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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)

INDEPENDENT REVIEW REPORT
AND
INTERIM RESULTS
FOR THE SIX MONTHS ENDED 30 JUNE 2025

Reference is made to the announcement of The Bank of East Asia, Limited (the "**Bank**", together with its subsidiaries, the "**Group**") dated 21 August 2025 in relation to the unaudited results of the Group for the six months ended 30 June 2025. The Bank's 2025 interim report is expected to be published by the Bank on the websites of Hong Kong Exchanges and Clearing Limited and the Bank on or about 17 September 2025. The independent review report and the interim results of the Bank for the six months ended 30 June 2025 are extracted in the appendix to this announcement.

As at 1 September 2025, the Board of Directors of the Bank comprises Dr the Hon. Sir David LI Kwok-po[#] (Executive Chairman), Professor Arthur LI Kwok-cheung^{} (Deputy Chairman), Dr Allan WONG Chi-yun^{**} (Deputy Chairman), Mr Aubrey LI Kwok-sing^{*}, Mr Stephen Charles LI Kwok-sze^{*}, Mr Adrian David LI Man-kiu[#] (Co-Chief Executive), Mr Brian David LI Man-bun[#] (Co-Chief Executive), Dr Daryl NG Win-kong^{*}, Dr the Hon. Rita FAN HSU Lai-tai^{**}, Mr Meocre LI Kwok-wing^{**}, Dr the Hon. Henry TANG Ying-yen^{**}, Dr Delman LEE^{**}, Mr William Junior Guilherme DOO^{**}, Dr David MONG Tak-yeung^{**} and Dr Francisco Javier SERRADO TREPAT^{*}.*

[#] Executive Director

^{*} Non-executive Director

^{**} Independent Non-executive Director



INDEPENDENT REVIEW REPORT

TO THE BOARD OF DIRECTORS OF THE BANK OF EAST ASIA, LIMITED

INTRODUCTION

We have reviewed the interim financial report set out on pages 2 to 61 which comprises the consolidated statement of financial position of The Bank of East Asia, Limited as of 30 June 2025 and the related consolidated income statement, consolidated statement of comprehensive income, consolidated statement of changes in equity and condensed consolidated cash flow statement for the six month period then ended and explanatory notes. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of an interim financial report to be in compliance with the relevant provisions thereof and Hong Kong Accounting Standard 34, "Interim financial reporting", issued by the Hong Kong Institute of Certified Public Accountants. The directors are responsible for the preparation and presentation of the interim financial report in accordance with Hong Kong Accounting Standard 34.

Our responsibility is to form a conclusion, based on our review, on the interim financial report and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

SCOPE OF REVIEW

We conducted our review 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 Hong Kong Institute of Certified Public Accountants. A review of the interim financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly we do not express an audit opinion.

CONCLUSION

Based on our review, nothing has come to our attention that causes us to believe that the interim financial report as at 30 June 2025 is not prepared, in all material respects, in accordance with Hong Kong Accounting Standard 34, "Interim financial reporting".

KPMG

Certified Public Accountants
8th Floor, Prince's Building
10 Chater Road
Central, Hong Kong

21 August 2025

INTERIM RESULTS

The Board of Directors of the Bank is pleased to announce the unaudited results (Note 1(a)) of the Group for the six months ended 30 June 2025. The interim financial report is prepared on a basis consistent with the accounting policies and methods adopted in the 2024 audited financial statements, except for the accounting policy changes that are expected to be reflected in the 2025 audited financial statements. Details of these changes in accounting policies are set out in Note 2. The interim financial report is unaudited, but 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. KPMG's independent review report to the Board is included on page 1.

Consolidated Income Statement

		6 months ended 30/6/2025	6 months ended 30/6/2024
	Notes	HK\$ Mn	HK\$ Mn
Interest income	3	16,897	20,379
Interest income calculated using the effective interest method		16,085	18,930
Related interest income		812	1,449
Interest expense	4	(9,553)	(12,151)
Net interest income		7,344	8,228
Fee and commission income		2,089	1,829
Fee and commission expense		(435)	(411)
Net fee and commission income	5	1,654	1,418
Net trading profit	6	1,092	752
Net result on financial instruments at FVTPL	7	4	(59)
Net result on financial assets measured at FVOCI	8	(14)	(80)
Net (loss)/profit on sale of financial assets measured at amortised cost		(12)	2
Net hedging profit	9	23	85
Other operating income	10	168	138
Non-interest income		2,915	2,256
Operating income		10,259	10,484
Operating expenses	11	(4,812)	(4,813)
Operating profit before impairment losses		5,447	5,671
Impairment losses on financial instruments	12	(2,539)	(2,881)
Impairment losses on associate	21	-	(94)
Impairment losses on other assets		-	(2)
Impairment losses		(2,539)	(2,977)
Operating profit after impairment losses		2,908	2,694
Net profit on sale of assets held for sale		-	1
Net loss on disposal of fixed assets	13	(3)	(10)
Valuation losses on investment properties	22	(98)	(75)
Share of profits less losses of associates and joint ventures		187	120
Profit for the period before taxation		2,994	2,730
Income tax	14	(570)	(609)
Profit for the period		2,424	2,121
Attributable to:			
Owners of the parent		2,407	2,111
Non-controlling interests		17	10
Profit for the period		2,424	2,121
Profit for the Bank		1,911	1,909
Earnings per share			
Basic	1(b)	HK\$0.86	HK\$0.69
Diluted	1(b)	HK\$0.86	HK\$0.69

Consolidated Statement of Comprehensive Income

		6 months ended 30/6/2025	6 months ended 30/6/2024
	Notes	HK\$ Mn	HK\$ Mn
Net profit		2,424	2,121
Other comprehensive income for the period:			
Items that will not be reclassified to income statement:			
Premises:			
- unrealised surplus on revaluation of premises		489	11
- deferred taxes	29	(51)	4
Fair value reserve (equity instruments):			
- net change in fair value		35	(88)
- deferred taxes	29	-	(3)
Liability credit reserve:			
- net change in fair value attributable to Group's own credit risk	24	-	(7)
- deferred taxes	24,29	-	1
Items that may be reclassified subsequently to income statement:			
Fair value reserve (debt instruments):			
- net change in fair value		(322)	915
- amount transferred to income statement on disposal		221	85
- deferred taxes	29	31	(169)
Hedging reserve (cash flow hedges):			
- effective portion of changes in fair value of hedging instruments		192	-
- amount transferred to income statement		(6)	-
- deferred taxes	29	(31)	-
Share of changes in equity of associates and joint ventures		2	26
Exchange differences arising from translation of accounts of overseas, Macau and Taiwan branches, subsidiaries, associates and joint ventures		2,087	(927)
Other comprehensive income		2,647	(152)
Total comprehensive income		5,071	1,969
Total comprehensive income attributable to:			
Owners of the parent		5,054	1,959
Non-controlling interests		17	10
		5,071	1,969

Consolidated Statement of Financial Position

	Notes	30/6/2025 HK\$ Mn	31/12/2024 HK\$ Mn
ASSETS			
Cash and balances with banks	15	36,008	41,304
Placements with and advances to banks	16	30,572	37,705
Trade bills	17	3,550	1,456
Trading assets	18	3,394	207
Derivative assets	35(b)	3,752	6,227
Loans and advances to customers	19	534,321	527,829
Investment securities	20	200,231	190,783
Investments in associates and joint ventures	21	9,169	8,448
Fixed assets	22	12,128	12,971
- Investment properties		5,660	4,979
- Other properties and equipment		5,792	7,298
- Right-of-use assets		676	694
Goodwill and intangible assets		3,021	1,836
Deferred tax assets	29	1,981	1,600
Other assets	23	53,297	47,393
Total Assets		891,424	877,759
EQUITY AND LIABILITIES			
Deposits and balances of banks		13,611	24,157
Deposits from customers		665,226	643,093
- Demand deposits and current accounts		76,227	65,685
- Savings deposits		159,123	134,908
- Time, call and notice deposits		429,876	442,500
Trading liabilities		24	66
Derivative liabilities	35(b)	4,032	5,796
Certificates of deposit issued		24,775	21,578
- Designated at fair value through profit or loss	24	157	705
- At amortised cost		24,618	20,873
Current taxation		2,375	1,870
Debt securities issued		-	387
- Designated at fair value through profit or loss	24	-	232
- At amortised cost		-	155
Deferred tax liabilities	29	712	685
Other liabilities	25	52,094	51,299
Loan capital – at amortised cost	26	18,836	23,089
Total Liabilities		781,685	772,020
Share capital	1(d)	42,135	42,060
Reserves	30	62,301	58,383
Total equity attributable to owners of the parent		104,436	100,443
Additional equity instruments	31	5,021	5,021
Non-controlling interests		282	275
Total Equity		109,739	105,739
Total Equity and Liabilities		891,424	877,759

Approved and authorised for issue by the Board on 21 August 2025.

David LI Kwok-po
Executive Chairman

Adrian David LI Man-kiu
Co-Chief Executive

Brian David LI Man-bun
Co-Chief Executive

Meocre LI Kwok-wing
Director

Consolidated Statement of Changes in Equity

	Share capital	General reserve	Revaluation reserve of bank premises	Capital reserve	Exchange revaluation reserve	Fair value reserve	Hedging reserve	Liability credit reserve	Other reserves ¹	Retained profits	Total	Additional equity instruments	Non-controlling interests	Total equity
	HK\$ Mn	HK\$ Mn	HK\$ Mn	HK\$ Mn	HK\$ Mn	HK\$ Mn	HK\$ Mn	HK\$ Mn	HK\$ Mn	HK\$ Mn	HK\$ Mn	HK\$ Mn	HK\$ Mn	HK\$ Mn
At 1 January 2025	42,060	13,658	2,286	1,017	(3,690)	2,365	(20)	-	5,226	37,541	100,443	5,021	275	105,739
Changes in equity														
Profit for the period	-	-	-	-	-	-	-	-	-	2,407	2,407	-	17	2,424
Other comprehensive income	-	-	438	-	2,087	(35)	155	-	2	-	2,647	-	-	2,647
Total comprehensive income	-	-	438	-	2,087	(35)	155	-	2	2,407	5,054	-	17	5,071
Shares issued in lieu of dividend (Note 1(d))	75	-	-	-	-	-	-	-	-	-	75	-	-	75
Equity settled share-based transaction	-	-	-	10	-	-	-	-	-	-	10	-	-	10
Transfer	-	-	-	(18)	-	-	-	-	161	(143)	-	-	-	-
Distribution/Dividends declared or approved during the period	-	-	-	-	-	-	-	-	-	(1,146)	(1,146)	-	(10)	(1,156)
At 30 June 2025	42,135	13,658	2,724	1,009	(1,603)	2,330	135	-	5,389	38,659	104,436	5,021	282	109,739
At 1 January 2024	41,915	13,658	2,270	1,034	(2,545)	1,338	-	4	5,154	35,145	97,973	10,090	263	108,326
Changes in equity														
Profit for the period	-	-	-	-	-	-	-	-	-	2,111	2,111	-	10	2,121
Other comprehensive income	-	-	15	-	(927)	740	-	(6)	26	-	(152)	-	-	(152)
Total comprehensive income	-	-	15	-	(927)	740	-	(6)	26	2,111	1,959	-	10	1,969
Shares issued in lieu of dividend (Note 1(d))	18	-	-	-	-	-	-	-	-	-	18	-	-	18
Equity settled share-based transaction	-	-	-	11	-	-	-	-	-	-	11	-	-	11
Transfer	-	-	-	(37)	-	-	-	-	45	(8)	-	-	-	-
Distribution/Dividends declared or approved during the period	-	-	-	-	-	-	-	-	-	(774)	(774)	-	(9)	(783)
Share buy-back under on-market share buyback programme ²	-	-	-	-	-	-	-	-	-	(160)	(160)	-	-	(160)
At 30 June 2024	41,933	13,658	2,285	1,008	(3,472)	2,078	-	(2)	5,225	36,314	99,027	10,090	264	109,381

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

2. In the first half of 2024, the Bank bought back 16 million issued shares on the Stock Exchange at a total consideration of HK\$159 million. Together with the direct transaction cost of approximately HK\$1 million, a total amount of HK\$160 million was accounted for as a deduction from retained profits.

