



BEA 東亞銀行

(Stock Code 股份代號：23)

Interim Report **2018** 中期報告

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FINANCIAL HIGHLIGHTS

30 June 2018	30 June 2017	31 December 2017
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For the half year ended

Profitability	HK\$ Mn	HK\$ Mn	HK\$ Mn
Total operating income from continuing operations	8,526	7,565*	8,388
Profit attributable to owners of the parent	3,992	6,220	3,127
Profit attributable to owners of the parent from continuing operations	3,992	3,171	3,127
Earnings Per Share and Dividends Per Share	HK\$	HK\$	HK\$
Basic earnings from continuing operations	1.30	1.08	1.01
Basic earnings	1.30	2.20	1.01
Dividends	0.51	0.68	0.60
Key Ratios	%	%	%
Return on average assets (annualised)	0.9	1.1	1.1
Return on average assets from continuing operations (annualised)	0.9	0.8	0.7
Return on average equity (annualised)	8.0	10.8	9.7
Return on average equity from continuing operations (annualised)	8.0	7.1	6.3
Cost-to-income ratio from continuing operations	49.1	50.7*	50.4

At period/year end

Balance Sheet Strength	HK\$ Mn	HK\$ Mn	HK\$ Mn
Total loans and advances to customers and trade bills	507,531	480,770	487,686
Total assets	826,834	788,456	808,942
Total deposits	619,497	585,665	608,150
Total equity	103,595	97,976	101,214
Key Ratios	%	%	%
Loan to deposit ratio	79.3	79.7	77.9
Impaired loan ratio	0.9	1.5	1.1
Common Equity Tier 1 capital ratio	15.3	12.3	13.2
Tier 1 capital ratio	17.4	14.2	15.1
Total capital ratio	20.5	17.5	17.8

* Restated

CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors

Dr. the Hon. Sir David LI Kwok-po
(Chairman & Chief Executive)

Mr. Adrian David LI Man-kiu
(Deputy Chief Executive)

Mr. Brian David LI Man-bun
(Deputy Chief Executive)

Non-executive Directors

Professor Arthur LI Kwok-cheung
(Deputy Chairman)

Mr. Aubrey LI Kwok-sing

Mr. Winston LO Yau-lai

Mr. Stephen Charles LI Kwok-sze

Dr. Isidro FAINÉ CASAS

Dr. Peter LEE Ka-kit

Dr. Daryl NG Win-kong

Mr. Masayuki OKU

Independent Non-executive Directors

Dr. Allan WONG Chi-yun
(Deputy Chairman)

Dr. the Hon. Rita FAN HSU Lai-tai

Mr. Meocre LI Kwok-wing

Dr. the Hon. Henry TANG Ying-yen

The Hon. CHAN Kin-por

Dr. Delman LEE

SENIOR ADVISORS

Mr. Joseph PANG Yuk-wing

Mr. CHAN Tze-ching

SENIOR MANAGEMENT

Dr. the Hon. Sir David LI Kwok-po
Chairman & Chief Executive

Mr. Adrian David LI Man-kiu
Executive Director & Deputy Chief Executive

Mr. Brian David LI Man-bun
Executive Director & Deputy Chief Executive

Mr. Samson LI Kai-cheong
Deputy Chief Executive & Chief Investment Officer

Mr. TONG Hon-shing
Deputy Chief Executive & Chief Operating Officer

COMPANY SECRETARY

Mr. Alson LAW Chun-tak

AUDITORS

KPMG

Certified Public Accountants

SHARE LISTING

The Stock Exchange of Hong Kong Limited

SHARE REGISTRARS

Tricor Standard Limited

Telephone: (852) 2980 1768

Facsimile: (852) 2861 1465

ADR DEPOSITARY BANK

BNY Mellon

Telephone: 1 201 680 6825

Toll free (domestic): 1-888-BNY-ADRS

E-mail: shrrelations@bnymellon.com

REGISTERED OFFICE

10 Des Voeux Road Central, Hong Kong

Telephone: (852) 3608 3608

Facsimile: (852) 3608 6000

Website: www.hkbea.com

E-mail: info@hkbea.com

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 30th June, 2018. The interim financial report is prepared on a basis consistent with the accounting policies and methods adopted in the 2017 audited financial statements, except for the accounting policy changes that are expected to be reflected in the 2018 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 79.

Consolidated Income Statement

		6 months ended 30/6/2018	6 months ended 30/6/2017 Restated
	Notes	HK\$ Mn	HK\$ Mn
CONTINUING OPERATIONS			
Interest income	3	12,183	10,459
Interest expense	4	(5,933)	(4,720)
Net interest income		6,250	5,739
Fee and commission income	5	1,935	1,708
Fee and commission expense		(573)	(490)
Net fee and commission income		1,362	1,218
Net trading profits	6	556	187
Net result from other financial instruments at FVTPL	7	(142)	(4)
Net hedging profit/(loss)	8	16	(2)
Net insurance revenue	9	264	243
Other operating income	10	220	184
Non-interest income		2,276	1,826
Operating income		8,526	7,565
Operating expenses	11	(4,186)	(3,839)
Operating profit before impairment losses		4,340	3,726
Impairment losses on financial instruments	12	(282)	(765)
Impairment losses on assets held for sale		–	(58)
Impairment losses on intangible assets		(1)	–
Impairment losses		(283)	(823)
Operating profit after impairment losses		4,057	2,903
Net profit on sale of held-to-maturity investments		–	6
Net profit on sale of available-for-sale financial assets	13	–	215
Net profit on sale of financial assets at FVOCI	14	49	–
Net profit on sale of disposal groups and assets held for sale		10	190
Net profit on disposal of subsidiaries/associates		–	2
Net loss on disposal of fixed assets	15	(10)	(7)
Valuation gains on investment properties	22	394	229
Share of profits less losses of associates		281	224
Profit for the period before taxation		4,781	3,762
Income tax	16	(762)	(574)
Profit for the period from continuing operations		4,019	3,188
DISCONTINUED OPERATIONS			
Profit from discontinued operations	43	–	4,145
Profit for the period		4,019	7,333

Consolidated Income Statement (Continued)

		6 months ended 30/6/2018	6 months ended 30/6/2017 Restated
	<i>Notes</i>	HK\$ Mn	HK\$ Mn
Attributable to:			
Owners of the parent			
– from continuing operations		3,992	3,171
– from discontinued operations		–	3,049
		<hr/>	<hr/>
		3,992	6,220
Non-controlling interests		27	1,113
		<hr/>	<hr/>
Profit for the period		4,019	7,333
		<hr/> <hr/>	<hr/> <hr/>
Profit for the Bank		3,369	6,823
		<hr/> <hr/>	<hr/> <hr/>
Earnings per share			
Basic			
– profit for the period	<i>1(b)</i>	HK\$1.30	HK\$2.20
– profit from continuing operations		HK\$1.30	HK\$1.08
Diluted			
– profit for the period	<i>1(b)</i>	HK\$1.30	HK\$2.20
– profit from continuing operations		HK\$1.30	HK\$1.08

Consolidated Statement of Comprehensive Income

		6 months ended 30/6/2018	6 months ended 30/6/2017
	<i>Notes</i>	HK\$ Mn	HK\$ Mn
Net profit		4,019	7,333
Other comprehensive income for the period:			
Items that will not be reclassified to income statement:			
Premises:			
– unrealised surplus on revaluation of premises		8	39
– deferred taxes	30	(8)	–
Fair value reserve (equity instruments):			
– net change in fair value		254	–
– deferred taxes	30	(4)	–
Liability credit reserve:			
– net change in fair value attributable to Group's own credit risk		(5)	–
– deferred taxes	30	1	–
Items that may be reclassified subsequently to income statement:			
Fair value reserve (debt instruments):			
– net change in fair value		(478)	–
– amount transferred to income statement on disposal	14	(23)	–
– on amortisation		(2)	–
– deferred taxes	30	12	–
Fair value reserve (available-for-sale financial assets):			
– net changes in fair value		–	1,154
– fair value changes reclassified from/(to) income statement:			
– on impairment and amortisation		–	3
– on disposal	13	–	(220)
– deferred taxes		–	(104)
Share of changes in equity of associates		(58)	(86)
Exchange differences arising from translation of accounts/disposal of overseas branches, subsidiaries and associates		(489)	1,259
Other comprehensive income		(792)	2,045
Total comprehensive income		3,227	9,378
Total comprehensive income attributable to:			
Owners of the parent		3,189	8,212
Non-controlling interests		38	1,166
		3,227	9,378

Consolidated Statement of Financial Position

		30/6/2018	31/12/2017 Restated
	Notes	HK\$ Mn	HK\$ Mn
ASSETS			
Cash and balances with banks and other financial institutions		48,869	55,696
Placements with and advances to banks and other financial institutions	17	66,381	58,583
Trade bills	18	16,428	13,909
Trading assets	19	6,910	6,956
Derivative assets	37(a)	10,604	11,335
Loans and advances to customers	20	488,805	470,339
Investment securities	21	133,413	134,425
Investments in associates		9,321	9,429
Fixed assets	22	13,040	12,750
– Investment properties		5,366	5,107
– Other property and equipment		7,674	7,643
Goodwill and intangible assets		1,951	1,959
Deferred tax assets	30	568	602
Other assets	23	30,544	32,959
Total Assets		826,834	808,942
EQUITY AND LIABILITIES			
Deposits and balances of banks and other financial institutions		31,056	26,981
– Designated at fair value through profit or loss	24	3,468	3,110
– At amortised cost		27,588	23,871
Deposits from customers		568,682	571,684
– Demand deposits and current accounts		77,941	85,518
– Savings deposits		132,655	133,969
– Time, call and notice deposits		358,086	352,197
Trading liabilities	25	199	11
Derivative liabilities	37(a)	10,039	12,077
Certificates of deposit issued		50,815	36,466
– Designated at fair value through profit or loss	24	13,918	11,655
– At amortised cost		36,897	24,811
Current taxation		1,570	1,160
Debt securities issued		863	1,007
– Designated at fair value through profit or loss	24	706	851
– At amortised cost		157	156
Deferred tax liabilities	30	471	551
Other liabilities	26	47,238	45,378
Loan capital	27	12,306	12,413
Total Liabilities		723,239	707,728
Share capital	1(d)	38,883	37,527
Reserves	31	52,932	51,955
Total equity attributable to owners of the parent		91,815	89,482
Additional equity instruments	32	8,894	8,894
Non-controlling interests		2,886	2,838
Total Equity		103,595	101,214
Total Equity and Liabilities		826,834	808,942

Consolidated Statement of Changes in Equity

	Share capital	Capital reserve – staff share options issued	Exchange revaluation reserve	Fair value reserve	Liability credit reserve	Revaluation reserve of bank premises	Capital reserve	General reserve	Other reserves ²	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 1st January, 2018	37,527	135	487	1,465	–	1,757	230	14,060	4,931	28,890	89,482	8,894	2,838	101,214
Impact of adopting HKFRS 9 at 1st January, 2018 (Note 2)	–	–	–	(162)	(6)	–	–	–	–	(32)	(200)	–	–	(200)
Restated balance at 1st January, 2018	37,527	135	487	1,303	(6)	1,757	230	14,060	4,931	28,858	89,282	8,894	2,838	101,014
Changes in equity														
Profit for the period	–	–	–	–	–	–	–	–	–	3,992	3,992	–	27	4,019
Other comprehensive income	–	–	(500)	(241)	(4)	–	–	–	(58)	–	(803)	–	11	(792)
Total comprehensive income	–	–	(500)	(241)	(4)	–	–	–	(58)	3,992	3,189	–	38	3,227
Shares issued in lieu of dividend (Note 1(d))	1,271	–	–	–	–	–	–	–	–	–	1,271	–	–	1,271
Shares issued under Staff Share Option Schemes (Note 1(d))	73	–	–	–	–	–	–	–	–	73	–	–	–	73
Equity settled share-based transaction	–	17	–	–	–	–	–	–	–	17	–	–	–	17
Transfer	12	(12)	–	–	–	–	728	(6)	48	(770)	–	–	–	–
Distribution/Dividends declared or approved during the period (Note 1(c))	–	–	–	–	–	–	–	–	–	(2,017)	(2,017)	–	(45)	(2,062)
Change of ownership in subsidiaries	–	–	–	–	–	–	–	–	–	–	–	–	55	55
At 30th June, 2018	38,883	140	(13)	1,062	(10)	1,757	958	14,054	4,921	30,063	91,815	8,894	2,886	103,595
At 1st January, 2017	35,490	124	(2,275)	1,359	–	1,728	230	14,035	5,293	22,447	78,431	5,016	3,189	86,636
Changes in equity														
Profit for the period	–	–	–	–	–	–	–	–	–	6,220	6,220	–	1,113	7,333
Other comprehensive income	–	–	1,206	833	–	39	–	–	(86)	–	1,992	–	53	2,045
Total comprehensive income	–	–	1,206	833	–	39	–	–	(86)	6,220	8,212	–	1,166	9,378
Issue of additional equity instruments ¹	–	–	–	–	–	–	–	–	–	–	–	3,878	–	3,878
Shares issued in lieu of dividend	616	–	–	–	–	–	–	–	–	–	616	–	–	616
Shares issued under Staff Share Option Schemes	26	–	–	–	–	–	–	–	–	–	26	–	–	26
Equity settled share-based transaction	–	19	–	–	–	–	–	–	–	–	19	–	–	19
Transfer	4	(12)	–	–	–	(16)	–	7	66	(49)	–	–	–	–
Distribution/Dividends declared or approved during the period (Note 1(c))	–	–	–	–	–	–	–	–	–	(1,002)	(1,002)	–	(1,422)	(2,424)
Change of ownership in subsidiaries	–	–	–	–	–	–	–	–	–	–	–	–	(18)	(18)
Decrease in non-controlling interests arising from capital reduction of a subsidiary	–	–	–	–	–	–	–	–	–	–	–	–	(135)	(135)
At 30th June, 2017	36,136	131	(1,069)	2,192	–	1,751	230	14,042	5,273	27,616	86,302	8,894	2,780	97,976

1. During first half 2017, the Bank issued HK\$3,892 million (USD500 million) undated non-cumulative subordinated Additional Tier 1 capital securities ("AT1"). Direct issuance costs of HK\$14 million are accounted for as a deduction from the equity instruments.

2. Other reserves include statutory reserve and other reserves.

Condensed Consolidated Cash Flow Statement

		6 months ended 30/6/2018	6 months ended 30/6/2017
	Notes	HK\$ Mn	HK\$ Mn
NET CASH OUTFLOW FROM OPERATIONS		(10,995)	(3,420)
Income tax paid			
Hong Kong profits tax paid		(2)	(164)
Outside Hong Kong profits tax paid		(469)	(388)
NET CASH USED IN OPERATING ACTIVITIES		(11,466)	(3,972)
INVESTING ACTIVITIES			
Dividends received from associates		6	44
Dividends received from non-trading equity securities		8	14
Purchase of non-trading equity securities		(1,187)	(1,309)
Proceeds from sale of non-trading equity securities		1,092	1,013
Purchase of fixed assets		(203)	(174)
Proceeds from disposal of other properties and equipment		15	25
Proceeds from sale of disposal groups and assets held for sale		49	228
Proceeds from sale of discontinued operations		–	5,947
Increase of shareholding in associates		(111)	(1,483)
Change of ownership in subsidiaries		–	(18)
Decrease in non-controlling interests arising from capital reduction of a subsidiary		–	(135)
NET CASH (USED IN)/GENERATED FROM INVESTING ACTIVITIES		(331)	4,152
FINANCING ACTIVITIES			
Ordinary dividends paid		(434)	(1,563)
Distribution to Hybrid/Additional Tier 1 issue holders	1(c)	(357)	(245)
Issue of ordinary share capital		73	26
Issue of additional equity instruments		–	3,892
Issue of certificates of deposit		46,579	36,183
Issue of debt securities		113	295
Redemption of certificates of deposit issued		(32,448)	(28,811)
Redemption of loan capital		–	(3,903)
Redemption of debt securities issued		(266)	(6,570)
Interest paid on loan capital		(314)	(517)
Interest paid on certificates of deposit issued		(367)	(316)
Interest paid on debt securities issued		(15)	(99)
NET CASH GENERATED FROM/(USED IN) FINANCING ACTIVITIES		12,564	(1,628)
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		767	(1,448)
CASH AND CASH EQUIVALENTS AT 1ST JANUARY		89,980	75,841
Effect of foreign exchange rate changes		(934)	2,472
CASH AND CASH EQUIVALENTS AT 30TH JUNE	33	89,813	76,865
Cash flows from operating activities included:			
Interest received		11,673	10,509
Interest paid		5,836	5,373
Dividend received		37	38

Notes to the Interim Financial Statements

1. (a) This interim report has been prepared in accordance with the same accounting policies adopted in the 2017 annual financial statements, except for the accounting policy changes that are expected to be reflected in the 2018 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 31st December, 2017 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 31st December 2017 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 and profit from continuing operations attributable to owners of the parent of HK\$3,635 million and HK\$3,635 million (six months ended 30th June, 2017: HK\$5,975 million and HK\$2,926 million) respectively after the distribution of HK\$357 million (six months ended 30th June, 2017: HK\$245 million) to Hybrid/Additional Tier 1 issue holders, and on the weighted average of 2,786 million (six months ended 30th June, 2017: 2,714 million) ordinary shares outstanding during the six months ended 30th June, 2018.
- (ii) The calculation of diluted earnings per share is based on the consolidated profit for the period and profit from continuing operations attributable to owners of the parent of HK\$3,635 million and HK\$3,635 million (six months ended 30th June, 2017: HK\$5,975 million and HK\$2,926 million) respectively after the distribution of HK\$357 million (six months ended 30th June, 2017: HK\$245 million) to Hybrid/Additional Tier 1 issue holders, and on 2,787 million (six months ended 30th June, 2017: 2,714 million) ordinary shares, being the weighted average number of ordinary shares outstanding during the six months ended 30th June, 2018, adjusted for the effects of all dilutive potential shares.
- (c) Distribution/Dividends
- (i) Dividends payable to equity owners of the parent attributable to the interim period

	6 months ended 30/6/2018	6 months ended 30/6/2017
	HK\$ Mn	HK\$ Mn
Interim dividend declared after the interim period of HK\$0.51 per share on 2,808 million shares (six months ended 30th June, 2017: HK\$0.68 per share on 2,726 million shares)	1,432	1,854

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 30/6/2018	6 months ended 30/6/2017
	HK\$ Mn	HK\$ Mn
Second interim dividend paid in respect of the previous financial year on shares issued under the share option schemes subsequent to the end of the reporting period and before the close of the Register of Members of the Bank, of HK\$0.60 per share (2017: HK\$0.28 per share)	1	–
Second interim dividend of HK\$0.60 per share on 2,765 million shares (2017: HK\$0.28 per share on 2,703 million shares)	1,659	757
	<u>1,660</u>	<u>757</u>

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

	6 months ended 30/6/2018	6 months ended 30/6/2017
	HK\$ Mn	HK\$ Mn
Interest paid or payable on the Hybrid Tier 1 capital instruments	106	105
Amount paid on the Additional Tier 1 capital instruments	251	140
	<u>357</u>	<u>245</u>

(d) Share Capital

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

	At 30th June, 2018		At 31st December, 2017	
	No. of shares Mn	HK\$ Mn	No. of shares Mn	HK\$ Mn
Ordinary shares, issued and fully paid:				
At 1st January	2,765	37,527	2,703	35,490
Shares issued under Staff Share Option Schemes	3	73	3	93
Transfer of the fair value of options from capital reserve – share options issued	–	12	–	17
Share issued in lieu of dividend	40	1,271	59	1,927
At 30th June/31st December	<u>2,808</u>	<u>38,883</u>	<u>2,765</u>	<u>37,527</u>

Notes to the Interim Financial Statements (Continued)

2. Changes in Accounting Policies

Except as described below, the accounting policies applied in these interim financial statements are the same as those applied in the Group's consolidated financial statements as at and for the year ended 31st December, 2017.

The changes in accounting policies are also expected to be reflected in the Group's consolidated financial statements as at and for the year ending 31st December, 2018.

The HKICPA has issued a number of new HKFRSs and amendments to HKFRSs that are first effective for the current accounting period of the Group. Of these, the following developments are relevant to the Group's financial statements:

- HKFRS 9, Financial instruments
- HKFRS 15, Revenue from contracts with customers
- HK(IFRIC) 22, Foreign currency transactions and advance consideration

The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period.

The Group has been impacted by HKFRS 9 in relation to classification of financial assets and measurement of credit losses, and impacted by HKFRS 15 in relation to presentation of contract assets and contract liabilities.

(a) HKFRS 9 Financial Instruments

HKFRS 9 Financial Instruments replaces HKAS 39 Financial Instruments: Recognition and Measurement. The new standard brings fundamental changes to the accounting for financial assets and to certain aspects of the accounting for financial liabilities.

As permitted by HKFRS 9, the Group has elected to continue to apply the hedge accounting requirements of HKAS 39.

The key changes to the Group's accounting policies resulting from its adoption of HKFRS 9 are summarised below.

Classification of financial assets and financial liabilities

HKFRS 9 contains three principal classification categories for financial assets: measured at amortised cost, FVOCI and FVTPL. Classification of a financial asset under HKFRS 9 is generally based on the business model in which the financial asset is managed and the contractual cash flows of the financial asset. For an equity instrument which is not held for trading at initial recognition, an irrevocable election can be made to present subsequent changes in fair value of the equity instrument in OCI. Cumulative gains and losses recognised in OCI are not recycled to profit or loss upon derecognition of the equity instrument, in contrast to debt instrument measured at FVOCI where recycling of cumulative gains and losses to profit or loss upon derecognition is permitted. For derivatives embedded in contracts where the host is a financial asset in the scope of the standard, they are never bifurcated. Instead, the whole hybrid instrument is assessed for classification. The standard removes the HKAS 39 categories of held-to-maturity, loans and receivables and available-for-sale.

Notes to the Interim Financial Statements (Continued)

2. Changes in Accounting Policies (Continued)

(a) HKFRS 9 Financial Instruments (Continued)

Classification of financial assets and financial liabilities (Continued)

HKFRS 9 largely retains the requirements in HKAS 39 for the classification of financial liabilities. Although all fair value changes of liabilities designated under the fair value option were recognised in profit or loss under HKAS 39, fair value changes are generally presented under HKFRS 9 as follows:

- the amount of change in the fair value that is attributable to changes in the credit risk of the liability is presented in OCI; and
- the remaining amount of change in the fair value is presented in profit or loss.

The following table shows the original measurement categories in accordance with HKAS 39 and the new measurement categories under HKFRS 9 for the Group's financial assets as at 1st January, 2018.

There is no change in the measurement categories for the Group's financial liabilities between HKAS 39 and HKFRS 9 as at 1st January, 2018.

		Original classification under HKAS 39	New classification under HKFRS 9	Original carrying amount under HKAS 39	New carrying amount under HKFRS 9
	Notes			HK\$ Mn	HK\$ Mn
Cash and balances with banks and other financial institutions		Loans and receivables	Amortised cost	55,696	55,684
Placements with and advances to banks and other financial institutions	17	Loans and receivables	Amortised cost	58,583	58,577
Trade bills	18	Loans and receivables	Amortised cost	3,896	3,887
Trade bills ^a	18	Loans and receivables	FVOCI	10,013	10,033
Trading assets	19	FVTPL	FVTPL (mandatory)	6,956	6,956
Derivative assets	37(a)	FVTPL	FVTPL (mandatory)	11,335	11,335
Loans and advances to customers	20	Loans and receivables	Amortised cost	470,339	470,738
Investment securities – debt	21	FVTPL (designated)	FVTPL (designated)	3,125	3,125
Investment securities – debt ^b	21	FVTPL (designated)	FVTPL (mandatory)	754	754
Investment securities – debt ^c	21	Available-for-sale	Amortised cost	8,512	8,328
Investment securities – debt	21	Available-for-sale	FVOCI	100,532	100,532
Investment securities – debt ^d	21	Available-for-sale	FVTPL (mandatory)	7,690	7,690
Investment securities – debt	21	Held-to-maturity investments	Amortised cost	9,720	9,701
Investment securities – debt ^d	21	Held-to-maturity investments	FVTPL (mandatory)	78	81

Notes to the Interim Financial Statements (Continued)

2. Changes in Accounting Policies (Continued)

(a) HKFRS 9 Financial Instruments (Continued)

Classification of financial assets and financial liabilities (Continued)

		Original classification under HKAS 39	New classification under HKFRS 9	Original carrying amount under HKAS 39	New carrying amount under HKFRS 9
	Notes			HK\$ Mn	HK\$ Mn
Investment securities – debt ^d	21	Loans and receivables	FVTPL (mandatory)	133	132
Investment securities – equity ^b	21	FVTPL (designated)	FVTPL (mandatory)	166	166
Investment securities – equity	21	Available-for-sale	FVTPL (mandatory)	2,697	2,697
Investment securities – equity ^e	21	Available-for-sale	FVOCI	345	345
Investment securities – investment fund ^b	21	FVTPL (designated)	FVTPL (mandatory)	124	124
Investment securities – investment fund	21	Available-for-sale	FVTPL (mandatory)	549	549
Other assets (excluding assets held for sale)	23	Loans and receivables	Amortised cost	32,493	32,436
				783,736	783,870
Total financial assets					

- a. Certain trade bills are reclassified to FVOCI because they are held within a business model in which they are managed to meet everyday liquidity needs and often results in sales activity that is significant in value. The Group considers that under HKFRS 9 such portfolios of trade bills are held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets.
- b. Before the adoption of HKFRS 9, certain investment securities were designated as at FVTPL because they are managed and their performance is evaluated on a fair value basis or derivatives are held to manage specific risk of these securities and the designation eliminated or significantly reduced an accounting mismatch that would otherwise arise. Under HKFRS 9, these securities meet the criteria of mandatory measurement at FVTPL because the contractual cash flows of these securities are not solely payments of principal and interest on the principal outstanding.
- c. Certain debt securities are held by the Group in a separate portfolio for long-term yield purposes. These securities may be sold, but such sales are not expected to be more than infrequent. The Group considers that these securities are held within a business model whose objective is to hold assets to collect contractual cash flows. These securities are classified as measured at amortised cost under HKFRS 9.
- d. Investment securities are held by the Group in a separate portfolio for long-term yield purposes but the contractual cash flows are not solely payments of principal and interest on the principal outstanding. These securities are therefore mandatorily measured at FVTPL under HKFRS 9.
- e. Certain available-for-sale equity investments held by the Group for strategic purpose have been designated under HKFRS 9 as at FVOCI.

Notes to the Interim Financial Statements (Continued)

2. Changes in Accounting Policies (Continued)

(a) HKFRS 9 Financial Instruments (Continued)

Classification of financial assets and financial liabilities (Continued)

The following table reconciles the carrying amounts under HKAS 39 to the carrying amounts under HKFRS 9 on transition to HKFRS 9 on 1st January, 2018:

	HKAS 39 carrying amount 31 December 2017	Reclassification	Remeasurement	HKFRS 9 carrying amount 1 January 2018
	HK\$ Mn	HK\$ Mn	HK\$ Mn	HK\$ Mn
Financial assets				
Amortised cost				
Cash and balances with banks and other financial institutions				
Opening balance	55,696			
Remeasurement			(12)	
Closing balance				55,684
Placements with and advances to banks and other financial institutions				
Opening balance	58,583			
Remeasurement			(6)	
Closing balance				58,577
Trade bills				
Opening balance	13,909			
To Trade Bills at FVOCI		(10,013)		
Remeasurement			(9)	
Closing balance				3,887
Loans and advances to customers				
Opening balance	470,339			
Remeasurement			399	
Closing balance				470,738
Investment securities				
Opening balance	9,931			
From available-for-sale To FVTPL		8,512 (211)		
Remeasurement			(203)	
Closing balance				18,029

Notes to the Interim Financial Statements (Continued)

2. Changes in Accounting Policies (Continued)

(a) HKFRS 9 Financial Instruments (Continued)

Classification of financial assets and financial liabilities (Continued)

	HKAS 39 carrying amount 31 December 2017	Reclassification	Remeasurement	HKFRS 9 carrying amount 1 January 2018
	HK\$ Mn	HK\$ Mn	HK\$ Mn	HK\$ Mn
Other assets				
Opening balance	32,493			
Remeasurement			(57)	
Closing balance				32,436
Total amortised cost				639,351
Financial assets				
Available-for-sale				
Investment securities				
Opening balance	120,325			
To FVOCI – debt		(100,528)		
To FVOCI – equity		(349)		
To FVTPL		(10,936)		
To amortised cost		(8,512)		
Closing balance				–
Trade Bills at FVOCI				
Trade Bills				
Opening balance	–			
From amortised cost		10,013		
Remeasurement			20	
Closing balance				10,033
FVOCI – debt				
Investment securities				
Opening balance	–			
From available-for-sale		100,528		
Closing balance				100,528

Notes to the Interim Financial Statements (Continued)

2. Changes in Accounting Policies (Continued)

(a) HKFRS 9 Financial Instruments (Continued)

Classification of financial assets and financial liabilities (Continued)

	HKAS 39 carrying amount 31 December 2017	Reclassification	Remeasurement	HKFRS 9 carrying amount 1 January 2018
	HK\$ Mn	HK\$ Mn	HK\$ Mn	HK\$ Mn
FVOCI – equity				
Investment securities				
Opening balance	–			
From available-for-sale		349		
Closing balance				349
Total FVOCI				110,910
FVTPL				
Trading assets	6,956			6,956
Derivative assets	11,335			11,335
Investment securities				
Opening balance	4,169			
From available-for-sale		10,936		
From amortised cost		211		
Remeasurement			2	
Closing balance				15,318
Total FVTPL				33,609

The following table shows the effects of the reclassification of financial assets from HKAS 39 categories into the amortised cost category under HKFRS 9.

