (unaudited) (Continued)**

### **D. Overdue, Rescheduled and Repossessed Assets (Continued)**

(d) Repossessed assets

	<u>30/6/2023</u> HK\$ Mn	<u>31/12/2022</u> HK\$ Mn
Repossessed land and buildings <i>(Note)</i>	2,130	416
Repossessed vehicles and equipment	2	-
Repossessed machines	-	-
Total repossessed assets	<u>2,132</u>	<u>416</u>

The amount represents the estimated market value of the repossessed assets as at 30<sup>th</sup> June, 2023 and 31<sup>st</sup> December, 2022.

*Note: The balance included HK\$4 million (31/12/2022: HK\$26 million) 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](http://www.hkbea.com) or at the following direct link: [www.hkbea.com/regulatory\\_disclosures](http://www.hkbea.com/regulatory_disclosures).

## **INTERIM DIVIDEND**

The Board has declared an interim dividend for the six months ended 30<sup>th</sup> June, 2023 of HK\$0.36 per Share (the “2023 Interim Dividend”) (2022 Interim Dividend: HK\$0.16 per Share). The 2023 Interim Dividend will be paid on or about Thursday, 5<sup>th</sup> October, 2023 in cash, with an option to receive new, fully paid Shares in lieu of cash (the “Scrip Dividend Scheme”), to shareholders whose names appear on the Register of Members of the Bank at the close of business on Wednesday, 13<sup>th</sup> September, 2023. 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 Thursday, 7<sup>th</sup> September, 2023 (being the first day that the Shares will be traded ex-dividend) to Wednesday, 13<sup>th</sup> September, 2023 (both days inclusive). Details of the Scrip Dividend Scheme and the election form will be sent to shareholders on or about Wednesday, 13<sup>th</sup> September, 2023.

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 Thursday, 5<sup>th</sup> October, 2023.

## **CLOSURE OF REGISTER OF MEMBERS**

For the purpose of determining shareholders who qualify for the 2023 Interim Dividend, the Register of Members of the Bank will be closed from Monday, 11<sup>th</sup> September, 2023 to Wednesday, 13<sup>th</sup> September, 2023 (both days inclusive). In order to qualify for the 2023 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 Friday, 8<sup>th</sup> September, 2023.

## **FINANCIAL REVIEW**

### **Financial Performance**

For the first six months of 2023, the BEA Group earned a profit attributable to owners of the parent of HK\$2,636 million, representing an increase of 75.8% compared with the HK\$1,499 million earned in the same period in 2022.

The Group’s performance benefitted from an improved interest rate environment, as well as a resumption of business activity following the reopening of the Chinese Mainland’s borders. These factors offset continued pressures on asset quality arising from liquidity issues for clients in the Chinese commercial real estate (“CRE”) sector.

Basic earnings per share were HK\$0.87 in the first half of 2023, compared to HK\$0.39 in the corresponding period in 2022.

The annualised return on average assets increased by 30 basis points to 0.5%, while the annualised return on average equity increased by 2.6 percentage points to 4.8%.

Net interest income for the Group increased by HK\$2,215 million, or 38.0%, to HK\$8,045 million. Net interest margin (“NIM”) widened from 1.42% to 2.03% on the back of rising rates.

Net fee and commission income increased by 0.6% to HK\$1,450 million. Net fees and commissions from lending business and sales of third-party insurance policies increased by 17.3% and 15.7%, respectively. However, the increase was offset by the drop in commissions from investment products and securities brokerage. With weak market sentiment, customer investment activity remained slow, although momentum improved compared to the second half of 2022.

Other operating income was impacted by the disposal of Blue Cross (Asia-Pacific) Insurance Limited in August 2022.

Taken together, net trading and hedging results and net results from other financial instruments increased by HK\$101 million, or 18.5%, to HK\$642 million. Non-interest income fell by 2.5% to HK\$2,231 million.

Overall, total operating income increased by 26.6% to HK\$10,276 million.

Total operating expenses rose by HK\$182 million, or 4.1%, to HK\$4,588 million. Efficiency gains helped to moderate the increment from continued investment in the Bank's talent, sales, and digital capabilities. The cost-to-income ratio for the first half of 2023 improved by 9.6 percentage points to 44.7%, compared to 54.3% for the same period in 2022.

Impairment losses on financial instruments were HK\$2,492 million for the first half of 2023, higher year-on-year but lower than the level recorded in the second half of 2022. The Group's impaired loan ratio increased from 2.39% at the end of December 2022 to 2.56% at the end of June 2023. The impaired loan ratio for Hong Kong operations decreased from 2.92% to 2.85%, while that for Chinese Mainland operations rose from 2.75% to 3.15%.

Operating profit after impairment losses amounted to HK\$3,190 million, an increase of HK\$1,614 million, or 102.4%.

The Group's shared after-tax profits less losses from associates and joint ventures decreased by HK\$18 million to a profit of HK\$172 million.

After accounting for income taxes, profit rose to HK\$2,638 million, an increase of 74.7% compared to the HK\$1,510 million recorded in the first half of 2022.

## **Financial Position**

Total consolidated assets of the Group stood at HK\$872,069 million at the end of June 2023, a slight decrease of 1.2% compared to HK\$882,825 million at the end of 2022.

Continued efforts were made to reduce risk-weighted assets ("RWA") and manage down exposure to the CRE sector. As a result, gross advances to customers decreased by 3.2% to HK\$531,617 million.

Total equity attributable to owners of the parent rose by 1.0% to HK\$96,982 million.