		6 months ended 30/6/2025	6 months ended 30/6/2024
	Notes	HK\$ Mn	HK\$ Mn
NET CASH OUTFLOW FROM OPERATIONS		(14,920)	(12,376)
Income tax paid			
Hong Kong profits tax paid		(56)	(63)
Outside Hong Kong profits tax paid		(440)	(257)
NET CASH USED IN OPERATING ACTIVITIES		(15,416)	(12,696)
INVESTING ACTIVITIES			
Dividends received from equity securities measured at FVOCI		22	5
Purchase of fixed assets and intangible assets		(144)	(275)
Proceeds from disposal of fixed assets		-	4
Proceeds from sale of assets held for sale		-	8
NET CASH USED IN INVESTING ACTIVITIES		(122)	(258)
FINANCING ACTIVITIES			
Ordinary dividends paid		(934)	(467)
Distribution to Additional Tier 1 issue holders	1(c)	(147)	(298)
Payment for repurchase of shares under on-market share buyback programme		-	(160)
Payment for purchase of shares under RSU scheme		(2)	-
Issue of loan capital		-	8,914
Capital element of lease rentals paid		(124)	(133)
Interest element of lease rentals paid		(15)	(16)
Redemption of debt securities issued		(393)	(312)
Redemption of loan capital issued		(4,713)	(1,611)
Interest paid on debt securities issued		(6)	(12)
Interest paid on loan capital issued		(719)	(576)
NET CASH (USED IN)/GENERATED FROM FINANCING ACTIVITIES		(7,053)	5,329
NET DECREASE IN CASH AND CASH EQUIVALENTS		(22,591)	(7,625)
CASH AND CASH EQUIVALENTS AT 1 JANUARY		87,870	92,134
Effect of foreign exchange rate changes		1,491	(745)
CASH AND CASH EQUIVALENTS AT 30 JUNE	32	66,770	83,764
Cash flows from operating activities included:			
Interest received		17,021	20,241
Interest paid		9,124	11,823
Dividend received		2	6

Notes to the Interim Financial Statements

Notes:

1. (a) This interim report has been prepared in accordance with the same accounting policies adopted in the 2024 annual financial statements, except for the accounting policy changes that are expected to be reflected in the 2025 annual financial statements. Details of these changes in accounting policies are set out in Note 2 below.

The financial information relating to the financial year ended 31 December 2024 that is included in the interim financial report as comparative information does not constitute the Bank's statutory annual consolidated financial statements for that financial year but is derived from those financial statements. Further information relating to these statutory financial statements disclosed in accordance with section 436 of the Companies Ordinance is as follows:

The Bank has delivered the financial statements for the year ended 31 December 2024 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\$2,260 million (six months ended 30 June 2024: HK\$1,813 million) after accounting for the distribution of HK\$147 million (six months ended 30 June 2024: HK\$298 million) to Additional Tier 1 issue holders, and on the weighted average of 2,633 million ordinary shares outstanding during the six months ended 30 June 2025 (six months ended 30 June 2024: 2,645 million).
- (ii) The calculation of diluted earnings per share is the same as the calculation of basic earnings per share, except that the weighted average of ordinary shares is adjusted for the effects of all dilutive potential shares. For the six months ended 30 June 2025, the weighted average of ordinary shares adjusted for the effects of all dilutive potential shares was 2,636 million (six months ended 30 June 2024: 2,645 million).

(c) Distribution/Dividends

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

	6 months ended 30/6/2025	6 months ended 30/6/2024
	HK\$ Mn	HK\$ Mn
Interim dividend declared after the interim period of HK\$0.39 per share on 2,636 million shares (six months ended 30 June 2024: HK\$0.31 per share on 2,636 million shares)	<u>1,028</u>	<u>817</u>

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

Notes to the Interim Financial Statements (continued)**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 30/6/2025 HK\$ Mn	6 months ended 30/6/2024 HK\$ Mn
Second interim dividend of HK\$0.38 per share on 2,630 million shares (2024: HK\$0.18 per share on 2,645 million shares)	<u>999</u>	<u>476</u>

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

	6 months ended 30/6/2025 HK\$ Mn	6 months ended 30/6/2024 HK\$ Mn
Distribution paid on the Additional Tier 1 capital instruments	<u>147</u>	<u>298</u>

(d) Share Capital

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

	<u>30/6/2025</u>		<u>31/12/2024</u>	
	No. of shares		No. of shares	
	Million	HK\$ Mn	Million	HK\$ Mn
Ordinary shares, issued and fully paid:				
At 1 January	2,630	42,060	2,650	41,915
Shares issued in lieu of dividend	6	75	15	145
Share repurchased and cancelled	-	-	(35)	-
At 30 June/31 December	<u>2,636</u>	<u>42,135</u>	<u>2,630</u>	<u>42,060</u>

Share buy-back

In 2024, the Bank repurchased 34,602,200 shares on the Stock Exchange under on-market share buyback programme at an aggregate consideration (excluding expenses) of HK\$342 million and 35,432,000 shares were cancelled (including 829,800 shares repurchased in 2023), representing 1.31% and 1.34% of the ordinary shares in issue at the beginning of 2024, respectively.

Notes to the Interim Financial Statements (continued)

2. Changes in Accounting Policies

The HKICPA has issued a number of amendments to HKFRS Accounting Standards 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.

The Bank has adopted the RSU Scheme with effect from 1 January 2025. The RSU Scheme is an equity-settled share based payment arrangement under which RSUs are granted to employees of the Group as part of their remuneration package.

The fair value of RSUs granted to employees is recognised as an expense in the income statement with a corresponding increase in a capital reserve within equity. The fair value is determined by reference to the market value of the Shares on grant date, taking into account the terms and conditions upon which the RSUs were granted. Where the employees have to meet vesting conditions before becoming unconditionally entitled to the grant shares, the total estimated fair value of the RSUs is spread over the vesting period, taking into account the probability that the RSUs will vest.

During the vesting period, the Bank reviews its estimates of the number of grant shares that are expected to ultimately vest based on the vesting conditions at the end of each reporting period. Any resulting adjustment to the cumulative fair value recognised in prior years is charged or credited to the income statement for the year of the review, with a corresponding adjustment to the capital reserve.

Where the Bank acquires grant shares under the RSU Scheme from the market, the total consideration of Shares acquired from the market (including any directly attributable costs) is deducted from capital reserve. When the Bank elects for scrip in lieu of cash dividends, the value of Shares received under the scrip dividend scheme is deducted from capital reserve and adjusted to retained profits.

Upon vesting, the difference between the related acquisition costs of the vested grant shares and the corresponding fair value of RSUs are adjusted to retained profits.

3. Interest Income

	6 months ended 30/6/2025	6 months ended 30/6/2024
	HK\$ Mn	HK\$ Mn
Loans, placements with banks, and trade bills	12,204	15,494
Investment securities		
- measured at amortised cost or FVOCI	4,643	4,816
- mandatorily measured at FVTPL	27	49
Trading assets	23	20
	<u>16,897</u>	<u>20,379</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\$16,085 million (six months ended 30 June 2024: HK\$18,930 million), before hedging effect, for financial assets that are not recognised at FVTPL.

Notes to the Interim Financial Statements (continued)**4. Interest Expense**

	6 months ended 30/6/2025 <u>HK\$ Mn</u>	6 months ended 30/6/2024 <u>HK\$ Mn</u>
Customer deposits and deposits of banks		
- at amortised cost	8,321	10,807
- designated at FVTPL	15	54
Certificates of deposit and debt securities issued		
- at amortised cost	355	380
- designated at FVTPL	26	175
Subordinated notes carried at amortised cost	724	617
Lease liabilities	15	16
Other borrowings	97	102
	<u>9,553</u>	<u>12,151</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\$9,466 million (six months ended 30 June 2024: HK\$11,789 million), before hedging effect, for financial liabilities that are not recognised at FVTPL.

5. Net Fee and Commission Income

Fee and commission income is disaggregated by services:

	6 months ended 30/6/2025 <u>HK\$ Mn</u>	6 months ended 30/6/2024 <u>HK\$ Mn</u>
Loans, overdrafts and guarantees	467	452
Credit cards	402	400
Sale of third party insurance policies	393	311
Securities brokerage	148	93
Other retail banking services	122	102
Trust and other fiduciary activities	114	81
Investment products	100	100
Trade finance	94	71
Others	249	219
Total fee and commission income	<u>2,089</u>	<u>1,829</u>
Total fee and commission expense	<u>(435)</u>	<u>(411)</u>
	<u>1,654</u>	<u>1,418</u>

Notes to the Interim Financial Statements (continued)**5. Net Fee and Commission Income (continued)**

For fee income and expense arising from financial assets and financial liabilities not measured at FVTPL, the Group earned fee and commission income of HK\$435 million (six months ended 30 June 2024: HK\$399 million) which were included in above loan, overdrafts and guarantees and trade finance categories, and recognised insignificant relevant expenses (six months ended 30 June 2024: HK\$3 million) under total fee and commission expenses. These figures excluded amounts incorporated in determining the effective interest rate on such financial assets and financial liabilities.

For fee income and expense arising from trust and other fiduciary activities, the Group earned fee and commission income of HK\$114 million (six months ended 30 June 2024: HK\$81 million) as stated above and recognised relevant expenses of HK\$20 million (six months ended 30 June 2024: HK\$8 million) under total fee and commission expenses.

6. Net Trading Profit

	6 months ended 30/6/2025 HK\$ Mn	6 months ended 30/6/2024 HK\$ Mn
Profit on dealing in foreign currencies and funding swaps	546	255
Profit on trading securities	97	77
Net gain on derivatives	447	414
Dividend income from trading equity securities	2	6
	<u>1,092</u>	<u>752</u>

7. Net Result on Financial Instruments at FVTPL

	6 months ended 30/6/2025 HK\$ Mn	6 months ended 30/6/2024 HK\$ Mn
Net loss from financial instruments designated at FVTPL	(3)	(64)
Net gain from financial instruments mandatorily measured at FVTPL (other than those included in net trading profits)	7	5
	<u>4</u>	<u>(59)</u>

8. Net Result on Financial Assets Measured at FVOCI

	6 months ended 30/6/2025 HK\$ Mn	6 months ended 30/6/2024 HK\$ Mn
Net loss on sale of debt securities	(36)	(85)
Dividend income from equity securities	22	5
	<u>(14)</u>	<u>(80)</u>

Notes to the Interim Financial Statements (continued)

9. Net Hedging Profit

	6 months ended 30/6/2025 HK\$ Mn	6 months ended 30/6/2024 HK\$ Mn
Fair value hedges	23	85
Cash flow hedges	-	-
	<u>23</u>	<u>85</u>

10. Other Operating Income

	6 months ended 30/6/2025 HK\$ Mn	6 months ended 30/6/2024 HK\$ Mn
Rental from safe deposit boxes	64	59
Rental income on properties	56	56
Others	48	23
	<u>168</u>	<u>138</u>

11. Operating Expenses

	6 months ended 30/6/2025 HK\$ Mn	6 months ended 30/6/2024 HK\$ Mn
Contributions to defined contribution plan		
- Hong Kong	104	110
- Outside Hong Kong	120	115
Equity settled share-based payment expenses	12	11
Salaries and other staff costs	2,565	2,562
Total staff costs	<u>2,801</u>	<u>2,798</u>
Premises and equipment expenses excluding depreciation		
- Expenses relating to short-term leases	6	5
- Expenses relating to low value assets	1	5
- Variable lease payments not included in the measurement of lease liabilities	2	-
- Maintenance, repairs and others	477	434
Total premises and equipment expenses excluding depreciation	<u>486</u>	<u>444</u>
Depreciation and amortisation	<u>431</u>	<u>435</u>
Other operating expenses		
- Legal and professional fees	247	231
- Internet platform charges	235	277
- Communications, stationery and printing	144	139
- Advertising and business promotion expenses	104	124
- Others	364	365
Total other operating expenses	<u>1,094</u>	<u>1,136</u>
Total operating expenses	<u>4,812</u>	<u>4,813</u>

Notes to the Interim Financial Statements (continued)

12. Impairment Losses on Financial Instruments

	6 months ended 30/6/2025 <u>HK\$ Mn</u>	6 months ended 30/6/2024 <u>HK\$ Mn</u>
Loans and advances to customers	2,441	2,713
Debt securities	128	157
Others	(30)	11
	<u>2,539</u>	<u>2,881</u>

13. Net Loss on Disposal of Fixed Assets

	6 months ended 30/6/2025 <u>HK\$ Mn</u>	6 months ended 30/6/2024 <u>HK\$ Mn</u>
Net loss on disposal of bank premises, furniture, fixtures and equipment	(5)	(10)
Net profit on termination of lease	2	-
	<u>(3)</u>	<u>(10)</u>

Notes to the Interim Financial Statements (continued)**14. Income Tax**

(a) Taxation in the consolidated income statement represents:

	6 months ended 30/6/2025 HK\$ Mn	6 months ended 30/6/2024 HK\$ Mn
Current tax – Hong Kong		
Tax for the period	389	300
Over-provision in respect of prior years	(22)	(20)
	<u>367</u>	<u>280</u>
Current tax – outside Hong Kong		
Tax for the period	425	344
Under/(over)-provision in respect of prior years	132	(164)
	<u>557</u>	<u>180</u>
Deferred tax		
Origination and reversal of temporary differences	(354)	149
	<u>570</u>	<u>609</u>

The provision for Hong Kong profits tax is calculated at 16.5% (six months ended 30 June 2024: 16.5%) of the estimated assessable profits for the six months ended 30 June 2025.