	HK\$ Mn
Financial assets	
From available-for-sale financial assets under HKAS 39	
Fair value at 30th June, 2018	7,064
Fair value gain/(loss) that would have been recognised during 2018 in OCI if the financial assets had not been reclassified	(149)

Notes to the Interim Financial Statements (Continued)

2. Changes in Accounting Policies (Continued)

(a) HKFRS 9 Financial Instruments (Continued)

Impairment of financial assets

HKFRS 9 replaces the 'incurred loss' model in HKAS 39 with an 'expected credit loss' model. The new impairment model also applies to certain loan commitments and financial guarantee contracts but not to equity investments. Under HKFRS 9, credit losses are recognised earlier than under HKAS 39.

The Group recognises impairment allowances for expected credit losses (ECL) on the following financial instruments that are not measured at FVTPL:

- financial assets that are debt instruments;
- lease receivables;
- financial guarantee contracts issued;
- loan commitments issued; and
- contract assets

No impairment loss is recognised on equity investments.

The Group measures impairment allowances for 12-month or lifetime ECL using a 3-stage approach as follows:

Stage	Description	Impairment Loss
1	Performing	12-month ECL
2	Performing but with credit risk increased significantly at reporting date since its initial recognition	Lifetime ECL
3	Non-performing	Lifetime ECL

12-month ECL are the portion of ECL that result from default events on a financial instrument that are possible within the 12 months after the reporting date.

Measurement of ECL

ECL are a probability-weighted estimate of credit losses under different economic scenarios. They are measured as:

Exposure at Default x Probability of Default x Loss Given Default

Notes to the Interim Financial Statements (Continued)

2. Changes in Accounting Policies (Continued)

(a) HKFRS 9 Financial Instruments (Continued)

Credit-impaired financial assets

At each reporting date, the Group assesses whether financial assets carried at amortised cost and debt financial assets carried at FVOCI are credit-impaired. A financial asset is 'credit-impaired' when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

Evidence that a financial asset is credit-impaired includes but not limited to the following observable data:

- significant financial difficulty of the borrower or issuer;
- a breach of contract such as a default or past due event;
- the restructuring of a loan or advance by the Group on terms that the Group would not consider otherwise; or
- it is becoming probable that the borrower will enter bankruptcy or other financial reorganisation.

A loan that has been renegotiated due to a deterioration in the borrower's condition is usually considered to be credit-impaired unless there is evidence that the risk of not receiving contractual cash flows has reduced significantly and there are no other indicators of impairment. In addition, a loan that is overdue for 90 days or more is considered impaired.

Presentation of allowance for ECL in the statement of financial position

Impairment allowances for ECL are presented in the statement of financial position as follows:

- financial assets measured at amortised cost: as a deduction from the gross carrying amount of the assets;
- loan commitments and financial guarantee contracts: generally, as a provision on the liabilities side; and
- debt instruments measured at FVOCI: no impairment allowance is presented in the statement of financial position because the carrying amount of these assets is their fair value, inclusive of any ECL. However, the impairment allowance is recognised in the fair value reserve and disclosed separately.

Notes to the Interim Financial Statements (Continued)

2. Changes in Accounting Policies (Continued)

(a) HKFRS 9 Financial Instruments (Continued)

Write-off

Loans and debt securities are written off (either partially or in full) when there is no realistic prospect of recovery. This is generally the case when the Group determines that the borrower does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off. However, financial assets that are written off could still be subject to enforcement activities in order to comply with the Group's procedures for recovery of amounts due.

The following table reconciles the closing impairment allowance for financial assets in accordance with HKAS 39 and provisions for loan commitments and financial guarantee contracts in accordance with HKAS 37 *Provisions, Contingent Liabilities and Contingent Assets* as at 31st December, 2017 to the opening ECL allowance determined in accordance with HKFRS 9 as at 1st January, 2018.

	31 December 2017 (HKAS 39/ HKAS 37)	Reclassification	Remeasurement	1 January 2018 (HKFRS 9)
	HK\$ Mn	HK\$ Mn	HK\$ Mn	HK\$ Mn
Loans and receivables and held-to-maturity investments under HKAS 39/financial assets at amortised cost under HKFRS 9	3,454	–	(297)	3,157
Available-for-sale debt securities under HKAS 39 reclassified to amortised cost under HKFRS 9	–	–	58	58
	3,454	–	(239)	3,215
Available-for-sale debt securities under HKAS 39/ debt securities at FVOCI under HKFRS 9	–	–	212	212
Loans and receivables at amortised cost under HKAS 39 reclassified to FVOCI under HKFRS 9	–	–	18	18
	3,454	–	(9)	3,445
Loan commitments and financial guarantee contracts issued	–	–	164	164
Total	3,454	–	155	3,609

Transition

Changes in accounting policies resulting from the adoption of HKFRS 9 have been applied retrospectively, except as described below.

- Information relating to comparative periods have not been restated. Differences in the carrying amounts of financial assets and financial liabilities resulting from the adoption of HKFRS 9 are recognised in retained earnings and reserves as at 1st January, 2018. Accordingly, the information presented for 2017 does not reflect the requirements of HKFRS 9 and therefore is not comparable to the information presented for 2018 under HKFRS 9.

Notes to the Interim Financial Statements (Continued)

2. Changes in Accounting Policies (Continued)

(a) HKFRS 9 Financial Instruments (Continued)

Transition (Continued)

- The following assessments have been made on the basis of the facts and circumstances that existed at the date of initial application.
 - The determination of the business model within which a financial asset is held.
 - The designation and revocation of previous designations of certain financial assets and financial liabilities as measured at FVTPL.
 - The designation of certain investments in equity instruments not held for trading as at FVOCI.
 - For financial liabilities designated as at FVTPL, the determination of whether presenting the effects of changes in the financial liability's credit risk in OCI would create or enlarge an accounting mismatch in profit or loss.
 - If a debt security had low credit risk at the date of initial application of HKFRS 9, then the Group has assumed that credit risk on the asset had not increased significantly since its initial recognition.

The following table analyses the impact, net of tax, of transition of HKFRS 9 on reserve and retained earnings. The impact relates to liability credit reserve, the fair value reserve and retained earnings. There is no impact on other component of equity.

	Impact of adopting HKFRS 9 at 1st January, 2018 <hr/> HK\$ Mn
Liability credit reserve	
Closing balance under HKAS 39 (31st December, 2017)	–
Change of credit risk for financial liabilities designated at FVTPL	<hr/> (6)
Opening balance under HKFRS 9 (1st January, 2018)	<hr/> <hr/> (6)
Fair value reserve	
Closing balance under HKAS 39 (31st December, 2017)	1,465
Reclassification of investment securities (debt) from AFS to amortised cost	(105)
Reclassification of investment securities (debt, equity and investment fund) from AFS to FVTPL	(270)
Reclassification of trade bills from amortised cost to FVOCI	15
Recognition of expected credit losses under HKFRS 9 for debt financial assets at FVOCI	<hr/> 198
Opening balance under HKFRS 9 (1st January, 2018)	<hr/> <hr/> 1,303

Notes to the Interim Financial Statements (Continued)

2. Changes in Accounting Policies (Continued)

(a) HKFRS 9 Financial Instruments (Continued)

Transition (Continued)

	Impact of adopting HKFRS 9 at 1st January, 2018 <hr/> HK\$ Mn
Retained earnings	
Closing balance under HKAS 39 (31st December, 2017)	28,890
Reclassification under HKFRS 9	278
Own credit risk of financial liabilities	6
Recognition of expected credit losses under HKFRS 9 (including loan commitments and financial guarantee contracts)	(243)
Impact from investment in associates	(73)
	<hr/>
Opening balance under HKFRS 9 (1st January, 2018)	<u>28,858</u>

(b) HKFRS 15 Revenue from Contracts with Customers

HKFRS 15 establishes a comprehensive framework for recognising revenue and some costs from contracts with customers. HKFRS 15 replaces HKAS 18, Revenue, which covered revenue arising from sale of goods and rendering of services, and HKAS 11, Construction contracts, which specified the accounting for construction contracts.

The Group performed an assessment of the new standard and concluded that the current treatment of revenue from contracts with customers is consistent with the new principles. Except for the change in presentation of contract assets and liabilities, the adoption of HKFRS 15 does not have any material impact on the financial position and there is no transitional impact to retained earnings. Under HKFRS 15, a receivable is recognised only if the Group has an unconditional right to consideration. If the Group recognises the related revenue before receiving the consideration or being unconditionally entitled to the consideration for the promised goods and services in the contract, then the entitlement to consideration is classified as a contract asset. The contract asset is transferred to receivables when the right to consideration becomes unconditional. Similarly, a contract liability, rather than a payable, is recognised when a customer pays consideration, or is contractually required to pay consideration and the amount is already due, before the Group recognise the related revenue. For the relevant disclosure on contract assets and liabilities, please refer to Notes 23 and 26.

(c) HK(IFRIC) 22, Foreign Currency Transactions and Advance Consideration

This interpretation provides guidance on determining “the date of the transaction” for the purpose of determining the exchange rate to use on initial recognition of the related asset, expense or income (or part of it) arising from a transaction in which an entity receives or pays advance consideration in a foreign currency.

The interpretation clarifies that “the date of the transaction” is the date on initial recognition of the non-monetary asset or liability arising from the payment or receipt of advance consideration. If there are multiple payments or receipts in advance of recognising the related item, the date of the transaction for each payment or receipt should be determined in this way. The adoption of HK(IFRIC) 22 does not have any material impact on the financial position and the financial result of the Group.

Notes to the Interim Financial Statements (Continued)

3. Interest Income

	6 months ended 30/6/2018	6 months ended 30/6/2017
	HK\$ Mn	HK\$ Mn
CONTINUING OPERATIONS		
Loans, deposits with banks and financial institutions, and trade bills	10,262	8,877
Investment securities		
– at amortised cost or FVOCI (2017: held-to-maturity or available-for-sale)	1,660	1,443
– designated at FVTPL	53	83
– mandatory at FVTPL	119	–
Trading assets	89	56
	<u>12,183</u>	<u>10,459</u>

The above included HK\$11,943 million (six months ended 30th June, 2017: HK\$10,437 million) interest income, before hedging effect, for financial assets that are not recognised at fair value through profit or loss.

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.

For the period ended 30th June 2018, interest income accrued on impaired financial assets was HK\$128 million (six months ended 30th June, 2017: HK\$173 million).

4. Interest Expense

	6 months ended 30/6/2018	6 months ended 30/6/2017
	HK\$ Mn	HK\$ Mn
CONTINUING OPERATIONS		
Customer deposits, deposits of banks and other financial institutions		
– at amortised cost	5,159	3,923
– designated at FVTPL	18	–
Certificates of deposit and debt securities issued		
– at amortised cost	323	268
– designated at FVTPL	129	88
Subordinated notes carried at amortised cost	300	438
Other borrowings	4	3
	<u>5,933</u>	<u>4,720</u>

The above included HK\$5,801 million (six months ended 30th June, 2017: HK\$4,682 million) interest expense, before hedging effect, for financial liabilities that are not recognised at fair value through profit or loss.

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.

Notes to the Interim Financial Statements (Continued)

5. Fee and Commission Income

Fee and commission income is disaggregated by services:

	6 months ended 30/6/2018	6 months ended 30/6/2017 Restated
	HK\$ Mn	HK\$ Mn
CONTINUING OPERATIONS		
Credit cards	525	484
Loans, overdrafts and guarantees	343	351
Other retail banking services	194	166
Securities and brokerage	179	112
Trade finance	164	166
Trust and other fiduciary activities	152	115
Investment products	78	44
Financial consultancy	43	17
Others	257	253
	<u>1,935</u>	<u>1,708</u>
Total fee and commission income	<u>1,935</u>	<u>1,708</u>
of which:		
Net fee income, other than amounts included in determining the effective interest rate, arising from financial assets or financial liabilities that are not measured at FVTPL	1,379	1,229
Fee income	1,935	1,708
Fee expenses	(556)	(479)

6. Net Trading Profits

	6 months ended 30/6/2018	6 months ended 30/6/2017
	HK\$ Mn	HK\$ Mn
CONTINUING OPERATIONS		
Profit/(Loss) on dealing in foreign currencies and funding swaps	310	(518)
Profit on trading securities	83	315
Net gain on derivatives	134	366
Dividend income from trading equity securities	29	24
	<u>556</u>	<u>187</u>

Notes to the Interim Financial Statements (Continued)

7. Net Result from Other Financial Instruments at Fair Value through Profit or Loss

	6 months ended 30/6/2018	6 months ended 30/6/2017
	HK\$ Mn	HK\$ Mn
CONTINUING OPERATIONS		
Net result from financial Instruments designated at FVTPL		
– Revaluation gain on debts issued	2	5
– Revaluation loss on financial assets/liabilities	(28)	(9)
– Loss on sale of financial assets	(2)	–
Net result from financial Instruments mandatorily measured at FVTPL (other than those included in net trading profits)		
– Revaluation loss on financial assets	(136)	–
– Profit on sale of financial assets	15	–
– Dividend/Distribution income from non-trading equity securities	7	–
	<u>(142)</u>	<u>(4)</u>

8. Net Hedging Profit/(Loss)

	6 months ended 30/6/2018	6 months ended 30/6/2017
	HK\$ Mn	HK\$ Mn
CONTINUING OPERATIONS		
Fair value hedges		
– Net (loss)/profit on hedged items attributable to the hedged risk	(394)	263
– Net profit/(loss) on hedging instruments	410	(265)
	<u>16</u>	<u>(2)</u>

There was insignificant ineffectiveness recognised in the Group's income statement arising from cash flow hedge for the six months ended 30th June, 2018 and 30th June, 2017.

Notes to the Interim Financial Statements (Continued)

9. Net Insurance Revenue

	6 months ended 30/6/2018	6 months ended 30/6/2017
	HK\$ Mn	HK\$ Mn
CONTINUING OPERATIONS		
(a) Net insurance revenue		
Net interest income	252	216
Net trading profits	41	51
Net profits from other financial instruments designated at FVTPL	–	32
Net loss from other financial instruments mandatory at FVTPL	(139)	–
Net hedging loss	(8)	(12)
Net insurance premium	(b) 2,833	3,033
Other operating income	–	1
	<u>2,979</u>	<u>3,321</u>
Net insurance claims and expenses	(c) (2,727)	(3,171)
	<u>252</u>	<u>150</u>
Operating expenses	(1)	(2)
Write-back of/(Charge for) impairment loss on financial instruments	3	(2)
Net profit on sale of available-for-sale financial assets	–	97
Net profit on sale of debt investment securities at FVOCI	10	–
	<u>264</u>	<u>243</u>
(b) Net insurance premium		
Gross insurance premium income (Note)	2,863	3,063
Reinsurer's share of gross insurance premium income	(30)	(30)
	<u>2,833</u>	<u>3,033</u>
(c) Net insurance claims and expenses		
Claims, benefits and surrenders paid	1,771	2,468
Movement in provisions	903	682
	<u>2,674</u>	<u>3,150</u>
Reinsurers' share of claim, benefits and surrenders paid	(342)	(907)
Reinsurers' share of movement in provisions	315	851
	<u>(27)</u>	<u>(56)</u>
Net insurance commission expenses	<u>2,647</u> 80	<u>3,094</u> 77
	<u>2,727</u>	<u>3,171</u>

Note: Gross insurance premium income represents gross premiums received and receivable in respect of long-term business and general insurance business, net of discounts and returns.

Notes to the Interim Financial Statements (Continued)

10. Other Operating Income

	6 months ended 30/6/2018	6 months ended 30/6/2017
	HK\$ Mn	HK\$ Mn
CONTINUING OPERATIONS		
Dividend income from available-for-sale financial assets	–	14
Dividend income from equity securities measured at FVOCI	8	–
Rental from safe deposit boxes	54	42
Rental income on properties	89	78
Others	69	50
	<u>220</u>	<u>184</u>

11. Operating Expenses

	6 months ended 30/6/2018	6 months ended 30/6/2017 Restated ^{Note}
	HK\$ Mn	HK\$ Mn
CONTINUING OPERATIONS		
Contributions to defined contribution plan		
– Hong Kong	72	71
– Outside Hong Kong	119	107
Equity-settled share-based payment expenses	17	19
Salaries and other staff costs	2,310	2,078
	<u>2,518</u>	<u>2,275</u>
Total staff costs		
	<u>2,518</u>	<u>2,275</u>
Premises and equipment expenses excluding depreciation		
– Rental of premises	266	288
– Maintenance, repairs and others	303	281
	<u>569</u>	<u>569</u>
Total premises and equipment expenses excluding depreciation		
	<u>569</u>	<u>569</u>
Depreciation on fixed assets	240	230
Amortisation of intangible assets	7	16
Other operating expenses		
– Legal and professional fees	180	191
– Communications, stationery and printing	127	128
– Advertising expenses	86	111
– Stamp duty, withholding taxes and value added taxes	70	55
– Card related expenses	68	15
– Business promotions and business travel	58	56
– Insurance expenses	54	47
– Internet platform charges	33	–
– Donations	9	2
– Membership fees	8	7
– Bank charges	5	5
– Bank licence	2	2
– Others	152	130
	<u>852</u>	<u>749</u>
Total other operating expenses		
	<u>852</u>	<u>749</u>
Total operating expenses	<u>4,186</u>	<u>3,839</u>

Notes to the Interim Financial Statements (Continued)

11. Operating Expenses (Continued)

Note: To better reflect the expenses nature, HK\$64 million card related expenses related to credit card loyalty programme was reclassified to fee and commission expense. Corresponding restatements have also been reflected in Consolidated Income Statement, Notes 5 and 28.

12. Impairment Losses on Financial Instruments

	6 months ended 30/6/2018	6 months ended 30/6/2017
	HK\$ Mn	HK\$ Mn
CONTINUING OPERATIONS		
Loans and advances to customers	298	760
Others	(16)	5
	<u>282</u>	<u>765</u>

13. Net Profit on Sale of Available-for-Sale Financial Assets

	6 months ended 30/6/2017
	HK\$ Mn
CONTINUING OPERATIONS	
Net revaluation gain transferred from reserves	220
Loss arising in the period	(5)
	<u>215</u>

14. Net Profit on Sale of Financial Assets at FVOCI

	6 months ended 30/6/2018
	HK\$ Mn
CONTINUING OPERATIONS	
Net profit on sale of debt securities	
– Net revaluation gain transferred from reserves	23
– Profit arising in the period	26
	<u>49</u>

15. Net Loss on Disposal of Fixed Assets

	6 months ended 30/6/2018	6 months ended 30/6/2017
	HK\$ Mn	HK\$ Mn
CONTINUING OPERATIONS		
Net loss on disposal of investment properties	(1)	–
Net loss on disposal of bank premises, furniture, fixtures and equipment	(9)	(7)
	<u>(10)</u>	<u>(7)</u>

Notes to the Interim Financial Statements (Continued)

16. Income Tax

Taxation in the consolidated income statement represents:

	6 months ended 30/6/2018	6 months ended 30/6/2017
	HK\$ Mn	HK\$ Mn
CONTINUING OPERATIONS		
Current tax – Hong Kong		
Tax for the year	432	292
Under-provision in respect of prior years	3	18
	<u>435</u>	<u>310</u>
Current tax – outside Hong Kong		
Tax for the year	248	361
Under/(over)-provision in respect of prior years	207	(76)
	<u>455</u>	<u>285</u>
Deferred tax		
Origination and reversal of temporary differences	(128)	(21)
	<u>762</u>	<u>574</u>

The provision for Hong Kong profits tax is calculated at 16.5% (six months ended 30th June, 2017: 16.5%) of the estimated assessable profits for the six months ended 30th June, 2018.

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

Notes to the Interim Financial Statements (Continued)

17. Placements with and Advances to Banks and Other Financial Institutions

	30/6/2018	31/12/2017
	HK\$ Mn	Restated ^{Note} HK\$ Mn
Placements with and advances to banks and other financial institutions		
Maturing		
– within one month	53,846	47,996
– after one month but within one year	12,467	10,587
– after one year	78	–
	66,391	58,583
Less: Impairment allowances	(10)	–
– Stage 1	(10)	–
– Stage 2	–	–
– Stage 3	–	–
	66,381	58,583
Of which:		
Placements with and advances to central banks	–	–

Note: To better reflect the transaction nature, reverse repurchase transactions with banks and other financial institutions of HK\$4,974 million was reclassified to Placements with and advances to banks and other financial institutions from Cash and balances with banks and other financial institutions. Corresponding restatements have also been reflected in Consolidated Statement of Financial Position, Notes 29 and 33.

18. Trade Bills

	30/6/2018	31/12/2017
	HK\$ Mn	HK\$ Mn
At amortised cost	3,046	13,910
Less: Impairment allowances	(5)	(1)
– Stage 1	(3)	–
– Stage 2	(1)	–
– Stage 3	(1)	–
– Individual	–	(1)
	3,041	13,909
At FVOCI	13,387	–
	16,428	13,909

Notes to the Interim Financial Statements (Continued)

19. Trading Assets

	30/6/2018	31/12/2017
	HK\$ Mn	HK\$ Mn
Treasury bills (including Exchange Fund Bills)	649	2,218
Debt securities	4,387	1,781
Equity securities	1,871	2,953
Investment funds	3	4
	<u>6,910</u>	<u>6,956</u>

20. Loans and Advances to Customers

(a) Loans and advances to customers

	30/6/2018	31/12/2017
	HK\$ Mn	HK\$ Mn
Loans and advances to customers at amortised cost	491,098	473,776
Less: Impairment allowances	(2,293)	(3,437)
– Stage 1	(660)	–
– Stage 2	(575)	–
– Stage 3	(1,058)	–
– Individual	–	(1,059)
– Collective	–	(2,378)
	<u>488,805</u>	<u>470,339</u>

Notes to the Interim Financial Statements (Continued)

20. Loans and Advances to Customers (Continued)

(b) Loans and advances to customers – by industry sectors

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

	30/6/2018		31/12/2017	
	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	23,549	59.12	20,280	70.18
– Property investment	38,636	90.07	37,359	92.71
– Financial concerns	15,511	66.64	12,489	66.06
– Stockbrokers	4,787	87.60	6,899	90.20
– Wholesale and retail trade	8,302	58.99	8,831	63.00
– Manufacturing	2,098	42.48	2,123	40.31
– Transport and transport equipment	4,789	62.85	4,976	65.45
– Recreational activities	128	73.21	176	71.30
– Information technology	2,450	0.91	2,747	1.26
– Others	21,530	72.44	25,876	67.63
– Sub-total	121,780	72.07	121,756	74.48
Individuals				
– Loans for the purchase of flats in the Home Ownership Scheme, Private Sector Participation Scheme and Tenants Purchase Scheme	1,049	100.00	1,064	100.00
– Loans for the purchase of other residential properties	50,247	100.00	42,803	100.00
– Credit card advances	4,138	0.00	4,644	0.00
– Others	37,485	87.17	34,034	87.14
– Sub-total	92,919	90.37	82,545	89.07
Total loans for use in Hong Kong	214,699	79.99	204,301	80.37
Trade finance	3,836	66.75	3,934	70.33
Loans for use outside Hong Kong*	272,563	50.04	265,541	54.34
Total advances to customers	491,098	63.26	473,776	65.70

* Loans for use outside Hong Kong include the following loans for use in Mainland China.

	30/6/2018		31/12/2017	
	Gross advances	% of gross advances covered by collateral	Gross advances	% of gross advances covered by collateral
	HK\$ Mn	%	HK\$ Mn	%
Property development	46,580	54.96	44,416	54.04
Property investment	28,570	90.57	29,176	92.32
Financial concerns	35,640	3.77	33,431	6.24
Wholesale and retail trade	11,109	53.80	13,058	58.37
Manufacturing	6,608	31.05	7,176	30.41
Loans for the purchase of other residential properties	14,446	88.86	15,181	99.94
Others	39,738	28.12	38,716	33.62
	182,691	46.45	181,154	50.24

Notes to the Interim Financial Statements (Continued)

20. Loans and Advances to Customers (Continued)

(b) Loans and advances to customers – by industry sectors (Continued)

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

	30/6/2018	31/12/2017
	HK\$ Mn	HK\$ Mn
(i) Property development		
a. Individually impaired loans	453	316
b. Specific provisions	–	–
c. Collective provisions	138	420
d. New provision charged to income statement	30	92
e. Written off	52	26
(ii) Property investment		
a. Individually impaired loans	511	792
b. Specific provisions	211	113
c. Collective provisions	353	425
d. New provision charged to income statement	302	197
e. Written off	171	118
(iii) Loans for purchase of residential properties		
a. Individually impaired loans	297	296
b. Specific provisions	3	3
c. Collective provisions	85	214
d. New provision charged to income statement	28	12
e. Written off	8	4
(iv) Wholesale and retail trade		
a. Individually impaired loans	771	1,084
b. Specific provisions	202	368
c. Collective provisions	97	180
d. New provision charged to income statement	85	666
e. Written off	348	438
(v) Hotels		
a. Individually impaired loans	1,096	1,189
b. Specific provisions	177	258
c. Collective provisions	79	69
d. New provision charged to income statement	117	62
e. Written off	33	99

The specific provisions represent lifetime expected credit loss provisions (2017: individual impairment allowance) for credited impaired exposures and the collective provisions represent the 12-month and lifetime expected credit loss provisions (2017: collective impairment allowance) for non-credit impaired exposures.

Notes to the Interim Financial Statements (Continued)

20. 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 countries or geographical areas is derived according to the location of the counterparties after taking into account any transfer of risk. 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 impairment provisions follow the terminology used by the HKMA.

	30/6/2018				
	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	220,296	1,096	1,938	374	326
Mainland China	203,302	1,816	2,473	633	795
Other Asian Countries and Regions	26,785	118	195	51	71
Others	40,715	–	25	–	43
Total	491,098	3,030	4,631	1,058	1,235
% of total advances to customers			0.94%		
Market value of collateral held against impaired advances to customers			3,766		
	31/12/2017				
	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	207,523	1,746	1,997	336	498
Mainland China	203,128	2,039	2,758	682	1,721
Other Asian Countries and Regions	27,456	191	390	41	68
Others	35,669	1	32	–	91
Total	473,776	3,977	5,177	1,059	2,378
% of total advances to customers			1.09%		
Market value of collateral held against impaired advances to customers			4,329		

Notes to the Interim Financial Statements (Continued)

20. Loans and Advances to Customers (Continued)

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

The specific provisions represent lifetime expected credit loss provisions (2017: individual impairment allowance) for credit impaired exposures and the collective provisions represent the 12-month and lifetime expected credit loss provisions (2017: collective impairment allowance) for non-credit impaired exposures.

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

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.

21. Investment Securities

	30/6/2018				
	Mandatorily measured at FVTPL	Designated at FVTPL	Measured at FVOCI	Measured at amortised cost	Total
	HK\$ Mn	HK\$ Mn	HK\$ Mn	HK\$ Mn	HK\$ Mn
Treasury bills (including Exchange Fund Bills)	–	–	23,700	1,897	25,597
Certificates of deposits held	–	–	1,127	1,128	2,255
Debt securities	10,889	1,726	73,201	15,277	101,093
Equity securities	2,951	–	603	–	3,554
Investment funds	914	–	–	–	914
	<u>14,754</u>	<u>1,726</u>	<u>98,631</u>	<u>18,302</u>	<u>133,413</u>

Debt securities were designated as at FVTPL on initial recognition when the Group held derivatives for managing specific risk of the debt securities, and the designation therefore eliminated or significantly reduced an accounting mismatch that would otherwise arise.

Notes to the Interim Financial Statements (Continued)

21. Investment Securities (Continued)

Equity securities designated at FVOCI

At 1st January, 2018, the Group designated certain equity securities as shown in the following table at FVOCI. In 2017, these investments were classified as available-for-sale and measured at fair value. The FVOCI designation was made because the investments are expected to be held for long-term strategic purposes.