Total deposits from customers decreased by 3.5% to HK\$625,722 million. Of the total, demand deposits and current account balances decreased by HK\$12,519 million, or 19.0%; savings deposits decreased by HK\$15,282 million, or 10.5%; and time deposits increased by HK\$5,430 million, or 1.2%. Total deposit funds, comprising deposits from customers and all certificates of deposit issued, decreased by 2.7% to HK\$662,310 million.

The loan-to-deposit ratio stood at 80.3% at the end of June 2023, compared to 80.6% at the end of 2022.

With a strong capital position, the Group continued its on-market share buyback programme. During the first half of 2023, 17,840,200 shares were repurchased on the Stock Exchange for a total consideration of HK\$183 million.

As at 30<sup>th</sup> June, 2023, the total capital ratio, tier 1 capital ratio, and common equity tier 1 capital ratio were 21.4%, 18.8%, and 16.8%, respectively. The average liquidity coverage ratio for the quarter ended 30<sup>th</sup> June, 2023 was 208.9%, well above the statutory minimum of 100%.

## **BUSINESS REVIEW**

### **Economic Review**

The global economy staged a mild recovery in the first half of 2023. Resilient labour market conditions, consumption growth, and a rebound in travel and tourism served as the underlying drivers. However, trade was subdued amid concerns over elevated inflation and tightening monetary policy.

Global headline inflation declined from its recent peak due to lower energy prices and the easing of supply chain bottlenecks. Despite this, core inflation remained stubbornly high due to wage growth and services inflation.

In response, major central banks have raised interest rates. Although monetary tightening has exposed vulnerabilities in the US and European banking sectors, interest rates are likely to remain elevated until there are definite signs that inflation is moving back towards target levels.

For the Chinese Mainland, real GDP increased by 5.5% year-on-year in the first half of 2023. The relaxation of pandemic restrictions has led to a gradual recovery of business activity.

Domestic consumption outperformed, with a notable expansion in consumer-facing services. Investment maintained steady growth with a focus on high-tech, innovation, and infrastructure projects. Industrial production also recovered, supported by the normalisation of manufacturing.

Chinese Mainland authorities have maintained a supportive policy environment to stabilise growth, consumption, and employment via tax incentives, refinancing schemes, and expediting infrastructure projects, amongst others. Notably, new measures were announced in July to ease liquidity problems for property developers. The 2023 Government Work Report set the annual GDP growth target at around 5.0%, the urban job creation target at around 12.0 million, and the inflation target at around 3.0%.

In Hong Kong, real GDP grew by around 2.2% year-on-year in the first half of 2023. The recovery has been supported by domestic demand, inbound travel, a solid labour market, and improved business sentiment. These developments have offset the drag from weakening external demand and global monetary tightening. The HKSAR Government forecasts that the Hong Kong economy will grow by between 4.0% and 5.0% in 2023, with moderate inflation at 2.4%.

## **Business – Hong Kong**

Under the favourable interest rate environment, the Bank's Hong Kong operations saw a strong recovery in the first half of 2023. Profit before tax rose by 177.2%.

The improvement was driven by a 68.4% increase in net interest income. NIM expanded by 76 basis points on the back of a significant rise in interbank interest rates.

With continued uncertainty over the outlook for the investment markets, non-interest income recorded a decline. However, fee income started to recover in the second quarter as business conditions improved following the reopening of the boundary with the Chinese Mainland. Revenues were supported by a strong performance from bancassurance sales.

Operating expenses were held flat as efficiency gains from the Bank's digitalisation and transformation programmes offset investment in frontline staff and digital capabilities. With positive operating jaws, pre-provision operating profit recorded strong growth of 86.4%.

The situation for the Chinese CRE sector remained challenging, resulting in additional provisions being made on certain accounts. Despite this, asset quality is stabilising. Impairment losses for the first half were higher year-on-year but below the peak in the second half of 2022.

Under these conditions, the Bank remained focused on risk management. Customer loans in Hong Kong were largely stable following efforts to reduce high-risk exposure, diversify the portfolio, and optimise the mix of RWA. Deposit balances were carefully managed to contain funding costs.

BEA is digitalising major customer journeys and enhancing its operating model in Hong Kong to drive further productivity gains. Wherever possible, back-office operations are being centralised, automated, or outsourced. Meanwhile, advanced RegTech solutions are being adopted to enhance the rigour and efficiency of risk and compliance functions.

Looking further ahead, the Bank will continue to build its wealth management capabilities to serve the growing needs of customers in Hong Kong, the GBA, and across Greater China.

### ***Retail Banking***

Benefitting from rising interest rates and the post-COVID recovery, performance for the Bank's retail operations improved significantly. Net profit more than doubled, led by a 117.1% rise in net interest income.

With deposit spreads benefitting in particular from the significant rise in Hong Kong Interbank Offered Rate, the Bank continued to attract new deposits from individuals and small businesses. The retail deposit balance increased by 5.2% from year-end 2022. Customer loans were also up by 2.0%, driven by higher credit card spending as well as solid growth in mortgages.

Net fee and commission income was flat. Income from retail sales of investment products was affected by weak market sentiment. This was partially offset by strong performance from bancassurance. Annualised new premiums more than doubled in the first half of the year, bringing in substantial fees and commissions. Income from MPF services also increased as assets under management ("AUM") rose, driven by growth in scheme members as well as improved investment returns.

To capture opportunities from the pandemic recovery and Chinese Mainland boundary reopening, BEA has significantly expanded its frontline salesforce in recent years. Additional measures including extended branch service hours and exclusive privileges have been used to drive customer acquisition. These efforts have been successful, with double-digit growth year-on-year across key target segments. Notably, the intake of new-to-bank cross-boundary customers was up by 29% from pre-COVID levels.