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

(b) Pillar Two income taxes

In 2021, the Organisation for Economic Co-operation and Development published the Global Anti-Base Erosion Model Rules ("Pillar Two model rules") for a new global minimum tax reform applicable to large multinational enterprises. The Group falls within the scope of the Pillar Two model rules. From 1 January 2025, the Group is liable to Pillar Two income taxes under the Hong Kong Inland Revenue (Amendment) (Minimum Tax for Multinational Enterprise Groups) Ordinance 2025 for its earnings in Hong Kong and certain other jurisdictions where a domestic minimum top-up tax has not been implemented. For jurisdictions where domestic minimum top-up tax has been implemented, the Group is also liable to top-up tax in the respective jurisdictions. Under the legislation, the Group is obligated to pay a top-up tax for the difference between its Global Anti-Base Erosion effective tax rate per jurisdiction and the 15% minimum rate.

For the period ended 30 June 2025, the top-up tax exposure to the Group was assessed and relevant provision was recognised under current tax expenses. The Group has applied the temporary mandatory exception to recognising and disclosing information about deferred tax assets and liabilities related to Pillar Two income taxes.

Notes to the Interim Financial Statements (continued)

15. Cash and Balances with Banks

	30/6/2025	31/12/2024
	HK\$ Mn	HK\$ Mn
Cash in hand	902	1,435
Balances with central banks	23,775	29,410
Balances with other banks	11,331	10,459
Gross carrying amount before impairment allowances	<u>36,008</u>	<u>41,304</u>
Less: Impairment allowances	-	-
	<u>36,008</u>	<u>41,304</u>

16. Placements with and Advances to Banks

	30/6/2025	31/12/2024
	HK\$ Mn	HK\$ Mn
Placements with and advances to banks		
Maturing		
- within one month	27,810	37,033
- after one month but within one year	2,763	673
- after one year	-	-
Gross carrying amount before impairment allowances	<u>30,573</u>	<u>37,706</u>
Less: Impairment allowances	(1)	(1)
	<u>30,572</u>	<u>37,705</u>
Of which:		
Placements with and advances to central banks	<u>1,283</u>	<u>2,600</u>

17. Trade Bills

	30/6/2025	31/12/2024
	HK\$ Mn	HK\$ Mn
Measured at amortised cost		
Gross carrying amount before impairment allowances	2,898	803
Less: Impairment allowances	(6)	-
	<u>2,892</u>	<u>803</u>
Measured at FVOCI	658	653
	<u>3,550</u>	<u>1,456</u>

18. Trading Assets

	30/6/2025	31/12/2024
	HK\$ Mn	HK\$ Mn
Debt securities	3,175	-
Equity securities	36	53
Investment funds	183	154
	<u>3,394</u>	<u>207</u>

Notes to the Interim Financial Statements (continued)

19. Loans and Advances to Customers

(a) Loans and Advances to Customers

	30/6/2025	31/12/2024
	HK\$ Mn	HK\$ Mn
Measured at amortised cost		
Gross carrying amount before impairment allowances	539,075	532,931
Less: Impairment allowances	(4,854)	(5,102)
	<u>534,221</u>	<u>527,829</u>
Mandatorily measured at FVTPL	100	-
	<u>534,321</u>	<u>527,829</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.

	30/6/2025		31/12/2024	
	Gross advances	% of gross advances covered by collateral	Gross advances	% of gross advances covered by collateral
	HK\$ Mn	%	HK\$ Mn	%
Loans for use in Hong Kong				
Industrial, commercial and financial				
- Property development	18,456	58.55	20,317	62.87
- Property investment	37,251	93.41	39,520	92.24
- Financial concerns	12,391	36.82	13,148	47.41
- Stockbrokers	2,123	79.14	1,437	72.92
- Wholesale and retail trade	11,137	38.52	8,940	44.72
- Manufacturing	5,888	38.01	4,169	29.80
- Transport and transport equipment	2,987	30.51	3,766	19.38
- Recreational activities	143	97.90	132	99.42
- Information technology	5,481	43.82	3,465	48.90
- Others	30,200	52.64	30,000	52.68
Sub-total	<u>126,057</u>	61.66	<u>124,894</u>	64.14
Individuals				
- Loans for the purchase of flats in the Home Ownership Scheme, Private Sector Participation Scheme and Tenants Purchase Scheme	1,701	98.83	1,131	97.98
- Loans for the purchase of other residential properties	101,058	99.09	98,966	99.06
- Credit card advances	3,271	0.00	3,501	0.00
- Others	22,405	65.37	22,502	62.98
Sub-total	<u>128,435</u>	90.68	<u>126,100</u>	89.86
Total loans for use in Hong Kong	254,492	76.31	250,994	77.06
Trade finance	8,093	19.90	6,889	24.79
Loans for use outside Hong Kong (Note)	276,590	27.93	275,048	31.44
Total advances to customers	<u>539,175</u>	50.64	<u>532,931</u>	52.84

Notes to the Interim Financial Statements (continued)

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.

	30/6/2025		31/12/2024	
	Gross advances HK\$ Mn	% of gross advances covered by collateral %	Gross advances HK\$ Mn	% of gross advances covered by collateral %
Loans for use in Chinese Mainland				
Industrial, commercial and financial				
- Property development	17,749	55.51	21,473	51.91
- Property investment	5,477	72.86	6,016	71.40
- Financial concerns	48,473	13.81	44,808	13.92
- Wholesale and retail trade	14,860	5.50	13,177	6.06
- Manufacturing	16,662	6.29	16,002	1.47
- Transport and transport equipment	1,174	40.77	1,949	75.70
- Recreational activities	202	0.00	298	0.00
- Information technology	2,769	0.94	2,389	1.08
- Others	27,602	9.52	25,644	10.59
Sub-total	<u>134,968</u>	18.92	<u>131,756</u>	20.44
Individuals				
- Loans for the purchase of other residential properties	7,636	99.74	8,277	99.74
- Credit card advances	2,582	0.00	2,923	0.00
- Others	14,856	1.72	16,243	1.81
Sub-total	<u>25,074</u>	31.39	<u>27,443</u>	31.16
Total loans for use in Chinese Mainland	<u>160,042</u>	20.87	<u>159,199</u>	22.29

Notes to the Interim Financial Statements (continued)

19. Loans and Advances to Customers (continued)

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

	30/6/2025		31/12/2024	
	Gross advances	% of gross advances covered by collateral	Gross advances	% of gross advances covered by collateral
	HK\$ Mn	%	HK\$ Mn	%
Loans for use outside Hong Kong and Chinese Mainland				
Industrial, commercial and financial				
- Property development	4,928	56.34	6,298	64.05
- Property investment	27,241	72.91	26,676	77.20
- Financial concerns	9,171	21.40	13,739	63.34
- Wholesale and retail trade	6,067	14.13	4,697	13.06
- Manufacturing	14,859	1.91	13,860	1.25
- Transport and transport equipment	6,389	12.45	5,287	19.72
- Recreational activities	899	37.97	1,149	43.75
- Information technology	7,521	4.17	7,248	3.34
- Others	36,322	37.52	33,779	35.80
Sub-total	<u>113,397</u>	36.00	<u>112,733</u>	42.58
Individuals				
- Loans for the purchase of other residential properties	2,842	100.00	2,816	100.00
- Credit card advances	2	0.00	2	0.00
- Others	307	57.26	298	64.28
Sub-total	<u>3,151</u>	95.76	<u>3,116</u>	96.52
Total loans for use outside Hong Kong and Chinese Mainland	<u>116,548</u>	37.62	<u>115,849</u>	44.03
Total loans for use outside Hong Kong	<u>276,590</u>	27.93	<u>275,048</u>	31.44

Notes to the Interim Financial Statements (continued)

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 not less than 10% of total loans and advances to customers are as follows:

	30/6/2025	31/12/2024
	HK\$ Mn	HK\$ Mn
(i) Property investment		
a. Individually impaired loans	4,382	3,464
b. Specific provisions	803	582
c. Collective provisions	83	57
d. New provision charged to income statement	258	918
e. Written off	-	426
(ii) Loans for purchase of other residential properties		
a. Individually impaired loans	525	453
b. Specific provisions	20	9
c. Collective provisions	31	25
d. New provision charged to income statement	32	21
e. Written off	4	1
(iii) Financial concerns		
a. Individually impaired loans	51	229
b. Specific provisions	15	128
c. Collective provisions	66	72
d. New provision charged to income statement	33	342
e. Written off	118	249

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.

Notes to the Interim Financial Statements (continued)

19. Loans and Advances to Customers (continued)

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

The information concerning the breakdown of the gross amount of advances to customers by geographical areas is derived according to the location of the counterparties after taking into account any transfer of risk in accordance with the requirements of Banking (Disclosure) Rules. In general, such transfer of risk takes place if the claims are guaranteed by a party in a country which is different from that of the counterparty or if the claims are on an overseas branch of a bank whose head office is located in another country. The location of a party is determined by its residence which is the economic territory under whose laws the party is incorporated or registered. This requirement is different from the allocation under segment reporting in Note 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.

	30/6/2025				
	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	242,038	4,181	6,956	1,663	349
Chinese Mainland	189,346	3,506	5,728	1,698	554
Other Asian Countries and Regions	35,643	102	134	29	151
Others	72,148	602	1,374	197	213
Total	539,175	8,391	14,192	3,587	1,267
% of total advances to customers			<u>2.63%</u>		
	31/12/2024				
	Total advances to customers	Advances overdue for over three months	Impaired advances to customers	Specific provisions	Collective provisions
	HK\$ Mn	HK\$ Mn	HK\$ Mn	HK\$ Mn	HK\$ Mn
Hong Kong	239,272	3,180	6,824	1,834	353
Chinese Mainland	188,654	3,163	6,938	1,964	561
Other Asian Countries and Regions	34,585	221	272	135	95
Others	70,420	245	459	21	139
Total	532,931	6,809	14,493	3,954	1,148
% of total advances to customers			<u>2.72%</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.

Notes to the Interim Financial Statements (continued)

20. Investment Securities

	30/6/2025					
	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	2,487	537	34,913	-	-	37,937
Less: Impairment allowances	-	-	(839)	-	-	(839)
	2,487	537	34,074	-	-	37,098
Investment securities measured at FVOCI	25,557	162	134,166	1,034	-	160,919
Investment securities mandatorily measured at FVTPL	-	-	1,267	32	915	2,214
	28,044	699	169,507	1,066	915	200,231
	31/12/2024					
	Treasury bills (including Exchange Fund Bills)	Certificates of deposit held	Debt securities	Equity securities	Investment funds	Total
	HK\$ Mn	HK\$ Mn	HK\$ Mn	HK\$ Mn	HK\$ Mn	HK\$ Mn
Investment securities measured at amortised cost						
Gross carrying amount before impairment allowances	2,566	544	27,660	-	-	30,770
Less: Impairment allowances	-	-	(927)	-	-	(927)
	2,566	544	26,733	-	-	29,843
Investment securities measured at FVOCI	30,020	-	127,928	999	-	158,947
Investment securities mandatorily measured at FVTPL	-	-	1,219	1	773	1,993
	32,586	544	155,880	1,000	773	190,783

Equity Securities Designated at FVOCI

	30/6/2025		31/12/2024	
	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	1,034	22	999	16

Notes to the Interim Financial Statements (continued)

21. Investments in Associates and Joint Ventures

	30/6/2025	31/12/2024
	HK\$ Mn	HK\$ Mn
Share of net assets	10,330	9,629
Goodwill	458	438
	<u>10,788</u>	<u>10,067</u>
Less: Impairment allowances	(1,619)	(1,619)
	<u>9,169</u>	<u>8,448</u>

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

At 30 June 2025, the fair value of the Group's investment in AFFIN based on the quoted market price had been persistently below the carrying amount. As a result, the Group performed an impairment test on the investment using a value-in-use ("VIU") methodology and this demonstrated that the recoverable amount of the investment was HK\$4,057 million. The recoverable amount was higher than the carrying value of HK\$3,795 million and no further impairment charge was recognised (six months ended 30 June 2024: no impairment charge). The VIU calculation uses discounted cash flow projections based on AFFIN's latest forecast of financial results and estimates made by the Group's management for the next five years and extrapolating in perpetuity using a long-term growth rate of 3% to derive a terminal value. Discount rate of 11.40% (31/12/2024: 11.57%), which is based on a Capital Asset Pricing Model calculation for AFFIN, is used in the VIU calculation.