	6 months ended 30/6/2018	
	Fair value at 30/6/2018	Dividend income recognised
	HK\$ Mn	HK\$ Mn
Aberdeen Restaurant Enterprises Limited	2	–
EPS Company (Hong Kong) Limited	45	4
Joint Electronic Teller Services Ltd.	18	2
Nova Credit Limited	11	–
OTC Clearing Hong Kong Limited	6	–
TransUnion Limited	64	–
China UnionPay Co., Ltd.	448	1
Euroclear Plc	7	1
Society For World-Wide Interbank Financial Telecommunication	2	–
	603	8

	31/12/2017				
	Designated at FVTPL	Available-for- sale	Held- to-maturity	Loans and receivables	Total
	HK\$ Mn	HK\$ Mn	HK\$ Mn	HK\$ Mn	HK\$ Mn
Treasury bills (including Exchange Fund Bills)	–	27,024	1,699	–	28,723
Certificates of deposits held	–	1,150	1,269	–	2,419
Debt securities	3,879	88,560	6,830	133	99,402
Equity securities	166	3,042	–	–	3,208
Investment funds	124	549	–	–	673
	4,169	120,325	9,798	133	134,425

Notes to the Interim Financial Statements (Continued)

22. Fixed Assets

	30/6/2018				
	Investment properties	Bank premises	Furniture, fixtures and equipment	Sub-total	Total
	HK\$ Mn	HK\$ Mn	HK\$ Mn	HK\$ Mn	HK\$ Mn
Cost or valuation					
At 1st January, 2018	5,107	8,193	5,149	13,342	18,449
Additions	–	6	197	203	203
Revaluation surplus	394	–	–	–	394
Disposals	–	(22)	(102)	(124)	(124)
Revaluation surplus on bank premises upon transfer to investment properties	–	8	–	8	8
Transfer from bank premises to investment properties	16	(16)	–	(16)	–
Transfer from investment properties to bank premises	(151)	151	–	151	–
Less: Elimination of accumulated depreciation on revalued bank premises	–	(1)	–	(1)	(1)
Exchange adjustments	–	(62)	(26)	(88)	(88)
At 30th June, 2018	<u>5,366</u>	<u>8,257</u>	<u>5,218</u>	<u>13,475</u>	<u>18,841</u>
Accumulated depreciation and amortisation					
At 1st January, 2018	–	1,874	3,825	5,699	5,699
Charge for the period	–	81	159	240	240
Elimination of accumulated depreciation on revalued bank premises	–	(1)	–	(1)	(1)
Written off on disposal	–	(8)	(91)	(99)	(99)
Exchange adjustments	–	(16)	(22)	(38)	(38)
At 30th June, 2018	<u>–</u>	<u>1,930</u>	<u>3,871</u>	<u>5,801</u>	<u>5,801</u>
Net book value at 30th June, 2018	<u>5,366</u>	<u>6,327</u>	<u>1,347</u>	<u>7,674</u>	<u>13,040</u>
Net book value at 31st December, 2017	<u>5,107</u>	<u>6,319</u>	<u>1,324</u>	<u>7,643</u>	<u>12,750</u>
The gross amounts of the above assets are stated:					
At cost	–	7,478	5,218	12,696	12,696
At Directors' valuation – 1989	–	779	–	779	779
At professional valuation – 2018	5,366	–	–	–	5,366
	<u>5,366</u>	<u>8,257</u>	<u>5,218</u>	<u>13,475</u>	<u>18,841</u>

Notes to the Interim Financial Statements (Continued)

23. Other Assets

	30/6/2018	31/12/2017 Restated ^{Note}
	HK\$ Mn	HK\$ Mn
Accrued interest	3,088	2,578
Customer liabilities under acceptances	19,263	18,309
Other accounts*	8,050	11,622
Less: Impairment allowances	(320)	(16)
– Stage 1	(39)	–
– Stage 2	(4)	–
– Stage 3	(277)	–
– Individual	–	(14)
– Collective	–	(2)
	<u>30,081</u>	<u>32,493</u>
Assets held for sale (Note 43)	<u>463</u>	<u>466</u>
	<u><u>30,544</u></u>	<u><u>32,959</u></u>

* Include nil contract assets (1/1/2018: nil) from contracts with customers under HKFRS 15.

Note: HK\$133 million of debt securities classified as loans and receivables were represented in Investment Securities (see Note 21) in order to conform to current period's presentation.

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

	30/6/2018	31/12/2017
	HK\$ Mn	HK\$ Mn
Deposits and balances of banks and other financial institutions	3,468	3,110
Certificates of deposits issued	13,918	11,655
Debt securities issued	706	851
	<u>18,092</u>	<u>15,616</u>

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

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

	30/6/2018
	HK\$ Mn
Balance at 1st January	(6)
Recognised in other comprehensive income during the period	(4)
Balance at 30th June	<u>(10)</u>

Notes to the Interim Financial Statements (Continued)

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

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

The carrying amount of financial liabilities designated as at FVTPL at 30th June, 2018 was HK\$56 million lower than the contractual amount due at maturity (31/12/2017: HK\$56 million lower).

25. Trading Liabilities

	30/6/2018	31/12/2017
	HK\$ Mn	HK\$ Mn
Exchange fund bills sold	199	–
Shares sold	–	11
	<u>199</u>	<u>11</u>

26. Other Liabilities

	30/6/2018	31/12/2017
	HK\$ Mn	HK\$ Mn
Accrued interest payable	3,284	3,187
Acceptance draft payable	19,263	18,309
Impairment allowances		
– Financial guarantee contracts issued	42	–
– Loan commitments issued	100	–
Liabilities held for sale (Note 43)	7	9
Other accounts*	24,542	23,873
	<u>47,238</u>	<u>45,378</u>

* Include contract liabilities of HK\$592 million (1/1/2018: HK\$508 million) from contracts with customers under HKFRS 15.

27. Loan Capital

	30/6/2018	31/12/2017
	HK\$ Mn	HK\$ Mn
Subordinated notes, at amortised cost with fair value hedge adjustments		
USD600 million fixed rate subordinated notes due 16th July, 2020 (1)	4,715	4,769
USD500 million fixed rate subordinated notes due 20th November, 2024 (2)	3,868	3,876
USD500 million fixed rate subordinated notes due 3rd November, 2026 (3)	3,723	3,768
	<u>12,306</u>	<u>12,413</u>

Notes to the Interim Financial Statements (Continued)

27. Loan Capital (Continued)

The Group has not had any defaults of principal, interest or other breaches with respect to its debt securities during the period/year ended 30th June, 2018 and 31st December, 2017.

- (1) Two tranches of loan capital of face value totalling HK\$4,708 million (USD600 million) and carrying amount totalling HK\$4,715 million (31/12/2017: HK\$4,769 million) were issued on 16th July, 2010 (USD450 million) and on 23rd July, 2010 (USD150 million) by the Bank. These subordinated notes carrying a coupon rate of 6.125% qualifying as Tier 2 capital are listed on the Singapore Exchange and will mature on 16th July, 2020. The notes are under fair value hedge accounting and hedge ineffectiveness of HK\$3 million loss was recorded in the first half of 2018 (first half 2017: HK\$2 million loss).
- (2) Loan capital of face value of HK\$3,923 million (USD500 million) and carrying amount of HK\$3,868 million (31/12/2017: HK\$3,876 million) represents 4.25% subordinated notes (under the Euro Medium Term Note Programme) qualifying as Tier 2 capital issued on 20th November, 2014 by the Bank. The notes are listed on the Hong Kong Stock Exchange and will mature on 20th November, 2024. The notes are under fair value hedge accounting and hedge ineffectiveness of HK\$1 million loss was recorded in first half of 2018 (first half 2017: HK\$2 million profit).
- (3) Loan capital of face value of HK\$3,923 million (USD500 million) and carrying amount of HK\$3,723 million (31/12/2017: HK\$3,768 million) represents 4% subordinated notes (under the Euro Medium Term Note Programme) qualifying as Tier 2 capital issued on 3rd November, 2016 by the Bank. The notes are listed on the Hong Kong Stock Exchange and will mature on 3rd November, 2026. The notes are under fair value hedge accounting and hedge ineffectiveness of HK\$2 million loss was recorded in first half of 2018 (first half 2017: HK\$0.4 million profit).

28. Segment Reporting

The Group manages its businesses by divisions, which are organised by a mixture of both business lines and geography. In a manner consistent with the way in which information is reported internally to the Group's Senior Management for the purposes of resource allocation and performance assessment, the Group has presented the following eight reportable segments. No operating segments have been aggregated to form the following reportable segments.

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

Corporate banking includes corporate lending and loan syndication, asset based lending, commercial lending and securities lending in Hong Kong.

Treasury markets include treasury operations and securities dealing in Hong Kong.

Wealth management includes private banking business and related assets in Hong Kong.

Financial institutions include trade financing activities with correspondent banks in Hong Kong.

Other Hong Kong banking operations mainly include insurance business, trust business, securities & futures broking, money lender activities and corporate financial advisory in Hong Kong.

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

Notes to the Interim Financial Statements (Continued)

28. Segment Reporting (Continued)

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

Other businesses include property-related business, supporting units of Hong Kong operations, investment properties, bank premises, the net results of other subsidiaries in Hong Kong except for those subsidiaries which are included in other Hong Kong banking operations.

For the purposes of assessing segment performance and allocating resources between 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 tangible assets, intangible assets and financial assets with the exception of interests in associates, deferred tax assets and other corporate assets. 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. Segment revenue and expenses do not include the Group's share of revenue and expenses arising from the activities of the Group's associates. Other than reporting inter-segment income, assistance provided by one segment to another, including sharing of assets, is not measured.

Notes to the Interim Financial Statements (Continued)

28. Segment Reporting (Continued)

	Hong Kong banking operations								Total reportable segments HK\$ Mn	Others HK\$ Mn	Inter-segment elimination HK\$ Mn	Total HK\$ Mn
	Personal banking	Corporate banking	Treasury markets	Wealth management	Financial institutions	Others	Mainland China operations	Overseas operations				
	HK\$ Mn	HK\$ Mn	HK\$ Mn	HK\$ Mn	HK\$ Mn	HK\$ Mn	HK\$ Mn	HK\$ Mn				
6 months ended 30th June, 2018												
CONTINUING OPERATIONS												
Net interest income	1,887	948	84	223	9	86	1,764	810	5,811	437	2	6,250
Non-interest income/(expense)	446	211	5	226	11	363	550	150	1,962	491	(177)	2,276
Operating income	2,333	1,159	89	449	20	449	2,314	960	7,773	928	(175)	8,526
Operating expenses	(760)	(96)	(79)	(108)	(6)	(210)	(1,630)	(340)	(3,229)	(1,132)	175	(4,186)
Operating profit/(loss) before impairment losses	1,573	1,063	10	341	14	239	684	620	4,544	(204)	-	4,340
Impairment losses on financial instruments	(92)	(92)	(1)	9	(1)	-	(312)	207	(282)	-	-	(282)
Impairment losses on intangible assets	-	-	-	-	-	-	(1)	-	(1)	-	-	(1)
Operating profit/(loss) after impairment losses	1,481	971	9	350	13	239	371	827	4,261	(204)	-	4,057
Profit/(Loss) on sale of fixed assets, financial assets measured at FVOCI	(7)	-	44	-	-	-	2	-	39	-	-	39
Profit on sale of disposal groups and assets held for sale	-	-	-	-	-	-	-	10	10	-	-	10
Valuation gains on investment properties	-	-	-	-	-	-	-	-	-	394	-	394
Share of profits less losses of associates	-	-	-	-	-	-	41	240	281	-	-	281
Profit before taxation	1,474	971	53	350	13	239	414	1,077	4,591	190	-	4,781
Depreciation for the period	(32)	(1)	(2)	(1)	-	(8)	(105)	(15)	(164)	(76)	-	(240)
At 30th June, 2018												
Segment assets	94,468	148,724	167,114	25,417	7,922	20,618	297,555	107,841	869,659	13,661	(66,270)	817,050
Investments in associates	-	-	-	-	-	53	3,492	5,776	9,321	-	-	9,321
Other assets – Assets held for sale	-	-	-	-	-	388	75	-	463	-	-	463
Total assets	94,468	148,724	167,114	25,417	7,922	21,059	301,122	113,617	879,443	13,661	(66,270)	826,834
Segment liabilities	319,597	738	59,501	21,212	5	16,850	249,287	97,480	764,670	2,440	(43,878)	723,232
Other liabilities – Liabilities held for sale	-	-	-	-	-	7	-	-	7	-	-	7
Total liabilities	319,597	738	59,501	21,212	5	16,857	249,287	97,480	764,677	2,440	(43,878)	723,239

Notes to the Interim Financial Statements (Continued)

28. Segment Reporting (Continued)

	Hong Kong banking operations								Total reportable segments HK\$ Mn	Others HK\$ Mn	Inter-segment elimination HK\$ Mn	Total HK\$ Mn
	Personal banking	Corporate banking	Treasury markets	Wealth management	Financial institutions	Others	Mainland China operations	Overseas operations				
	HK\$ Mn	HK\$ Mn	HK\$ Mn	HK\$ Mn	HK\$ Mn	HK\$ Mn	HK\$ Mn	HK\$ Mn				
6 months ended 30th June, 2017 (Restated)												
CONTINUING OPERATIONS												
Net interest income/(expense)	1,699	963	(177)	183	17	116	1,944	741	5,486	255	(2)	5,739
Non-interest income/(expense)	404	182	(83)	236	9	328	386	115	1,577	416	(167)	1,826
Operating income	2,103	1,145	(260)	419	26	444	2,330	856	7,063	671	(169)	7,565
Operating expenses	(771)	(88)	(64)	(99)	(5)	(224)	(1,422)	(281)	(2,954)	(1,054)	169	(3,839)
Operating profit/(loss) before impairment losses	1,332	1,057	(324)	320	21	220	908	575	4,109	(383)	-	3,726
Impairment losses on financial instruments	(75)	(169)	(2)	(1)	-	(6)	(510)	1	(762)	(3)	-	(765)
Impairment losses on assets held for sale	-	-	-	-	-	-	(58)	-	(58)	-	-	(58)
Operating profit/(loss) after impairment losses	1,257	888	(326)	319	21	214	340	576	3,289	(386)	-	2,903
Profit/(Loss) on sale of fixed assets, held-to-maturity investments and available-for-sale financial assets	(4)	5	213	-	-	2	(1)	-	215	(1)	-	214
Profit/(Loss) on sale of disposal groups and assets held for sale	-	-	-	-	-	-	(2)	-	(2)	192	-	190
Profit on disposal of subsidiaries/associates	-	-	-	-	-	-	-	-	-	2	-	2
Valuation gains on investment properties	-	-	-	-	-	-	-	-	-	229	-	229
Share of profits less losses of associates	-	-	-	-	-	-	37	187	224	-	-	224
Profit/(Loss) before taxation	1,253	893	(113)	319	21	216	374	763	3,726	36	-	3,762
Depreciation for the period	(30)	(1)	(2)	(1)	-	(7)	(100)	(16)	(157)	(73)	-	(230)
At 31st December, 2017												
Segment assets	81,889	148,083	164,908	26,284	5,237	21,123	299,726	107,804	855,054	13,555	(69,562)	799,047
Investments in associates	-	-	-	-	-	54	3,414	5,961	9,429	-	-	9,429
Other assets – Assets held for sale	-	-	-	-	-	351	76	39	466	-	-	466
Total assets	81,889	148,083	164,908	26,284	5,237	21,528	303,216	113,804	864,949	13,555	(69,562)	808,942
Segment liabilities	309,279	902	53,725	21,606	5	16,762	251,933	98,057	752,269	2,509	(47,059)	707,719
Other liabilities – Liabilities held for sale	-	-	-	-	-	9	-	-	9	-	-	9
Total liabilities	309,279	902	53,725	21,606	5	16,771	251,933	98,057	752,278	2,509	(47,059)	707,728

Notes to the Interim Financial Statements (Continued)

29. Analysis of Assets and Liabilities by Remaining Maturity

	30/6/2018							
	Repayable on demand	Within 1 month	3 months or less but over 1 month	1 year or less but over 3 months	5 years or less but over 1 year	Over 5 years	Undated or overdue	Total
	HK\$ Mn	HK\$ Mn	HK\$ Mn	HK\$ Mn	HK\$ Mn	HK\$ Mn	HK\$ Mn	HK\$ Mn
Assets								
Cash and balances with banks and other financial institutions	24,811	71	368	264	–	–	23,355	48,869
Placements with and advances to banks and other financial institutions	–	53,841	9,030	3,432	78	–	–	66,381
Trade bills	3	3,097	4,802	8,526	–	–	–	16,428
Trading assets	–	10	380	2,312	2,260	74	1,874	6,910
Derivative assets	–	–	–	–	–	–	10,604	10,604
Loans and advances to customers	3,399	63,323	27,013	93,529	190,306	108,780	2,455	488,805
Investment securities	–	4,784	8,269	27,465	65,327	23,462	4,106	133,413
Investments in associates	–	–	–	–	–	–	9,321	9,321
Fixed assets	–	–	–	–	–	–	13,040	13,040
Goodwill and intangible assets	–	–	–	–	–	–	1,951	1,951
Deferred tax assets	–	–	–	–	–	–	568	568
Other assets	133	4,761	7,949	10,176	727	163	6,635	30,544
Total assets	28,346	129,887	57,811	145,704	258,698	132,479	73,909	826,834
Liabilities								
Deposits and balances of banks and other financial institutions	2,262	14,908	10,705	3,181	–	–	–	31,056
Deposits from customers	211,443	105,605	147,652	83,528	20,448	–	6	568,682
– Demand deposits and current accounts	77,941	–	–	–	–	–	–	77,941
– Savings deposits	132,655	–	–	–	–	–	–	132,655
– Time, call and notice deposits	847	105,605	147,652	83,528	20,448	–	6	358,086
Trading liabilities	–	–	199	–	–	–	–	199
Derivative liabilities	–	–	–	–	–	–	10,039	10,039
Certificates of deposit issued	–	7,389	21,365	22,061	–	–	–	50,815
Current taxation	–	–	–	1,570	–	–	–	1,570
Debt securities issued	–	142	157	301	263	–	–	863
Deferred tax liabilities	–	–	–	–	–	–	471	471
Other liabilities	950	4,455	8,971	12,444	9,274	3,770	7,374	47,238
Loan capital	–	–	–	–	12,306	–	–	12,306
Total liabilities	214,655	132,499	189,049	123,085	42,291	3,770	17,890	723,239
Net gap	(186,309)	(2,612)	(131,238)	22,619	216,407	128,709		

Notes to the Interim Financial Statements (Continued)

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

	31/12/2017 (Restated)							
	Repayable on demand	Within 1 month	3 months or less but over 1 month	1 year or less but over 3 months	5 years or less but over 1 year	Over 5 years	Undated or overdue	Total
	HK\$ Mn	HK\$ Mn	HK\$ Mn	HK\$ Mn	HK\$ Mn	HK\$ Mn	HK\$ Mn	HK\$ Mn
Assets								
Cash and balances with banks and other financial institutions	26,093	749	936	1,535	-	-	26,383	55,696
Placements with and advances to banks and other financial institutions	-	47,996	9,361	1,226	-	-	-	58,583
Trade bills	32	3,336	3,853	6,688	-	-	-	13,909
Trading assets	-	557	220	1,681	1,394	147	2,957	6,956
Derivative assets	-	-	-	-	-	-	11,335	11,335
Loans and advances to customers	3,674	54,317	30,919	93,731	187,627	96,783	3,288	470,339
Investment securities	-	3,674	16,715	26,092	60,431	23,632	3,881	134,425
Investments in associates	-	-	-	-	-	-	9,429	9,429
Fixed assets	-	-	-	-	-	-	12,750	12,750
Goodwill and intangible assets	-	-	-	-	-	-	1,959	1,959
Deferred tax assets	-	-	-	-	-	-	602	602
Other assets	154	4,280	7,443	10,154	1,069	175	9,684	32,959
Total assets	29,953	114,909	69,447	141,107	250,521	120,737	82,268	808,942
Liabilities								
Deposits and balances of banks and other financial institutions	4,352	9,485	7,026	6,116	2	-	-	26,981
Deposits from customers	220,257	114,771	127,662	88,810	18,552	1,621	11	571,684
- Demand deposits and current accounts	85,518	-	-	-	-	-	-	85,518
- Savings deposits	133,969	-	-	-	-	-	-	133,969
- Time, call and notice deposits	770	114,771	127,662	88,810	18,552	1,621	11	352,197
Trading liabilities	-	-	-	-	-	-	11	11
Derivative liabilities	-	-	-	-	-	-	12,077	12,077
Certificates of deposit issued	-	4,096	12,500	19,870	-	-	-	36,466
Current taxation	-	-	-	1,160	-	-	-	1,160
Debt securities issued	-	-	117	431	459	-	-	1,007
Deferred tax liabilities	-	-	-	-	-	-	551	551
Other liabilities	924	4,250	8,358	12,898	8,940	3,454	6,554	45,378
Loan capital	-	-	-	-	12,413	-	-	12,413
Total liabilities	225,533	132,602	155,663	129,285	40,366	5,075	19,204	707,728
Net gap	(195,580)	(17,693)	(86,216)	11,822	210,155	115,662		

Notes to the Interim Financial Statements (Continued)

30. Deferred Tax Assets and Liabilities Recognised

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

Deferred tax arising from:	Depreciation allowances in excess of related depreciation	Revaluation of properties	Impairment losses on financial assets	Revaluation of financial assets at FVOCI	Tax losses	Others	Total
	HK\$ Mn	HK\$ Mn	HK\$ Mn	HK\$ Mn	HK\$ Mn	HK\$ Mn	HK\$ Mn
At 1st January, 2018	218	100	(569)	136	-	64	(51)
Impact of adopting HKFRS 9 (Credited)/Charged to income statement	-	-	89	(13)	-	-	76
(Credited)/Charged to reserve	36	-	(100)	(10)	3	(57)	(128)
Exchange and other adjustments	-	8	-	(8)	-	(1)	(1)
	1	-	8	-	-	(2)	7
At 30th June, 2018	<u>255</u>	<u>108</u>	<u>(572)</u>	<u>105</u>	<u>3</u>	<u>4</u>	<u>(97)</u>
Balance as at 31st December, 2017	<u>218</u>	<u>100</u>	<u>(569)</u>	<u>136</u>	<u>-</u>	<u>64</u>	<u>(51)</u>

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

	30/6/2018	31/12/2017
	HK\$ Mn	HK\$ Mn
Deferred tax assets	(568)	(602)
Deferred tax liabilities	<u>471</u>	<u>551</u>
	<u>(97)</u>	<u>(51)</u>

Notes to the Interim Financial Statements (Continued)

31. Reserves

	30/6/2018	31/12/2017
	HK\$ Mn	HK\$ Mn
General reserve	14,054	14,060
Revaluation reserve on bank premises	1,757	1,757
Fair value reserve	1,062	1,465
Exchange revaluation reserve	(13)	487
Capital reserve	958	230
Capital reserve- staff share options issued	140	135
Liability credit reserve	(10)	–
Other reserves	4,921	4,931
Retained profits*	30,063	28,890
	<u>52,932</u>	<u>51,955</u>
Proposed dividends, not provided for	<u>1,432</u>	<u>1,659</u>

* A regulatory reserve is maintained to satisfy the provisions of the Banking Ordinance for prudential supervision purposes by earmarking amounts in respect of losses which the Bank will or may incur on loans and advances and investments in addition to impairment losses recognised. Movements in the reserve are earmarked directly through retained earnings and in consultation with the HKMA. As at 30th June, 2018, HK\$5,046 million (31st December, 2017: HK\$4,062 million) was included in the retained profits in this respect which was distributable to equity holders of the Group subject to consultation with the HKMA.

32. Additional Equity Instruments

	30/6/2018	31/12/2017
	HK\$ Mn	HK\$ Mn
USD650 million undated non-cumulative subordinated capital securities (1)	5,016	5,016
USD500 million undated non-cumulative subordinated capital securities (2)	3,878	3,878
	<u>8,894</u>	<u>8,894</u>

(1) On 2nd December, 2015, the Bank issued undated non-cumulative subordinated capital securities (“Additional Tier 1 Capital Securities”) with a face value of US\$650 million (equivalent to HK\$5,016 million net of related issuance costs). The Additional Tier 1 Capital Securities are undated and bear a 5.50% coupon until the first call date on 2nd December, 2020. 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 3.834% 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.

(2) On 18th May, 2017, the Bank issued undated non-cumulative subordinated capital securities (“Additional Tier 1 Capital Securities”) with a face value of US\$500 million (equivalent to HK\$3,879 million net of related issuance costs). The Additional Tier 1 Capital Securities are undated and bear a 5.625% coupon until the first call date on 18th May, 2022. 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 3.682% 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.

Notes to the Interim Financial Statements (Continued)

33. Consolidated Cash Flow Statement

Cash and cash equivalents

	30/6/2018	30/6/2017 Restated
	HK\$ Mn	HK\$ Mn
(i) Components of cash and cash equivalents in the consolidated cash flow statement		
Cash and balances with banks and other financial institutions with original maturity within three months	25,640	24,391
Placements with and advances to banks and other financial institutions with original maturity within three months	60,524	46,789
Treasury bills with original maturity within three months	2,517	2,279
Certificates of deposit held with original maturity within three months	1,128	3,406
Add: Cash and balances with banks and other financial institutions included in "Assets held for sale" (Note 43)	4	–
	<u>89,813</u>	<u>76,865</u>
(ii) Reconciliation with the consolidated statement of financial position		
Cash and balances with banks and other financial institutions	48,869	53,014
Placements with and advances to banks and other financial institutions	66,381	52,200
Treasury bills, certificates of deposit held and debt securities		
– trading assets	5,036	3,113
– investment securities	128,945	127,889
	133,981	131,002
Add: Cash and balances with banks and other financial institutions included in "Assets held for sale" (Note 43)	4	–
Amount shown in the consolidated statement of financial position	249,235	236,216
Less: Amounts with an original maturity of beyond three months	(136,185)	(130,728)
Cash balance with central bank subject to regulatory restriction	(23,237)	(28,623)
	<u>89,813</u>	<u>76,865</u>
Cash and cash equivalents in the consolidated cash flow statement	<u>89,813</u>	<u>76,865</u>

Notes to the Interim Financial Statements (Continued)

34. Offsetting Financial Instruments

The following tables present details of financial instruments subject to offsetting, enforceable master netting arrangements and similar agreements.

	At 30th June, 2018				
	Gross amounts of recognised financial assets	Gross amounts of recognised financial liabilities set off in the statement of financial position	Net amounts of financial assets presented in the statement of financial position	Related financial instruments that are not set off	Net amount
	HK\$ Mn	HK\$ Mn	HK\$ Mn	HK\$ Mn	HK\$ Mn
Assets					
Derivative assets	27	–	27	(26)	1
Other accounts	655	(536)	119	–	119
Total	682	(536)	146	(26)	120

	At 30th June, 2018				
	Gross amounts of recognised financial liabilities	Gross amounts of recognised financial assets set off in the statement of financial position	Net amounts of financial liabilities presented in the statement of financial position	Related financial instruments that are not set off	Net amount
	HK\$ Mn	HK\$ Mn	HK\$ Mn	HK\$ Mn	HK\$ Mn
Liabilities					
Derivative liabilities	115	–	115	(26)	89
Other accounts	536	(536)	–	–	–
Total	651	(536)	115	(26)	89

Notes to the Interim Financial Statements (Continued)

34. Offsetting Financial Instruments (Continued)

	At 31st December, 2017				
	Gross amounts of recognised financial assets	Gross amounts of recognised financial liabilities set off in the statement of financial position	Net amounts of financial assets presented in the statement of financial position	Related financial instruments that are not set off	Net amount
	HK\$ Mn	HK\$ Mn	HK\$ Mn	HK\$ Mn	HK\$ Mn
Assets					
Derivative assets	38	–	38	(34)	4
Other accounts	1,164	(763)	401	–	401
Total	1,202	(763)	439	(34)	405

	At 31st December, 2017				
	Gross amounts of recognised financial liabilities	Gross amounts of recognised financial assets set off in the statement of financial position	Net amounts of financial liabilities presented in the statement of financial position	Related financial instruments that are not set off	Net amount
	HK\$ Mn	HK\$ Mn	HK\$ Mn	HK\$ Mn	HK\$ Mn
Liabilities					
Derivative liabilities	69	–	69	(34)	35
Other accounts	763	(763)	–	–	–
Total	832	(763)	69	(34)	35

Notes to the Interim Financial Statements (Continued)

35. 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 widely recognised option pricing models. Assumptions and inputs used in valuation techniques include risk-free and benchmark interest rates, equity prices, foreign currency exchange rates, index prices, historical or implied volatilities and correlations. The objective of valuation techniques is to arrive at a fair value measurement that reflects the price of the financial instrument that would be received to sell the asset or paid to transfer the liability in an orderly transaction between market participants at the reporting date.