The Bank is working to ensure a seamless experience for customers across all channels. With this in mind, a revamped mobile application will be launched in phases starting from the second half of the year, providing a more user-friendly interface that makes it easier for clients to bank and invest with us.

### ***Wholesale Banking***

Wholesale banking business faced continued pressure in the first half of 2023. Certain sizeable corporate accounts experienced repayment difficulties due to challenges facing the Chinese CRE sector, as well as the rising interest rate environment in Hong Kong. Appropriate provisions were made to cover the associated risk, and performance was dragged as a result.

In view of these circumstances, the Bank maintained a prudent approach to new business. Priority was given to de-risking the corporate portfolio and improving RWA efficiency. Customer loans were reduced by 3.3% compared to December 2022, and with lower funding requirements, corporate deposits were also managed downwards.

Despite these challenges, pre-provision operating profit increased by 5.8% year-on-year. Net interest income was up by 2.0% on the back of widened margins. Meanwhile, non-interest income rose by 15.7%, driven by credit-related fees from syndicated loans. Offshore revenues also improved as the Bank strengthened its One Bank service proposition.

The Bank is focused on developing business with emerging players in new national strategic sectors with an aim to mitigate concentration risk. To this end, Wholesale Banking is working closely with BEA China to develop seamless onshore/offshore solutions for customers across the value chain in different sectors. Locally, we are refining our product offering and service delivery platform to better serve the needs of SMEs.

### ***Wealth Management***

With geopolitical tensions, inflation concerns, and a slower than expected economic recovery, market sentiment remained weak in the first half of the year. Private Banking recorded declines in both investment AUM and loans as customers continued to de-risk their portfolios.

Nevertheless, top-line performance improved for private wealth management. Non-interest income rose steadily on increased customer activity in structured products and foreign exchange trading. High-net-worth clients also showed renewed interest in insurance and succession planning for wealth protection and preservation.

The Bank has further strengthened its Private Banking team to capitalise on the return of business opportunities following the relaxation of COVID restrictions. The number of relationship managers increased by 11.5% compared to December 2022. As a result, we recorded good double-digit growth in customer acquisition, driven by accounts from the Chinese Mainland. Asset inflow from new-to-bank clients helped to mitigate the overall drop in AUM, providing a solid base for future income growth when investment sentiment improves.

We shall continue to build our wealth management offering for both retail and private banking customers. Discretionary portfolio management and advisory capabilities have been enhanced, and significant resources have been dedicated to further improving the Bank's securities trading services. BEA also offers one of the most extensive pools of ESG fund options in Hong Kong, catering to clients who are increasingly interested in sustainable impact investing.

### **Business – Chinese Mainland**

The Chinese Mainland's economy has shown signs of resurgence following the lifting of COVID restrictions. In the first half of 2023, it registered economic growth of 5.5%, boosted by policy support. The improved economic landscape enabled BEA China to grow its net profit to HK\$136 million, up from HK\$2 million in the same period last year.

Net interest income rose by 5.6% year-on-year to HK\$2,057 million, while NIM widened by 28 basis points to 2.07% at the end of June 2023, compared with 1.79% in the same period of 2022. The NIM expansion was largely attributable to the growth of internet lending, which offers relatively higher yields and stable risk performance. Non-interest income surged by 18.5% year-on-year to HK\$590 million, driven by both wholesale banking and personal banking. Operating expenses were HK\$1,625 million, up 9.6% year-on-year mainly due to a rise in platform fees for internet lending and some one-off adjustments. Consequently, BEA China's pre-provision operating profit expanded to HK\$1,022 million, up 6.2% year-on-year.

Total loans and advances of BEA China dropped by 5.4% from the end of 2022 to HK\$139,308 million, primarily due to the depreciation of the Renminbi while the proportion of property-related loans was further managed downwards.

The impaired loan ratio increased slightly to 3.15% at the end of June 2023, compared to 2.75% at the end of 2022, while impairment losses decreased by 15.7% year-on-year. BEA China continued to manage its asset quality through the gradual exit of high-risk accounts and proactive recovery efforts.

On the wholesale banking side, operating income rose by 16.7% year-on-year. BEA China has diversified its loan portfolio towards nationally important strategic industries and trade-related financing with non-property lending now representing 75% of the total wholesale banking portfolio. Such diversification efforts helped drive the share of low-cost deposit balances to 51.7%, the highest level since 2018, and led to higher net interest income. Non-interest income grew by 18.5% year-on-year through a variety of revenue sources such as syndicated loans, treasury sales, trade finance, as well as cross-boundary products and services.

On the personal banking side, operating income rose by 15.5% from a year earlier. As the higher-yield internet lending portfolio expanded to replace the reduction in the mortgage and credit card portfolio, net interest income grew by 15.4%. At the same time, BEA China has strengthened its wealth management focus in Beijing, Shanghai, and the GBA supported by segment-oriented product and service offerings in bancassurance and cross-boundary banking. As a result, non-interest income for the affluent segment grew by 36.9% year-on-year.

Under its Operational Efficiency Transformation project, BEA China has embarked on a three-year journey to further enhance its cost performance through organisational streamlining, process automation, and digitalisation. In particular, BEA China has established a digital lab in Qianhai, Shenzhen as a cradle for digital talent and as a centre to fuel fintech adaptations. The project has so far rationalised the workforce by 3% while continuously improving internal efficiency and the customer journey experience.