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

	Favourable change		Unfavourable change			
	Increase in VIU	VIU	Decrease in VIU	VIU		
	HK\$ Mn	HK\$ Mn	HK\$ Mn	HK\$ Mn		
At 30 June 2025						
Discount rate	-50 bps	274	4,331	+50 bps	(243)	3,814
Long-term growth rate	+50 bps	25	4,082	-50 bps	(21)	4,036
Expected cash flows	+10%	406	4,463	-10%	(406)	3,651

Notes to the Interim Financial Statements (continued)

22. Fixed Assets

	30/6/2025							
	Investment properties	Bank premises	Furniture, fixtures and equipment	Sub-total	Right-of-use assets – Bank premises	Right-of-use assets – Furniture, fixtures and equipment	Sub-total	Total
	HK\$ Mn	HK\$ Mn	HK\$ Mn	HK\$ Mn	HK\$ Mn	HK\$ Mn	HK\$ Mn	HK\$ Mn
Cost or valuation								
At 1 January 2025	4,979	7,578	7,216	14,794	1,329	26	1,355	21,128
Additions	-	2	58	60	89	-	89	149
Revaluation deficit	(98)	-	-	-	-	-	-	(98)
Disposals	-	-	(51)	(51)	-	-	-	(51)
Revaluation surplus on bank premises upon transfer to investment properties	-	489	-	489	-	-	-	489
Transfer from bank premises to investment properties	801	(801)	-	(801)	-	-	-	-
Transfer from investment properties to bank premises	(23)	23	-	23	-	-	-	-
Transfer from fixed assets to intangible assets (Note)	-	-	(3,182)	(3,182)	-	-	-	(3,182)
Expiry/termination of lease contracts	-	-	-	-	(163)	(13)	(176)	(176)
Less: Elimination of accumulated depreciation on revalued bank premises	-	(182)	-	(182)	-	-	-	(182)
Exchange adjustments	1	147	97	244	42	1	43	288
At 30 June 2025	5,660	7,256	4,138	11,394	1,297	14	1,311	18,365
Accumulated depreciation and impairment								
At 1 January 2025	-	2,340	5,156	7,496	642	19	661	8,157
Depreciation for the period	-	63	118	181	121	2	123	304
Expiry/termination of lease contracts	-	-	-	-	(157)	(13)	(170)	(170)
Elimination of accumulated depreciation on revalued bank premises	-	(182)	-	(182)	-	-	-	(182)
Transfer from fixed assets to intangible assets (Note)	-	-	(1,952)	(1,952)	-	-	-	(1,952)
Written off on disposal	-	-	(46)	(46)	-	-	-	(46)
Exchange adjustments	-	44	61	105	20	1	21	126
At 30 June 2025	-	2,265	3,337	5,602	626	9	635	6,237
Net book value at 30 June 2025	5,660	4,991	801	5,792	671	5	676	12,128
The gross amounts of the above assets are stated:								
At cost	-	6,508	4,138	10,646	1,297	14	1,311	11,957
At Directors' valuation - 1989	-	748	-	748	-	-	-	748
At professional valuation - 2025	5,660	-	-	-	-	-	-	5,660
	5,660	7,256	4,138	11,394	1,297	14	1,311	18,365

Note: The Group previously categorised the system applications and software under fixed assets in the statement of financial position. To more appropriately reflect the underlying nature, the relevant cost of HK\$3,182 million and accumulated depreciation of HK\$1,952 million were reclassified from fixed assets to intangible assets.

Notes to the Interim Financial Statements (continued)

22. Fixed Assets (continued)

	31/12/2024							
	Investment properties	Bank premises	Furniture, fixtures and equipment	Sub-total	Right-of-use assets – Bank premises	Right-of-use assets – Furniture, fixtures and equipment	Sub-total	Total
	HK\$ Mn	HK\$ Mn	HK\$ Mn	HK\$ Mn	HK\$ Mn	HK\$ Mn	HK\$ Mn	HK\$ Mn
Cost or valuation								
At 1 January 2024	5,105	7,931	6,910	14,841	1,428	23	1,451	21,397
Additions	-	5	532	537	199	5	204	741
Revaluation deficit	(145)	-	-	-	-	-	-	(145)
Disposals	-	(207)	(147)	(354)	-	-	-	(354)
Remeasurement	-	-	-	-	(6)	-	(6)	(6)
Revaluation surplus on bank premises upon transfer to investment properties	-	11	-	11	-	-	-	11
Transfer from bank premises to investment properties	45	(45)	-	(45)	-	-	-	-
Transfer from investment properties to bank premises	(26)	26	-	26	-	-	-	-
Expiry/termination of lease contracts	-	-	-	-	(267)	(2)	(269)	(269)
Less: Elimination of accumulated depreciation on revalued bank premises	-	(6)	-	(6)	-	-	-	(6)
Exchange adjustments	-	(137)	(79)	(216)	(25)	-	(25)	(241)
At 31 December 2024	4,979	7,578	7,216	14,794	1,329	26	1,355	21,128
Accumulated depreciation and impairment								
At 1 January 2024	-	2,365	4,873	7,238	651	15	666	7,904
Depreciation for the year	-	130	466	596	260	6	266	862
Expiry/termination of lease contracts	-	-	-	-	(257)	(2)	(259)	(259)
Elimination of accumulated depreciation on revalued bank premises	-	(6)	-	(6)	-	-	-	(6)
Written off on disposal	-	(101)	(133)	(234)	-	-	-	(234)
Exchange adjustments	-	(48)	(50)	(98)	(12)	-	(12)	(110)
At 31 December 2024	-	2,340	5,156	7,496	642	19	661	8,157
Net book value at 31 December 2024	4,979	5,238	2,060	7,298	687	7	694	12,971
The gross amounts of the above assets are stated:								
At cost	-	6,830	7,216	14,046	1,329	26	1,355	15,401
At Directors' valuation - 1989	-	748	-	748	-	-	-	748
At professional valuation - 2024	4,979	-	-	-	-	-	-	4,979
	4,979	7,578	7,216	14,794	1,329	26	1,355	21,128

Notes to the Interim Financial Statements (continued)**23. Other Assets**

	30/6/2025	31/12/2024
	HK\$ Mn	HK\$ Mn
Accrued interest	4,315	4,439
Customer liabilities under acceptances	35,821	32,817
Other accounts	13,721	10,601
Gross carrying amount before impairment allowances	<u>53,857</u>	<u>47,857</u>
Less: Impairment allowances	<u>(575)</u>	<u>(479)</u>
	<u>53,282</u>	<u>47,378</u>
Assets held for sale	15	15
	<u>53,297</u>	<u>47,393</u>

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

	30/6/2025	31/12/2024
	HK\$ Mn	HK\$ Mn
Certificates of deposit issued	157	705
Debt securities issued	-	232
	<u>157</u>	<u>937</u>

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

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

	30/6/2025	31/12/2024
	HK\$ Mn	HK\$ Mn
Balance at 1 January	-	4
Recognised in other comprehensive income during the period/year	-	(5)
Deferred tax	-	1
Balance at 30 June/31 December	<u>-</u>	<u>-</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 2025 (31/12/2024: Nil).

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

The carrying amount of financial liabilities designated at FVTPL at 30 June 2025 has no significant variance with the contractual amount due at maturity (31/12/2024: HK\$2 million lower).

Notes to the Interim Financial Statements (continued)

25. Other Liabilities

	30/6/2025	31/12/2024
	HK\$ Mn	HK\$ Mn
Accrued interest payable	4,336	4,667
Acceptance draft payable	35,821	32,817
Impairment allowances on financial guarantee contracts issued and loan commitments issued	101	133
Lease liabilities	747	765
Other accounts (Note)	11,089	12,917
	<u>52,094</u>	<u>51,299</u>

Note: Include contract liabilities of HK\$1,879 million (31/12/2024: HK\$1,956 million) from contracts with customers under HKFRS 15.

26. Loan Capital

	30/6/2025	31/12/2024
	HK\$ Mn	HK\$ Mn
Subordinated notes, at amortised cost with fair value hedge adjustments:		
USD500 million fixed rate Tier 2 capital securities due 22 April 2032 (1)	3,849	3,744
USD600 million fixed rate Tier 2 capital securities due 29 May 2030 (2)	-	4,669
USD650 million fixed rate Tier 2 capital securities due 27 June 2034 (3)	5,186	5,012
USD250 million fixed rate non-preferred loss absorbing capacity notes due 7 July 2028 (4)	1,938	1,886
USD500 million fixed rate non-preferred loss absorbing capacity notes due 15 March 2027 (5)	3,937	3,898
USD500 million fixed rate non-preferred loss absorbing capacity notes due 13 March 2027 (6)	3,926	3,880
	<u>18,836</u>	<u>23,089</u>

The Group has not had any defaults of principal, interest or other breaches with respect to its debt securities during the period/year ended 30 June 2025 and 31 December 2024.

Notes to the Interim Financial Statements (continued)**26. Loan Capital (continued)**

- (1) Loan capital with face value of US\$500 million (equivalent to HK\$3,926 million) and carrying amount of HK\$3,849 million (31/12/2024: HK\$3,744 million) represents subordinated notes carrying a coupon rate of 4.875% p.a. qualifying as Tier 2 capital and meeting the loss-absorbing capacity requirements issued on 22 April 2022 by the Bank. The notes are listed on the Stock Exchange, will mature on 22 April 2032 and are callable on 22 April 2027. The notes are under fair value hedge accounting and the hedge ineffectiveness of HK\$0.4 million loss was recorded in first half of 2025.
- (2) Loan capital with face value of US\$600 million (equivalent to HK\$4,659 million) and carrying amount of HK\$4,669 million as at 31 December 2024 represented subordinated notes carrying a coupon of 4% p.a. qualifying as Tier 2 capital and meeting the loss-absorbing capacity requirements issued on 29 May 2020 by the Bank. The notes were under fair value hedge accounting and the hedge ineffectiveness of HK\$0.1 million loss was recorded in first half of 2025. The notes were fully redeemed when they became callable on 29 May 2025.
- (3) Loan capital with face value of US\$650 million (equivalent to HK\$5,104 million) and carrying amount of HK\$5,186 million (31/12/2024: HK\$5,012 million) represents subordinated notes carrying a coupon of 6.75% p.a. qualifying as Tier 2 capital and meeting the loss-absorbing capacity requirements issued on 27 June 2024 by the Bank. The notes are listed on the Stock Exchange, will mature on 27 June 2034 and are callable on 27 June 2029. The notes are under fair value hedge accounting and the hedge ineffectiveness of HK\$0.3 million loss was recorded in first half of 2025.
- (4) Loan capital with face value of US\$250 million (equivalent to HK\$1,963 million) and carrying amount of HK\$1,938 million (31/12/2024: HK\$1,886 million) represents non-preferred loss-absorbing capacity notes carrying a coupon rate of 5.125% p.a. and meeting the loss-absorbing capacity requirements issued on 7 July 2022 by the Bank. The notes are listed on the Stock Exchange, will mature on 7 July 2028 and are callable on 7 July 2027. The notes are under fair value hedge accounting and insignificant hedge ineffectiveness was recorded in first half of 2025.
- (5) Loan capital with face value of US\$500 million (equivalent to HK\$3,926 million) and carrying amount of HK\$3,937 million (31/12/2024: HK\$3,898 million) represents non-preferred loss-absorbing capacity notes carrying a coupon rate of 6.75% p.a. and meeting the loss-absorbing capacity requirements issued on 15 March 2023 by the Bank. The notes are listed on the Stock Exchange, will mature on 15 March 2027 and are callable on 15 March 2026. The notes are under fair value hedge accounting and the hedge ineffectiveness of HK\$1.2 million profit was recorded in first half of 2025.
- (6) Loan capital with face value of US\$500 million (equivalent to HK\$3,926 million) and carrying amount of HK\$3,926 million (31/12/2024: HK\$3,880 million) represents non-preferred loss-absorbing capacity notes carrying a coupon rate of 6.625% p.a. and meeting the loss-absorbing capacity requirements issued on 13 March 2024 by the Bank. The notes are listed on the Stock Exchange, will mature on 13 March 2027 and are callable on 13 March 2026. The notes are under fair value hedge accounting and the hedge ineffectiveness of HK\$0.1 million profit was recorded in first half of 2025.

Notes to the Interim Financial Statements (continued)**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.

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

Treasury markets include treasury operations and securities dealing.