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

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

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

Notes to the Interim Financial Statements (Continued)

35. 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.

	30/6/2018				31/12/2017			
	Level One	Level Two	Level Three	Total	Level One	Level Two	Level Three	Total
	HK\$ Mn	HK\$ Mn	HK\$ Mn	HK\$ Mn	HK\$ Mn	HK\$ Mn	HK\$ Mn	HK\$ Mn
Recurring fair value measurement								
Assets								
Trading assets	2,092	4,818	-	6,910	3,018	3,938	-	6,956
Derivative assets	-	10,604	-	10,604	-	11,335	-	11,335
Investment securities								
– Mandatorily measured at								
FVTPL	11,396	3,057	301	14,754	-	-	-	-
– Designated at FVTPL	838	888	-	1,726	2,594	1,575	-	4,169
– At FVOCI	64,201	33,827	603	98,631	-	-	-	-
– Available-for-sale	-	-	-	-	83,835	35,928	562	120,325
	<u>78,527</u>	<u>53,194</u>	<u>904</u>	<u>132,625</u>	<u>89,447</u>	<u>52,776</u>	<u>562</u>	<u>142,785</u>
Liabilities								
Trading liabilities	199	-	-	199	11	-	-	11
Derivative liabilities	-	10,039	-	10,039	-	12,077	-	12,077
Financial liabilities designated at fair value through profit or loss	-	18,092	-	18,092	-	15,616	-	15,616
	<u>199</u>	<u>28,131</u>	<u>-</u>	<u>28,330</u>	<u>11</u>	<u>27,693</u>	<u>-</u>	<u>27,704</u>

During the period ended 30th June, 2018 and year ended 31st December, 2017, 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)

35. 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 instruments at FVOCI (2017: available-for-sale)	Net asset value	N/A	N/A
	Discounted cash flow model	Discount rate	12.37% (31 Dec 2017: 15.4%)
		Marketability discount	20% (31 Dec 2017: 20%)
	Market-comparable approach	Earnings multiple	27.80% – 33.53% (31 Dec 2017: 25.13% – 26.33%)
		P/B ratios	4.68% – 4.79% (31 Dec 2017: 4.11% – 4.39%)
		Marketability discount	50% (31 Dec 2017: 50%)

The fair values of unlisted equity instruments measured at FVOCI (2017: available-for-sale) 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, such as price/earning ratio of comparables, 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.

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

Notes to the Interim Financial Statements (Continued)

35. 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:

	30/6/2018		31/12/2017
	Investment securities mandatorily measured at FVTPL	Investment securities at FVOCI	Available-for-sale financial assets
	HK\$ Mn	HK\$ Mn	HK\$ Mn
Assets			
At 1st January	213	349	493
Purchases	104	–	42
Settlements	(8)	–	(86)
Changes in fair value recognised in the income statement	(8)	–	(2)
Changes in fair value recognised in the other comprehensive income	–	254	114
Exchange adjustments	–	–	1
At 30th June/31st December	<u>301</u>	<u>603</u>	<u>562</u>
Total gains or losses for the period included in FVOCI (2017: available-for-sale) fair value reserve of the other comprehensive income for assets held at the end of the reporting period	<u>–</u>	<u>254</u>	<u>114</u>
Total gains or losses for the period included in the income statement for assets held at the end of the reporting period recorded in net results from other financial instruments at FVTPL	<u>(8)</u>	<u>–</u>	<u>–</u>

Notes to the Interim Financial Statements (Continued)

35. 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

	30/6/2018			
	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	25	(25)	–	–
Investment securities at FVOCI	–	–	50	(50)
	<u>25</u>	<u>(25)</u>	<u>50</u>	<u>(50)</u>
	31/12/2017			
	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				
Available-for-sale financial assets	–	–	47	(47)
	<u>–</u>	<u>–</u>	<u>47</u>	<u>(47)</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% in reasonably possible alternative assumptions.

Notes to the Interim Financial Statements (Continued)

35. 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 unquoted equity investments is estimated, if possible, using the applicable dividend discount model or the net asset value in the investment, or benchmarking against peer group's market information.
- (v) The fair value of unlisted open-ended investment funds is estimated using the net asset value per share as reported by the managers of such funds.
- (vi) 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 30th June, 2018 and 31st December, 2017 except as follows:

	30/6/2018		31/12/2017	
	Carrying amount	Fair value	Carrying amount	Fair value
	HK\$ Mn	HK\$ Mn	HK\$ Mn	HK\$ Mn
Financial assets				
Investment securities at amortised cost (2017: Held-to-maturity)	18,302	18,417	9,798	9,756

Notes to the Interim Financial Statements (Continued)

36. Credit Risk

The Group adopts the criteria of stage allocation as follows:

HKMA's 5-Grade Asset		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 criteria of "significant increase of credit risk" has taken into consideration of two key factors:

- The exposure has a significant deterioration of internal or external rating as compared with the rating at the time when the exposure was originated; and
- The rating of the exposure falls out of the "Low-Credit Risk Threshold" that equivalent to the globally understood definition of "investment grade"

a. Credit Quality Analysis

Credit quality of loans and advances

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

	30/6/2018						31/12/2017			
	12-month ECL		Lifetime ECL not credit-impaired		Lifetime ECL credit-impaired		Total		Total	
	Principal	Accrued interest	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	HK\$ Mn	HK\$ Mn
Loans and advances to customers at amortised cost										
– Grades 1-15: Pass	458,442	1,011	23,107	81	–	–	481,549	1,092	463,082	963
– Grades 16-17: Special Mention	–	–	4,918	21	–	–	4,918	21	5,517	23
– Grade 18: Substandard	–	–	–	–	1,521	7	1,521	7	1,392	5
– Grade 19: Doubtful	–	–	–	–	2,322	143	2,322	143	3,003	42
– Grade 20: Loss	–	–	–	–	788	218	788	218	782	2
Total gross carrying amount	458,442	1,011	28,025	102	4,631	368	491,098	1,481	473,776	1,035
Impairment allowances	(660)	(2)	(575)	(3)	(1,058)	(223)	(2,293)	(228)	(3,437)	–
Carrying amount	457,782	1,009	27,450	99	3,573	145	488,805	1,253	470,339	1,035

Notes to the Interim Financial Statements (Continued)

36. Credit Risk (Continued)

a. Credit Quality Analysis (Continued)

Credit quality of financial assets other than loans and advances

The following table sets out the credit analysis for debt instruments other than loans and advances to customers, measured at amortised cost and FVOCI (2017: available-for-sale). 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 amount in the table represent the amounts committed or guaranteed, respectively.

	30/6/2018						31/12/2017			
	12-month ECL		Lifetime ECL not credit-impaired		Lifetime ECL credit-impaired		Total		Total	
	Principal	Accrued interest	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	HK\$ Mn	HK\$ Mn
Trade bills at amortised cost										
– Grades 1-15: Pass	3,010	30	35	–	–	–	3,045	30	13,909	44
– Grades 16-17: Special Mention	–	–	–	–	–	–	–	–	–	–
– Grade 18: Substandard	–	–	–	–	–	–	–	–	–	–
– Grade 19: Doubtful	–	–	–	–	1	–	1	–	1	–
– Grade 20: Loss	–	–	–	–	–	–	–	–	–	–
Total gross carrying amount	3,010	30	35	–	1	–	3,046	30	13,910	44
Impairment allowances	(3)	–	(1)	–	(1)	–	(5)	–	(1)	–
Carrying amount	<u>3,007</u>	<u>30</u>	<u>34</u>	<u>–</u>	<u>–</u>	<u>–</u>	<u>3,041</u>	<u>30</u>	<u>13,909</u>	<u>44</u>
	30/6/2018						31/12/2017			
	12-month ECL		Lifetime ECL not credit-impaired		Lifetime ECL credit-impaired		Total		Total	
	Principal	Accrued interest	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	HK\$ Mn	HK\$ Mn
Trade bills at FVOCI										
– Grades 1 – 15: Pass	12,830	3	557	–	–	–	13,387	3	–	–
Total carrying amount at fair value	<u>12,830</u>	<u>3</u>	<u>557</u>	<u>–</u>	<u>–</u>	<u>–</u>	<u>13,387</u>	<u>3</u>	<u>–</u>	<u>–</u>
Impairment allowances	<u>(9)</u>	<u>–</u>	<u>(2)</u>	<u>–</u>	<u>–</u>	<u>–</u>	<u>(11)</u>	<u>–</u>	<u>–</u>	<u>–</u>

Notes to the Interim Financial Statements (Continued)

36. Credit Risk (Continued)

a. Credit Quality Analysis (Continued)

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

	30/6/2018						31/12/2017			
	12-month ECL		Lifetime ECL not credit-impaired		Lifetime ECL credit-impaired		Total		Total	
	Principal	Accrued interest	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	HK\$ Mn	HK\$ Mn
Placements with and advances to banks and other financial institutions										
– Grades 1-15: Pass	66,391	85	–	–	–	–	66,391	85	58,583	39
Total gross carrying amount	66,391	85	–	–	–	–	66,391	85	58,583	39
Impairment allowances	(10)	–	–	–	–	–	(10)	–	–	–
Carrying amount	<u>66,381</u>	<u>85</u>	<u>–</u>	<u>–</u>	<u>–</u>	<u>–</u>	<u>66,381</u>	<u>85</u>	<u>58,583</u>	<u>39</u>

	30/6/2018			31/12/2017	
	12-month ECL	Lifetime ECL not credit-impaired	Lifetime ECL credit-impaired	Total	Total
	HK\$ Mn	HK\$ Mn	HK\$ Mn	HK\$ Mn	HK\$ Mn
Loan commitments					
– Grades 1-15: Pass		135,849	13,654	–	149,503
– Grades 16-17: Special Mention		6	19	–	25
Total		<u>135,855</u>	<u>13,673</u>	<u>–</u>	<u>149,528</u>
Impairment allowances		<u>(79)</u>	<u>(21)</u>	<u>–</u>	<u>–</u>
Financial guarantee contracts					
– Grades 1-15: Pass		25,769	2,704	–	28,473
– Grades 16-17: Special Mention		–	80	–	80
Total		<u>25,769</u>	<u>2,784</u>	<u>–</u>	<u>28,553</u>
Impairment allowances		<u>(32)</u>	<u>(10)</u>	<u>–</u>	<u>–</u>

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.

Notes to the Interim Financial Statements (Continued)

36. 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 financial assets measured at FVTPL.

	30/6/2018	31/12/2017
	HK\$ Mn	HK\$ Mn
Debt securities		
Aaa	160	163
Aa1 to Aa3	2,825	1,039
A1 to A3	1,788	1,686
Baa1 to Baa3	6,640	376
Below Baa3	253	–
Unrated	949	615
	<u>12,615</u>	<u>3,879</u>
Total carrying amount at fair value	<u>12,615</u>	<u>3,879</u>

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

	30/6/2018	31/12/2017
	HK\$ Mn	HK\$ Mn
Debt securities		
Aaa	–	–
Aa1 to Aa3	217	61
A1 to A3	4,559	3,761
Baa1 to Baa3	118	117
Below Baa3	–	–
Unrated	142	60
	<u>5,036</u>	<u>3,999</u>
Total carrying amount at fair value	<u>5,036</u>	<u>3,999</u>

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

	30/6/2018	31/12/2017
	HK\$ Mn	HK\$ Mn
Derivative assets		
Aa1 to Aa3	322	664
A1 to A3	4,082	2,214
Baa1 to Baa3	3,734	4,620
Below Baa3	222	56
Unrated	2,244	3,781
	<u>10,604</u>	<u>11,335</u>
Total carrying amount at fair value	<u>10,604</u>	<u>11,335</u>

Notes to the Interim Financial Statements (Continued)

36. Credit Risk (Continued)

a. Credit Quality Analysis (Continued)

Cash and balances with banks and other financial institutions

The Group held cash and balances with banks and other financial institutions of HK\$48,869 million at 30th June, 2018 (31st December, 2017: HK\$55,696 million), of which 98% of cash and balances with banks and other financial institutions counterparties that are rated at investment grade, based on Moody's Investor Services, or equivalent ratings.

b. Impairment Allowances Reconciliation

The following tables show reconciliations from the opening to the closing balance of the impairment allowance by class of financial instrument. The reconciliation is prepared by comparing the position of impairment allowance between 1st January and 30th June at transaction level.

Explanations of 12-month ECL, lifetime ECL and credit-impaired are included in Note 2.

	30/6/2018			Total HK\$ Mn
	12-month ECL	Lifetime ECL not credit- impaired	Lifetime ECL credit- impaired	
	HK\$ Mn	HK\$ Mn	HK\$ Mn	
Loans and advances to customers				
Balance at 1st January	839	1,028	1,177	3,044
Transfer to 12-month ECL	238	(238)	–	–
Transfer to lifetime ECL not credit-impaired	(7)	32	(25)	–
Transfer to lifetime ECL credit-impaired	(33)	(40)	73	–
New financial assets originated or purchased, assets derecognised, repayments and further lending	(68)	(132)	19	(181)
Write-offs	–	–	(841)	(841)
Changes in models	–	–	–	–
Net remeasurement of impairment allowances (including exchange adjustments)	(307)	(72)	878	499
Balance at 30th June	<u>662</u>	<u>578</u>	<u>1,281</u>	<u>2,521</u>
Of which:				
For advance to customers at amortised cost	660	575	1,058	2,293
For related accrued interest receivable	2	3	223	228
	<u>662</u>	<u>578</u>	<u>1,281</u>	<u>2,521</u>

Notes to the Interim Financial Statements (Continued)

36. Credit Risk (Continued)

b. Impairment Allowances Reconciliation (Continued)

	30/6/2018			Total HK\$ Mn
	12-month ECL	Lifetime ECL not credit- impaired	Lifetime ECL credit- impaired	
	HK\$ Mn	HK\$ Mn	HK\$ Mn	
Debt securities				
Balance at 1st January	277	13	–	290
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 lending	31	(2)	–	29
Write-offs	–	–	–	–
Changes in models	–	–	–	–
Net remeasurement of impairment allowances (including exchange adjustments)	(40)	(1)	–	(41)
Balance at 30th June	<u>268</u>	<u>10</u>	<u>–</u>	<u>278</u>
Of which:				
For debt securities at amortised cost	73	1	–	74
For related accrued interest receivable	1	–	–	1
	<u>74</u>	<u>1</u>	<u>–</u>	<u>75</u>
For debt securities at FVOCI	192	9	–	201
For related accrued interest receivable	2	–	–	2
	<u>194</u>	<u>9</u>	<u>–</u>	<u>203</u>

The impairment allowances of debt securities at FVOCI is not recognised in the statement of financial position because the carrying amount of debt securities at FVOCI is their fair value.

Notes to the Interim Financial Statements (Continued)

36. Credit Risk (Continued)

b. Impairment Allowances Reconciliation (Continued)

	30/6/2018			
	12-month ECL	Lifetime ECL not credit- impaired	Lifetime ECL credit- impaired	Total
	HK\$ Mn	HK\$ Mn	HK\$ Mn	HK\$ Mn
Others				
Balance at 1st January	220	54	1	275
Transfer to 12-month ECL	25	(25)	–	–
Transfer to lifetime ECL not credit-impaired	(5)	5	–	–
Transfer to lifetime ECL credit-impaired	–	–	–	–
New financial assets originated or purchased, assets derecognised, repayments and further lending	7	(12)	53	48
Write-offs	–	–	–	–
Changes in models	–	–	–	–
Net remeasurement of impairment allowances (including exchange adjustments)	(69)	13	1	(55)
Balance at 30th June	<u>178</u>	<u>35</u>	<u>55</u>	<u>268</u>
Of which:				
For trade bills at FVOCI	9	2	–	11
For related accrued interest receivable	–	–	–	–
	<u>9</u>	<u>2</u>	<u>–</u>	<u>11</u>
For trade bills at amortised cost	3	1	1	5
For related accrued interest receivable	–	–	–	–
	<u>3</u>	<u>1</u>	<u>1</u>	<u>5</u>
For placements with banks and financial institutions	10	–	–	10
For related accrued interest receivable	–	–	–	–
	<u>10</u>	<u>–</u>	<u>–</u>	<u>10</u>
For cash and balances with banks and financial institutions	9	–	–	9
For related accrued interest receivable	–	–	–	–
	<u>9</u>	<u>–</u>	<u>–</u>	<u>9</u>
For loan commitments and financial guarantee contracts	<u>111</u>	<u>31</u>	<u>–</u>	<u>142</u>
For account receivables and other accounts	<u>36</u>	<u>1</u>	<u>54</u>	<u>91</u>

The impairment allowances of trade bills at FVOCI is not recognised in the statement of financial position because the carrying amount of trade bills at FVOCI is their fair value.

Notes to the Interim Financial Statements (Continued)

37. Off-balance Sheet Exposures

(a) *The following is a summary of each significant class of off-balance sheet exposures:*

	30/6/2018	31/12/2017
	HK\$ Mn	HK\$ Mn
Contractual amounts of contingent liabilities		
Direct credit substitutes	14,883	12,319
Transaction-related contingencies	783	817
Trade-related contingencies	1,892	1,490
	<u>17,558</u>	<u>14,626</u>
Contractual amounts of commitments		
Commitments that are unconditionally cancellable without prior notice	164,557	170,099
Other commitments with an original maturity		
– up to 1 year	11,304	7,766
– over 1 year	28,305	26,577
	<u>204,166</u>	<u>204,442</u>
Total	<u>221,724</u>	<u>219,068</u>
Credit risk weighted amounts	<u>25,899</u>	<u>31,289</u>
Fair value of derivatives		
Assets		
Exchange rate contracts	6,773	8,806
Interest rate contracts	3,201	2,258
Equity contracts	626	256
Others	4	15
	<u>10,604</u>	<u>11,335</u>
Liabilities		
Exchange rate contracts	6,978	9,599
Interest rate contracts	2,431	1,924
Equity contracts	600	534
Others	30	20
	<u>10,039</u>	<u>12,077</u>
Notional amounts of derivatives		
Exchange rate contracts	739,200	699,544
Interest rate contracts	546,023	511,219
Equity contracts	15,918	19,757
Others	335	1,342
	<u>1,301,476</u>	<u>1,231,862</u>
Credit risk weighted amounts*		
Exchange rate contracts	3,224	4,230
Interest rate contracts	522	455
Equity contracts	97	92
Others	350	349
	<u>4,193</u>	<u>5,126</u>

The fair value and credit risk weighted amounts of the off-balance sheet exposures do not take into account the effects of bilateral netting arrangements.

* *The Bank adopted the Foundation Internal Ratings Based approach according to Capital Rules for calculating the credit risk weighted amount as at 30th June, 2018 and 31st December, 2017.*

Notes to the Interim Financial Statements (Continued)

37. Off-balance Sheet Exposures (Continued)

(b) Capital commitments

Capital commitments on purchase of property, plant and equipment outstanding as at 30th June and 31st December and not provided for in the accounts were as follows:

	30/6/2018	31/12/2017
	HK\$ Mn	HK\$ Mn
Expenditure authorised and contracted for	227	242
Expenditure authorised but not contracted for	287	215
	514	457

38. Material Related Party Transactions

(a) Key management personnel remuneration

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

	30/6/2018	31/12/2017
	HK\$ Mn	HK\$ Mn
Short-term employee benefits	76	78
Post-employment benefits	4	3
Equity compensation benefits	17	19
	97	100

- (b) The Group maintains certain retirement benefit schemes for its staff. In the six months ended 30th June, 2018, the total amount of contributions the Group made to the schemes was HK\$82 million (six months ended 30th June, 2017: HK\$79 million).

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

The interest received from and interest paid to the Group's related parties for the six months ended 30th June, 2018, outstanding balances of amounts due from and due to them at 30th June, 2018 and maximum outstanding balance of amounts due from and due to them for the six months ended 30th June, 2018 are aggregated as follows:

	Key management personnel		Associates	
	30/6/2018	30/6/2017	30/6/2018	30/6/2017
	HK\$ Mn	HK\$ Mn	HK\$ Mn	HK\$ Mn
Interest income	12	59	16	9
Interest expense	14	13	2	–
Amounts due from	3,323	4,725	1,117	684
Amounts due to	2,569	2,528	115	32
Maximum amounts due from	3,739	5,493	1,781	725
Maximum amounts due to	4,809	5,648	723	151
Committed facilities to	629	2,505	1,422	317

Notes to the Interim Financial Statements (Continued)

39. 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 and liquidity position of the Group are prepared according to the basis of consolidation for regulatory purposes. The main difference between the consolidation base for accounting and regulatory purposes is that the former includes the Bank and all its subsidiaries 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:

Name of company	Nature of business	Total assets	Total equity
		HK\$ Mn	HK\$ Mn
Ample Delight Limited	Investment holding	359	359
* Bank of East Asia (Trustees) Limited	Trustee	216	206
BC (BVI) Holdings Limited	Investment holding	16	16
BEA Blue Sky Company Limited	Acting as the sole general partner to BEA Blue Sky Real Estate Fund L.P.	1	–
BEA Blue Sky Real Estate Fund L.P.	Acting as a limited partner for the purpose of making investment in a China real estate fund	92	89
BEA Blue Sky SLP Limited	Acting as a special limited partner to BEA/AGRE China Real Estate Fund, L.P.	–	–
BEA Consortium GS Investors L.P.	Acting as a limited partner for the purpose of making investment in private equity fund	62	62
BEA Insurance Agency Limited	Insurance agency services	–	–
BEA Life Limited	Life insurance	15,308	1,354
BEA Pacific Asia Limited	Dormant	–	–
BEA Union Investment Management Limited	Asset management	551	485
BEA Union Investment Management (Shenzhen) Limited	Asset management/Investment management	4	4
Blue Care (BVI) Holdings Limited	Investment holding	16	16
Blue Care JV (BVI) Holdings Limited	Investment holding	20	17

Notes to the Interim Financial Statements (Continued)

39. Basis of Consolidation (Continued)

Name of company	Nature of business	Total assets HK\$ Mn	Total equity HK\$ Mn
Blue Care Medical Services Limited	Medical services	51	39
Blue Cross (Asia-Pacific) Insurance Limited	Insurance	3,230	704
Central Town Limited	Property investment	832	649
Century Able Limited	Investment holding	103	103
Chongqing Dongrong Business Consultancy Company Limited	Business consultancy services	4	–
* Chongqing Liangjiang New Area Credit Gain Finance Company Limited	Micro-finance loan	364	362
Citiview Capital Limited	Acting as the general partner and limited partner of a limited partnership	4	(1)
Corona Light Limited	Investment holding	930	930
* Credit Gain Finance Company Limited	Money lenders	522	505
Crystal Gleaming Limited	Investment holding	930	930
Dragon Jade Holdings Company Limited	Investment holding	1,127	1,127
EA Securities Limited	Investment holding	–	(63)
* East Asia Digital Information Services (Guangdong) Limited	Servicing	121	109
* East Asia Facility Management Limited	Facility management	10	9
East Asia Financial Services (BVI) Ltd.	Investment holding	1	1
East Asia Futures Limited	Futures and options trading	60	60
* East Asia Holding Company, Inc.	Bank holding company	634	617
East Asia Indonesian Holdings Limited	Investment holding	136	136
East Asia International Trustees Holdings (BVI) Limited	Investment holding	10	10
East Asia International Trustees Limited	Trustee services	23	19

Notes to the Interim Financial Statements (Continued)

39. Basis of Consolidation (Continued)

Name of company	Nature of business	Total assets HK\$ Mn	Total equity HK\$ Mn
* East Asia Properties (US), Inc.	Property holding	15	12
East Asia Properties Holding Company Limited	Investment holding	–	(59)
East Asia Property Agency Company Limited	Property agency	10	9
East Asia Property Holdings (Jersey) Limited	Property holding	28	27
East Asia Qianhai Holdings Company Limited	Investment holding	213	213
East Asia Secretaries Limited	Secretarial services	–	–
East Asia Securities Company Limited	Securities broking	1,232	894
* East Asia Services (Holdings) Limited	Holding company	24	–
East Asia Strategic Holdings Limited	Investment holding	–	–
Golden Empire International Inc.	Property investment	1	1
High Town Limited	Investment holding	4	4
* Innovate Holdings Limited	Special purpose vehicle company specially set up for BEA's Hybrid Tier 1 issue	2,496	2,496
Leader One Limited	Investment holding	1	1
Manchester Property Holdings Ltd.	Property holding	33	16
Quantum Hong Kong Holdings Company Limited	Investment holding	203	203
Red Phoenix Limited	Leasing of motor vehicles	1	1
Shaftesbury Property Holdings Limited	Investment holding	103	103
Shaftesbury Property Investments Limited	Investment holding	66	66
Shanghai Lingxie Business Consulting Co., Ltd.	Business information consulting, corporate management consulting	213	213

Notes to the Interim Financial Statements (Continued)

39. Basis of Consolidation (Continued)

Name of company	Nature of business	Total assets HK\$ Mn	Total equity HK\$ Mn
* Shenzhen Credit Gain Finance Company Limited	Micro-finance Loan	300	295
Silver River International Limited	Acting as the general partner and limited partner of a limited partnership	59	–
Silver Sunlight Limited	Acting as the general partner of a limited partnership	–	–
Skyray Holdings Limited	Investment holding	450	450
Speedfull Limited	Investment holding	450	450
* /# The Bank of East Asia (China) Limited	Banking and related financial services	276,501	27,218
The Bank of East Asia (Nominees) Limited	Nominee services	–	–
The Bank of East Asia (Nominees) Private Limited	Trustee, fiduciary and custody services	–	–
Travelsafe Limited	Dormant	–	–
U Care Hong Kong Medical Limited	Medical services	21	(12)
United Chinese (Nominee) Limited	Dormant	–	–

* "regulated financial entities" as defined by the 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.

40. Comparative Figures

Certain 2017 comparative figures have been restated to conform to current period's presentation. Please refer to Consolidated Income Statement, Consolidated Statement of Financial Position, Notes 5, 11, 17, 23, 28, 29 and 33 for the effect of restatement.

Notes to the Interim Financial Statements (Continued)

41. Possible Impact of Amendments, New Standards and Interpretations Issued but not yet Effective for the six months ended 30th June, 2018

A number of amendments and new standards are effective for annual periods beginning after 1st January, 2018 and earlier application is permitted; however, the Group has not early adopted any new or amended standards in preparing this interim financial report. The Group has the following updates to the information provided in the last Annual Report about the possible impacts of the new standards issued but not yet effective which may have a significant impact on the Group's consolidated financial statements.

HKFRS 16, Leases

HKFRS 16 is effective for annual periods beginning on or after 1st January, 2019. As discussed in the 2017 annual financial statements, HKFRS 16 will primarily affect the Group's accounting as a lessee of leases for properties, plant and equipment which are currently classified as operating leases. The application of the new accounting standard is expected to lead to an increase in both assets and liabilities and to impact on the timing of the expense recognition in the income statement over the period of the lease. The work to assess the impact of the standard is ongoing and it is not yet practicable to quantify the effect of HKFRS 16 on these consolidated financial statements.

42. Statement of Compliance

This interim financial 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 29th August, 2018.

The Banking Disclosure Statement (refer to Note E of Supplementary Financial Information), together with the disclosures in this interim financial report, contained all the disclosures required by the Banking (Disclosure) Rules issued by the HKMA.

43. Discontinued Operations and Assets Held for Sale

On 5th October, 2016, the Bank, NWS Holdings Limited ("NWS Holdings") and East Asia Secretaries (BVI) Limited ("East Asia Secretaries") entered into a share purchase agreement with Trivium Investment Limited ("Trivium"), a wholly-owned subsidiary of global investment firm, Permira, for the sale of all the issued shares of Tricor Holdings Limited ("Tricor") held by East Asia Secretaries to Trivium for a total consideration of HK\$6,470 million. Tricor was 75.61% owned by the Bank and 24.39% owned by NWS Holdings, in each case through East Asia Secretaries. On 31st March, 2017, the Bank completed the disposal of Tricor to Trivium. Following completion of the disposal, the Bank has ceased to hold any equity interest in Tricor and Tricor has ceased to be a subsidiary of the Bank. A net profit of HK\$3,005 million in respect of the disposal was recorded and included in the profits attributable to owners of the parent from discontinued operations. Tricor's operating results are reported as discontinued operations in the consolidated income statement for the 6 months ended 30th June, 2017.

On 29th November, 2017, the Bank and its wholly-owned subsidiary, Credit Gain Finance Company Limited entered into an equity transfer agreement with China Financial Services Holdings Limited for the sale and purchase of all equity interests in Shenzhen Credit Gain Finance Company Limited ("Shenzhen Credit Gain"), Chongqing Liangjiang New Area Credit Gain Finance Company ("Chongqing Credit Gain") and Chongqing Dongrong Business Consultancy Company Limited ("Chongqing Dongrong") ("collectively, the "China Disposal"). The total consideration of the China Disposal is RMB563 million, subject to mutually agreed adjustments upon completion. The completion of the China Disposal is subject to the requisite Chinese regulatory approvals. Shenzhen Credit Gain, Chongqing Credit Gain and Chongqing Dongrong's assets and liabilities as at 30th June 2018 and 31st December, 2017 are presented separately as assets held for sale and liabilities held for sale respectively in the consolidated financial statements.