As at 30<sup>th</sup> June, 2023, BEA China operates one of the most extensive networks among foreign banks with 30 branches and 34 sub-branches covering 38 cities in the Chinese Mainland. In the GBA, BEA China leads all foreign banks in city coverage with 20 outlets in all GBA cities.

### **Business – International, Macau, and Taiwan**

In the first half of 2023, the Bank's overseas operations delivered a strong financial performance despite multiple economic headwinds, including recessionary concerns and high inflation.

During the period under review, pre-provision operating profit for our overseas branches soared 48.2% year-on-year to HK\$1,036 million, driven by an improvement in NIM.

Net profit after tax grew by 10.1%, even though branches in the UK and the US made additional Stage 1 provisions. The impaired loan ratio stood at 0.82% at the end of June 2023.

Even with inflationary pressures, the cost-to-income ratio improved to 26.4% compared with 33.6% in the same period last year, as a result of higher revenue.

Amid slower growth prospects and heightened credit risk within the CRE sector in the UK and the US, the operations there have focused on asset quality and proactively managed their portfolios.

Singapore Branch continued to reap the benefits of a previous strategic shift to corporate banking and its continued focus on cost discipline. Macau Branch, meanwhile, is poised to capitalise on growing cross-boundary business opportunities in the GBA. During the first half, Taiwan Branch maintained a vigilant approach given the economic slowdown.

As part of the Bank's digitalisation journey, BEA's overseas operations have been actively investing in technology to streamline their processes. Singapore Branch has expanded the online functionalities of its corporate Cyberbanking platform to enhance digital services for corporate customers. Taiwan Branch has replaced its core banking system to enrich customer experience and improve operational efficiency. Meanwhile, the UK Branch has also been working on digitalising its customer journey and data capabilities with a new customer relationship management system.

Looking ahead, amid the challenging business landscape, our overseas branches will continue to prudently onboard new businesses and optimise the mix of RWA to bolster returns.

### **BEA Union Investment Management Limited**

BEA Union Investment Management Limited ("BEA Union Investment") remains committed to protecting clients' assets by adopting a rigorous risk management process in the face of turbulences in the global market. AUM and advisory as at 30<sup>th</sup> June, 2023 totalled US\$7.0 billion, down from US\$7.3 billion as at 31<sup>st</sup> December, 2022 due to reduced business activities and a decline in capital market value.

Investment solutions that incorporate ESG factors are becoming increasingly popular with institutional and retail clients, and in response, BEA Union Investment introduced BU Asia Impact Bond Fund in June. This fund primarily invests in impact bonds, including green, social, and sustainability bonds in Asia.

Looking ahead, BEA Union Investment will continue to enhance its investment process and develop new ESG strategies to support Hong Kong's vision to become a premier centre for green and sustainable finance.

## Our People

As at 30<sup>th</sup> June, 2023, the BEA Group employed 8,261 people:

	As at 30 <sup>th</sup> June, 2023	As at 31 <sup>st</sup> December, 2022	As at 30 <sup>th</sup> June, 2022
Hong Kong	4,726	4,833	4,965
Chinese Mainland	2,980	3,060	3,121
Macau and Taiwan	122	130	129
Overseas	433	430	421
Total	<u>8,261</u>	<u>8,453</u>	<u>8,636</u>

Our people lie at the heart of BEA's transformation strategy, and the Bank is continuously making investments to attract and retain a diverse and digitally adept workforce that is capable of navigating change and meeting customer needs.

To ensure the Bank employs top talents, we have expanded our sourcing strategy to encompass the talent pool in the Chinese Mainland, particularly in digital and other key business areas. We also run trainee programmes such as Group Management Trainees, Wholesale Banking Trainees, and Audit Trainees to develop young talents, while continuing to participate in existing youth-oriented programmes, including the FinTech Career Accelerator Scheme and Corporate Summer Internship in Chinese Mainland. These programmes provide structured training and on-the-job experience for recent graduates and students, equipping them with essential knowledge and skills to become future general bankers, relationship managers, and specialists in fintech, audit, and GBA cross-boundary business.

We are also committed to nurturing our staff with agile and future-proof skills. Through a series of programmes on Design Thinking, we encourage our staff to embrace a culture of innovation and co-create human-centric solutions. We also introduced a mobile micro-learning platform with diversified and timely content to enable our staff to gain new knowledge and skills, anytime, anywhere, and we continue to run a variety of programmes to cultivate our staff's capacity in technology, data application, and culture building.

In another sign of our commitment to building strong leadership and talent pipelines, a new cohort of high-potential executives have embarked on the BEA Future Leader Accelerated Programme. A new Group Management Trainee Programme has kick-started in July to provide exposure across Hong Kong, the Chinese Mainland, and overseas for our young future leaders. BEA also provides ongoing training support and sponsorship for obtaining HKMA's Enhanced Competency Framework ("ECF") certification and, with the launch of the ECF-FinTech certification by the HKMA, BEA is actively supporting relevant staff to complete the required training and obtain the new credential.

Leveraging new technology and data science, centralisation and streamlining continue to be our key focuses in the remaining half of this year. New operating models are being developed in different job areas, fostering greater satisfaction and higher productivity amongst our staff. Our recent employee survey suggests most employees feel proud to work for BEA and are positive about the Bank's commitment to its transformation journey.

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

## Outlook

Despite a steady expansion in the first half of 2023, the resilience of the global economy will continue to be tested as the impacts of rapid monetary tightening are felt. A prolonged period of high interest rates will weaken consumer confidence, temper corporate appetite for capital investment, and tighten bank lending standards. Adding to this, geopolitical tensions may put additional pressure on global trade.