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

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

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

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

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

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

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

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

Notes to the Interim Financial Statements (continued)

27. Segment Reporting (continued)

	Hong Kong operations						Chinese Mainland operations	Overseas, Macau and Taiwan operations	Corporate management	Inter- segment elimination	Total
	Personal banking	Wholesale banking	Treasury markets	Wealth management	Others	Total					
	HK\$ Mn	HK\$ Mn	HK\$ Mn	HK\$ Mn	HK\$ Mn	HK\$ Mn					
6 months ended 30 June 2025											
Net interest income/(expense)	2,498	1,323	578	165	(79)	4,485	1,744	1,204	(89)	-	7,344
Non-interest income	846	389	78	527	189	2,029	799	105	-	(18)	2,915
Operating income/(expense)	3,344	1,712	656	692	110	6,514	2,543	1,309	(89)	(18)	10,259
Operating expenses	(858)	(226)	(99)	(223)	(1,399)	(2,805)	(1,591)	(434)	-	18	(4,812)
Operating profit/(loss) before impairment losses	2,486	1,486	557	469	(1,289)	3,709	952	875	(89)	-	5,447
Impairment losses on financial instruments	(71)	(1,305)	(38)	(72)	(2)	(1,488)	(698)	(353)	-	-	(2,539)
Operating profit/(loss) after impairment losses	2,415	181	519	397	(1,291)	2,221	254	522	(89)	-	2,908
Net (loss)/profit on disposal of fixed assets	(3)	-	-	-	(1)	(4)	1	-	-	-	(3)
Valuation (losses)/gains on investment properties	-	-	-	-	(99)	(99)	-	1	-	-	(98)
Share of profits less losses of associates and joint ventures	-	-	-	-	12	12	42	133	-	-	187
Profit/(loss) before taxation	2,412	181	519	397	(1,379)	2,130	297	656	(89)	-	2,994
Depreciation for the period	(92)	(5)	-	(3)	(76)	(176)	(102)	(26)	-	-	(304)
At 30 June 2025											
Segment assets	125,239	148,877	247,140	17,734	12,807	551,797	247,794	130,578	-	(47,929)	882,240
Investments in associates and joint ventures	-	-	-	-	55	55	3,759	5,355	-	-	9,169
Other assets – Assets held for sale	-	-	-	-	15	15	-	-	-	-	15
Total assets	125,239	148,877	247,140	17,734	12,877	551,867	251,553	135,933	-	(47,929)	891,424
Total liabilities	358,649	56,403	32,814	38,361	4,164	490,391	222,705	116,083	-	(47,494)	781,685

Notes to the Interim Financial Statements (continued)

27. Segment Reporting (continued)

	Hong Kong operations					Total	Chinese Mainland operations	Overseas, Macau and Taiwan operations	Corporate management	Inter-segment elimination	Total
	Personal banking	Wholesale banking	Treasury markets	Wealth management	Others						
	HK\$ Mn	HK\$ Mn	HK\$ Mn	HK\$ Mn	HK\$ Mn						
6 months ended 30 June 2024											
Net interest income/(expense)	2,794	1,395	684	186	(124)	4,935	1,922	1,326	45	-	8,228
Non-interest income	614	352	55	352	164	1,537	643	91	-	(15)	2,256
Operating income	3,408	1,747	739	538	40	6,472	2,565	1,417	45	(15)	10,484
Operating expenses	(848)	(227)	(95)	(196)	(1,336)	(2,702)	(1,711)	(415)	-	15	(4,813)
Operating profit/(loss) before impairment losses	2,560	1,520	644	342	(1,296)	3,770	854	1,002	45	-	5,671
(Charge for)/write back of impairment losses on financial instruments	(78)	(1,666)	5	(306)	2	(2,043)	(719)	(119)	-	-	(2,881)
Impairment losses on associate	-	-	-	-	-	-	(94)	-	-	-	(94)
Impairment losses on other assets	-	-	-	-	-	-	(2)	-	-	-	(2)
Operating profit/(loss) after impairment losses	2,482	(146)	649	36	(1,294)	1,727	39	883	45	-	2,694
Net profit on sale of asset held for sales	-	-	-	-	-	-	-	1	-	-	1
Net loss on disposal of fixed assets	(1)	-	-	-	-	(1)	(9)	-	-	-	(10)
Valuation losses on investment properties	-	-	-	-	(74)	(74)	-	(1)	-	-	(75)
Share of profits less losses of associates and joint ventures	-	-	-	-	(3)	(3)	28	95	-	-	120
Profit/(loss) before taxation	2,481	(146)	649	36	(1,371)	1,649	58	978	45	-	2,730
Depreciation for the period	(105)	(9)	(6)	(4)	(112)	(236)	(163)	(29)	-	-	(428)
At 31 December 2024											
Segment assets	124,403	147,833	250,180	16,480	12,427	551,323	242,878	127,701	-	(52,606)	869,296
Investments in associates and joint ventures	-	-	-	-	44	44	3,598	4,806	-	-	8,448
Other assets – Assets held for sale	-	-	-	-	15	15	-	-	-	-	15
Total assets	124,403	147,833	250,180	16,480	12,486	551,382	246,476	132,507	-	(52,606)	877,759
Total liabilities	361,929	42,612	49,125	33,622	3,578	490,866	218,836	114,439	-	(52,121)	772,020

Notes to the Interim Financial Statements (continued)

28. Analysis of Assets and Liabilities by Remaining Maturity

	30/6/2025							Total HK\$ Mn
	Repayable on demand	Within 1 month	3 months or less but over 1 month	1 year or less but over 3 months	5 years or less but over 1 year	Over 5 years	Undated or overdue	
	HK\$ Mn	HK\$ Mn	HK\$ Mn	HK\$ Mn	HK\$ Mn	HK\$ Mn	HK\$ Mn	
Assets								
Cash and balances with banks	27,961	59	105	784	-	-	7,099	36,008
Placements with and advances to banks	-	27,809	1,916	847	-	-	-	30,572
Trade bills	3	277	478	2,792	-	-	-	3,550
Trading assets	-	-	-	416	2,605	154	219	3,394
Derivative assets	-	-	-	-	-	-	3,752	3,752
Loans and advances to customers	2,718	70,235	51,568	121,248	164,827	114,780	8,945	534,321
Investment securities	-	7,646	13,665	21,323	86,888	68,646	2,063	200,231
Investments in associates and joint ventures	-	-	-	-	-	-	9,169	9,169
Fixed assets	-	-	-	-	-	-	12,128	12,128
Goodwill and intangible assets	-	-	-	-	-	-	3,021	3,021
Deferred tax assets	-	-	-	-	-	-	1,981	1,981
Other assets	27	9,441	11,698	19,512	923	817	10,879	53,297
Total assets	30,709	115,467	79,430	166,922	255,243	184,397	59,256	891,424
Liabilities								
Deposits and balances of banks	1,240	8,712	3,336	323	-	-	-	13,611
Deposits from customers	236,925	115,235	165,683	137,964	9,419	-	-	665,226
- Demand deposits and current accounts	76,227	-	-	-	-	-	-	76,227
- Savings deposits	159,123	-	-	-	-	-	-	159,123
- Time, call and notice deposits	1,575	115,235	165,683	137,964	9,419	-	-	429,876
Trading liabilities	-	-	-	-	-	-	24	24
Derivative liabilities	-	-	-	-	-	-	4,032	4,032
Certificates of deposit issued	-	3,362	11,303	8,389	1,721	-	-	24,775
Current taxation	-	-	-	2,375	-	-	-	2,375
Deferred tax liabilities	-	-	-	-	-	-	712	712
Other liabilities	993	8,403	12,230	20,988	1,427	1,049	7,004	52,094
- Lease liabilities	-	21	37	154	375	160	-	747
- Other accounts	993	8,382	12,193	20,834	1,052	889	7,004	51,347
Loan capital	-	-	-	7,863	10,973	-	-	18,836
Total liabilities	239,158	135,712	192,552	177,902	23,540	1,049	11,772	781,685
Net gap	(208,449)	(20,245)	(113,122)	(10,980)	231,703	183,348		

Notes to the Interim Financial Statements (continued)

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

	31/12/2024							Total HK\$ Mn
	Repayable on demand	Within 1 month	3 months or less but over 1 month	1 year or less but over 3 months	5 years or less but over 1 year	Over 5 years	Undated or overdue	
	HK\$ Mn	HK\$ Mn	HK\$ Mn	HK\$ Mn	HK\$ Mn	HK\$ Mn	HK\$ Mn	
Assets								
Cash and balances with banks	33,319	-	19	527	-	-	7,439	41,304
Placements with and advances to banks	-	37,032	673	-	-	-	-	37,705
Trade bills	40	462	149	804	-	-	1	1,456
Trading assets	-	-	-	-	-	-	207	207
Derivative assets	-	-	-	-	-	-	6,227	6,227
Loans and advances to customers	2,710	71,543	46,298	128,087	157,031	113,728	8,432	527,829
Investment securities	-	9,058	17,207	22,862	72,356	67,348	1,952	190,783
Investments in associates and joint ventures	-	-	-	-	-	-	8,448	8,448
Fixed assets	-	-	-	-	-	-	12,971	12,971
Goodwill and intangible assets	-	-	-	-	-	-	1,836	1,836
Deferred tax assets	-	-	-	-	-	-	1,600	1,600
Other assets	1,497	8,904	10,092	17,633	707	756	7,804	47,393
Total assets	37,566	126,999	74,438	169,913	230,094	181,832	56,917	877,759
Liabilities								
Deposits and balances of banks	1,122	8,410	7,994	6,631	-	-	-	24,157
Deposits from customers	202,819	113,325	210,013	101,464	15,472	-	-	643,093
- Demand deposits and current accounts	65,685	-	-	-	-	-	-	65,685
- Savings deposits	134,908	-	-	-	-	-	-	134,908
- Time, call and notice deposits	2,226	113,325	210,013	101,464	15,472	-	-	442,500
Trading liabilities	-	-	-	-	-	-	66	66
Derivative liabilities	-	-	-	-	-	-	5,796	5,796
Certificates of deposit issued	-	4,118	6,558	8,882	2,020	-	-	21,578
Current taxation	-	-	-	1,870	-	-	-	1,870
Debt securities issued	-	-	387	-	-	-	-	387
Deferred tax liabilities	-	-	-	-	-	-	685	685
Other liabilities	1,131	11,566	10,989	18,253	1,914	1,119	6,327	51,299
- Lease liabilities	-	24	39	155	380	167	-	765
- Other accounts	1,131	11,542	10,950	18,098	1,534	952	6,327	50,534
Loan capital	-	-	-	4,669	18,420	-	-	23,089
Total liabilities	205,072	137,419	235,941	141,769	37,826	1,119	12,874	772,020
Net gap	(167,506)	(10,420)	(161,503)	28,144	192,268	180,713		

Notes to the Interim Financial Statements (continued)

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	Cash flow hedge	Tax losses	Others	Total
	HK\$ Mn	HK\$ Mn	HK\$ Mn	HK\$ Mn	HK\$ Mn	HK\$ Mn	HK\$ Mn	HK\$ Mn
At 31 December 2024/ 1 January 2025	(404)	(107)	1,663	(310)	4	15	54	915
Credited/(charged)/ to income statement	1	-	356	-	-	2	(5)	354
(Charged)/credited to reserves	-	(51)	-	31	(31)	-	-	(51)
Exchange and other adjustments	-	-	51	(1)	-	1	-	51
At 30 June 2025	<u>(403)</u>	<u>(158)</u>	<u>2,070</u>	<u>(280)</u>	<u>(27)</u>	<u>18</u>	<u>49</u>	<u>1,269</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:

	<u>30/6/2025</u> HK\$ Mn	<u>31/12/2024</u> HK\$ Mn
Net deferred tax assets recognised on the statement of financial position	1,981	1,600
Net deferred tax liabilities recognised on the statement of financial position	<u>(712)</u>	<u>(685)</u>
	<u>1,269</u>	<u>915</u>

Notes to the Interim Financial Statements (continued)

30. Reserves

	30/6/2025	31/12/2024
	HK\$ Mn	HK\$ Mn
General reserve	13,658	13,658
Revaluation reserve on bank premises	2,724	2,286
Capital reserve (1)	1,009	1,017
Exchange revaluation reserve	(1,603)	(3,690)
Fair value reserve	2,330	2,365
Hedging reserve	135	(20)
Liability credit reserve	-	-
Other reserves	5,389	5,226
Retained profits (2)	38,659	37,541
	<u>62,301</u>	<u>58,383</u>
Proposed dividends, not provided for	<u>1,028</u>	<u>999</u>

- (1) Shares acquired for the RSU Scheme are held by the independent trustee (the "Trustee"), who has been appointed by the Bank to administer the RSU Scheme, and the total consideration (including any directly attributable costs) is deducted from capital reserve. Movement for the shares held for the RSU Scheme is set out below:

	30/6/2025	
	No. of shares	HK\$ Mn
At 1 January	-	-
Acquisition of shares by the Trustee	<u>(200,000)</u>	<u>(2)</u>
At 30 June	<u>(200,000)</u>	<u>(2)</u>

- (2) 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 profits and in consultation with the HKMA. As at 30 June 2025, the effect of this requirement is to restrict the amount of reserves which can be distributed by the Bank to shareholders by HK\$2,513 million (31/12/2024: HK\$2,586 million).

Notes to the Interim Financial Statements (continued)

31. Additional Equity Instruments

	30/6/2025 HK\$ Mn	31/12/2024 HK\$ Mn
USD650 million Additional Tier 1 capital securities	5,021	5,021

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

32. Consolidated Cash Flow Statement

Cash and cash equivalents

	30/6/2025 HK\$ Mn	30/6/2024 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	27,961	31,723
Placements with and advances to banks with original maturity within three months	28,716	40,867
Treasury bills with original maturity within three months	9,473	10,620
Certificates of deposit held with original maturity within three months	537	-
Debt securities with original maturity within three months	83	554
	<u>66,770</u>	<u>83,764</u>
(ii) Reconciliation with the consolidated statement of financial position		
Cash and balances with banks	36,008	39,988
Placements with and advances to banks	30,572	44,088
Treasury bills, certificates of deposit held and debt securities		
- trading assets	3,175	590
- investment securities	198,250	181,268
	<u>201,425</u>	<u>181,858</u>
Amounts shown in the consolidated statement of financial position	268,005	265,934
Less: Amounts with an original maturity of beyond three months	(193,188)	(173,904)
Cash balance with central bank subject to regulatory restriction	(8,047)	(8,266)
Cash and cash equivalents in the consolidated cash flow statement	<u>66,770</u>	<u>83,764</u>

Notes to the Interim Financial Statements (continued)**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 Instruments Valuation Group ("IVG"), 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.