Notes to the Interim Financial Statements (Continued)

43. Discontinued Operations and Assets Held for Sale (Continued)

The results of discontinued operations for the periods are as follows:

	6 months ended 30/6/2018	6 months ended 30/6/2017
	HK\$ Mn	HK\$ Mn
Interest income	–	1
Interest expense	–	(1)
Net interest income	–	–
Fee and commission income	–	312
Fee and commission expense	–	–
Net fee and commission income	–	312
Net trading losses	–	(4)
Non-interest income	–	308
Operating income	–	308
Operating expenses	–	(232)
Operating profit before impairment losses	–	76
Impairment losses on financial assets	–	(2)
Operating profit after impairment losses	–	74
Net profit on sale of discontinued operations	–	4,084
Share of profits less losses of associates	–	1
Profit for the period before taxation	–	4,159
Income tax		
Current tax		
– Hong Kong	–	(8)
– Outside Hong Kong	–	(6)
Profit for the period from discontinued operations	–	4,145

Notes to the Interim Financial Statements (Continued)

43. Discontinued Operations and Assets Held for Sale (Continued)

The assets and liabilities of the disposal groups held for sale are summarised below:

	30/6/2018 HK\$ Mn	31/12/2017 HK\$ Mn
ASSETS		
Cash and balances with banks and other financial institutions	4	4
Loans and advances to customers	345	307
Gross loans and advances to customers	347	317
Less: Impairment allowances		
– Stage 1	(1)	–
– Stage 2	(1)	–
– Stage 3	–	–
– Specific	–	(10)
Fixed assets	7	9
– Investment properties	–	–
– Other properties and equipment	7	9
Deferred tax assets	23	25
Other assets	9	6
Assets held for sale	<u>388</u>	<u>351</u>
LIABILITIES		
Other liabilities	7	9
Liabilities held for sale	<u>7</u>	<u>9</u>

The assets held for sale and liabilities held for sale are summarised below:

	30/6/2018 HK\$ Mn	31/12/2017 HK\$ Mn
Assets held for sale (<i>Note 23</i>)		
Disposal groups held for sale	388	351
Other properties	75	115
	<u>463</u>	<u>466</u>
Liabilities held for sale (<i>Note 26</i>)		
Disposal groups held for sale	7	9

The cumulative income recognised in other comprehensive income relating to disposal groups held for sale is as follows:

	30/6/2018 HK\$ Mn	30/6/2017 HK\$ Mn
Cumulative income recognised in other comprehensive income	<u>(43)</u>	<u>–</u>

Supplementary Financial Information

A. Capital Adequacy

	30/6/2018	31/12/2017
	HK\$ Mn	HK\$ Mn
Capital base		
– Common Equity Tier 1 capital	74,207	72,786
– Additional Tier 1 capital	10,312	10,666
	<hr/>	<hr/>
– Total Tier 1 capital	84,519	83,452
– Tier 2 capital	15,041	14,672
	<hr/>	<hr/>
– Total capital	99,560	98,124
	<hr/> <hr/>	<hr/> <hr/>
Risk weighted assets by risk type		
– Credit risk	433,472	496,034
– Market risk	24,430	28,161
– Operational risk	31,454	31,005
	<hr/>	<hr/>
	489,356	555,200
Less: Deductions	(3,258)	(3,332)
	<hr/>	<hr/>
	486,098	551,868
	<hr/> <hr/>	<hr/> <hr/>
	30/6/2018	31/12/2017
	%	%
Common Equity Tier 1 capital ratio	15.3	13.2
Tier 1 capital ratio	17.4	15.1
Total capital ratio	20.5	17.8

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

The basis of consolidation for regulatory purposes is different from the basis of consolidation for accounting purposes. Subsidiaries included in consolidation for regulatory purposes are specified in a notice from the HKMA in accordance with Section 3C of the Capital Rules. Subsidiaries not included in consolidation for regulatory purposes are non-financial companies and the securities and insurance companies that are authorised and supervised by a regulator and are 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 Tier 1 capital and Tier 2 capital subject to the thresholds and transitional arrangements as determined in accordance with Part 3 and Schedule 4H of the Capital Rules respectively.

Supplementary Financial Information (Continued)

A. Capital Adequacy (Continued)

The subsidiaries that are included in consolidation for regulatory purposes are listed in Note 39 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.

The information relating to the Group's regulatory capital and other 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.

B. Liquidity Position

	30/6/2018	31/12/2017
	%	%
Average liquidity coverage ratio – First quarter	137.8	150.7
– Second quarter	144.8	129.5
– Third quarter	N/A	136.5
– Fourth quarter	N/A	151.7

The liquidity coverage ratio is calculated in accordance with the Banking (Liquidity) Rules effective from 1st January, 2015. 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.

Supplementary Financial Information (Continued)

C. Overdue, Rescheduled and Repossessed Assets

(a) Overdue and rescheduled advances

	30/6/2018		31/12/2017	
	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	97	0.0	576	0.1
– 1 year or less but over 6 months	852	0.2	765	0.2
– Over 1 year	2,081	0.4	2,636	0.5
	3,030	0.6	3,977	0.8
Rescheduled advances to customers	104	0.0	108	0.0
Total overdue and rescheduled advances	3,134	0.6	4,085	0.8
Covered portion of overdue advances	2,557	0.5	3,241	0.7
Uncovered portion of overdue advances	473	0.1	736	0.1
Current market value of collateral held against the covered portion of overdue advances	4,499		4,508	
Individual impairment allowance made on advances overdue for more than 3 months	696		931	

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.

Supplementary Financial Information (Continued)

C. Overdue, Rescheduled and Repossessed Assets (Continued)

(a) Overdue and rescheduled advances (Continued)

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

(b) Advances to banks

	30/6/2018	31/12/2017
	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	–	–

Supplementary Financial Information (Continued)

C. Overdue, Rescheduled and Repossessed Assets (Continued)

(c) Other overdue and rescheduled assets

	30/6/2018		
	Accrued interest	Debt securities	Other assets*
	HK\$ Mn	HK\$ Mn	HK\$ Mn
Other assets overdue for			
– 6 months or less but over 3 months	1	–	–
– 1 year or less but over 6 months	30	–	–
– Over 1 year	153	–	1
	184	–	1
Rescheduled assets	1	–	–
Total other overdue and rescheduled assets	185	–	1
	31/12/2017		
	Accrued interest	Debt securities	Other assets*
	HK\$ Mn	HK\$ Mn	HK\$ Mn
Other assets overdue for			
– 6 months or less but over 3 months	–	–	–
– 1 year or less but over 6 months	–	–	–
– Over 1 year	–	–	1
	–	–	1
Rescheduled assets	–	–	–
Total other overdue and rescheduled assets	–	–	1

* Other assets refer to trade bills and receivables.

Supplementary Financial Information (Continued)

C. Overdue, Rescheduled and Repossessed Assets (Continued)

(d) Repossessed assets

	30/6/2018	31/12/2017
	HK\$ Mn	HK\$ Mn
Reposessed land and buildings*	917	1,485
Reposessed vehicles and equipment	–	–
Reposessed machines	–	–
	<hr/>	<hr/>
Total reposessed assets	917	1,485

The amount represents the estimated market value of the reposessed assets as at 30th June, 2018 and 31st December, 2017.

* The balance included HK\$628 million (31/12/2017: HK\$5 million) relating to properties that were contracted for sale but not yet completed.

D. Leverage Ratio

	30/6/2018	31/12/2017
	%	%
Leverage ratio	9.9	10.0

The disclosure on leverage ratio is effective since 31st March, 2015 and 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.

E. Banking Disclosure Statement

Additional information disclosures for this period which are prepared in accordance with the Banking (Disclosure) Rules and disclosure templates issued by the Hong Kong Monetary Authority 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.

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 3 to 72 which comprises the consolidated statement of financial position of The Bank of East Asia, Limited as of 30th June, 2018 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 30th June, 2018 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

29th August, 2018

INTERIM DIVIDEND

The Board is pleased to declare an interim dividend of HK\$0.51 per share (the “2018 Interim Dividend”) (2017 Interim Dividend: HK\$0.68 per share) for the six months ended 30th June, 2018. The 2018 Interim Dividend will be paid in cash with an option to receive new, fully paid shares in lieu of cash (the “Scrip Dividend Scheme”), to shareholders whose names appear on the Register of Members of the Bank at the close of business on Tuesday, 18th September, 2018. The ex-dividend date for the 2018 Interim Dividend will be on Thursday, 13th September, 2018. Details of the Scrip Dividend Scheme and the election form will be sent to shareholders on or about Tuesday, 18th September, 2018. The Scrip Dividend Scheme is conditional upon the Listing Committee of the Stock Exchange granting the listing of and permission to deal in the new shares to be issued under the Scrip Dividend Scheme. The dividend warrants and the share certificates for the scrip dividend will be sent to shareholders by ordinary mail on or about Friday, 12th October, 2018.

CLOSURE OF REGISTER OF MEMBERS

The Register of Members of the Bank will be closed on Monday, 17th September, 2018 and Tuesday, 18th September, 2018. In order to qualify for the 2018 Interim Dividend, all transfer documents should be lodged for registration with Tricor Standard Limited, Level 22, Hopewell Centre, 183 Queen’s Road East, Hong Kong, by 4:00 p.m. on Friday, 14th September, 2018.

FINANCIAL REVIEW

Financial Performance

For the first six months of 2018, the Group earned a profit attributable to owners of the parent of HK\$3,992 million, representing a decrease of HK\$2,228 million or 35.8%, compared with the HK\$6,220 million earned in the same period in 2017.

Excluding the gain from discontinued operations recorded in the first half of 2017, which totalled HK\$3,049 million, profit attributable to owners of the parent increased by HK\$821 million, or 25.9%.

Basic earnings per share from continuing operations rose from HK\$1.08 in the first half of 2017 to HK\$1.30 in the corresponding period in 2018. Incorporating discontinued operations, basic earnings per share fell from HK\$2.20 in the first six months of 2017 to HK\$1.30 for the same period in 2018.

Annualised return on average assets from continuing operations rose from 0.8% to 0.9%, while the annualised return on average equity from continuing operations rose from 7.1% to 8.0%. Incorporating discontinued operations, annualised return on average assets fell from 1.1% to 0.9%, while the annualised return on average equity fell from 10.8% to 8.0%.

During the first six months of 2018, the Group’s net interest income from continuing operations increased by HK\$511 million, or 8.9%, to HK\$6,250 million. Net interest margin increased from 1.64% to 1.70%, and average interest bearing assets increased by 4.7%.

Net fee and commission income from continuing operations grew by HK\$144 million, or 11.8%, to HK\$1,362 million. Commission income from securities and brokerage, retail banking services, asset management, investment product and credit card businesses grew.

Taken together, net trading and hedging results and net results from financial instruments designated/mandatory at fair value through profit or loss from continuing operations increased by HK\$249 million to HK\$430 million. Overall, non-interest income from continuing operations grew by 24.6% to HK\$2,276 million. Operating income from continuing operations increased by 12.7% to HK\$8,526 million.

Total operating expenses from continuing operations rose by 9.1% to HK\$4,186 million. Given that operating income increased by HK\$961 million, or 12.7%, the cost-to-income ratio improved from 50.7% in the first half of 2017 to 49.1% in the first half of 2018.

Operating profit before impairment losses from continuing operations stood at HK\$4,340 million, an increase of HK\$614 million, or 16.5%, when compared with the corresponding period in 2017.

Under HKFRS 9, there was a net charge of impairment losses on financial assets of HK\$282 million in 2018, as compared to a net impairment charge of HK\$765 million under HKAS 39 in 2017. The Group's impaired loan ratio improved from 1.09% at the end of December 2017 to 0.94% at the end of June 2018. The impaired loan ratio for Hong Kong operations fell from 0.91% to 0.79%, while that for Mainland China operations fell from 1.79% to 1.59%.

Operating profit after impairment losses from continuing operations amounted to HK\$4,057 million, an increase of HK\$1,154 million, or 39.8%.

Net profit on the sale of financial assets measured at fair value through other comprehensive income/available-for-sale from continuing operations decreased by 77.2% to HK\$49 million.

Net profit on sale of disposal group and assets held for sale from continuing operations in the first six months of 2018 decreased by HK\$180 million, or 94.6%, mainly due to a profit of HK\$192 million on disposal of a property in Hong Kong in 2017.

Valuation gains on investment properties from continuing operations increased to HK\$394 million.

The Group shared after-tax profits from associates of HK\$281 million from continuing operations, an increase of HK\$57 million, or 25.0% compared to the same period in 2017.

After accounting for income taxes, profit after taxation from continuing operations rose to HK\$4,019 million, an increase of 26.0% compared to the HK\$3,188 million recorded in the first half of 2017.

Financial Position

Total consolidated assets of the Group stood at HK\$826,834 million at the end of June 2018, an increase of 2.2% compared to HK\$808,942 million at the end of 2017.

Gross advances to customers rose by 3.7% to HK\$491,098 million, while trade bills negotiated grew by 18.1% to HK\$16,433 million.

Total equity attributable to owners of the parent increased to HK\$91,815 million, up 2.6%, mainly due to the net profit of HK\$3,992 million earned during the first six months of 2018.

Total deposits from customers decreased by 0.5% to HK\$568,682 million. Of the total, demand deposits and current account balances decreased by HK\$7,577 million, or 8.9%; savings deposits decreased by HK\$1,314 million, or 1.0%; and time deposits increased by HK\$5,889 million, or 1.7%. Total deposit funds, comprising deposits from customers and all certificates of deposit issued, increased by 1.9% to HK\$619,497 million.

The loan-to-deposit ratio stood at 79.3% at the end of June 2018, compared to 77.9% at the end of 2017.

As at 30th June, 2018, the total capital ratio, tier 1 ratio, and common equity tier 1 ratio were 20.5%, 17.4%, and 15.3%, respectively. The average liquidity coverage ratio for the quarter ended 30th June, 2018 was 144.8%, which was well above the statutory minimum of 90% for the year 2018.

BUSINESS REVIEW

The global economic environment further improved in the first half of 2018. The United States maintained its growth momentum, while Europe and China performed at the higher end of expectations.

With stronger external demand, Hong Kong exports grew by 9.3% year-on-year in the first half of 2018. Private consumption registered strong growth of 7.4% in the first half of 2018, as unemployment fell to the average of 2.9%. The positive wealth effect of rising equity and property values also contributed to the buoyant atmosphere. This, together with a recovery in tourist arrivals, fuelled a year-on-year rise of 13.4% in retail sales in the first half of the year.

Residential property prices climbed by 10.4% in the first half of 2018, as investment demand remained strong amid the ultra-low interest rate environment. Overall, economic growth in Hong Kong accelerated to 4.0% in the first half of the year.

On the Mainland, stronger external demand fuelled the manufacturing sector, with the value of exports surging by an annualised 12.7% in the first half of 2018. The Mainland government took advantage of the stable economic conditions to mop up excess credit by tightening interbank lending and other austerity measures. The government also adopted more restrictive policies toward the property sector, leading to some cooling of price rises in first tier cities. Overall, the economy grew by 6.8% in the first half of the year.

Looking ahead, the Mainland's continuing deleveraging efforts may be tested as the impact of trade tensions between China and the US spreads to the broader economy. Trade tensions have already affected business confidence. Economic growth on the Mainland is therefore expected to slow in the second half of 2018, bringing growth for the year as a whole to 6.5%. Inflation is expected to average 2.1%.

Hong Kong's economy will be buffeted by both trade tensions and a likely increase in local interest rates in the second half of 2018, resulting in slower growth and pressure on asset markets. GDP growth is forecast to average 3.8% for 2018, while inflation will average 2.2%.

Business – Hong Kong

In the six months to 30th June, 2018, the aggregate value of BEA's customer loans and trade bills in Hong Kong rose by 5.2%. Customer loans grew by 5.8%, while total deposits increased by 4.5%. Debt investments declined by 1.3%.

Retail Banking

The Bank's retail operations recorded another solid performance in the first half of 2018, benefitting from efforts to digitalise services, revamp operations and streamline the branch network. Net interest income grew by 11.1% year-on-year, while net fee and commission income increased by 8.0%. Overall, operating income was 10.9% higher than the same period a year earlier.

Investment product sales recorded a double-digit increase, while mortgage loans also grew at a strong rate. Momentum in attracting new accounts was maintained and current and savings account balances have risen further.

Following the completion of the branch digitalisation project, the Bank has sustained efforts to refine service provision and improve the customer experience. For added convenience, customers can now take out personal loans using their mobile phones. The Bank's i-Tellers will be enhanced to enable self-service account opening. Customer Experience Managers have been deployed across the branch network to educate customers on the use of the Bank's digital technology and encourage them to adopt digital channels. The number of customers who make regular use of BEA's web and mobile platforms increased by 23.2% during the past year, while the share of financial transactions completed using digital channels is 28%.

The Bank's innovative i-Payment Hub saw its initial launch in June 2018. This new service enables merchants to collect a comprehensive range of mobile payments through a single platform. Next, additional payment solutions will be developed for consumers, including a new function to manage different e-wallets. Meanwhile, the BEA App is being continuously upgraded following a major revamp in the first quarter this year. New wealth management tools will soon be launched to bring even greater convenience for users and drive revenue-generating transactions.

Corporate & Commercial Banking

Corporate Banking achieved steady growth in the first half of the year. The Bank continued to emphasise asset quality, remaining highly selective in extending new loans. As a result, the corporate loan balance saw a mild increase of 1.5% compared to the end of 2017, with an improved impaired loan ratio.

Efforts to cross-sell banking products and boost non-interest income were successful, with insurance commissions up by 42.4% and income from treasury product sales up by 39.6%. Overall, net fee and commission income grew by 9.9%. These gains more than offset a slight drop in net interest income, and operating income registered a rise of 1.3% for the period under review. Profit before tax saw an 8.9% increase due to lower loan provisions.

Liquidity has tightened in China and Mainland companies are returning to Hong Kong for funding. Loan demand in Hong Kong is expected to improve further in the second half of the year, which will have a positive impact on net interest income going forward.

As interest rates gradually rise, the Bank aims to absorb more CASA deposits from corporate clients to bring funding costs down. In order to achieve this goal, competitive cash management solutions and enhanced support services will be offered to corporates. In addition, the corporate banking team and their counterparts in Guangdong are working closely together to enable clients to take maximum advantage of BEA's extensive capabilities within the region, as the Guangdong-Hong Kong-Macao Greater Bay Area initiative generates an increasing number of new business opportunities.

Wealth Management

Private Banking had a positive start to 2018. Net interest income recorded double-digit growth year-on-year. Investment product sales were strong in the first quarter, with good growth in equity-based asset classes. Despite a downturn in market sentiment in the second quarter, revenue from investment product sales was 4.8% higher in the first half of 2018 than the same period a year ago. However, net fee and commission income recorded a drop, due to a high base in the first half of 2017 following the booking of several big-ticket insurance deals. Overall, operating income rose by 1.8% year-on-year. Both loans and assets under management decreased compared to year-end 2017.

Private Banking is continually working to improve operational efficiency and raise client satisfaction. At the back end, processing of Hong Kong stock trading orders has been automated. Additional products will be added to the straight-through processing platform, including debt securities, unit trusts and structured products.

With improving transport links and strengthening financial flows in the Greater Bay Area, there is good scope for accelerated growth in the region. The Greater Bay Area currently accounts for 19.6% of Private Banking's total AUM from the Mainland, and the Bank aims to double this proportion over the next three years. At the same time, Private Banking is putting additional focus on fast-growing inland cities, where the Bank's network gives it a competitive advantage over rival foreign banks.

Insurance & MPF Services

BEA Life Limited, the Bank's wholly-owned life insurance arm, emphasised profitability over top-line growth during the period under review. Focus shifted to long-term life insurance products, which bring in less new premium income than short-term products but generate higher commissions for the Bank and greater profit for the Company in the long run. As a result of this strategy, the Bank's commission income from BEA Life products maintained year-on-year growth in the first half of 2018.

BEA Life is taking steps to digitalise the application process for life insurance products. Since switching to e-forms for the compulsory Financial Needs Analysis procedure in May 2017, accuracy has improved and processing time has been reduced by around two thirds. A straight-through, paperless application platform is now under development, which will further shorten end-to-end processing time.

Blue Cross (Asia-Pacific) Insurance Limited, BEA's wholly-owned general insurance arm, achieved premium income growth of 9.8% year-on-year. The downward pressure on pricing seen in 2017 alleviated during the period under review, benefitting group medical business in particular. General insurance premiums generated online rose by 8.4% year-on-year, primarily from travel insurance. Online capabilities were further strengthened with the launch of an e-claims service for travel insurance in June 2018. In addition, an auto-renewal scheme will be introduced for all individual medical plans by the end of 2018 to reduce administrative costs and improve the renewal ratio.

Total membership in BEA's Mandatory Provident Fund schemes grew to more than 756,000 at the end of June 2018, while AUM stood at HK\$25.4 billion. Efforts to control costs by streamlining operations have been effective, with a positive impact on profits.

Business – China

The Mainland economy was resilient in the first half of 2018, growing by 6.8% year-on-year. The banking sector faced pressure as deleveraging measures reduced liquidity and drove up the cost of funding.

BEA's China banking operations recorded a net profit of HK\$393 million for the first half of 2018, up by 17.2% year-on-year. The increase was mainly attributable to a decline in impairment losses. Funding costs surged on the back of financial deleveraging measures implemented by the Central Government, leading to a narrowing of the net interest margin. Net interest income slid by 6.8% year-on-year to HK\$1,881 million as NIM fell by 22 basis points to 1.53%. The reduction in the reserve requirement ratio for most commercial and foreign banks in late April helped ease the situation. Nevertheless, BEA China continues to strive to reduce its funding costs.

Total loans to corporates and individuals for BEA's China banking operations stood at HK\$151,802 million as at the end of June 2018, the same level as at the end of 2017. Total customer deposits decreased by 4.9% to HK\$189,565 million.

Asset quality remained stable. The impaired loan ratio was 1.59% as at the end of June 2018, down by 20 basis points half-on-half. Meanwhile, the impaired loan gross formation rate was 0.98%, down by 47 basis points half-on-half due to a HK\$355 million decrease in new impaired loans in the first half of this year compared to the second half of last year.

Underlying operating expenses for China banking operations for the first half of 2018 were HK\$1,593 million, while the cost-to-income ratio was 65.5%. The high cost-to-income was mainly due to investment in the retail transformation programme, which underlies BEA China's long-term growth strategy.

BEA China continued to implement its network repositioning programme, consolidating a further 6 sub-branches with other outlets in the first half of the year. As at the end of June 2018, BEA China operated 30 branches and 71 sub-branches in 44 cities on the Mainland.

BEA China pressed ahead with its strategy to transform its retail business during the first half of 2018. Innovative credit card and consumer finance products, launched in partnership with leading internet platform companies last year, succeeded in attracting new customers in a cost-effective manner. BEA China will advance the retail business transformation by further enhancing co-operation with leading internet platform companies, revamping its mobile app, and developing remote banking channels to expand its customer base and enhance the customer experience.

With respect to corporate banking, BEA China focused on promoting non-property lending, sales of treasury products, integrated transaction-banking services, and cross-border financial solutions to optimise its asset portfolio and diversify its income sources. BEA China is working closely with other business units of the BEA Group to capture opportunities arising from the Greater Bay Area initiative.

In order to enhance operating efficiency and control risk, BEA China is in the process of implementing a functional line management structure and realigning its regional operating structure. For sustainable growth, BEA China will continue to invest in technology, consolidate its branch network, centralise operations, resolve impaired assets and control costs.

The Central Government has recently announced new measures to open the financial sector to greater foreign participation. The liberalisation moves will drive greater financial innovation on the Mainland and will bring augmented opportunities for the BEA Group to better serve the diversified financial needs of customers both on the Mainland and overseas.

Business – International

BEA's US operations delivered steady operating results in the first half of 2018. As at 30th June, 2018, the loan portfolio of New York and Los Angeles branches increased by 9.2% compared to the end of 2017. Operating profit slightly increased by 3.8% compared to the year-ago period, against a backdrop of rising funding costs and keen competition for quality loan assets that squeezed lending margins. Asset quality remained strong, with the impaired loan ratio standing at close to zero.

Buoyed by job growth and upbeat consumer confidence, which supported both household spending and business investment, the US economy continued to expand in the first half of 2018. However, uncertainties stemming from rising interest rates and the US government's trade policies are giving rise to concerns about future prospects.

The Bank's US operations will continue to expand its loan book by targeting high quality corporate syndication and bilateral deals, in particular in the commercial real estate sector. It will also focus on mergers and acquisitions in industries with positive prospects as well as financing investments by the Bank's Asian customers.

The Bank's operations in the United Kingdom registered steady loan growth compared to the prior year-end (up 13.7%), despite ongoing uncertainty regarding the outcome of the Brexit negotiations between the UK and the European Union. Lending pipelines for commercial and residential property remained strong. The UK operations continue to serve local communities and those from Asia.

The Bank's loan portfolio in the UK will be further diversified through participation in syndicated lending and club deals in various industries. UK operations will also work closely with the Bank's franchise in Mainland China to capture business opportunities arising from Chinese outbound investments to Europe.

Singapore's economy is forecast to grow by 3.2% in 2018. Singapore Branch will step up efforts to expand its syndicated and bilateral corporate loan and trade finance portfolio, especially among new-to-bank clients in the middle-market and large corporate segment. It will also focus on cross-selling treasury products. Leveraging the Bank's Mainland franchise, Singapore Branch will continue to provide effective financial solutions to facilitate trade flows with the Mainland and Mainland investments in Southeast Asia.

Operating as an offshore bank in Malaysia, Labuan Branch has pursued quality bilateral and syndication deals with leading Malaysian borrowers amidst a slower operating environment in the first half of 2018. Labuan Branch will continue to pay special attention to investment flows from Mainland China under the Belt and Road Initiative in order to capture new business opportunities.

Business – Macau and Taiwan

The operating environment for Macau Branch became even more challenging in the first half of the year. Loan demand was weak, leading to intense competition among lenders for quality assets. Margins were therefore compressed. Anticipating the slowdown, Macau Branch focused on retail banking and successfully expanded its range of unit trusts and insurance products and delivered a 48.4% increase in fee income year-on-year. Macau Branch plans to upgrade its core banking system and online retail banking platform in the second half of 2018.

Taiwan Branch also faced a lackluster local economy. Nonetheless, as of the end of June 2018 it had expanded its loan book by 4.8% compared to the position at the end of 2017. Taiwan Branch will continue to participate actively in local and international syndicated loans and look for opportunities to increase loan-related fee income and capture customers' sinking funds.

Looking ahead, the Bank's overseas branches will continue to serve large corporate customers from the Greater China region to facilitate their international business expansion. Overseas branches will also step up their efforts in liability management and seek to expand their deposit base so as to enhance liquidity management and reduce funding costs.

Other Subsidiaries & Associates

BEA Union Investment Management Limited

BEA Union Investment recorded a 3% increase in AUM in the first half of 2018. This growth was due to the Company's ongoing success in penetrating both the retail and institutional client segments in Europe and Asia.

In response to the growing demand from retail investors for funds that capture the investment opportunities in China, the China Gateway Fund was introduced at the beginning of the year.

In the first quarter of 2018, BEA Union Investment received approval to market its flagship products, Asian Bond and Currency Fund and Asia Pacific Multi Income Fund, in Mainland China under the Mainland-Hong Kong Mutual Recognition of Funds scheme. These two funds are being distributed via retail banks and online platforms in China.

Outside of the region, the Company also extended its distribution into Switzerland under the Hong Kong and Switzerland MRF scheme.

East Asia Qianhai Securities Company Limited

East Asia Qianhai Securities, in which the Bank owns a 49% stake, obtained a Securities and Futures Licence from the China Securities Regulatory Commission on 4th December, 2017. East Asia Qianhai Securities has been approved to engage in a range of businesses in the PRC, including investment banking, asset management, brokerage and proprietary trading. The joint venture has already commenced business in all four areas, with branches in Beijing, Shanghai and Shenzhen.

In the second quarter of 2018, East Asia Qianhai Securities successfully collaborated with BEA China to launch its first collective asset management product targeting retail investors, titled 「共贏一號」. More asset management products are in the pipeline.