The Chinese Mainland's growth trajectory may have slowed, but its GDP is still expanding at a faster rate than advanced economies. The Mainland will continue to pursue high-quality development as the top long-term economic objective. Domestic consumption will remain the primary growth driver. Investment in targeted sectors like advanced technology, modern infrastructure, and green development will accelerate efforts to move up the value chain and achieve the nation's climate goals.

For Hong Kong, the recovery is being dragged by the effects of high interest rates and the global economic slowdown. However, tourism and other service-related industries should see improvement as visitor levels from the Chinese Mainland rise. The local economy is therefore expected to rebound from last year's pandemic lows. Looking further ahead, Hong Kong has an important role to play in developing offshore RMB business and strengthening connectivity with the Mainland capital markets.

The high interest-rate environment shall continue to benefit BEA's performance for the rest of 2023. At the same time, high rates have increased the cost of borrowing and dampened demand for loans. Nevertheless, we are cautiously optimistic on the prospects for certain sectors. The Bank shall maintain a disciplined approach to growth, with continued focus on de-risking our portfolio and driving sustainable fee-generating business.

In the longer term, we are committed to facilitating the development of cross-border financial services between Hong Kong, the Chinese Mainland, and beyond. We are diversifying into strategic sectors with policy support, and strengthening our wealth management capabilities across Greater China. Our international network of branches and strategic partnerships will continue to support clients seeking to invest and do business overseas. We are well-positioned to benefit from the region's long-term prospects.

### **Major Recognition – Business**

- **Best SME's Partner Award**  
"Best SME's Partner Gold Award"  
*Hong Kong General Chamber of Small and Medium Business*
- **Global Brand Awards 2023**  
"Best Personal Banking Brand"  
"Best New Digital Banking Product – "BEA GOAL""  
"Best Banking Product – "Virtual Card""  
*Global Brands Magazine*
- **Financial Institution Awards 2023**  
"Outstanding Achievement in Retail Bank of the Year"  
"Outstanding Achievement in Premium Segment Client Service"  
"Excellence Award in Customer Engagement"  
*Bloomberg Businessweek (Chinese Edition)*
- **Asian Private Banker 12th Awards For Distinction 2022**  
"Highly Commended Private Bank Hong Kong"  
*Asian Private Banker*
- **Asian Private Banker 5th China Wealth Awards 2022**  
"Best Private Bank – GBA (Silver)"  
*Asian Private Banker*
- **Asiamoney Private Banking Awards 2023**  
"Best for HNW in Hong Kong"  
*Asiamoney*

- **2023 Lipper Fund Awards**  
Best Fund over 10 years, Mixed Asset HKD Balanced  
Best Fund over 10 years, Mixed Asset HKD Conservative  
*Refinitiv Hong Kong*
- **2022 Outstanding Work Performance Award**  
“Institutional Contribution Award of Shanghai Banking Industry”  
“Outstanding Institution of Media Communications in Shanghai Banking Industry”  
“Outstanding Financial Services of Green Finance Supporting to Achieve Carbon Peaking and Carbon Neutrality Goals in Shanghai Banking Industry”  
*Shanghai Banking Association*

## **RISK MANAGEMENT**

The Group recognises that a sound risk culture is the foundation of its strength. To this end, the Group maintains 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**

The 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, is set out in the “Risk Management” section of the Bank’s Annual Report 2022.

### **Key Developments**

The business environment of the Group faced multiple headwinds and challenges including troubled property developers amid the struggling real estate sector in the Chinese Mainland, concerns over the US and European bank failures, and global economic uncertainties under hiking interest rates and inflationary pressures.

In response to these challenges, the Group has actively managed the associated risks, with enhanced risk management in the following areas in the first half of 2023:

- Additional resources have been allocated for management of special assets and credit monitoring to proactively identify risk in the loan book and mitigate risks in a timely manner. In addition to enhanced credit control, thematic reviews were regularly conducted on high-risk sectors and loan exposures that are most susceptible to the current challenges.
- The Group continues to constantly review and refine the Operational Risk Management Framework to manage material operational risks and to assure sustainability, as well as proactively enhance incident management and third-party risk management capabilities to meet regulatory expectations. The Group is also committed to further investing and strengthening the Operational Resilience Framework to reinforce the agility of critical operations and safeguard business and services stability.
- The Bank has worked collaboratively with other stakeholders to enhance anti-fraud controls amid the constantly evolving threat landscape, including the implementation of initiatives proposed by the HKMA and the Hong Kong Police Force.
- The risk appetite statement is aligned strategically with the Group’s Sustainability Vision and Mission Statements, and continuous efforts have been put on driving the green and sustainable lending business to support customers to realise their transition plans to a low-carbon economy. Furthermore, under the Group’s Green and Sustainable Finance (“GSF”) Framework, additional 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 2023, 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
<b>Macro-economy</b>	
<b>Global economic recovery remains uneven. Although the impact of the COVID-19 pandemic is abating, the global economy still faces an uncertain outlook arising from US-China tensions, elevated inflation, interest rate hikes, as well as the US and European bank failures; potentially derailing the recovery and offsetting the positive impact from the reopening of the Chinese Mainland border.</b>	<p>The Group will continue to monitor the market situation and its portfolios closely in order to manage risk exposure.</p> <p>From a credit risk perspective, the Bank continues to identify potential adverse events and devise ways to mitigate any impact on its capital adequacy and asset quality. Such measures include enhanced credit control on loan exposures most susceptible to the post-pandemic effects, thematic reviews on high-risk sectors, and stress testing on capital adequacy and loan-loss allowances. In response to the uncertainties arising from the liquidity and refinancing risk of the Mainland property sector, the Group is taking a conservative approach, with accounts being monitored closely. Overall credit exposure to the sector is being reduced amid the Group's broader diversification strategy. The Bank remains alert to the development of the Mainland property market, and lending appetite has become highly selective, with prudent and proactive credit risk management adopted to control loan asset quality.</p>
<b>In the US, effects from the rapidly tightening monetary policy are expected to gradually surface and could have repercussions on the US asset markets and economy, which are already gloomy due to the recent bank failures.</b>	<p>From a market and interest rate risk perspective, the Bank continues to assess trends, manage exposures, perform hedging scenario analysis or stress-testing, review its risk-taking strategy, and formulate mitigating actions as necessary.</p>
<b>In the Chinese Mainland, the unwinding of stringent COVID-19 restrictions and the introduction of supportive policy measures were intended to boost domestic consumption. However, in face of unresolved geopolitical tensions, global economic slowdown, and the uneven recovery of the Mainland's property market, full economic recovery still has some way to go.</b>	<p>From a compliance risk perspective, the Bank continues to track the development of relevant sanction regimes and mitigate risk exposure where appropriate.</p>
<b>In Hong Kong, a cautious optimism is expressed on domestic property market and local stock market after a price correction last year. With continued improvement in unemployment rate and private consumption along with the resumption of cross-boundary travel, signs of economic recovery are expected in the coming quarters.</b>	