Notes to the Interim Financial Statements (continued)**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:

	30/6/2025				31/12/2024			
	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
	HK\$ Mn	HK\$ Mn	HK\$ Mn	HK\$ Mn	HK\$ Mn	HK\$ Mn	HK\$ Mn	HK\$ Mn
Recurring fair value measurement								
Assets								
Trade Bills – Measured at FVOCI	-	658	-	658	-	653	-	653
Trading assets	219	3,175	-	3,394	207	-	-	207
Derivative assets	-	3,752	-	3,752	-	6,227	-	6,227
Loans mandatorily measured at FVTPL	-	100	-	100	-	-	-	-
Investment securities								
- Mandatorily measured at FVTPL	30	1,692	492	2,214	-	1,485	508	1,993
- Measured at FVOCI	32,007	127,878	1,034	160,919	36,097	121,851	999	158,947
	<u>32,256</u>	<u>137,255</u>	<u>1,526</u>	<u>171,037</u>	<u>36,304</u>	<u>130,216</u>	<u>1,507</u>	<u>168,027</u>
Liabilities								
Trading liabilities	24	-	-	24	66	-	-	66
Derivative liabilities	-	4,032	-	4,032	6	5,790	-	5,796
Financial liabilities designated at FVTPL	-	157	-	157	-	937	-	937
	<u>24</u>	<u>4,189</u>	<u>-</u>	<u>4,213</u>	<u>72</u>	<u>6,727</u>	<u>-</u>	<u>6,799</u>

During the period ended 30 June 2025 and year ended 31 December 2024, 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.

Notes to the Interim Financial Statements (continued)

33. Fair Values of Financial Instruments (continued)

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

Information about significant unobservable inputs in Level 3 valuations:

	<u>Valuation technique</u>	<u>Significant unobservable input(s)</u>	<u>Range</u>
Unlisted equity securities and investment funds	Net asset value	N/A	N/A
	Discounted cash flow model	Discount rate	30/6/2025: 8.9% (31/12/2024: 10.4%)
		Marketability discount	30/6/2025: 20% (31/12/2024: 20%)
	Market-comparable approach	Earnings multiple	30/6/2025: 33.37–37.39 (31/12/2024: 31.45–37.69)
		EV/EBIT	30/6/2025: 20.38–20.50 (31/12/2024: 20.50–21.16)
Marketability discount		30/6/2025: 50% (31/12/2024: 50%)	

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

Notes to the Interim Financial Statements (continued)

33. Fair Values of Financial Instruments (continued)

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

(1) Valuation of financial instruments with significant unobservable inputs

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

	30/6/2025		31/12/2024	
	Investment securities mandatorily measured at FVTPL HK\$ Mn	Investment securities measured at FVOCI HK\$ Mn	Investment securities mandatorily measured at FVTPL HK\$ Mn	Investment securities measured at FVOCI HK\$ Mn
Assets				
At 1 January	508	999	533	959
Additions/Purchases	-	-	1	-
Disposals/Settlements	(2)	-	(36)	-
Changes in fair value recognised in the income statement	(14)	-	10	-
Changes in fair value recognised in the other comprehensive income	-	35	-	40
At 30 June/31 December	<u>492</u>	<u>1,034</u>	<u>508</u>	<u>999</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>35</u>	<u>-</u>	<u>40</u>
Total (losses)/gains for the period included in net result on financial instruments at FVTPL of the income statement for assets held at the end of the reporting period	<u>(14)</u>	<u>-</u>	<u>11</u>	<u>-</u>

Notes to the Interim Financial Statements (continued)

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

	30/6/2025			
	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	41	(41)	-	-
Investment securities measured at FVOCI	-	-	86	(86)
	<u>41</u>	<u>(41)</u>	<u>86</u>	<u>(86)</u>
	31/12/2024			
	Effect recorded in profit or loss		Effect recorded directly in equity	
	Favourable	(Unfavourable)	Favourable	(Unfavourable)
	HK\$ Mn	HK\$ Mn	HK\$ Mn	HK\$ Mn
Financial assets				
Investment securities mandatorily measured at FVTPL	42	(42)	-	-
Investment securities measured at FVOCI	-	-	83	(83)
	<u>42</u>	<u>(42)</u>	<u>83</u>	<u>(83)</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.

Notes to the Interim Financial Statements (continued)**33. Fair Values of Financial Instruments (continued)****(b) Fair Values of Financial Instruments Carried at other than Fair Value**

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

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

The carrying amounts of the Group's financial instruments carried at cost or amortised cost are not materially different from their fair values as at 30 June 2025 and 31 December 2024.

Notes to the Interim Financial Statements (continued)**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.

Notes to the Interim Financial Statements (continued)

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.

	30/6/2025							
	12-month ECL		Lifetime ECL not credit-impaired		Lifetime ECL credit-impaired		Total	
	Principal	Accrued interest	Principal	Accrued interest	Principal	Accrued interest	Principal	Accrued interest
	HK\$ Mn	HK\$ Mn	HK\$ Mn	HK\$ Mn	HK\$ Mn	HK\$ Mn	HK\$ Mn	HK\$ Mn
Loans and advances to customers at amortised cost								
Grades 1-15: Pass	500,367	1,326	11,049	34	-	-	511,416	1,360
Grades 16-17: Special Mention	-	-	13,567	73	-	-	13,567	73
Grade 18: Substandard	-	-	-	-	5,000	137	5,000	137
Grade 19: Doubtful	-	-	-	-	5,125	354	5,125	354
Grade 20: Loss	-	-	-	-	3,967	378	3,967	378
Total gross carrying amount	500,367	1,326	24,616	107	14,092	869	539,075	2,302
Impairment allowances	(874)	(3)	(393)	(2)	(3,587)	(441)	(4,854)	(446)
Carrying amount	499,493	1,323	24,223	105	10,505	428	534,221	1,856

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

8,305

	31/12/2024							
	12-month ECL		Lifetime ECL not credit-impaired		Lifetime ECL credit-impaired		Total	
	Principal	Accrued interest	Principal	Accrued interest	Principal	Accrued interest	Principal	Accrued interest
	HK\$ Mn	HK\$ Mn	HK\$ Mn	HK\$ Mn	HK\$ Mn	HK\$ Mn	HK\$ Mn	HK\$ Mn
Loans and advances to customers at amortised cost								
Grades 1-15: Pass	493,589	1,671	13,182	30	-	-	506,771	1,701
Grades 16-17: Special Mention	-	-	11,667	63	-	-	11,667	63
Grade 18: Substandard	-	-	-	-	5,864	181	5,864	181
Grade 19: Doubtful	-	-	-	-	4,091	233	4,091	233
Grade 20: Loss	-	-	-	-	4,538	331	4,538	331
Total gross carrying amount	493,589	1,671	24,849	93	14,493	745	532,931	2,509
Impairment allowances	(889)	(3)	(259)	(2)	(3,954)	(344)	(5,102)	(349)
Carrying amount	492,700	1,668	24,590	91	10,539	401	527,829	2,160

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

6,947

Notes to the Interim Financial Statements (continued)

34. Credit Risk (continued)

(a) Credit Quality Analysis (continued)

Credit quality of loans and advances (continued)

The following table sets out the credit analysis for loans and advances to customers mandatorily measured at FVTPL.

	30/6/2025	31/12/2024
	HK\$ Mn	HK\$ Mn
Loans and advances to customers mandatorily measured at FVTPL		
Grade 20: Loss	100	-
Total carrying amount at fair value	<u>100</u>	<u>-</u>

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.

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.

	30/6/2025							
	12-month ECL		Lifetime ECL not credit-impaired		Lifetime ECL credit-impaired		Total	
	Principal	Accrued interest	Principal	Accrued interest	Principal	Accrued interest	Principal	Accrued interest
	HK\$ Mn	HK\$ Mn	HK\$ Mn	HK\$ Mn	HK\$ Mn	HK\$ Mn	HK\$ Mn	HK\$ Mn
Trade bills measured at amortised cost								
Grades 1-15: Pass	2,883	-	15	-	-	-	2,898	-
Total gross carrying amount	2,883	-	15	-	-	-	2,898	-
Impairment allowances	(6)	-	-	-	-	-	(6)	-
Carrying amount	<u>2,877</u>	-	<u>15</u>	-	-	-	<u>2,892</u>	-
	31/12/2024							
	12-month ECL		Lifetime ECL not credit-impaired		Lifetime ECL credit-impaired		Total	
	Principal	Accrued interest	Principal	Accrued interest	Principal	Accrued interest	Principal	Accrued interest
	HK\$ Mn	HK\$ Mn	HK\$ Mn	HK\$ Mn	HK\$ Mn	HK\$ Mn	HK\$ Mn	HK\$ Mn
Trade bills measured at amortised cost								
Grades 1-15: Pass	803	-	-	-	-	-	803	-
Total gross carrying amount	803	-	-	-	-	-	803	-
Impairment allowances	-	-	-	-	-	-	-	-
Carrying amount	<u>803</u>	-	<u>-</u>	-	-	-	<u>803</u>	-

Notes to the Interim Financial Statements (continued)

34. Credit Risk (continued)

(a) Credit Quality Analysis (continued)

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

	30/6/2025							
	12-month ECL		Lifetime ECL not credit-impaired		Lifetime ECL credit-impaired		Total	
	Principal	Accrued interest	Principal	Accrued interest	Principal	Accrued interest	Principal	Accrued interest
	HK\$ Mn	HK\$ Mn	HK\$ Mn	HK\$ Mn	HK\$ Mn	HK\$ Mn	HK\$ Mn	HK\$ Mn
Trade bills measured at FVOCI								
Grades 1-15: Pass	658	-	-	-	-	-	658	-
Total carrying amount at fair value	658	-	-	-	-	-	658	-
Impairment allowances	-	-	-	-	-	-	-	-

	31/12/2024							
	12-month ECL		Lifetime ECL not credit-impaired		Lifetime ECL credit-impaired		Total	
	Principal	Accrued interest	Principal	Accrued interest	Principal	Accrued interest	Principal	Accrued interest
	HK\$ Mn	HK\$ Mn	HK\$ Mn	HK\$ Mn	HK\$ Mn	HK\$ Mn	HK\$ Mn	HK\$ Mn
Trade bills measured at FVOCI								
Grades 1-15: Pass	627	-	26	-	-	-	653	-
Total carrying amount at fair value	627	-	26	-	-	-	653	-
Impairment allowances	-	-	-	-	-	-	-	-

	30/6/2025							
	12-month ECL		Lifetime ECL not credit-impaired		Lifetime ECL credit-impaired		Total	
	Principal	Accrued interest	Principal	Accrued interest	Principal	Accrued interest	Principal	Accrued interest
	HK\$ Mn	HK\$ Mn	HK\$ Mn	HK\$ Mn	HK\$ Mn	HK\$ Mn	HK\$ Mn	HK\$ Mn
Placements with and advances to banks								
Grades 1-15: Pass	30,573	12	-	-	-	-	30,573	12
Total gross carrying amount	30,573	12	-	-	-	-	30,573	12
Impairment allowances	(1)	-	-	-	-	-	(1)	-
Carrying amount	30,572	12	-	-	-	-	30,572	12

	31/12/2024							
	12-month ECL		Lifetime ECL not credit-impaired		Lifetime ECL credit-impaired		Total	
	Principal	Accrued interest	Principal	Accrued interest	Principal	Accrued interest	Principal	Accrued interest
	HK\$ Mn	HK\$ Mn	HK\$ Mn	HK\$ Mn	HK\$ Mn	HK\$ Mn	HK\$ Mn	HK\$ Mn
Placements with and advances to banks								
Grades 1-15: Pass	37,706	40	-	-	-	-	37,706	40
Total gross carrying amount	37,706	40	-	-	-	-	37,706	40
Impairment allowances	(1)	-	-	-	-	-	(1)	-
Carrying amount	37,705	40	-	-	-	-	37,705	40

Notes to the Interim Financial Statements (continued)

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 Ratings, or equivalent, is as follows:

	30/6/2025							
	12-month ECL		Lifetime ECL not credit-impaired		Lifetime ECL credit-impaired		Total	
	Principal	Accrued interest	Principal	Accrued interest	Principal	Accrued interest	Principal	Accrued interest
	HK\$ Mn	HK\$ Mn	HK\$ Mn	HK\$ Mn	HK\$ Mn	HK\$ Mn	HK\$ Mn	HK\$ Mn
Debt investment securities measured at amortised cost								
Aaa	-	-	-	-	-	-	-	-
Aa1 to Aa3	30,196	289	-	-	-	-	30,196	289
A1 to A3	4,909	53	-	-	-	-	4,909	53
Baa1 to Baa3	-	-	-	-	-	-	-	-
Below Baa3	449	3	61	1	-	-	510	4
Unrated	1,410	19	-	-	912	43	2,322	62
Total gross carrying amount	36,964	364	61	1	912	43	37,937	408
Impairment allowances	(9)	-	-	-	(830)	(43)	(839)	(43)
Carrying amount	36,955	364	61	1	82	-	37,098	365
31/12/2024								
12-month ECL		Lifetime ECL not credit-impaired		Lifetime ECL credit-impaired		Total		
Principal	Accrued interest	Principal	Accrued interest	Principal	Accrued interest	Principal	Accrued interest	
HK\$ Mn	HK\$ Mn	HK\$ Mn	HK\$ Mn	HK\$ Mn	HK\$ Mn	HK\$ Mn	HK\$ Mn	
Debt investment securities measured at amortised cost								
Aaa	-	-	-	-	-	-	-	-
Aa1 to Aa3	25,480	221	-	-	-	-	25,480	221
A1 to A3	793	16	-	-	-	-	793	16
Baa1 to Baa3	929	4	-	-	-	-	929	4
Below Baa3	473	3	60	1	185	5	718	9
Unrated	1,956	17	-	-	894	41	2,850	58
Total gross carrying amount	29,631	261	60	1	1,079	46	30,770	308
Impairment allowances	(12)	-	-	-	(915)	(46)	(927)	(46)
Carrying amount	29,619	261	60	1	164	-	29,843	262