Our People

As of 30th June, 2018, the BEA Group employed 9,603 people:

Continuing Operations	As of 30th June, 2018	As of 31st December, 2017 (Restated)	As of 30th June, 2017 (Restated)
Hong Kong	5,144	5,305	5,277
Mainland China	3,879	4,086	4,115
Macau and Taiwan	158	156	159
Overseas	422	431	419
Total	9,603	9,978	9,970

* With effect from 2018, the headcount figures are grouped with reference to the segment reporting prepared by the Bank according to the HKFRS 8 Operating Segments. As such, the 2017 figures have been restated for comparison purposes.

The Bank enhanced staff benefits in respect of annual leave, volunteer leave and medical protection during the period under review. Meanwhile, a Bank-wide initiative was launched to promote awareness of the Bank's vision, mission and core values. This culture is based on two guiding principles: prudent risk management and fair treatment of customers. Members of Senior Management and all General Managers of the Bank held a series of town halls to share the Bank's vision and culture in interactive sessions. In addition, the Bank held strategic leadership training for senior executives, performance management training for people managers, risk management training for all staff, induction training on core values and code of conduct for new joiners, etc. The Bank also continues to support an active management trainee programme, grooming staff for future leadership roles.

Future Prospects

Outlook

Worldwide economic conditions were generally favourable in the first half of 2018. However, prospects are less bright for the remainder of the year. In particular, rising trade tensions are generating concerns about adverse impacts on global trade flows and investor sentiment.

In the second half of 2018, BEA will continue to focus on deepening the digital transformation process, expanding fee income, containing operating costs and enhancing asset quality.

Digital transformation

Development of new digital, mobile and Fintech solutions will remain a priority, as the Bank puts emphasis on deepening relationships with customers, improving the customer experience, enhancing cyber security measures as well as safeguarding privacy of personal data and transactions. Digital engagement and Fintech collaboration will be further enhanced, and the Bank plans to introduce new payment solutions to address merchant and consumer needs.

Non-interest income

BEA will focus on raising non-interest income such as from retail/corporate wealth management and private banking services. Ongoing efforts will be made to raise sales of securities and brokerage services, insurance and investment products as well as asset management services in order to generate additional recurring fee and commission income. In addition, the Bank will further consolidate and expand cross-border banking capabilities by leveraging its established presence on the Mainland.

Cost control

BEA is on track to complete its three-year, HK\$700 million cost-saving initiative as scheduled by the end of this year. Going forward, the Bank will continue to explore ways to reduce structural inefficiencies, in order to restrain the growth in operating costs.

Asset quality

BEA will continue to reduce its exposure to high-credit-risk and cyclical industries on the Mainland. Asset quality metrics on lending to Mainland customers should continue to be favourable. As a consequence, loan impairment charges are expected to decrease this year.

Retail transformation in China

With Mainland authorities' strict measures to deleverage and reduce financial risk, banks operating on the Mainland are under pressure from tight liquidity and rising funding costs.

To succeed in this operating environment, BEA China will continue to invest in technology and its retail transformation. It is also adopting prudent measures to manage its asset-and-liability mix and asset quality.

With the rise of a dynamic middle class in China and the strong increase in consumer spending, as well as the expansion of e-commerce and Fintech platforms, BEA China plans to expand its retail lending portfolio by leveraging its nationwide licence and branch network.

BEA China will continue to use technology to enhance the customer experience, manage credit and operational risks, drive efficiency and achieve scalability.

Partnership opportunities will be further explored in order to acquire new customers. Strong relationships with internet/mobile platforms should generate new opportunities to develop innovative solutions to meet evolving customer needs.

Our Centennial Milestone

As BEA approaches the 100th anniversary of our founding next year, the Bank will organise a series of activities and events to celebrate this momentous occasion with our customers, shareholders and the community at large.

As it looks towards the future, BEA continues to be driven by the desire to deliver quality financial solutions to the diverse customers and communities it serves. In so doing, BEA aspires to be the trusted and preferred banking partner in Greater China and beyond.

RISK MANAGEMENT

The Group has established an effective risk governance and management framework in line with the requirements set out by the Hong Kong Monetary Authority and other regulators. This framework is built around a structure that enables the Board and Senior Management to discharge their risk management-related responsibilities with appropriate delegation and checks and balances. These responsibilities include defining risk appetite in accordance with the Group's business strategies and objectives, formulating risk policies that govern the execution of those strategies, and establishing procedures and limits for the approval, control, monitoring, and remedy of risks.

The Risk Committee stands at the highest level of the Group's risk governance structure under the Board. It consists of four independent non-executive directors (including the Chairman of the Committee) and two non-executive directors. The Risk Committee provides direct oversight over the formulation of the Group's institutional risk appetite, and sets the levels of risk that the Group is willing to undertake with reference to its financial capacity, strategic direction, prevailing market conditions, and regulatory requirements.

The Risk Committee also ensures that the Group's risk appetite is reflected in the policies and procedures that Senior Management and relevant Division Heads adopt to execute its business functions. Through the Group's management committees at the executive level, including Crisis Management Committee, Risk Management Committee, Credit Committee, Asset and Liability Management Committee, and Operational Risk Management Committee – and with overall coordination by the Risk Management Division – the Risk Committee regularly reviews the Group's risk management framework and ensures that all important risk-related tasks are performed according to established policies with appropriate resources.

The Group has implemented an Enterprise Risk Management framework. The ERM framework is promulgated with the objectives of identifying and managing potential risks in a holistic and effective manner, fulfilling the HKMA's higher expectation for risk management of the Group as a Domestic Systemically Important Bank, and reinforcing the "Three Lines of Defence" risk management model.

The Group has adopted the "Three Lines of Defence" risk management structure to ensure that roles and responsibilities in regard to risk management within the Group are clearly defined. The "Three Lines of Defence" model is summarised as follows:

- The first line of defence comprises the Risk Owners, who are division/department heads at Head Office and heads of significant subsidiaries, together with staff under their management. They are primarily responsible for the day-to-day risk management of their units, including establishing and executing specific risk control mechanisms and detailed procedures.
- The second line of defence consists of the Risk Controllers, who are designated division/department heads at Head Office. Supported by their respective divisions and departments, the Risk Controllers are responsible for setting out a risk management governance framework, monitoring risks independently and supporting the management committees in their oversight of risk management.
- The third line of defence is the Internal Audit Division, which is responsible for providing assurance as to the effectiveness of the Group's risk management framework, including risk governance arrangements.

The Group Chief Risk Officer coordinates all risk management-related matters of the Group, works closely with the Risk Controllers on the formulation of risk management policies and exercises risk oversight at the Group level through a functional working relationship with all Risk Controllers and Risk Owners.

The Group has formulated policies to identify, measure, monitor, control, and report on the various types of risk and, where appropriate, to allocate adequate capital to cover those risks. The Group's major risk management policies and control limits are approved by the Board and are monitored and regularly reviewed to align with market changes, statutory requirements, and best practice in risk management processes. The Board has delegated the responsibility for ongoing risk management to the Risk Committee and the management committees. Significant risk management-related issues must be reported to the Board, which oversees risk management. Moreover, on a daily basis, the Group Chief Risk Officer is responsible for overseeing the Bank Group's risk management issues which include, but are not limited to, the risk management infrastructure, strategies, appetites, culture, and resources.

Stress testing is an integral part of the Group's risk management. BEA regularly performs stress-tests on the principal risks, where appropriate, to assess the potential impact of stressed business conditions (including hypothetical situations such as a significant economic downturn in Mainland China and Hong Kong) on the Group's financial positions, in particular, capital adequacy, profitability, and liquidity. Whenever necessary, a prompt management response will be developed and executed to mitigate potential impacts.

(a) Credit risk management

Credit risk is the risk of loss arising from a borrower or counterparty failing to meet its obligations.

The Credit Committee is responsible for managing all credit risk-related issues of the Group, while the Credit Risk Management Department under the Risk Management Division of the Group is responsible for monitoring activities relating to credit risk. The Group identifies and manages credit risk by defining the target market segment, formulating appropriate credit policies, carrying out credit assessment and monitoring asset quality. Credit risk control limits are set for different levels. Risk, return, and market situation are considered when setting all limits. Active limit monitoring is undertaken.

In evaluating the credit risk associated with an individual customer or counterparty, financial strength and repayment ability are always the primary considerations. Credit risk may be mitigated by obtaining collateral from the customer or counterparty.

The Group has established policies, procedures, and rating systems to identify, measure, monitor, control, and report on credit risk. In this connection, guidelines for management of credit risk have been laid down in the Group's Credit Risk Management Manual. These guidelines stipulate delegated lending authorities, credit underwriting criteria, credit monitoring processes, an internal rating structure, credit recovery procedures and a provisioning policy. The guidelines are reviewed and enhanced on an ongoing basis to cater for market changes, statutory requirements, and best practice in risk management processes.

(b) Market risk management

Market risk is the risk arising from adverse movements in market factors such as interest rates, foreign exchange, equity prices, and commodity prices, which result in profits or losses for the Group. The aim in managing market risk is to reduce the Group's exposure to the volatility inherent in financial instruments.

The Asset and Liability Management Committee deals with all market-risk related issues of the Group. It is also responsible for conducting a regular review of interest rate trends and deciding the corresponding future business strategy. The Asset & Liability Management Department under the Risk Management Division of the Group is responsible for monitoring activities relating to market risk.

The use of derivatives for proprietary trading and the sale of derivatives to customers as risk management products are integral parts of the Group's business activities. These instruments are also used to manage the Group's own exposures to market risk, as part of its asset and liability management process. The principal derivatives instruments used by the Group are interest rate, foreign exchange, and equity-related contracts, in the form of both over-the-counter derivatives and exchange-traded derivatives. Most of the Group's derivatives positions have been entered into to meet customer demand and to manage the risk of these and other trading positions.

In this connection, the key types of market risk that must be managed are:

(i) *Currency risk*

The Group's foreign currency positions arise from foreign exchange dealing (including derivatives), commercial banking operations, and structural foreign currency exposures. The Group's non-structural foreign currency exposures are mainly denominated in USD and RMB. All foreign currency positions are managed within limits approved by the Board or the Asset and Liability Management Committee.

Structural foreign currency positions, which arise mainly from foreign currency investments in the Group's branches, subsidiaries, and associated companies, are excluded from "value-at-risk" measurements, as related gains or losses are taken to reserves. Such foreign currency positions are managed with the principal objective of ensuring that the Group's reserves are protected from exchange rate fluctuations. The Group seeks to match its foreign currency denominated assets closely with corresponding liabilities in the same currencies.

(ii) *Interest rate risk*

The Group's trading interest rate positions arise from treasury and dynamic hedging of commercial banking activities. Interest rate risk is managed daily by the Treasury Markets Division of the Group within the limits approved by the Board or the Asset and Liability Management Committee. The instruments used to manage interest rate risk include interest rate swaps and other derivatives.

(iii) *Equity risk*

The Group's equity positions arise from equity investment and dynamic hedging of customer-driven business. Equity risk is managed daily by the Investment Department within the limits approved by the Board, Investment Committee, or the Asset and Liability Management Committee.

Market risk control limits have been set at varying levels according to the practical requirements of different units. The Board approves the core control limits and has delegated the authority to set detailed control limits to the Asset and Liability Management Committee. Risk, return, and market conditions are considered when setting limits. Active limit monitoring is carried out.

In this connection, the Asset and Liability Management Committee monitors the related market risk arising from the risk-taking activities of the Group, to ensure that overall and individual market risks are within the Group's risk tolerance level. Risk exposures are monitored frequently to ensure that they are within established control limits.

The Group quantifies the market risk of the underlying trading portfolio by means of VaR. VaR is a statistical estimate that measures the potential losses in market value of a portfolio as a result of unfavourable movements in market rates and prices, if positions are held unchanged over a certain horizon time period.

The Group estimates VaR for the Group's trading portfolio by the historical simulation approach, where the VaR is calculated by revaluing the portfolio for each of the market movement scenarios obtained from the historical observation period. This methodology uses movements in market rates and prices over a one-day holding period with a 99% confidence level under a two-year observation period.

Structural foreign exchange positions arising from net investments in branches and subsidiaries are not included in the VaR for the foreign exchange trading position.

The market value of listed shares, the fair value of private equity funds and unlisted equities (collectively the "Unlisted Securities"), are subject to limits and these are managed by the Investment Department of the Group. The Unlisted Securities and listed non-trading equities are not included in the VaR for the equity trading position, and are managed through delegated limits. The limits are subject to regular review by the Asset and Liability Management Committee.

Value-at-risk statistics

	2018 – First Half			
	At 30th June	Maximum	Minimum	Mean
	HK\$ Mn	HK\$ Mn	HK\$ Mn	HK\$ Mn
VaR for total trading activities	38	41	34	38
VaR for foreign exchange trading positions*	14	14	7	10
VaR for interest rate trading positions	6	8	5	7
VaR for equity trading positions	24	32	23	27

	2017 – First Half			
	At 30th June	Maximum	Minimum	Mean
	HK\$ Mn	HK\$ Mn	HK\$ Mn	HK\$ Mn
VaR for total trading activities	43	49	38	42
VaR for foreign exchange trading positions*	9	17	9	14
VaR for interest rate trading positions	3	4	2	3
VaR for equity trading positions	35	37	25	29

* Including all foreign exchange positions but excluding structural foreign exchange positions.

The average daily profit for all trading activities (including foreign exchange, interest rate, and equity trading activities) for the first six months of 2018 was HK\$2.48 million (average daily profit of HK\$2.76 million for the first six months of 2017). The standard deviation of the daily profit/loss for the period was HK\$10.50 million (standard deviation of HK\$4.43 million for the same period in 2017).

(c) Operational risk management

Operational risk is the risk of loss resulting from inadequate or failed internal processes, people and systems or from external events.

The objectives of operational risk management are to identify, assess, monitor, and report operational risk systematically and effectively; to minimise any operational loss and other impact on the Group; and to comply with the relevant regulatory requirements.

The Operational Risk Management Committee is responsible for overseeing operational risk management of the Group while the Operational Risk Management Department under the Risk Management Division of the Group is responsible for monitoring activities relating to operational risk.

The operational risk management tools adopted include operational risk incidents reporting, risk assessments, key risk indicators, operation manuals, insurance policies, etc.

(d) Liquidity risk management

Liquidity risk is the risk that the Group may not be able to meet its obligations as they come due because of an inability to obtain adequate funding (funding liquidity risk); or that the Group cannot easily liquidate assets quickly without significantly lowering market prices because of inadequate market depth or market disruptions (market liquidity risk).

The purpose of liquidity risk management is to ensure sufficient cash flows to meet all financial commitments and to capitalise on opportunities for business expansion. This includes the Group's ability to meet deposit withdrawals either on demand or at contractual maturity, to repay borrowings as they mature, to make new loans and investments as opportunities arise and last but not least, to comply with all the statutory requirements for liquidity risk management, including Liquidity Coverage Ratio ("LCR") and Net Stable Funding Ratio ("NSFR").

The Asset and Liability Management Committee is delegated by the Board to oversee the Group's liquidity risk management. The Asset and Liability Management Committee sets the strategy, policy, and limits for managing liquidity risk and the means for ensuring that such strategy and policy are implemented. Regular meetings are held to review the compliance status of the monitoring matrix established and the need for any change in strategy and policy. Liquidity is managed daily by the Capital Markets & Liquidity Management Department under the Treasury Markets Division of the Group within the set limits. The Asset & Liability Management Department under the Risk Management Division of the Group is responsible for monitoring the activities relating to liquidity risk. The Internal Audit Division performs periodic reviews to ensure that the liquidity risk management functions are carried out effectively.

The implementation of LCR and NSFR imposes a more stringent regulatory regime for liquidity risk management on the Group. The LCR, which came into effect on 1st January, 2015, promotes the short-term resilience of the Group's liquidity risk by requiring that the Group hold sufficient high quality liquid assets ("HQLAs") to survive under a pre-defined stress scenario over a period of 30 days. It requires that Group meet the minimum LCR by 2019. During the transitional period, the percentage will increase from 60% in 2015 to 100% in 2019, with 10% added to the regulatory requirement each year from 2016.

The NSFR, which came into effect on 1st January, 2018, is being used as a complement to the LCR to observe funding risk over a longer time horizon by requiring banks to operate with sufficient stable sources of funding. The NSFR of the Group is now constantly maintained at 100% or above. To ensure compliance with the enhanced regulatory requirement, internal targets for LCR and NSFR have been set above regulatory required levels, making reference to the Group's liquidity risk appetite. In addition, material changes in the LCR and NSFR will be reviewed regularly by the Asset and Liability Management Committee together with proposed mitigation actions to cope with adverse changes arising from, but not limited to, composition of the deposit base and remaining tenor to maturity, lending activities with respect to different maturity tenors, and the Group's asset and liability mix strategy. In planning the asset and liability mix strategy, the Group assesses the impact of asset growth and funding structure on the LCR and NSFR with support from relevant business units for the Asset and Liability Management Committee's review and decision.

As part of Group efforts to manage the LCR and NSFR effectively, emphasis is placed on strengthening the deposit base by retaining loyal customers and maintaining customer relationships. The Group balances funding among retail, small business, and wholesale funding to avoid concentration in any one source. Professional markets are accessed through the issuance of certificates of deposit, medium-term notes, subordinated debt, money market placements, and borrowing for the purposes of providing additional funding, maintaining a presence in local money markets, and optimising asset and liability maturities.

Internally, intra-group funding transactions are carried out at arm's length and treated in a manner in line with third-party transactions, with regular monitoring and appropriate control.

In addition to observing the statutory LCR and NSFR, the Group has established different liquidity metrics – including but not limited to the loan-to-deposit ratio, cumulative maturity mismatch ratio, funding concentration ratio, intra-group exposure threshold, and cross-currency funding ratio – to measure and analyse the Group's liquidity risk.

As a majority of the Group's liquidity risk arises from the maturity mismatch gap between the Group's asset and liability portfolios, the Group manages liquidity risk by conducting cash flow analysis and projections through the regular use of the Bank's management information system. These are carried out on a regular basis to identify funding needs arising from on and off-balance sheet items in a specific time frame over a set of time horizons. The Group maintains sufficient HQLAs as a liquidity cushion that can be accessed in times of stress. The HQLAs for fulfilling the LCR consist of cash, exchange fund bills and notes, high quality government debt securities and other equivalent liquid marketable assets. The majority of HQLAs are denominated in Hong Kong dollars. Contingent funding sources are maintained to provide strategic liquidity to meet unexpected and material cash outflows.

The Group also conducts stress-testing regularly to analyse liquidity risk. Both on and off-balance sheet items and their impact on cash flow are considered, together with applicable hypothetical and historical assumptions. The assessment and review of market liquidity risk are included in the various control processes, including investment/trading strategy, market risk monitoring, valuation, and portfolio review. Three stress scenarios – namely an institution-specific crisis, a general market crisis, and a crisis involving a combination of the two – are adopted with minimum survival period defined according to the HKMA's Supervisory Policy Manual LM-2, "Sound Systems and Controls for Liquidity Risk Management".

With reference to the stress-testing results, the Group identifies potential vulnerabilities within the Group and formulates a contingency funding policy that sets out the Group's strategy for dealing with any liquidity problem and the procedures for making up cash flow deficits in emergency situations.

The contingency funding policy is designed to be pro-active and pre-emptive, and stipulates the following three stages:

1. The Group utilises early warning indicators, which cover both qualitative and quantitative measures, and monitors both internal and external factors. Should there be any early signs of significant impact on the Group's liquidity position, the Asset and Liability Management Committee is informed. The Asset and Liability Management Committee will consider appropriate remedial actions and will consider employing crisis management if the situation warrants.
2. A Crisis Management Committee, which is chaired by the Chairman & Chief Executive, is formed to handle the crisis. Strategy and procedures for obtaining contingency funding, as well as roles and responsibilities of the parties concerned, are clearly stated.
3. In the final stage, a post-crisis review is carried out to recommend necessary improvements to avoid incidents of a similar nature in the future.

An annual drill test is conducted and the contingency funding policy is subject to regular review in order to accommodate any changes in the business environment. Any significant changes to the contingency funding policy are approved by the Board.

Certificates of Deposit, Debt Securities Issued, and Loan Capital

In the first half of 2018, BEA issued floating rate certificates of deposit and debt securities with a face value of US\$788 million; fixed rate certificates of deposit and debt securities with a face value of HK\$3,809 million, US\$287 million, EUR460 million and JPY1,500 million; and zero coupon certificates of deposit and debt securities with a face value of HK\$878 million, US\$1,892 million, CNY9,850 million, GBP244 million and CHF75 million. The Group redeemed a quantity of certificates of deposit and debt securities amounting to HK\$33,205 million equivalent upon maturity.

At the end of June 2018, the face value of the outstanding certificates of deposit and debt securities issued was equivalent to HK\$51,963 million, with a carrying amount equivalent to HK\$51,678 million.

Maturity Profile of Certificates of Deposit and Debt Securities Issued

As at 30th June, 2018

(All expressed in millions of dollars)

	Total Face Value	Year of Maturity		
		2018	2019	2020
Floating Rate				
USD	855	47	788	20
Fixed Rate (Note)				
HKD	4,335	2,775	1,560	
USD	530	471	59	
JPY	3,500	2,000	1,500	
CHF	40	40		
EUR	220	220		
Zero Coupon				
HKD	1,371	1,371		
USD	2,319	2,094	225	
CNY	8,550	7,380	1,170	
GBP	315	118	197	
JPY	2,000	2,000		
CHF	95	20	75	
EUR	35	35		
Total Certificates of Deposit and Debt Securities issued in HKD equivalent	51,963	37,708	14,098	157

Note:

Associated interest rate swaps are arranged in order to manage interest rate risk from long-term certificates of deposit and debt securities issued, if deemed necessary.

At the end of June 2018, the face value of the outstanding loan capital issued was equivalent to HK\$12,554 million, with a carrying amount equivalent to HK\$12,306 million.

Maturity Profile of Loan Capital

As at 30th June, 2018

(All expressed in millions of dollars)

	Total Face Value	Year of Maturity		
		2020	2024	2026
USD (Notes 1 & 2)	1,600	600	500	500
Total Loan Capital issued in HKD equivalent	12,554	4,708	3,923	3,923

Notes:

1. The US\$500 million loan capital that matures in 2024 will be callable on 20th November, 2019.
2. The US\$500 million loan capital that matures in 2026 will be callable on 3rd November, 2021.

(e) Interest rate risk management

Interest rate risk is the risk resulting from adverse movements in interest rates. The Asset and Liability Management Committee is delegated by the Board to oversee the Group's interest rate risk management, establish the strategy and policy for managing interest rate risk, and determine the means for ensuring that such strategies and policies are implemented. Interest rate risk is managed daily by the Treasury Markets Division of the Group within the limits approved by the Board or the Asset and Liability Management Committee. The Asset & Liability Management Department under the Risk Management Division of the Group is responsible for monitoring the activities relating to interest rate risk. The Internal Audit Division performs periodic reviews to ensure that the interest rate risk management functions are implemented effectively.

Interest rate risk primarily results from the timing differences in the re-pricing of interest-bearing assets, liabilities, and off-balance sheet items in the banking book. In determining the level of interest rate risk, assessments are made for the re-pricing risk, basis risk, options risk, and yield curve risk. The Group manages the interest rate risk on the banking book primarily by focusing on re-pricing mismatches. Gap analysis provides a static view of the maturity and re-pricing characteristics of the Group's assets, liabilities, and off-balance sheet positions. Re-pricing gap limits are set to control the Group's interest rate risk.

Sensitivity analysis in relation to the impact of changes in interest rates on earnings and economic value is assessed through a hypothetical interest rate shock of 200 basis points across the yield curve on the Group's assets, liabilities, and off-balance sheet positions and is performed on a monthly basis. Sensitivity limits are set to control the Group's interest rate risk exposure under both earnings and economic value perspectives. The results are reported to the Asset and Liability Management Committee on a regular basis.

(f) Strategic risk management

Strategic risk is the risk of current or potential impact on the Group's earnings, capital, reputation, or standing arising from changes in the environment the Group operates in, adverse strategic decisions, improper implementation of decisions, or lack of responsiveness to industry, economic, or technological changes.

The Risk Management Division of the Group monitors the activities under the Group's prevailing interest-earning asset mix and funding strategies and regularly reports the status to the Asset and Liability Management Committee, Risk Management Committee, Risk Committee, and the Board, where appropriate.

Capital management through projection of the Capital Adequacy Ratio and Internal Capital Adequacy Assessment Process is also regularly conducted to assess the level and structure of capital resources needed to support the risks that the Group tolerates.

(g) Legal risk management

Legal risk is the risk of loss arising from unenforceable contracts, lawsuits, or adverse judgements that may disrupt or otherwise negatively affect the operations or financial condition of the Group.

The objective of managing legal risk is to identify, assess, monitor and report on legal risk, and to comply with the relevant legal and regulatory requirements.

The Group provides appropriate training courses conducted by qualified internal personnel and/or external lawyers/professionals, and issues regular reminders to staff members. When dealing with legal matters, the Group engages qualified internal personnel and, when necessary and appropriate, external lawyers with appropriate expertise including counsel and senior counsel for advice.

The Operational Risk Management Committee is responsible for overseeing the management of the Group's legal risk.

(h) Reputation risk management

Reputation risk is the risk that the Group's reputation is damaged by one or more events that result in negative publicity about the business practices, conduct, or financial condition of the Group. Such negative publicity, whether true or not, may impair public confidence in the Group and may result in costly litigation, or lead to a decline in the Group's customer base, business, and/or revenue.

The objective of managing reputation risk is to identify, assess, monitor, report, and mitigate such risk, and to ensure compliance with the relevant regulatory requirements.

The Group establishes various policies, guidelines, manuals and codes to ensure compliance with applicable laws, rules and regulations, and to ensure that the Bank Group maintains a high standard of corporate governance, which in turn helps safeguard and enhance the Group's reputation.

The Group formulates and adheres to the Reputation Risk Management Manual, which outlines a systematic approach to the management of reputation risk, including a framework for reputation risk identification, assessment, monitoring, mitigation and control, thereby protecting and enhancing the reputation of the Bank Group. The Guidelines for Incident Response and Management is established for swift response to and management of unexpected incidents. The Media Guidelines is established to ensure effective and consistent delivery of the Group's key messages to the media.

The Operational Risk Management Committee is responsible for overseeing the management of the Group's reputation risk.

(i) Compliance risk management

Compliance risk is the risk of potential losses arising from legal or regulatory sanctions, fines and penalties, financial losses or damage to reputation that the Group may suffer as a result of its failure to comply with laws, regulations, rules, related self-regulatory organisation standards, and codes of conduct applicable to its business activities.

The Group establishes various policies, guidelines and manuals to ensure compliance with all applicable legislation, rules, codes of conduct, industry standards, and guidelines issued by the relevant regulatory authorities that govern the Group's operations. The Group formulates, and adheres to, the Group Compliance Risk Management Manual, which outlines a systematic approach to the management of compliance risk, including a framework for compliance risk identification, assessment, monitoring, mitigation, and control, thereby enabling the Bank Group to manage its compliance risk effectively. Independent regulatory compliance reviews are conducted on major functions of the Bank using a risk-based approach.

(j) Technology risk management

Technology risk is the risk of loss to the Group due to inadequate or failed technical processes, people, and/or computing systems, or unauthorised access or disruption to technology resources, in particular relating to cyber security and e-banking.

To address increasing cyber security threats, the Group has put in place adequate security resources and proper control measures based on a defined risk appetite level. The Group has developed technology risk related policies and cyber security strategies as well as comprehensive security awareness programmes to strengthen cyber security at all levels.

The Group has also established a framework for proper management of technology risk. The Board and designated committees at the top level are responsible for overall management of technology risk for the Group. They lead various working teams and the "Three Lines of Defence" to address specific areas of concern.

Comprehensive control policies, standards, guidelines, and procedures are maintained to ensure that adequate control measures relating to the security of internet systems and applications, customer authentication, risk assessment for new products and services, and confidentiality and integrity of information are all in place.

(k) New product and business risk management

New product and business risk is the risk of loss due to insufficient pre-assessment of significant potential risks introduced to the Group arising from the launch of new products, the structural change of existing products, and the establishment of new business operations (i.e. through the establishment of a new subsidiary and/or merger or acquisition). The significant potential risks include Credit Risk, Market Risk, Operational Risk, Liquidity Risk, Interest Rate Risk, Legal Risk, Technology Risk, Compliance Risk, Strategic Risk, Reputation Risk and Business Continuity Risk.

The Group establishes a robust risk governance structure, supported by comprehensive control guidelines and procedures. A structured evaluation process ensures that the potential significant risks are duly assessed, documented, and vetted before initiating a new product or business. The process also facilitates oversight of new products and businesses by Senior Management.

Each new product launch must go through an approval process, which includes business and financial analysis and risk assessment. New products are reviewed and assessed by the New Products Evaluation Working Group (comprising department heads of supporting/control units and representatives of Risk Controllers), endorsed by the Steering Group for New Product and Business Risk Management (chaired by the Bank's Group Chief Risk Officer and comprising the division heads of supporting/control units), and approved by the Risk Management Committee.