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## Cybersecurity Risk

Cybersecurity risk is a key focus area for regulators and the banking industry, as these risks evolve rapidly. Attackers are constantly seeking more sophisticated and efficient ways to undermine banks' cyber security and operations.

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
- 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 policy
- Enhance cyber and information security training programmes including periodic phishing e-mail tests to promote security awareness among staff and improve security practices
- Cyber and information security risks and controls are regularly reviewed and reported to Directors in Risk Committee meetings quarterly

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## 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 consciousness throughout the Group, BEA has:

- Refined the GSF Framework to manage the Group's risk exposure to the "brown sectors" and to capture GSF business opportunities and support customers' transition to a low-carbon economy
- Incorporated climate risk considerations in the screening and assessment of credit applications
- Disclosed the Bank's ESG / climate risks and opportunities in the Group's 2022 ESG Report
- Introduced quantitative and qualitative risk appetite statements to monitor the Group's performance and risk tolerance on ESG / climate risk
- Integrated ESG / climate risk considerations in deriving the internal Pillar 2 capital requirement
- Incorporated greenness together with ESG / climate risk / greenwashing risk assessment for new green / ESG-themed products and services
- Promoted ESG awareness and capacity building among staff members

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## SUSTAINABILITY

In the first half of 2023, BEA continued to integrate sustainability principles into its strategy, governance practices, operations, and business activities. Our Bank-wide and divisional goals for the year were made with reference to our ESG strategy framework and its three pillars of responsible business, responsible operations, and responsible citizen, as well as the results of our extensive stakeholder engagement conducted in the second half of 2022. Members of our Department Head-level ESG Work Group are driving goal achievement while our General Manager-level ESG Steering Committee monitors the progress, which is then reported to the Board-level ESG Committee.

The first of two sustainability-related goals on the Bank-wide scorecard for 2023 is driving progress towards net zero financed emissions. Committed to achieving its goal of net zero financed emissions by 2050, BEA has developed a net zero roadmap, which consists of key initiatives and milestones, including target setting for all high-carbon emitting sectors by 2025.

During the period under review, BEA completed the collection of emissions data of five high-carbon emitting sectors, namely construction, energy, metals & mining, power, and transportation, which will be used to determine the financed emissions in the Group's portfolios. In the second half of this year, we plan to develop carbon reduction targets for the Group's energy and power sector portfolios, and to conduct business impact analysis to determine the potential impact on business performance.

As its second sustainability-related goal, BEA is driving GSF development by growing the amount of corporate GSF loans and ESG bond investments held as a percentage of total loan and bond investment assets. Promotion of transition finance solutions remains our strategic priority as we support our customers in improving their energy efficiency, increasing their use of renewable energy, and building more sustainable supply chains.

In April, BEA began extending GSF to the non-bank financial institution segment when it acted as one of the mandated lead arrangers and bookrunners of a USD300 million syndicated loan with a sustainable tranche for China Ping An Insurance Overseas (Holdings) Limited. The relevant proceeds have been used to finance or refinance eligible sustainable projects under the sustainability finance framework developed by the borrower, which complies with the Green Loan Principles and the Social Loan Principles.

In the UK, BEA participated as a lead arranger of a sustainability-linked loan for Cromwell EREIT Lux Finco S.à.r.l., a real estate investment trust company, with exposure totalling €20 million.

Locally, a new GSF advisory section has been set up under the Wholesale Banking Division. Working hand in hand with relationship managers, this specialist team promotes GSF opportunities, provides comprehensive GSF consulting services and collaborates with external reviewers to assist clients in their journey towards net zero.

In June, BEA Union Investment Management Limited received approval from the Securities and Futures Commission to launch the first Hong Kong-domiciled Asia Impact Bond Fund, the BU Asia Impact Bond Fund. The fund primarily invests in green, social, and sustainability bonds, with the proceeds being used to fund projects that address specific social or environmental issues. The fund is available for retail investors as well as investors in the GBA via the Cross-boundary Wealth Management Connect Scheme.