Notes to the Interim Financial Statements (continued)

34. Credit Risk (continued)

(a) Credit Quality Analysis (continued)

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

	30/6/2025							
	12-month ECL		Lifetime ECL not credit-impaired		Lifetime ECL credit-impaired		Total	
	Principal	Accrued interest	Principal	Accrued interest	Principal	Accrued interest	Principal	Accrued interest
	HK\$ Mn	HK\$ Mn	HK\$ Mn	HK\$ Mn	HK\$ Mn	HK\$ Mn	HK\$ Mn	HK\$ Mn
Debt investment securities measured at FVOCI								
Aaa	4,968	1	-	-	-	-	4,968	1
Aa1 to Aa3	34,288	188	-	-	-	-	34,288	188
A1 to A3	72,256	771	-	-	-	-	72,256	771
Baa1 to Baa3	45,464	543	-	-	-	-	45,464	543
Below Baa3	-	-	-	-	-	-	-	-
Unrated	2,754	27	155	1	-	-	2,909	28
Total carrying amount at fair value	159,730	1,530	155	1	-	-	159,885	1,531
where impairment allowances included	(90)	(1)	-	-	-	-	(90)	(1)
	31/12/2024							
	12-month ECL		Lifetime ECL not credit-impaired		Lifetime ECL credit-impaired		Total	
	Principal	Accrued interest	Principal	Accrued interest	Principal	Accrued interest	Principal	Accrued interest
	HK\$ Mn	HK\$ Mn	HK\$ Mn	HK\$ Mn	HK\$ Mn	HK\$ Mn	HK\$ Mn	HK\$ Mn
Debt investment securities measured at FVOCI								
Aaa	6,847	1	-	-	-	-	6,847	1
Aa1 to Aa3	34,319	151	-	-	-	-	34,319	151
A1 to A3	71,257	863	-	-	-	-	71,257	863
Baa1 to Baa3	42,303	489	-	-	-	-	42,303	489
Below Baa3	224	1	-	-	15	5	239	6
Unrated	2,673	40	310	8	-	-	2,983	48
Total carrying amount at fair value	157,623	1,545	310	8	15	5	157,948	1,558
where impairment allowances included	(72)	(1)	(5)	-	(148)	(5)	(225)	(6)

Notes to the Interim Financial Statements (continued)

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 non-trading debt investment securities measured at FVTPL.

	30/6/2025	31/12/2024
	HK\$ Mn	HK\$ Mn
Non-trading debt investment securities measured at FVTPL		
Aaa	-	-
Aa1 to Aa3	-	-
A1 to A3	562	544
Baa1 to Baa3	675	662
Below Baa3	-	-
Unrated	30	13
Total carrying amount at fair value	<u>1,267</u>	<u>1,219</u>

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

	30/6/2025	31/12/2024
	HK\$ Mn	HK\$ Mn
Trading debt investment securities measured at FVTPL		
Aaa	-	-
Aa1 to Aa3	-	-
A1 to A3	3,175	-
Baa1 to Baa3	-	-
Below Baa3	-	-
Unrated	-	-
Total carrying amount at fair value	<u>3,175</u>	<u>-</u>

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

	30/6/2025	31/12/2024
	HK\$ Mn	HK\$ Mn
Derivative assets		
Aa1 to Aa3	239	367
A1 to A3	1,101	2,578
Baa1 to Baa3	1,282	2,191
Below Baa3	-	-
Unrated	1,130	1,091
Total carrying amount at fair value	<u>3,752</u>	<u>6,227</u>

Cash and balances with banks

At 30 June 2025, the Group held cash and balances with banks of HK\$36,008 million (31 December 2024: HK\$41,304 million), of which 96% (31 December 2024: 95%) of cash and balances with banks counterparties that are rated at investment grade, based on Moody's Ratings, or equivalent ratings.

Notes to the Interim Financial Statements (continued)

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 January and 30 June/31 December at transaction level. Transfers between different stages of ECL are deemed to occur at the beginning of the year and therefore amounts transferred net to zero. The re-measurement of ECL resulting from a change in ECL stage is reported under the ECL stage in which they are transferred to.

	30/6/2025			
	12-month ECL	Lifetime ECL not credit- impaired	Lifetime ECL credit- impaired	Total
	HK\$ Mn	HK\$ Mn	HK\$ Mn	HK\$ Mn
Loans and advances to customers				
Balance at 1 January	892	261	4,298	5,451
Transfer to 12-month ECL	13	(13)	-	-
Transfer to lifetime ECL not credit-impaired	(9)	48	(39)	-
Transfer to lifetime ECL credit-impaired	(1)	(55)	56	-
New financial assets originated or purchased, assets derecognised, repayments and further lending	58	19	21	98
Write-offs	-	-	(2,537)	(2,537)
Net remeasurement of impairment allowances (including exchange adjustments)	(76)	135	2,229	2,288
Balance at 30 June	<u>877</u>	<u>395</u>	<u>4,028</u>	<u>5,300</u>
Of which:				
For loans and advances to customers at amortised cost (Note 19(a))	874	393	3,587	4,854
For related accrued interest receivable (Note 23)	3	2	441	446
	<u>877</u>	<u>395</u>	<u>4,028</u>	<u>5,300</u>

Notes to the Interim Financial Statements (continued)

34. Credit Risk (continued)

(b) Impairment Allowances Reconciliation (continued)

	31/12/2024			
	12-month ECL	Lifetime ECL not credit- impaired	Lifetime ECL credit- impaired	Total
	HK\$ Mn	HK\$ Mn	HK\$ Mn	HK\$ Mn
Loans and advances to customers				
Balance at 1 January	904	698	3,699	5,301
Transfer to 12-month ECL	46	(46)	-	-
Transfer to lifetime ECL not credit- impaired	(7)	90	(83)	-
Transfer to lifetime ECL credit-impaired	(3)	(426)	429	-
New financial assets originated or purchased, assets derecognised, repayments and further lending	93	(14)	371	450
Write-offs	-	-	(5,168)	(5,168)
Changes in models	(221)	(157)	(7)	(385)
Net remeasurement of impairment allowances (including exchange adjustments)	80	116	5,057	5,253
Balance at 31 December	<u>892</u>	<u>261</u>	<u>4,298</u>	<u>5,451</u>
Of which:				
For loans and advances to customers at amortised cost (Note 19(a))	889	259	3,954	5,102
For related accrued interest receivable (Note 23)	3	2	344	349
	<u>892</u>	<u>261</u>	<u>4,298</u>	<u>5,451</u>

Notes to the Interim Financial Statements (continued)

34. Credit Risk (continued)

(b) Impairment Allowances Reconciliation (continued)

	30/6/2025			
	12-month ECL	Lifetime ECL not credit- impaired	Lifetime ECL credit- impaired	Total
	HK\$ Mn	HK\$ Mn	HK\$ Mn	HK\$ Mn
Debt investment securities				
Balance at 1 January	85	5	1,114	1,204
Transfer to 12-month ECL	-	-	-	-
Transfer to lifetime ECL not credit- impaired	-	-	-	-
Transfer to lifetime ECL credit-impaired	-	-	-	-
New financial assets originated or purchased, assets derecognised, repayments and further investment	8	(4)	(311)	(307)
Write-offs	-	-	-	-
Net remeasurement of impairment allowances (including exchange adjustments)	7	(1)	70	76
Balance at 30 June	<u>100</u>	<u>-</u>	<u>873</u>	<u>973</u>
Of which:				
For debt investment securities measured at amortised cost (Note 20)	9	-	830	839
For related accrued interest receivable (Note 23)	-	-	43	43
	<u>9</u>	<u>-</u>	<u>873</u>	<u>882</u>
For debt investment securities measured at FVOCI	90	-	-	90
For related accrued interest receivable	1	-	-	1
	<u>91</u>	<u>-</u>	<u>-</u>	<u>91</u>

Notes to the Interim Financial Statements (continued)

34. Credit Risk (continued)

(b) Impairment Allowances Reconciliation (continued)

	31/12/2024			
	12-month ECL	Lifetime ECL not credit- impaired	Lifetime ECL credit- impaired	Total
	HK\$ Mn	HK\$ Mn	HK\$ Mn	HK\$ Mn
Debt investment securities				
Balance at 1 January	118	22	742	882
Transfer to 12-month ECL	3	(3)	-	-
Transfer to lifetime ECL not credit- impaired	(2)	2	-	-
Transfer to lifetime ECL credit-impaired	-	-	-	-
New financial assets originated or purchased, assets derecognised, repayments and further investment	2	(18)	-	(16)
Write-offs	-	-	-	-
Net remeasurement of impairment allowances (including exchange adjustments)	(36)	2	372	338
Balance at 31 December	<u>85</u>	<u>5</u>	<u>1,114</u>	<u>1,204</u>
Of which:				
For debt investment securities measured at amortised cost (Note 20)	12	-	915	927
For related accrued interest receivable (Note 23)	-	-	46	46
	<u>12</u>	<u>-</u>	<u>961</u>	<u>973</u>
For debt investment securities measured at FVOCI	72	5	148	225
For related accrued interest receivable	1	-	5	6
	<u>73</u>	<u>5</u>	<u>153</u>	<u>231</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.

Notes to the Interim Financial Statements (continued)

34. Credit Risk (continued)

(b) Impairment Allowances Reconciliation (continued)

	30/6/2025			
	12-month ECL	Lifetime ECL not credit- impaired	Lifetime ECL credit- impaired	Total
	HK\$ Mn	HK\$ Mn	HK\$ Mn	HK\$ Mn
Others				
Balance at 1 January	135	22	61	218
Transfer to 12-month ECL	8	(8)	-	-
Transfer to lifetime ECL not credit- impaired	(3)	3	-	-
Transfer to lifetime ECL credit-impaired	-	-	-	-
New financial assets originated or purchased, assets derecognised and repayments	10	(4)	3	9
Write-offs	-	-	-	-
Net remeasurement of impairment allowances (including exchange adjustments)	(45)	10	2	(33)
Balance at 30 June	<u>105</u>	<u>23</u>	<u>66</u>	<u>194</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)	6	-	-	6
For related accrued interest receivable	-	-	-	-
	<u>6</u>	<u>-</u>	<u>-</u>	<u>6</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)	-	-	-	-
For related accrued interest receivable	-	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
For loan commitments and financial guarantee contracts (Note 25)	<u>78</u>	<u>23</u>	<u>-</u>	<u>101</u>
For account receivables and other accounts other than accrued interest receivable (Note 23)	<u>20</u>	<u>-</u>	<u>66</u>	<u>86</u>

Notes to the Interim Financial Statements (continued)

34. Credit Risk (continued)

(b) Impairment Allowances Reconciliation (continued)

	31/12/2024			Total HK\$ Mn
	12-month ECL	Lifetime ECL not credit- impaired	Lifetime ECL credit- impaired	
	HK\$ Mn	HK\$ Mn	HK\$ Mn	
Others				
Balance at 1 January	122	22	347	491
Transfer to 12-month ECL	5	(5)	-	-
Transfer to lifetime ECL not credit-impaired	(3)	3	-	-
Transfer to lifetime ECL credit-impaired	-	-	-	-
New financial assets originated or purchased, assets derecognised and repayments	13	(6)	(2)	5
Write-offs	-	-	(282)	(282)
Changes in models	(15)	(6)	-	(21)
Net remeasurement of impairment allowances (including exchange adjustments)	13	14	(2)	25
Balance at 31 December	<u>135</u>	<u>22</u>	<u>61</u>	<u>218</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)	-	-	-	-
For related accrued interest receivable	-	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
For loan commitments and financial guarantee contracts (Note 25)	<u>116</u>	<u>17</u>	<u>-</u>	<u>133</u>
For account receivables and other accounts other than accrued interest receivable (Note 23)	<u>18</u>	<u>5</u>	<u>61</u>	<u>84</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.

Notes to the Interim Financial Statements (continued)

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.