(I) Business continuity risk management

Business continuity risk is the risk of loss arising from business disruptions in the event of an incident or crisis. Business disruption could be caused by the loss of staff members, information technology and telecommunication systems, premises, key service providers, vital records, etc.

To manage business continuity risk, the Group establishes comprehensive policies, guidelines and manuals. Business impact analysis is conducted and business continuity plans are developed by all individual functional units of the Group.

Annual drills are performed to test preparedness and effectiveness of the business continuity plans.

CORPORATE SOCIAL RESPONSIBILITY

Through staff volunteering, donations, and other forms of assistance, the BEA Group supports a wide range of important initiatives under the three pillars of its community investment programme, namely education, social welfare, and the environment.

For the third consecutive year, the Bank served as title sponsor for The Community Chest BEA Charity Golf Day, raising nearly HK\$2.3 million for mental health services provided by The Community Chest of Hong Kong's member agencies. On the environmental front, BEA won the Gold Award in the Servicing and Trading category of the prestigious Hong Kong Awards for Environmental Excellence in recognition of its excellent performance in environmental management.

The Bank of East Asia Charitable Foundation continued to support beneficiaries of its three flagship projects, namely the Palliative Care in Residential Care Homes for the Elderly Programme, the BEA Parent-Child Reading Programme, and the BEA "High Five" Club. On the Mainland, the Shanghai Soong Ching Ling Foundation – BEA Charity Fund renewed its commitment to the Firefly Centre Development Programme by signing an agreement with "la Caixa" Foundation in May 2018 to continue supporting the development of education at rural schools for an additional three years.

In June 2018, the Bank conducted a series of environmental, social, and governance ("ESG") workshops for its senior executives and managers with the aim of creating a greater understanding of sustainability issues and raising awareness of the importance of ESG throughout the entire organisation. BEA continued to ensure that its units complied with its Corporate Social Responsibility ("CSR") Policy, Environmental Policy, and other related codes and guidelines during the period under review through the efforts of the Group's CSR Working Group. For more information on BEA's community investment initiatives and ESG performance, please refer to the Group's ESG Report, which is available via the Bank's corporate website at www.hkbea.com (About BEA/ Corporate Social Responsibility).

RECOGNITION

During the first six months of 2018, the Bank received a number of awards in recognition of its achievements. These included:

- “2018 Best SME’s Partner Award” (for the eleventh consecutive year) from The Hong Kong General Chamber of Small and Medium Business;
- “Quamnet Outstanding Enterprise Awards 2017 – Outstanding SME Service Provider (Bank)” (for the fifth consecutive year) from Quam (H.K.) Limited;
- “Outstanding Intelligent Digital Branch” in the FinTech Awards 2017 from ET Net;
- “Excellent Brand of Smart Banking” in the Hong Kong Leaders’ Choice 2018 from Metro Finance;
- “Excellence of the Year for Innovation, Banking, China” in the Le Fonti Awards from Le Fonti;
- “The Best Retail Bank in Hong Kong” and “The Best Digital Distribution Network of the Year” in the Asian Banker Excellence in Retail Financial Services Awards 2018 from *The Asian Banker*;
- The Excellence Award in “Branch Innovation”, Outstanding Award in “Retail Banking”, “Mobile Usability”, and “Integrated Marketing” in the Financial Institution Awards 2018 from *Bloomberg Businessweek* (Chinese Edition);
- “Outstanding UPOP Merchant Business Award 2017” from Unionpay International;
- “Most Innovative Online Payment Platform with Mastercard® Send™ – BEA i-Payment Hub” and “Best Youth Card Program – BEA i-Titanium Card” from Mastercard; and
- “BENCHMARK Private Wealth Awards 2017 – Bronze Winner for China Team of the Year” from WealthAsia Media Limited;

In addition, The Bank of East Asia (China) Limited earned the following distinctions:

- “Best Foreign Bank” in the 2017 Wealth Management Registration from China Banking Wealth Management Registration & Depository Co., Ltd.;
- “2017 Active Local Currency Market Interbank Trader” from China Foreign Exchange Trade System & National Interbank Funding Center;
- “Outstanding Institution for Proprietary Trading” in the 2017 Best Member of CCDC Awards from China Central Depository & Clearing Co., Ltd.; and
- “Best Transaction Bank” in the 2017 Banking e-Finance Innovation Award from China e-Finance Union.

BEA Union Investment received a number of awards in recognition of its management and the performance of its funds. For BEA Union Investment:

- “BENCHMARK Fund of the Year Awards 2017 – Asia Fixed Income within Mutual Funds’ House Awards, Best-In-Class” from *BENCHMARK* magazine; and
- “The Asset Benchmark Research 2018 – One of the Top Investment Houses in Asian Local Currency Bonds – Hong Kong” from *The Asset*.

For the BEA Union Investment Asian Bond and Currency Fund:

- “Best Bond Fund, Asia Pacific HC” from Thomson Reuters Lipper Fund Award Programme 2018 Hong Kong (for its 3-year performance); and
- “Best Bond Fund, Asia Pacific HC” from Thomson Reuters Lipper Fund Award Programme 2018 Hong Kong (for its 5-year performance).

CHANGES TO INFORMATION IN RESPECT OF DIRECTORS

In accordance with Rule 13.51B(1) of the Listing Rules, the changes in information required to be disclosed by Directors pursuant to paragraphs (a) to (e) and (g) of Rule 13.51(2) of the Listing Rules since publication of the Bank's Annual Report 2017 up to 29th August, 2018 (being the date of approval of the Bank's Interim Report 2018) are set out below:

Changes in experience including other directorships and major appointments

<u>Name of Directors</u>	<u>Other directorships and appointments</u>
Professor Arthur LI Kwok-cheung	Ceased to be a Member of the National Committee of the Chinese People's Political Consultative Conference
Dr. Isidro FAINÉ CASAS	From 2015 until June 2018 he was Chairman of the European Savings Banks Group (ESBG) where he currently serves as Deputy Chairman
Dr. Peter LEE Ka-kit	Appointed as an Independent Non-executive Director of Xiaomi Corporation (listed in Hong Kong)
Mr. Brian David LI Man-bun	Appointed as a Member of Chief Executive's Council of Advisers on Innovation & Strategic Development of the Government of the Hong Kong Special Administrative Region and ceased to be a Council Member of The Hong Kong Management Association
Dr. Daryl NG Win-kong	Appointed as a Non-independent & Non-executive Director of Yeo Hiap Seng Limited (listed in Singapore), appointed as a Member of the 13th Beijing Municipal Committee of the Chinese People's Political Consultative Conference and appointed as a member of Hong Kong Trade Development Council Mainland Business Advisory Committee
Dr. Delman LEE	Appointed as a Non-executive Director of Dairy Farm International Holdings Limited (listed in London, Bermuda and Singapore)

Changes in Directors' emoluments

With effect from 1st April, 2018, the base salary payable to Dr. the Hon. Sir David LI Kwok-po, Chief Executive of the Bank, has been increased from HK\$10.9 million to HK\$11.3 million on an annualized basis.

Other than those disclosed above, there is no other information required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules.

INTERESTS OF DIRECTORS AND CHIEF EXECUTIVE

As at 30th June, 2018, the interests and short positions of the Directors and Chief Executive of the Bank in the shares, underlying shares and debentures of the Bank and its associated corporations as recorded in the register required to be kept under section 352 of the SFO (the "Register") were as follows:

I. Long positions in ordinary shares of the Bank:

Name	Capacity and nature	No. of shares	Total	% of issued voting shares
David LI Kwok-po	Beneficial owner	80,483,127	93,497,147 ¹	3.33
	Interest of spouse	2,105,951		
	Interest of corporation	244,680		
	Executor of estate	10,663,389		
Arthur LI Kwok-cheung	Beneficial owner	12,649,091	40,432,523 ²	1.44
	Interest of corporation	17,120,043		
	Executor of estate	10,663,389		
Allan WONG Chi-yun	Beneficial owner	441,381	16,993,709 ³	0.61
	Interest of spouse	136		
	Founder and beneficiary of discretionary trust	16,552,192		
Aubrey LI Kwok-sing	Beneficial owner	1,187,385	18,007,336 ⁴	0.64
	Interest of spouse	23,229		
	Interest of corporation	16,796,722		
Winston LO Yau-lai	–	–	Nil	Nil
Stephen Charles LI Kwok-sze	Beneficial owner	11,170,164	13,332,494 ⁵	0.47
	Interest of children	649,336		
	Beneficiary of discretionary trusts	235,735		
	Administrator of estate	1,277,259		
Isidro FAINÉ CASAS	–	–	Nil	Nil
Peter LEE Ka-kit	Interest of corporation	679,000	679,000 ⁶	0.02
Adrian David LI Man-kiu	Beneficial owner	1,079,032	3,158,737 ⁷	0.11
	Interest of child	7,375		
	Settlor/Founder of discretionary trust	2,072,330		
Brian David LI Man-bun	Beneficial owner	2,357,009	3,136,642 ⁸	0.11
	Interest of corporation	779,633		

Name	Capacity and nature	No. of shares	Total	% of issued voting shares
Daryl NG Win-kong	–	–	Nil	Nil
Masayuki OKU	–	–	Nil	Nil
Rita FAN HSU Lai-tai	–	–	Nil	Nil
Meocre LI Kwok-wing	–	–	Nil	Nil
Henry TANG Ying-yen	–	–	Nil	Nil
CHAN Kin-por	–	–	Nil	Nil
Delman LEE	–	–	Nil	Nil

Notes:

- 1 *David LI Kwok-po was the beneficial owner of 80,483,127 shares and he was deemed to be interested in 2,105,951 shares through the interests of his spouse, Penny POON Kam-chui. He was also deemed to be interested in 244,680 shares held by David Li Kwok-po Charitable Foundation Limited, a charitable institution of which David LI Kwok-po is a director and the sole member. He was also deemed to be interested in 10,663,389 shares held by an estate of which he is one of the executors. Arthur LI Kwok-cheung was also deemed to be interested in the same block of 10,663,389 shares as one of the executors of the estate (please refer to Note 2 below).*
- 2 *Arthur LI Kwok-cheung was the beneficial owner of 12,649,091 shares and he was deemed to be interested in 17,120,043 shares held by Dapa Company Limited, which is wholly-owned by him. He was also deemed to be interested in 10,663,389 shares held by an estate of which he is one of the executors. David LI Kwok-po was also deemed to be interested in the same block of 10,663,389 shares as one of the executors of the estate (please refer to Note 1 above).*
- 3 *Allan WONG Chi-yun was the beneficial owner of 441,381 shares and he was deemed to be interested in 136 shares through the interests of his spouse, Margaret KWOK Chi-wai (deceased). He was also deemed to be interested in 16,552,192 shares held by a discretionary trust, Allan Wong 2011 Trust, of which Allan WONG Chi-yun is a founder and an eligible beneficiary.*
- 4 *Aubrey LI Kwok-sing was the beneficial owner of 1,187,385 shares and he was deemed to be interested in 23,229 shares through the interests of his spouse, Elizabeth WOO. He was also deemed to be interested in 16,796,722 shares held by Hope Lake Ltd., which is wholly-owned by him.*
- 5 *Stephen Charles LI Kwok-sze was the beneficial owner of 11,170,164 shares, and he was deemed to be interested in 649,336 shares through the interests of his children. He was also deemed to be interested in 1,277,259 shares held by an estate of which he is one of the Administrators. He was also deemed to be interested in 235,735 shares held by a discretionary trust, Longevity Trust, of which his children were beneficiaries.*
- 6 *Peter LEE Ka-kit was deemed to be interested in 679,000 shares owned by Golf Limited, which is wholly-owned by him.*
- 7 *Adrian David LI Man-kiu was the beneficial owner of 1,079,032 shares, and he was deemed to be interested in 7,375 shares through the interests of his child under the age of 18. Adrian David LI Man-kiu has made a voluntary disclosure of 2,072,330 shares indirectly held by a discretionary trust of which he was the settlor/founder but has no influence on how the trustee exercises its discretion.*
- 8 *Brian David LI Man-bun was the beneficial owner of 2,357,009 shares. He was also deemed to be interested in 779,633 shares held by Triple Kingdom Limited, which is wholly-owned by him.*

II. Long positions (in respect of equity derivatives) in underlying shares of the Bank:

Shares options, being unlisted physically settled equity derivatives, to subscribe for the ordinary shares of the Bank were granted to David LI Kwok-po, Adrian David LI Man-kiu and Brian David LI Man-bun pursuant to the approved Staff Share Option Schemes. Information in relation to these share options during the six months ended 30th June, 2018 was shown in the section under "Information on Share Options" of this Report.

III. Interests in Hybrid Tier I Capital Instruments:

Allan WONG Chi-yun was the beneficial owner of the following capital instruments^{Note}:

Issuer	Type/Class of securities	Amount of debentures	No. of shares
The Bank of East Asia, Limited	Subordinated Notes	US\$7,000,000	–
Innovate Holdings Limited	Preference Shares	–	7,000
The Bank of East Asia, Limited	Substitute Preference Shares (unissued)	–	7,000

Note: In November 2009, the Bank issued capital instruments qualifying as hybrid tier 1 capital with a face value of US\$500 million. The capital instruments comprise 8.5% step-up subordinated notes due 2059 issued by the Bank (the "2059 Notes") stapled with perpetual non-cumulative step-up preference shares issued by Innovate Holdings Limited, a wholly-owned subsidiary of the Bank (the "Innovate Preference Shares"). The 2059 Notes and the Innovate Preference Shares are listed as stapled units on Singapore Exchange. The Substitute Preference Shares (being perpetual non-cumulative step-up preference shares) are created, and to be issued by the Bank upon the occurrence of a Substitution Event (as defined in the circular to shareholders of the Bank dated 11th November, 2009) as one of the terms of the issue of the 2059 Notes and the Innovate Preference Shares.

Save as disclosed above, no other interest or short position in the shares, underlying shares or debentures of the Bank or any of its associated corporations were recorded in the Register.

INFORMATION ON SHARE OPTIONS

Information in relation to share options disclosed in accordance with the Listing Rules was as follows:

(1) Movement of share options during the six months ended 30th June, 2018:

Name	Date of Grant	Number of Share Options				Outstanding at 30/6/2018
		Outstanding at 01/1/2018	Granted	Exercised	Lapsed/Cancelled	
David LI Kwok-po	05/5/2011 ^a	666,000 ^{T2}	–	666,000 ^c	–	0
	05/5/2011 ^a	668,000 ^{T3}	–	–	–	668,000
	03/5/2013 ^a	668,000 ^{T3}	–	–	–	668,000
	02/5/2014 ^a	666,000 ^{T1}	–	–	–	666,000
	02/5/2014 ^a	666,000 ^{T2}	–	–	–	666,000
	02/5/2014 ^a	668,000 ^{T3}	–	–	–	668,000
	04/5/2015 ^a	666,000 ^{T1}	–	–	–	666,000
	04/5/2015 ^a	666,000 ^{T2}	–	–	–	666,000
	04/5/2015 ^a	668,000 ^{T3}	–	–	–	668,000
	08/4/2016 ^a	666,000 ^{T2}	–	–	–	666,000
	08/4/2016 ^a	668,000 ^{T3}	–	–	–	668,000
	07/4/2017 ^a	666,000 ^{T1}	–	–	–	666,000
	07/4/2017 ^a	666,000 ^{T2}	–	–	–	666,000
	07/4/2017 ^a	668,000 ^{T3}	–	–	–	668,000
	10/4/2018 ^b	–	666,000 ^{T1}	–	–	666,000
	10/4/2018 ^b	–	666,000 ^{T2}	–	–	666,000
	10/4/2018 ^b	–	668,000 ^{T3}	–	–	668,000
Adrian David LI Man-kiu	05/5/2011 ^a	216,000 ^{T2}	–	216,000 ^c	–	0
	05/5/2011 ^a	218,000 ^{T3}	–	–	–	218,000
	10/5/2012 ^a	216,000 ^{T2}	–	–	–	216,000
	10/5/2012 ^a	218,000 ^{T3}	–	–	–	218,000
	03/5/2013 ^a	216,000 ^{T1}	–	–	–	216,000
	03/5/2013 ^a	216,000 ^{T2}	–	–	–	216,000
	03/5/2013 ^a	218,000 ^{T3}	–	–	–	218,000
	02/5/2014 ^a	216,000 ^{T1}	–	–	–	216,000
	02/5/2014 ^a	216,000 ^{T2}	–	–	–	216,000
	02/5/2014 ^a	218,000 ^{T3}	–	–	–	218,000
	04/5/2015 ^a	216,000 ^{T1}	–	–	–	216,000
	04/5/2015 ^a	216,000 ^{T2}	–	–	–	216,000
	04/5/2015 ^a	218,000 ^{T3}	–	–	–	218,000
	08/4/2016 ^a	216,000 ^{T1}	–	–	–	216,000
	08/4/2016 ^a	216,000 ^{T2}	–	–	–	216,000
	08/4/2016 ^a	218,000 ^{T3}	–	–	–	218,000
	07/4/2017 ^a	216,000 ^{T1}	–	–	–	216,000
07/4/2017 ^a	216,000 ^{T2}	–	–	–	216,000	
07/4/2017 ^a	218,000 ^{T3}	–	–	–	218,000	
10/4/2018 ^b	–	216,000 ^{T1}	–	–	216,000	
10/4/2018 ^b	–	216,000 ^{T2}	–	–	216,000	
10/4/2018 ^b	–	218,000 ^{T3}	–	–	218,000	

Name	Date of Grant	Number of Share Options				
		Outstanding at 01/1/2018	Granted	Exercised	Lapsed/ Cancelled	Outstanding at 30/6/2018
Brian David Li Man-bun	05/5/2011 ^a	216,000 ^{T2}	–	216,000 ^c	–	0
	05/5/2011 ^a	218,000 ^{T3}	–	–	–	218,000
	10/5/2012 ^a	216,000 ^{T2}	–	–	–	216,000
	10/5/2012 ^a	218,000 ^{T3}	–	–	–	218,000
	03/5/2013 ^a	216,000 ^{T1}	–	–	–	216,000
	03/5/2013 ^a	216,000 ^{T2}	–	–	–	216,000
	03/5/2013 ^a	218,000 ^{T3}	–	–	–	218,000
	02/5/2014 ^a	216,000 ^{T1}	–	–	–	216,000
	02/5/2014 ^a	216,000 ^{T2}	–	–	–	216,000
	02/5/2014 ^a	218,000 ^{T3}	–	–	–	218,000
	04/5/2015 ^a	216,000 ^{T1}	–	–	–	216,000
	04/5/2015 ^a	216,000 ^{T2}	–	–	–	216,000
	04/5/2015 ^a	218,000 ^{T3}	–	–	–	218,000
	08/4/2016 ^a	216,000 ^{T1}	–	–	–	216,000
	08/4/2016 ^a	216,000 ^{T2}	–	–	–	216,000
	08/4/2016 ^a	218,000 ^{T3}	–	–	–	218,000
	07/4/2017 ^a	216,000 ^{T1}	–	–	–	216,000
	07/4/2017 ^a	216,000 ^{T2}	–	–	–	216,000
	07/4/2017 ^a	218,000 ^{T3}	–	–	–	218,000
	10/4/2018 ^b	–	216,000 ^{T1}	–	–	–
10/4/2018 ^b	–	216,000 ^{T2}	–	–	–	216,000
10/4/2018 ^b	–	218,000 ^{T3}	–	–	–	218,000
Aggregate of other Employees*	05/5/2011 ^a	291,000 ^{T2}	–	291,000 ^c	–	0
	05/5/2011 ^a	686,000 ^{T3}	–	–	–	686,000
	10/5/2012 ^a	532,000 ^{T1}	–	532,000 ^c	–	0
	10/5/2012 ^a	582,000 ^{T2}	–	–	–	582,000
	10/5/2012 ^a	636,000 ^{T3}	–	–	–	636,000
	03/5/2013 ^a	632,000 ^{T1}	–	–	–	632,000
	03/5/2013 ^a	682,000 ^{T2}	–	50,000 ^c	–	632,000
	03/5/2013 ^a	736,000 ^{T3}	–	50,000 ^c	–	686,000
	02/5/2014 ^a	844,000 ^{T1}	–	130,000 ^c	–	714,000
	02/5/2014 ^a	844,000 ^{T2}	–	–	–	844,000
	02/5/2014 ^a	849,500 ^{T3}	–	–	–	849,500
	04/5/2015 ^a	882,000 ^{T1}	–	–	–	882,000
	04/5/2015 ^a	882,000 ^{T2}	–	–	–	882,000
	04/5/2015 ^a	886,000 ^{T3}	–	–	–	886,000
	08/4/2016 ^a	632,000 ^{T1}	–	–	–	632,000
	08/4/2016 ^a	935,000 ^{T2}	–	37,000 ^c	–	898,000
	08/4/2016 ^a	942,500 ^{T3}	–	–	–	942,500
	07/4/2017 ^a	982,000 ^{T1}	–	–	–	982,000
	07/4/2017 ^a	982,000 ^{T2}	–	–	–	982,000
	07/4/2017 ^a	986,000 ^{T3}	–	–	–	986,000
10/4/2018 ^b	–	1,077,000 ^{T1}	–	–	–	1,077,000
10/4/2018 ^b	–	1,077,000 ^{T2}	–	–	–	1,077,000
10/4/2018 ^b	–	1,083,500 ^{T3}	–	–	–	1,083,500

Name	Date of Grant	Number of Share Options				
		Outstanding at 01/1/2018	Granted	Exercised	Lapsed/ Cancelled	Outstanding at 30/6/2018
Other Participants**	05/5/2011 ^a	100,000 ^{T2}	–	100,000 ^c	–	0
	05/5/2011 ^a	100,000 ^{T3}	–	–	–	100,000
	10/5/2012 ^a	50,000 ^{T1}	–	50,000 ^c	–	0
	10/5/2012 ^a	100,000 ^{T2}	–	–	–	100,000
	10/5/2012 ^a	100,000 ^{T3}	–	–	–	100,000
	03/5/2013 ^a	50,000 ^{T1}	–	–	–	50,000
	03/5/2013 ^a	50,000 ^{T2}	–	–	–	50,000
	03/5/2013 ^a	50,000 ^{T3}	–	–	–	50,000
	04/5/2015 ^a	50,000 ^{T1}	–	–	–	50,000
	04/5/2015 ^a	50,000 ^{T2}	–	–	–	50,000
	04/5/2015 ^a	50,000 ^{T3}	–	–	34,254 [#]	15,746
	08/4/2016 ^a	50,000 ^{T2}	–	24,736 ^c	25,264 [#]	0
	08/4/2016 ^a	50,000 ^{T3}	–	–	–	50,000
	07/4/2017 ^a	50,000 ^{T1}	–	–	–	50,000
	07/4/2017 ^a	50,000 ^{T2}	–	–	–	50,000
	07/4/2017 ^a	50,000 ^{T3}	–	–	–	50,000
	10/4/2018 ^b	–	50,000 ^{T1}	–	–	50,000
	10/4/2018 ^b	–	50,000 ^{T2}	–	–	50,000
	10/4/2018 ^b	–	50,000 ^{T3}	–	–	50,000

* Employees working under employment contracts that were regarded as “Continuous Contracts” for the purpose of the Hong Kong Employment Ordinance.

** Other Participants refer to three former employees of the Bank. The share options were granted to them prior to their cessation as employees of the Bank.

Share options were forfeited and cancelled. Please refer to paragraph (2) under this section for the details.

Notes:

a Particulars of share options granted in years 2011 to 2017:

<u>Date of Grant</u>	<u>Tranche</u>	<u>Vesting Period</u>	<u>Exercise Period</u>	<u>Exercise Price Per Share</u> HK\$
05/5/2011	T2	05/5/2011 – 04/5/2013	05/5/2013 – 05/5/2018	32.00
05/5/2011	T3	05/5/2011 – 04/5/2014	05/5/2014 – 05/5/2019	32.00
10/5/2012	T1	10/5/2012 – 09/5/2013	10/5/2013 – 10/5/2018	28.99
10/5/2012	T2	10/5/2012 – 09/5/2014	10/5/2014 – 10/5/2019	28.99
10/5/2012	T3	10/5/2012 – 09/5/2015	10/5/2015 – 10/5/2020	28.99
03/5/2013	T1	03/5/2013 – 02/5/2014	03/5/2014 – 03/5/2019	31.40
03/5/2013	T2	03/5/2013 – 02/5/2015	03/5/2015 – 03/5/2020	31.40
03/5/2013	T3	03/5/2013 – 02/5/2016	03/5/2016 – 03/5/2021	31.40
02/5/2014	T1	02/5/2014 – 01/5/2015	02/5/2015 – 02/5/2020	32.50
02/5/2014	T2	02/5/2014 – 01/5/2016	02/5/2016 – 02/5/2021	32.50
02/5/2014	T3	02/5/2014 – 01/5/2017	02/5/2017 – 02/5/2022	32.50
04/5/2015	T1	04/5/2015 – 03/5/2016	04/5/2016 – 04/5/2021	34.15
04/5/2015	T2	04/5/2015 – 03/5/2017	04/5/2017 – 04/5/2022	34.15
04/5/2015	T3	04/5/2015 – 03/5/2018	04/5/2018 – 04/5/2023	34.15
08/4/2016	T1	08/4/2016 – 07/4/2017	08/4/2017 – 08/4/2022	28.45
08/4/2016	T2	08/4/2016 – 07/4/2018	08/4/2018 – 08/4/2023	28.45
08/4/2016	T3	08/4/2016 – 07/4/2019	08/4/2019 – 08/4/2024	28.45
07/4/2017	T1	07/4/2017 – 06/4/2018	07/4/2018 – 07/4/2023	32.25
07/4/2017	T2	07/4/2017 – 06/4/2019	07/4/2019 – 07/4/2024	32.25
07/4/2017	T3	07/4/2017 – 06/4/2020	07/4/2020 – 07/4/2025	32.25

b Share options granted in year 2018:

(i) Particulars:

<u>Date of Grant</u>	<u>Tranche</u>	<u>Vesting Period</u>	<u>Exercise Period</u>	<u>Exercise Price Per Share</u> HK\$
10/4/2018	T1	10/4/2018 – 09/4/2019	10/4/2019 – 10/4/2024	32.25
10/4/2018	T2	10/4/2018 – 09/4/2020	10/4/2020 – 10/4/2025	32.25
10/4/2018	T3	10/4/2018 – 09/4/2021	10/4/2021 – 10/4/2026	32.25

(ii) The closing price of the shares of the Bank on 9th April, 2018 (being the business day immediately preceding 10th April, 2018 on which the options were granted) was HK\$32.20.

- (iii) Fair value of share options granted during the six months ended 30th June, 2018 and assumptions are as follows:

The fair value of services received in return for share options granted are measured by reference to the fair value of share options granted. The estimate of the fair value of the share option granted is measured based on a trinomial lattice model. The contractual life of the option is used as an input into this model.

	<u>30/6/2018</u>
Fair value at measurement date	
– Tranche 1	HK\$4.96
– Tranche 2	HK\$5.17
– Tranche 3	HK\$5.32
Share price	HK\$32.25
Exercise price	HK\$32.25
Expected volatility (expressed as weighted average volatility used in the modelling under trinomial lattice model)	19.45%
Option life	
– Tranche 1	6 years
– Tranche 2	7 years
– Tranche 3	8 years
Expected dividends	3.71%-5.15%
Risk-free interest rate (based on Exchange Fund Notes)	1.71%

The expected volatility is based on the historic volatility (calculated based on the weighted average remaining life of the share options), adjusted for any expected changes to future volatility based on publicly available information. Expected dividends are based on historical dividends. Changes in the subjective input assumptions could materially affect the fair value estimate.

Share options were granted under a service condition. This condition has not been taken into account in the grant date fair value measurement of the services received. There were no market conditions associated with the share option grants.

- c The half-year weighted average (“HWA”) closing price of the shares of the Bank immediately before the date on which the options were exercised during the six months ended 30th June, 2018:

<u>Date of Grant</u>	<u>Tranche</u>	<u>No. of Options Exercised</u>	<u>Exercise Price Per Share</u>	<u>HWA Closing Price</u>
			HK\$	HK\$
05/5/2011	T2	1,489,000	32.00	34.34
10/5/2012	T1	582,000	28.99	34.07
03/5/2013	T2	50,000	31.40	33.80
03/5/2013	T3	50,000	31.40	32.85
02/5/2014	T1	130,000	32.50	34.86
08/4/2016	T2	61,736	28.45	32.20

(2) The following share options were forfeited and cancelled during the six months ended 30th June, 2018:

Date of Grant	Tranche	No. of Share Options Forfeited and Cancelled	Exercise Price Per Share <i>HK\$</i>
04/5/2015	T3	34,254	34.15
08/4/2016	T2	25,264	28.45

(3) The accounting policy adopted for share options:

The option exercise price is equal to the higher of:

- (a) the closing price of the Bank's shares as stated in the Stock Exchange's daily quotations sheet on the date of grant of the relevant options; and
- (b) an amount equivalent to the average closing price of the Bank's shares as stated in the Stock Exchange's daily quotation sheets for the 5 business days immediately preceding the date of grant of the relevant options.