To support BEA's GSF development and enhance its ESG risk-related infrastructure, BEA issued new sector policies for construction, metals & mining, and transportation in addition to the policies for energy, power, and property development that were developed last year. Furthermore, the Bank incorporated climate risk assessment into the new product approval process for green labelled products in alignment with regulatory expectations.

To strengthen staff awareness and capability with respect to the Bank's climate efforts, ESG risk, and GSF, briefing sessions were conducted for the General Managers and Risk Heads of the Bank's overseas branches. GSF training was also organised for frontline and other relevant staff members across the Group, who gained greater understanding about the types of GSF products, BEA's GSF framework, global GSF-related policy developments, and other important topics.

On the operations side, BEA began implementing measures as part of its commitment to achieve net zero operational emissions by 2030. In the first half of 2023, BEA established a dedicated team to manage operational emissions, which drafted the Group's Sustainable Building Policy and guidelines. By the end of the year, we aim to establish deployment plans at the building-level across our markets to facilitate the implementation of carbon reduction initiatives.

BEA has identified financial literacy as a topic in which it has a high potential impact on society. In response, BEA has extended its “Peer Buddy” Programme to all branches in Hong Kong. The Programme aims to increase adoption rates of digital banking services among customers aged between 60 and 70. The Bank also launched the “Golden Afternoon” promotional programme for target customers, which includes a monthly lucky draw to encourage regular usage of Cyberbanking. In addition, senior customers were sent electronic direct mail that promotes the advantages of digital banking, security tips, and more.

In the US, BEA’s New York Branch organised two financial education webinars for students of Primary School #2 – The Meyer London at Manhattan and the International High School at Prospect Heights. The webinars introduced students to key banking operations and helped them develop a healthy attitude towards money management through interactive activities.

Throughout the year, BEA organises 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” volunteering campaign. Activities included a Lunar New Year food donation, coastal clean-up, a reforestation initiative, and pre-event workshops for our flagship community programmes, BEA Festival and BEA Upcycles, which involved more than 100 staff volunteers who contributed over 800 service hours.

For the eighth consecutive year, BEA served as the title sponsor of The Community Chest BEA Charity Golf Day, which raised over HK\$2.6 million for mental health services.

In Singapore, staff volunteers visited the Society for the Aged Sick. Branch staff interacted with the elderly residents through performances, engaging games, and a sing-a-long.

On the Chinese Mainland, BEA China joined hands with WWF and One Planet Foundation to launch the “Earth Nature School Project”, becoming the first strategic partner of the project in China. The project aims to raise environmental awareness among local youths and promote equity and inclusion in education by providing rural schools with biodiversity conservation courses. BEA China also initiated the “One Planet - One Bank” Arbour Day activities in 18 cities through its branch network. Native tree species were planted to restore the woodland ecosystem and preserve biodiversity. Over 500 colleagues and their family members contributed over 2,470 volunteer hours.

For more information on our efforts on the Chinese Mainland, please refer to BEA China’s first standalone ESG report for 2022, which can be accessed via BEA China’s website ([www.hkbea.com.cn/BeaInformation/Sustainability/ESGReport](http://www.hkbea.com.cn/BeaInformation/Sustainability/ESGReport)).

### **Major Recognition - Sustainability**

During the six months ended 30<sup>th</sup> June, 2023, the Bank received a number of awards in recognition of its sustainability-related performance.

These included:

- “HKIB Talent Development Awards 2023 (Category I)” in the HKIB Banking Industry Talent Development Awards Programme by The Hong Kong Institute of Bankers
- “Hong Kong Best Employer Brand” by LinkedIn
- “QF Star Employer” under the Qualification Framework Scheme by the Government of the Hong Kong Special Administrative Region (Education Bureau)
- “Diamond Award” in the Corporate & Employee Contribution Programme 2022/2023 (for the 29<sup>th</sup> consecutive year) by The Community Chest of Hong Kong
- “Caring Company” (for the 20<sup>th</sup> consecutive year) by The Hong Kong Council of Social Service
- “Manpower Developer” (received since 2012) under the ERB Manpower Developer Award Scheme by the Employees Retraining Board
- Indoor Air Quality Certificate – Excellent Class for The Bank of East Asia Building and BEA Tower; and Good Class for 33 Des Voeux Road Central by the Environmental Protection Department

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

### **On-market Share Buy-back**

During the six months ended 30<sup>th</sup> June, 2023, the Bank bought back a total of 17,840,200 Shares on the Stock Exchange at an aggregate consideration (excluding expenses) of approximately HK\$183.47 million. Details of the Shares bought back are set out below:

Month (2023)	No. of Shares bought back	Purchase price per Share		Aggregate consideration (excluding expenses) (HK\$)
		Highest (HK\$)	Lowest (HK\$)	
February	2,932,400	11.24	10.50	31,847,248
April	3,991,200	10.50	9.88	40,559,740
May	6,884,000	10.72	9.58	70,067,298
June	4,032,600	10.56	9.77	40,994,740
<b>Total</b>	<b>17,840,200</b>			<b>183,469,026</b>

Out of the 17,840,200 Shares bought back:

- 17,152,200 Shares were cancelled on or before 30<sup>th</sup> June, 2023;
- the remaining 688,000 Shares were cancelled on 31<sup>st</sup> July, 2023;
- 9,299,400 Shares were bought back pursuant to the general mandate granted by the shareholders at the 2022 Annual General Meeting held on 6<sup>th</sup> May, 2022 at an aggregate consideration of approximately HK\$97.24 million; and
- the remaining 8,540,800 Shares were bought back pursuant to the general mandate granted by the shareholders at the 2023 Annual General Meeting held on 11<sup>th</sup> May, 2023 at an aggregate consideration of approximately HK\$86.23 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<sup>th</sup> June, 2023.