	30/6/2025	31/12/2024
	HK\$ Mn	HK\$ Mn
Contingent liabilities		
Direct credit substitutes	3,366	3,085
Transaction-related contingencies	6,254	6,776
Trade-related contingencies	2,430	6,051
	<u>12,050</u>	<u>15,912</u>
Commitments		
Forward forward deposits placed	3,730	-
Commitments that are unconditionally cancellable without prior notice	314,855	280,189
Other commitments with an original maturity		
- up to 1 year	1,590	4,150
- over 1 year	37,123	27,272
	<u>357,298</u>	<u>311,611</u>
Total	<u>369,348</u>	<u>327,523</u>
Credit risk-weighted amounts	<u>17,568</u>	<u>19,525</u>

(b) Derivatives

	30/6/2025	31/12/2024
	HK\$ Mn	HK\$ Mn
Fair value of derivatives		
Assets		
Exchange rate contracts	2,640	5,010
Interest rate contracts	873	933
Equity contracts	239	284
	<u>3,752</u>	<u>6,227</u>
Liabilities		
Exchange rate contracts	3,016	4,287
Interest rate contracts	778	1,230
Equity contracts	238	279
	<u>4,032</u>	<u>5,796</u>
Notional amount of derivatives		
Exchange rate contracts	556,153	493,956
Interest rate contracts	298,861	306,516
Equity contracts	15,671	12,055
	<u>870,685</u>	<u>812,527</u>

Notes to the Interim Financial Statements (continued)**35. Off-Balance Sheet Exposures (continued)****(c) Capital Commitments**

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

	<u>30/6/2025</u>	<u>31/12/2024</u>
	HK\$ Mn	HK\$ Mn
Expenditure authorised and contracted for	398	376
Expenditure authorised but not contracted for	92	104
	<u>490</u>	<u>480</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 Bank's directors and certain of the highest paid employees, is as follows:

	<u>30/6/2025</u>	<u>30/6/2024</u>
	HK\$ Mn	HK\$ Mn
Short-term employee benefits	99	79
Post-employment benefits	5	4
Equity compensation benefits	11	11
	<u>115</u>	<u>94</u>

- (b)** The Group maintains certain retirement benefit schemes for its staff. In the six months ended 30 June 2025, the total amount of contributions the Group made to the schemes was HK\$120 million (six months ended 30 June 2024: HK\$122 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 but are not limited to 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.

Notes to the Interim Financial Statements (continued)**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 June 2025, outstanding balances of amounts due from and due to them at 30 June 2025, and maximum outstanding balance of amounts due from and due to them for the six months ended 30 June 2025 are aggregated as follows:

	Key management personnel		Associates		Shareholders with significant influence	
	30/6/2025	30/6/2024	30/6/2025	30/6/2024	30/6/2025	30/6/2024
	HK\$ Mn	HK\$ Mn	HK\$ Mn	HK\$ Mn	HK\$ Mn	HK\$ Mn
Interest income	4	22	20	32	4	10
Interest expense	38	56	2	-	-	-
Amounts due from	665	665	673	678	-	489
Amounts due to	2,340	2,523	170	118	-	61
Maximum amounts due from	738	910	1,166	1,626	1,393	888
Maximum amounts due to	4,409	4,030	447	363	73	164
Committed facilities to	768	1,186	2,319	2,293	298	113

37. Basis of Consolidation

Unless otherwise stated, all financial information contained in this interim report 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.

List of subsidiaries for financial reporting consolidation as at reporting date:

Name of company	Nature of business	Total assets	Total equity
		HK\$ Mn	HK\$ Mn
Ample Delight Limited	Investment holding	290	290
* Bank of East Asia (Trustees) Limited	Trustee service	225	195
BEA Consortium GS Investors L.P.	Acting as a limited partner for the purpose of making investment in private equity fund	3	3
* BEA Global Services Centre (Guangdong) Co., Ltd	Servicing	208	147
BEA Insurance Agency Limited	Insurance agency services	-	-
BEA Union Investment Management Limited	Asset management	536	481

Notes to the Interim Financial Statements (continued)

37. Basis of Consolidation (continued)

Name of company	Nature of business	Total assets HK\$ Mn	Total equity HK\$ Mn
BEA Union Investment Management (Shenzhen) Limited	Asset management/ Investment management	5	5
Central Town Limited	Property investment	683	607
Century Able Limited	Investment holding	72	72
Citiview Capital Limited	Acting as the general partner and limited partner of a limited partnership	-	-
Corona Light Limited	Investment holding	930	930
* Credit Gain Finance Company Limited	Money lenders	677	677
Crystal Gleaming Limited	Investment holding	930	930
Dragon Jade Holdings Company Limited	Investment holding	1,128	1,128
EA Securities Limited	Investment holding	-	(62)
* East Asia Facility Management Limited	Facility management	3	2
East Asia Financial Services (BVI) Ltd.	Investment holding	-	-
East Asia Futures Limited	Futures and options trading	59	58
* East Asia Holding Company, Inc.	Investment holding	634	616
East Asia Indonesian Holdings Limited	Dormant	1	1
East Asia International Trustees Holdings (BVI) Limited	Investment holding	10	10
East Asia International Trustees Limited	Trustee service	25	21
* East Asia Properties (US), Inc.	Property holding	14	12
East Asia Properties Holding Company Limited	Investment holding	-	(22)
East Asia Property Agency Company Limited	Property agency	7	7
East Asia Qianhai Holdings Company Limited	Investment holding	200	200
East Asia Secretaries Limited	Secretarial services	-	-
East Asia Securities Company Limited	Securities broking	1,649	1,082

Notes to the Interim Financial Statements (continued)

37. Basis of Consolidation (continued)

Name of company	Nature of business	Total assets HK\$ Mn	Total equity HK\$ Mn
* East Asia Services (Holdings) Limited	Holding company	45	45
Golden Empire International Inc.	Investment holding	-	-
Leader One Limited	Investment holding	1	1
Manchester Property Holdings Ltd.	Property holding	27	11
Quantum Hong Kong Holdings Company Limited	Investment holding	48	48
Red Phoenix Limited	Leasing of motor vehicles	5	4
Shaftesbury Property Holdings Limited	Investment holding	60	60
Shaftesbury Property Investments Limited	Investment holding	39	39
Shanghai Lingxie Business Consulting Co., Ltd.	Business information consulting and corporate management consulting	198	197
Silver River International Limited	Acting as the general partner and limited partner of a limited partnership	-	-
Skyray Holdings Limited	Investment holding	450	450
Speedfull Limited	Investment holding	450	450
Sunlight Cheer Limited	To be deregistered	-	-
Sunrise Legend Limited	Not yet commenced business	-	-
*/# The Bank of East Asia (China) Limited	Banking and related financial services	246,659	24,266
The Bank of East Asia (Nominees) Limited	Custodian services	-	-
The Bank of East Asia (Nominees) Private Limited	Trustee, fiduciary and custody services	-	-

* Subsidiaries engaging in "relevant financial activities" as defined by the Banking (Capital) Rules and included in the basis of consolidation for regulatory reporting purpose.

"associated entities" as defined by the Banking (Liquidity) Rules and included in the basis of consolidation for regulatory reporting purpose.

Notes to the Interim Financial Statements (continued)**38. 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 21 August 2025.

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 2024 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 HKFRS Accounting Standards.

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

Supplementary Financial Information (Unaudited)**A. Capital Adequacy**

	<u>30/6/2025</u>	<u>31/12/2024</u>
	HK\$ Mn	HK\$ Mn
Capital base		
- Common Equity Tier 1 capital	87,295	85,828
- Additional Tier 1 capital	5,021	5,021
- Tier 1 capital	<u>92,316</u>	<u>90,849</u>
- Tier 2 capital	12,912	17,523
- Total capital	<u>105,228</u>	<u>108,372</u>
Risk-weighted assets by risk type		
- Credit risk	336,270	431,236
- Market risk	8,436	4,878
- Operational risk	26,209	40,572
- Capital floor adjustment	-	12,180
	<u>370,915</u>	<u>488,866</u>
Less: Deductions	<u>(2,961)</u>	<u>(2,767)</u>
	<u>367,954</u>	<u>486,099</u>
	<u>30/6/2025</u>	<u>31/12/2024</u>
	%	%
Common Equity Tier 1 capital ratio	23.7	17.7
Tier 1 capital ratio	25.1	18.7
Total capital ratio	28.6	22.3

Regulatory capital ratios at 30 June 2025 are calculated based on the Basel III Final Reform package which was implemented in Hong Kong on 1 January 2025.

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. For credit valuation adjustment ("CVA"), the Bank has adopted the reduced basic CVA approach to calculate the CVA capital charge.

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 securities and insurance companies that are authorised and supervised by a regulator and subject to supervisory arrangements regarding the maintenance of adequate capital to support business activities comparable to those prescribed for authorised institutions under the Capital Rules and the Banking Ordinance. The Bank's shareholdings in these subsidiaries are deducted from its Common Equity Tier 1 capital subject to the thresholds as determined in accordance with Part 3 of the Capital Rules.

Supplementary Financial Information (Unaudited) (continued)**A. Capital Adequacy (continued)**

The subsidiaries that are included in consolidation for regulatory purposes are listed in Note 37 of the Interim Report.

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

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

B. Leverage Ratio

	<u>30/6/2025</u>	<u>31/12/2024</u>
	HK\$ Mn	HK\$ Mn
Tier 1 capital	92,316	90,849
Exposure measure	920,460	928,662
	<u>30/6/2025</u>	<u>31/12/2024</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 or at the following direct link: www.hkbea.com/regulatory_disclosures.

Supplementary Financial Information (Unaudited) (continued)**C. Liquidity Position****Liquidity coverage ratio**

		<u>30/6/2025</u>	<u>31/12/2024</u>
		%	%
Average liquidity coverage ratio	- First quarter	190.3	213.1
	- Second quarter	176.5	271.0
	- Third quarter	N/A	247.0
	- Fourth quarter	N/A	204.6

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

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

Net stable funding ratio

	<u>30/6/2025</u>	<u>31/12/2024</u>
	HK\$ Mn	HK\$ Mn
Total available stable funding	610,404	594,979
Total required stable funding	489,716	471,563
	<u>30/6/2025</u>	<u>31/12/2024</u>
	%	%
Net stable funding ratio	124.6	126.2

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

Supplementary Financial Information (Unaudited) (continued)**D. Overdue, Rescheduled and Repossessed Assets****(a) Overdue and Rescheduled Advances to Customers**

	30/6/2025		31/12/2024	
	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	1,293	0.2	873	0.2
- 1 year or less but over 6 months	3,095	0.6	1,866	0.3
- Over 1 year	4,003	0.8	4,070	0.8
	<u>8,391</u>	<u>1.6</u>	<u>6,809</u>	<u>1.3</u>
Rescheduled advances to customers	1,309	0.2	1,382	0.2
Total overdue and rescheduled advances	<u>9,700</u>	<u>1.8</u>	<u>8,191</u>	<u>1.5</u>
of which:				
Covered portion of overdue advances	<u>4,743</u>	<u>0.9</u>	<u>3,502</u>	<u>0.7</u>
Uncovered portion of overdue advances	<u>3,648</u>	<u>0.7</u>	<u>3,307</u>	<u>0.6</u>
Current market value of collateral held against the covered portion of overdue advances	<u>7,346</u>		<u>6,232</u>	
Specific provisions made on advances overdue for more than 3 months	<u>2,186</u>		<u>1,875</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:

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

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

- (i) "Eligible Financial Collateral" mainly comprises cash deposits and shares.
- (ii) "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:

- (a) Debt rescheduling/restructuring
- (b) Enforcement of security
- (c) Legal action
- (d) Recovery via debt collector

Supplementary Financial Information (Unaudited) (continued)**D. Overdue, Rescheduled and Repossessed Assets (continued)****(b) Overdue and Rescheduled Advances to Banks**

	30/6/2025	31/12/2024
	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

	30/6/2025		
	Accrued interest	Debt securities	Other assets*
	HK\$ Mn	HK\$ Mn	HK\$ Mn
Other assets overdue for			
- 6 months or less but over 3 months	12	-	-
- 1 year or less but over 6 months	168	-	-
- Over 1 year	513	912	-
	693	912	-
Rescheduled assets	45	-	-
Total other overdue and rescheduled assets	738	912	-
Specific provisions made on other assets overdue for more than 3 months	360	830	-
	31/12/2024		
	Accrued Interest	Debt securities	Other assets*
	HK\$ Mn	HK\$ Mn	HK\$ Mn
Other assets overdue for			
- 6 months or less but over 3 months	79	-	-
- 1 year or less but over 6 months	71	39	-
- Over 1 year	483	1,055	-
	633	1,094	-
Rescheduled assets	50	-	-
Total other overdue and rescheduled assets	683	1,094	-
Specific provisions made on other assets overdue for more than 3 months	287	1,063	-

* Other assets refer to trade bills and receivables.

Supplementary Financial Information (Unaudited) (continued)**D. Overdue, Rescheduled and Repossessed Assets (continued)****(d) Repossessed Assets**

	<u>30/6/2025</u> HK\$ Mn	<u>31/12/2024</u> HK\$ Mn
Reposessed land and buildings (<i>Note</i>)	1,218	1,368
Reposessed vehicles and equipment	7	10
Total reposessed assets	<u>1,225</u>	<u>1,378</u>

The amount represents the estimated market value of the reposessed assets as at 30 June 2025 and 31 December 2024.

Note: The balance included HK\$3 million (31/12/2024: HK\$76 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 or at the following direct link: www.hkbea.com/regulatory_disclosures.