### **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<sup>th</sup> June, 2023, the Bank has complied with all Code Provisions set out in the CG Code.

During the six months ended 30<sup>th</sup> June, 2023, 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<sup>th</sup> June, 2023 and the Bank's Interim Report 2023.

## **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 10 – 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 at all the applicable time during the six months ended 30<sup>th</sup> June, 2023.

By order of the Board

**Adrian David LI Man-kiu**  
Co-Chief Executive

**Brian David LI Man-bun**  
Co-Chief Executive

Hong Kong, 24<sup>th</sup> August, 2023

*As at the date of this announcement, the Board of Directors of the Bank comprises Dr. the Hon. Sir David LI Kwok-po<sup>#</sup> (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<sup>#</sup> (Co-Chief Executive), Mr. Brian David LI Man-bun<sup>#</sup> (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\*.*

<sup>#</sup> Executive Director

<sup>\*</sup> Non-executive Director

<sup>\*\*</sup> Independent Non-executive Director

## GLOSSARY

### 詞彙

2021 Scheme 「2021 計劃」	Staff Share Option Scheme approved by the shareholders of the Bank on 6th May, 2021 and adopted on 6th May, 2021 於 2021 年 5 月 6 日經股東批准及於 2021 年 5 月 6 日採納的僱員認股權計劃
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」	The circular in respect of Bank Culture Reform, issued by the HKMA on 2 <sup>nd</sup> March, 2017 金管局於 2017 年 3 月 2 日發出之銀行企業文化改革通告
Bank Group or BEA Group or Group 「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 14 to the Listing Rules 《上市規則》附錄 14 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 內有關《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 內有關《穩健的薪酬制度指引》
CHF 「瑞士法郎」	Swiss franc, the lawful currency of Switzerland 瑞士法定貨幣
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 包括任何任職本行董事職位的人士(不論其職銜如何)，或文義另有所指的人士

<b>ECL</b> 「預期信貸損失」	<b>Expected credit loss</b> 預期信貸損失
<b>ESG</b> 「環境、社會及管治」	<b>Environmental, social, and governance</b> 環境、社會及管治
<b>EUR or €</b> 「歐羅」	<b>Euro, the lawful currency of 20 of the 27 member states of the European Union</b> 歐洲聯盟 27 個成員國內，其中 20 個成員國採納的法定貨幣
<b>FVOCI</b> 「通過其他全面收益以反映公平價值」	<b>Fair value through other comprehensive income</b> 通過其他全面收益以反映公平價值
<b>FVTPL</b> 「通過損益以反映公平價值」	<b>Fair value through profit or loss</b> 通過損益以反映公平價值
<b>GBA</b> 「大灣區」	<b>Guangdong-Hong Kong-Macao Greater Bay Area</b> 粵港澳大灣區
<b>GBP</b> 「英鎊」	<b>Pound sterling, the lawful currency of the UK</b> 英國法定貨幣
<b>GDP</b> 「國內生產總值」	<b>Gross domestic product</b> 國內生產總值
<b>Guidance on Empowerment of INEDs</b> 「提升獨立非執行董事的專業能力指引」	<b>The guidance on Empowerment of Independent Non-Executive Directors (INEDs) in the Banking Industry in Hong Kong, issued by the HKMA</b> 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
<b>HK\$ or HKD</b> 「港幣」	<b>Hong Kong dollar, the lawful currency of Hong Kong</b> 香港法定貨幣
<b>HK\$ Mn</b> 「港幣百萬元」	<b>HK\$ Million</b> 港幣百萬元
<b>HKAS</b> 「香港會計準則」	<b>Hong Kong Accounting Standards</b> 香港會計準則
<b>HKEX</b> 「香港交易所」	<b>Hong Kong Exchanges and Clearing Limited</b> 香港交易及結算所有限公司
<b>HKFRS</b> 「香港財務報告準則」	<b>Hong Kong Financial Reporting Standards</b> 香港財務報告準則
<b>HKICPA</b> 「香港會計師公會」	<b>Hong Kong Institute of Certified Public Accountants</b> 香港會計師公會
<b>HKMA</b> 「金管局」	<b>Hong Kong Monetary Authority</b> 香港金融管理局
<b>Hong Kong or HK or HKSAR</b> 「香港」	<b>Hong Kong Special Administrative Region of the PRC</b> 中華人民共和國香港特別行政區
<b>IBOR</b> 「銀行同業拆借利率」	<b>Interbank Offered Rate</b> 銀行同業拆借利率

JPY 「日圓」	Japanese yen, the lawful currency of Japan 日本法定貨幣
LCR 「流動性覆蓋比率」	Liquidity Coverage Ratio 流動性覆蓋比率
LIBOR 「倫敦銀行同業拆借利率」	London Interbank Offered Rate 倫敦銀行同業拆借利率
Listing Rules  「《上市規則》」	The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (as amended, modified or otherwise supplemented from time to time) 《香港聯合交易所有限公司證券上市規則》，經不時修訂、修改或以其他方式補充
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
SFO  「《證券及期貨條例》」	The Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) 《證券及期貨條例》(香港法例第 571 章)
Share(s) 「股」或「股份」	Ordinary share(s) of the Bank 本行普通股
SIBOR 「新加坡銀行同業拆借利率」	Singapore Interbank Offered Rate 新加坡銀行同業拆借利率
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