When the options are exercised, equity is increased by the amount of the proceeds received. The fair value of share options 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 measured at the grant date using the trinomial model, taking into account the terms and conditions upon which the options were granted. Where the employees have to meet vesting conditions before becoming unconditionally entitled to those share options, the total estimated fair value of the share options is spread over the vesting period, taking into account the probability that the options will vest.

During the vesting period, the number of share options that is expected to vest is reviewed. 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 unless the original expenses qualify for recognition as an asset, with a corresponding adjustment to the capital reserve. On vesting date, the amount recognised as an expense is adjusted to reflect the actual number of share options that vest (with a corresponding adjustment to capital reserve) except where forfeiture is only due to not achieving vesting conditions that relate to the market price of the Bank's shares.

The equity amount is recognised in capital reserve until either the option is exercised and new shares allotted (when it is transferred to share capital) or the option expires (when it is released directly to retained profits). For Grantees who do not meet the applicable vesting conditions, the unvested options are forfeited, either in whole or in part. Forfeited share options are cancelled.

Save as disclosed above, as at 30th June, 2018, none of the Directors or Chief Executive of the Bank or their spouses or children under 18 years of age were granted or exercised any right to subscribe for any equity or debt securities of the Bank or any of its associated corporations.

INTERESTS OF SUBSTANTIAL SHAREHOLDERS AND OTHER PERSONS

As at 30th June, 2018, the interests or short positions of substantial shareholders and other persons in the shares and underlying shares of the Bank as recorded in the register required to be kept under section 336 of the SFO (the "Register") were as follows:

Long positions in ordinary shares of the Bank:

Name	Capacity and nature	No. of shares	% of issued voting Shares
Sumitomo Mitsui Banking Corporation	Beneficial owner	510,003,673 ¹	19.01
Sumitomo Mitsui Financial Group, Inc.	Interest of corporation	510,003,673 ¹	19.01
Criteria Caixa, S.A., Sociedad Unipersonal	Beneficial owner	464,287,319 ²	17.30
Fundación Bancaria Caixa d'Estalvis i Pensions de Barcelona, "la Caixa"	Interest of corporation	464,287,319 ²	17.30
Guoco Management Company Limited	Beneficial owner	369,755,978 ^{3,4}	14.15 ⁵
Guoco Group Limited	Interest of corporation	369,755,978 ³	14.15
GuoLine Overseas Limited	Interest of corporation	369,755,978 ³	14.15 ⁵
GuoLine Capital Assets Limited	Interest of corporation	369,755,978 ³	14.15 ⁵
Hong Leong Company (Malaysia) Berhad	Interest of corporation	369,755,978 ^{3,4}	14.15
HL Holdings Sdn Bhd	Interest of corporation	369,755,978 ³	14.15
QUEK Leng Chan	Interest of corporation	369,755,978 ³	14.15
Hong Leong Investment Holdings Pte. Ltd.	Interest of corporation	369,755,978 ⁴	14.15
Davos Investment Holdings Private Limited	Interest of corporation	369,755,978 ⁴	14.15
KWEK Leng Kee	Interest of corporation	369,755,978 ⁴	14.15
Elliott Capital Advisors, L.P.	Interest of corporation	218,080,742 ⁶	8.00

Notes:

1 Sumitomo Mitsui Financial Group, Inc. owned a 100% interest in Sumitomo Mitsui Banking Corporation. Sumitomo Mitsui Financial Group, Inc. was deemed to be interested in the 510,003,673 shares of the Bank held by Sumitomo Mitsui Banking Corporation.

The Bank had been notified that the shareholdings of the above 2 corporations had been increased such that, as at 30th June, 2018, they stood at 547,282,033 shares (equivalent to approximately 19.49% of the issued shares of the Bank as at 30th June, 2018). Such increases in shareholdings were not required to be disclosed under Part XV of the SFO.

2 As at 30th June, 2018, Fundación Bancaria Caixa d'Estalvis i Pensions de Barcelona, "la Caixa" ("la Caixa") owned a 100% interest in Criteria Caixa, S.A., Sociedad Unipersonal ("Criteria Caixa"). la Caixa was deemed to be interested in the 464,287,319 shares of the Bank held by Criteria Caixa.

The Bank had been notified that the shareholdings of the above 2 corporations had been increased such that, as at 30th June, 2018, they stood at 491,476,626 shares (equivalent to approximately 17.50% of the issued shares of the Bank as at 30th June, 2018). Such increases in shareholdings were not required to be disclosed under Part XV of the SFO.

3 The references to 369,755,978 shares of the Bank in Notes 3 and 4 relate to the same block of shares. Guoco Management Company Limited was the beneficial owner of 369,755,978 shares (equivalent to approximately 14.15% of the issued shares of the Bank as at 27th March, 2015, i.e. at the time of disclosure pursuant to Part XV of the SFO, and approximately 13.17% of the issued shares of the Bank as at 30th June, 2018). Hong Leong Company (Malaysia) Berhad was deemed to be interested in the 369,755,978 shares held by Guoco Management Company Limited by virtue of its 100% interest in GuoLine Capital Assets Limited which owned a 100% interest in GuoLine Overseas Limited. GuoLine Overseas Limited held a 71.88% interest in Guoco Group Limited which in turn owned a 100% interest in Guoco Management Company Limited. GuoLine Capital Assets Limited, GuoLine Overseas Limited and Guoco Group Limited were all deemed to be interested in the 369,755,978 shares held by Guoco Management Company Limited.

QUEK Leng Chan was deemed to be interested in the 369,755,978 shares held by Guoco Management Company Limited by virtue of his 100% interest in HL Holdings Sdn Bhd ("HLH"). Hong Leong Company (Malaysia) Berhad was 49.27% owned by QUEK Leng Chan as to 2.424% under his personal name, 46.534% via HLH which was wholly-owned by him and 0.311% via Newton (L) Limited.

4 The references to 369,755,978 shares of the Bank in Notes 3 and 4 relate to the same block of shares. Hong Leong Company (Malaysia) Berhad was 34.69% held by Hong Leong Investment Holdings Pte. Ltd. which was in turn 33.59% held by Davos Investment Holdings Private Limited. Hong Leong Investment Holdings Pte. Ltd. and Davos Investment Holdings Private Limited were deemed to be interested in the 369,755,978 shares (equivalent to approximately 14.15% of the issued shares of the Bank as at 27th March, 2015, i.e. at the time of disclosure pursuant to Part XV of the SFO, and approximately 13.17% of the issued shares of the Bank as at 30th June, 2018) held by Guoco Management Company Limited by virtue of their interests in Hong Leong Company (Malaysia) Berhad.

KWEK Leng Kee was deemed to be interested in the 369,755,978 shares held by Guoco Management Company Limited by virtue of his 41.92% interest in Davos Investment Holdings Private Limited.

5 GuoLine Overseas Limited and GuoLine Capital Assets Limited are wholly-owned subsidiaries of Hong Leong Company (Malaysia) Berhad and Guoco Management Company Limited is a wholly-owned subsidiary of Guoco Group Limited. With the filing of the substantial shareholder notices by Hong Leong Company (Malaysia) Berhad and Guoco Group Limited, GuoLine Overseas Limited, GuoLine Capital Assets Limited and Guoco Management Company Limited do not need to file their respective substantial shareholder notices under the "wholly-owned group exemption" as provided in the SFO.

6 Elliott Capital Advisors, L.P. ("ECALP") was deemed to be interested in these shares (equivalent to approximately 8.00% of the issued shares of the Bank as at 4th July, 2017, i.e. at the time of disclosure pursuant to Part XV of the SFO, and approximately 7.77% of the issued shares of the Bank as at 30th June, 2018) comprising 198,044,142 shares held by Elliott International L.P. ("EILP"), 20,035,600 shares held by The Liverpool Limited Partnership ("Liverpool LP"), 200 shares held by Artan Investments Ltd, 200 shares held by Frasco Investments Ltd, 200 shares held by Milton Investments Ltd, 200 shares held by Parlan Investments Ltd and 200 shares held by Trevet Investments Ltd.

Liverpool LP was 100% controlled by Liverpool Associates, Ltd. Liverpool Associates, Ltd, Artan Investments Ltd and Frasco Investments Ltd were 100% controlled by Elliott Associates, L.P.. Milton Investments Ltd, Parlan Investments Ltd and Trevet Investments Ltd were 100% controlled by EILP which in turn was 100% controlled by Hambledon, Inc..

Both Elliott Associates, L.P. and Hambledon, Inc. were 100% controlled by ECALP which is accustomed to act in accordance with the instructions of Paul Singer.

Save as disclosed above, no other interest or short position in the shares or underlying shares of the Bank were recorded in the Register.

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

On 16th March, 2018, the Bank completed the redemption of a face value of US\$15 million of 2.25% Senior Notes (the "2018 USD Senior Notes") upon their maturity. The 2018 USD Senior Notes were issued in 2015 under the Bank's Medium Term Note Programme and listed on the Singapore Exchange.

Save for the redemption of the 2018 USD Senior Notes as disclosed herein, there was no purchase, sale or redemption by the Bank or any of its subsidiaries, of the listed securities of the Bank during the six months ended 30th June, 2018.

COMPLIANCE WITH CORPORATE GOVERNANCE CODE

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

The Bank has in place a corporate governance framework which identifies all the key participants of the Group and the ways which they relate to each other and their roles in the application of effective governance policies and processes.

The Bank also constantly reviews and enhances the effectiveness of the Group's corporate governance practices by referencing to market trend as well as guidelines and requirements issued by regulatory authorities.

During the six months ended 30th June, 2018, the Bank has complied with all the Code Provisions set out in the CG Code, except for Code Provision A.2.1 as explained below. The Bank has also followed the modules on CG-1, CG-5, Guidance on Empowerment of INEDs, and circular on Bank Culture Reform issued by the HKMA.

Code Provision A.2.1 of the CG Code stipulates that the roles of chairman and chief executive officer should be separate and should not be performed by the same individual.

Dr. the Hon. Sir David Li Kwok-po is the Chairman & Chief Executive of the Bank. The Board considers that this structure will not impair the balance of power and authority between the Board and the management of the Bank. The division of responsibilities between the Chairman and the Chief Executive is clearly established and set out in the job mandate of the Chairman & Chief Executive. The balance of power and authority is ensured by the operations of the Board, which comprises experienced and high calibre individuals and meets regularly to discuss issues affecting operations of the Bank. There is a strong independent element in the composition of the Board. The Board believes that the current structure is conducive to strong and consistent leadership, enabling the Bank to make and implement decisions promptly and efficiently and that Sir David's appointment to the posts of Chairman and Chief Executive is beneficial to the business prospects and management of the Bank.

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

The AC of the Bank has reviewed the results of the Bank for the six months ended 30th June, 2018 and the Bank's Interim Report 2018.

COMPLIANCE WITH MODEL CODE

The Bank has adopted its own code of securities transactions by the Directors and Chief Executive, i.e. *Policy on Insider Dealing – Directors and Chief Executive* (“Bank’s Policy”) on terms no less exacting than the required standard set out in Appendix 10 – Model Code for Securities Transactions by Directors of Listed Issuers (“Model Code”) of the Listing Rules.

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

Following specific enquiries by the Bank, all Directors confirmed that they had complied with the required standard set out in the Model Code and the Bank’s Policy at all the applicable time during the six months ended 30th June, 2018.

PUBLICATION OF INTERIM REPORT

The Interim Report 2018 in both English and Chinese is now available in printed form and on the websites of the Bank (www.hkbea.com) and HKEx (www.hkexnews.hk). Shareholders are encouraged to rely on website version to help reduce the quantity of printed copies of corporate communications of the Bank and hence the impact on the environment. Notwithstanding any choice of means for the receipt of corporate communications (i.e. either receiving a printed copy or by electronic means through the Bank’s website) previously made by Shareholders and communicated to the Bank, Shareholders may at any time change their choice, free of charge, by giving reasonable notice in writing to the Bank’s Share Registrar, Tricor Standard Limited at Level 22, Hopewell Centre, 183 Queen’s Road East, Hong Kong or by fax to (852) 2861 1465 or by email to BEA0023-ecom@hk.tricorglobal.com specifying your request together with your full name and contact telephone number.

By order of the Board

David LI Kwok-po

Chairman & Chief Executive

Hong Kong, 29th August, 2018

As at the date of this report, the Board of Directors of the Bank comprises Dr. the Hon. Sir David LI Kwok-po[#] (Chairman & Chief Executive), Professor Arthur LI Kwok-cheung (Deputy Chairman), Dr. Allan WONG Chi-yun** (Deputy Chairman), Mr. Aubrey LI Kwok-sing*, Mr. Winston LO Yau-lai*, Mr. Stephen Charles LI Kwok-sze*, Dr. Isidro FAINÉ CASAS*, Dr. Peter LEE Ka-kit*, Mr. Adrian David LI Man-kiu[#] (Deputy Chief Executive), Mr. Brian David LI Man-bun[#] (Deputy Chief Executive), Dr. Daryl NG Win-kong*, Mr. Masayuki OKU*, Dr. the Hon. Rita FAN HSU Lai-tai**, Mr. Meocre LI Kwok-wing**, Dr. the Hon. Henry TANG Ying-yen**, The Hon. CHAN Kin-por** and Dr. Delman LEE**.*

[#] Executive Director

* Non-executive Director

** Independent Non-executive Director

財務摘要

	2018年 6月30日	2017年 6月30日	2017年 12月31日
半年期內			
盈利能力	港幣百萬元	港幣百萬元	港幣百萬元
來自持續經營業務之經營收入總額	8,526	7,565*	8,388
可歸屬於本集團股東溢利	3,992	6,220	3,127
來自持續經營業務之可歸屬於本集團股東溢利	3,992	3,171	3,127
每股盈利及每股股息	港幣元	港幣元	港幣元
來自持續經營業務之基本盈利	1.30	1.08	1.01
基本盈利	1.30	2.20	1.01
股息	0.51	0.68	0.60
主要比率	%	%	%
平均資產回報率（年率）	0.9	1.1	1.1
來自持續經營業務之平均資產回報率（年率）	0.9	0.8	0.7
平均股東權益回報率（年率）	8.0	10.8	9.7
來自持續經營業務之平均股東權益回報率（年率）	8.0	7.1	6.3
來自持續經營業務之成本對收入比率	49.1	50.7*	50.4

於期末／年末

	港幣百萬元	港幣百萬元	港幣百萬元
資產負債狀況			
客戶貸款及墊款及貿易票據總額	507,531	480,770	487,686
資產總額	826,834	788,456	808,942
存款總額	619,497	585,665	608,150
股東權益總額	103,595	97,976	101,214
主要比率	%	%	%
貸款對存款比率	79.3	79.7	77.9
減值貸款比率	0.9	1.5	1.1
普通股權一級資本比率	15.3	12.3	13.2
一級資本比率	17.4	14.2	15.1
總資本比率	20.5	17.5	17.8

* 重報

公司資料

董事會

執行董事

李國寶爵士

(主席兼行政總裁)

李民橋先生

(副行政總裁)

李民斌先生

(副行政總裁)

非執行董事

李國章教授

(副主席)

李國星先生

羅友禮先生

李國仕先生

范禮賢博士

李家傑博士

黃永光博士

奧正之先生

獨立非執行董事

黃子欣博士

(副主席)

范徐麗泰博士

李國榮先生

唐英年博士

陳健波議員

李國本博士

高級顧問

彭玉榮先生

陳子政先生

高層管理人員

李國寶爵士

主席兼行政總裁

李民橋先生

執行董事兼副行政總裁

李民斌先生

執行董事兼副行政總裁

李繼昌先生

副行政總裁兼投資總監

唐漢城先生

副行政總裁兼營運總監

公司秘書

羅春德先生

核數師

畢馬威會計師事務所

執業會計師

股份上市

香港聯合交易所有限公司

股份登記處

卓佳標準有限公司

電話：(852) 2980 1768

傳真：(852) 2861 1465

美國預託證券託管銀行

BNY Mellon

電話：1 201 680 6825

美國境內免費電話：1-888-BNY-ADRS

電郵：shrelations@bnymellon.com

註冊行址

香港德輔道中10號

電話：(852) 3608 3608

傳真：(852) 3608 6000

網站：www.hkbea.com

電郵：info@hkbea.com

中期業績

本行董事會欣然宣布本集團截至2018年6月30日止6個月未經審核的業績(附註1(a))。除預計需要反映在2018年已審核賬項內的會計政策變動外，編製此中期財務報表的基礎，跟2017年度已審核賬項所採納的會計政策及方法是一致的。會計政策變動之詳情已列載於附註2。此中期財務報表是未經審核的，但畢馬威會計師事務所已按照香港會計師公會頒布之《香港審閱工作準則》第2410號「獨立核數師對中期財務信息的審閱」，審閱此中期財務報表。畢馬威會計師事務所致本行董事會之獨立審閱報告刊載於第193頁。

綜合收益表

		截至30/6/2018 止6個月	截至30/6/2017 止6個月 重報
	附註	港幣百萬元	港幣百萬元
持續經營業務			
利息收入	3	12,183	10,459
利息支出	4	(5,933)	(4,720)
淨利息收入		6,250	5,739
服務費及佣金收入	5	1,935	1,708
服務費及佣金支出		(573)	(490)
服務費及佣金收入淨額		1,362	1,218
交易溢利淨額	6	556	187
通過損益以反映公平價值金融工具的淨表現	7	(142)	(4)
對沖溢利/(虧損)淨額	8	16	(2)
保險業務淨收入	9	264	243
其他經營收入	10	220	184
非利息收入		2,276	1,826
經營收入		8,526	7,565
經營支出	11	(4,186)	(3,839)
未扣除減值損失之經營溢利		4,340	3,726
金融工具減值損失	12	(282)	(765)
持有作出售資產減值損失		-	(58)
無形資產減值損失		(1)	-
減值損失		(283)	(823)
已扣除減值損失後之經營溢利		4,057	2,903
出售持至到期投資之淨溢利		-	6
出售可供出售金融資產之淨溢利	13	-	215
出售通過全面收益以反映公平價值金融資產之淨溢利	14	49	-
出售出售組別及持有作出售資產之淨溢利		10	190
出售附屬/聯營公司之淨溢利		-	2
出售固定資產之淨虧損	15	(10)	(7)
重估投資物業盈利	22	394	229
應佔聯營公司溢利減虧損		281	224
期內除稅前溢利		4,781	3,762
所得稅	16	(762)	(574)
期內持續經營業務溢利		4,019	3,188
已終止經營業務			
已終止經營業務溢利	43	-	4,145
期內溢利		4,019	7,333

綜合收益表(續)

		截至30/6/2018 止6個月	截至30/6/2017 止6個月 重報
	附註	港幣百萬元	港幣百萬元
可歸屬於：			
本集團股東			
—來自持續經營業務		3,992	3,171
—來自已終止經營業務		—	3,049
		<u>3,992</u>	<u>6,220</u>
非控股權益		27	1,113
期內溢利		<u>4,019</u>	<u>7,333</u>
本行的溢利		<u>3,369</u>	<u>6,823</u>
每股盈利			
基本	1(b)		
—期內溢利		港幣1.30元	港幣2.20元
—來自持續經營業務溢利		港幣1.30元	港幣1.08元
攤薄	1(b)		
—期內溢利		港幣1.30元	港幣2.20元
—來自持續經營業務溢利		港幣1.30元	港幣1.08元

綜合全面收益表

		截至30/6/2018 止6個月	截至30/6/2017 止6個月
	附註	港幣百萬元	港幣百萬元
淨溢利		4,019	7,333
期內其他全面收益：			
不可轉回收益表的項目：			
行址：			
— 重估行址所產生的未實現盈餘		8	39
— 遞延稅項	30	(8)	—
公平價值儲備(股份工具)：			
— 公平價值變動		254	—
— 遞延稅項	30	(4)	—
負債信貸儲備：			
— 因集團自身信貸風險而引致的公平價值變動		(5)	—
— 遞延稅項	30	1	—
以後可能轉回收益表的項目：			
公平價值儲備(債務工具)：			
— 公平價值變動		(478)	—
— 於出售時轉入收益表的金額	14	(23)	—
— 攤銷		(2)	—
— 遞延稅項	30	12	—
公平價值儲備(可供出售金融資產)：			
— 公平價值變動		—	1,154
— 轉自/(轉入)收益表的公平價值變動：			
— 減值及攤銷		—	3
— 出售	13	—	(220)
— 遞延稅項		—	(104)
應佔聯營公司權益的變動		(58)	(86)
從海外分行、附屬公司及聯營公司的賬項折算/出售 所產生的匯兌差額		(489)	1,259
其他全面收益		(792)	2,045
全面收益總額		3,227	9,378
全面收益總額可歸屬於：			
本集團股東		3,189	8,212
非控股權益		38	1,166
		3,227	9,378

綜合財務狀況表

		30/6/2018	31/12/2017 重報
	附註	港幣百萬元	港幣百萬元
資產			
現金及在銀行和其他金融機構的結存		48,869	55,696
在銀行及其他金融機構的存款及墊款	17	66,381	58,583
貿易票據	18	16,428	13,909
交易用途資產	19	6,910	6,956
衍生工具資產	37(a)	10,604	11,335
客戶貸款及墊款	20	488,805	470,339
投資證券	21	133,413	134,425
聯營公司投資		9,321	9,429
固定資產	22	13,040	12,750
— 投資物業		5,366	5,107
— 其他物業及設備		7,674	7,643
商譽及無形資產		1,951	1,959
遞延稅項資產	30	568	602
其他資產	23	30,544	32,959
資產總額		826,834	808,942
股東權益及負債			
銀行及其他金融機構的存款及結餘		31,056	26,981
— 指定為通過損益以反映公平價值	24	3,468	3,110
— 攤銷成本		27,588	23,871
客戶存款		568,682	571,684
— 活期存款及往來賬戶		77,941	85,518
— 儲蓄存款		132,655	133,969
— 定期及通知存款		358,086	352,197
交易用途負債	25	199	11
衍生工具負債	37(a)	10,039	12,077
已發行存款證		50,815	36,466
— 指定為通過損益以反映公平價值	24	13,918	11,655
— 攤銷成本		36,897	24,811
本期稅項		1,570	1,160
已發行債務證券		863	1,007
— 指定為通過損益以反映公平價值	24	706	851
— 攤銷成本		157	156
遞延稅項負債	30	471	551
其他負債	26	47,238	45,378
借貸資本	27	12,306	12,413
負債總額		723,239	707,728
股本	1(d)	38,883	37,527
儲備	31	52,932	51,955
歸屬於本集團股東權益總額		91,815	89,482
額外股本工具	32	8,894	8,894
非控股權益		2,886	2,838
股東權益總額		103,595	101,214
股東權益及負債總額		826,834	808,942

綜合權益變動表

	股本	資本儲備— 已發行權員 認股權	匯兌重估 儲備	公平價值 儲備	負債信貸 儲備	行址重估 儲備	資本儲備	一般儲備	其他儲備 ²	留存溢利	總額	額外 股本工具	非控股 權益	權益總額
	港幣百萬元	港幣百萬元	港幣百萬元	港幣百萬元	港幣百萬元	港幣百萬元	港幣百萬元	港幣百萬元	港幣百萬元	港幣百萬元	港幣百萬元	港幣百萬元	港幣百萬元	港幣百萬元
於2018年1月1日	37,527	135	487	1,465	-	1,757	230	14,060	4,931	28,890	89,482	8,894	2,838	101,214
於2018年1月1日因採納 《香港財務報告準則》 第九號之影響(附註2)	-	-	-	(162)	(6)	-	-	-	-	(32)	(200)	-	-	(200)
於2018年1月1日 已重報後的結餘	37,527	135	487	1,303	(6)	1,757	230	14,060	4,931	28,858	89,282	8,894	2,838	101,014
權益變動														
期內溢利	-	-	-	-	-	-	-	-	-	3,992	3,992	-	27	4,019
其他全面收益	-	-	(500)	(241)	(4)	-	-	-	(58)	-	(803)	-	11	(792)
全面收益總額	-	-	(500)	(241)	(4)	-	-	-	(58)	3,992	3,189	-	38	3,227
以股代息發行的股份 (附註1(d))	1,271	-	-	-	-	-	-	-	-	-	1,271	-	-	1,271
根據權員認股計劃發行的 股份(附註1(a)) 以股份為基礎作 支付之交易	73	-	-	-	-	-	-	-	-	-	73	-	-	73
轉賬	-	17	-	-	-	-	-	-	-	-	17	-	-	17
期內的分派及已宣布或核 准派發股息(附註1(c))	12	(12)	-	-	-	-	728	(6)	48	(770)	-	-	-	-
附屬公司之擁有權變動	-	-	-	-	-	-	-	-	-	(2,017)	(2,017)	-	(45)	(2,062)
於2018年6月30日	38,883	140	(13)	1,062	(10)	1,757	958	14,054	4,921	30,063	91,815	8,894	2,886	103,595
於2017年1月1日	35,490	124	(2,275)	1,359	-	1,728	230	14,035	5,293	22,447	78,431	5,016	3,189	86,636
權益變動														
期內溢利	-	-	-	-	-	-	-	-	-	6,220	6,220	-	1,113	7,333
其他全面收益	-	-	1,206	833	-	39	-	-	(86)	-	1,992	-	53	2,045
全面收益總額	-	-	1,206	833	-	39	-	-	(86)	6,220	8,212	-	1,166	9,378
發行額外股本工具 ¹	-	-	-	-	-	-	-	-	-	-	-	3,878	-	3,878
以股代息發行的股份 根據權員認股計劃 發行的股份 以股份為基礎作 支付之交易	616	-	-	-	-	-	-	-	-	-	616	-	-	616
轉賬	26	-	-	-	-	-	-	-	-	-	26	-	-	26
期內的分派及已宣布或核 准派發股息(附註1(c))	-	19	-	-	-	-	-	-	-	-	19	-	-	19
附屬公司減本而導致 非控股權益減少	4	(12)	-	-	-	(16)	-	7	66	(49)	-	-	-	-
於2017年6月30日	36,136	131	(1,069)	2,192	-	1,751	230	14,042	5,273	27,616	86,302	8,894	2,780	97,976

1. 在2017年上半年，本行發行港幣38.92億元(5億美元)無到期日非累積後償額外一級資本工具(「額外一級資本工具」)。直接發行成本港幣1,400萬元經已入賬，並已從股本工具中扣除。

2. 其他儲備包括法定儲備及其他儲備。

簡略綜合現金流量表

		截至30/6/2018 止6個月	截至30/6/2017 止6個月
	附註	港幣百萬元	港幣百萬元
經營活動現金流出淨額		(10,995)	(3,420)
已付所得稅			
已付香港利得稅		(2)	(164)
已付海外利得稅		(469)	(388)
用於經營活動之現金淨額		(11,466)	(3,972)
投資活動			
收取聯營公司股息		6	44
收取非交易用途股份證券股息		8	14
購入非交易用途股份證券		(1,187)	(1,309)
出售非交易用途股份證券所得款項		1,092	1,013
購入固定資產		(203)	(174)
出售其他物業及設備所得款項		15	25
出售出售組別及持作出售資產所得款項		49	228
出售已終止經營業務所得款項		–	5,947
增加持有聯營公司權益		(111)	(1,483)
附屬公司之擁有權變動		–	(18)
一附屬公司減本而導致非控股權益減少		–	(135)
(用於)／源自投資活動之現金淨額		(331)	4,152
融資活動			
支付普通股股息		(434)	(1,563)
分派予混合／額外一級資本工具持有人	1(c)	(357)	(245)
發行普通股股本		73	26
發行額外股份工具		–	3,892
發行存款證		46,579	36,183
發行債務證券		113	295
贖回已發行存款證		(32,448)	(28,811)
贖回借貸資本		–	(3,903)
贖回已發行債務證券		(266)	(6,570)
支付借貸資本利息		(314)	(517)
支付已發行存款證利息		(367)	(316)
支付已發行債務證券利息		(15)	(99)
源自／(用於)融資活動之現金淨額		12,564	(1,628)
現金及等同現金項目淨增／(減)額		767	(1,448)
於1月1日之現金及等同現金項目		89,980	75,841
匯率變動的影響		(934)	2,472
於6月30日之現金及等同現金項目	33	89,813	76,865
源自經營業務活動的現金流量包括：			
利息收入		11,673	10,509
利息支出		5,836	5,373
股息收入		37	38

中期財務報表附註

1. (a) 除預計需要反映在2018年年度財務報表內的會計政策變動外，編製此中期報告的會計政策與編製2017年年度財務報表是一致的。會計政策變動之詳情已列載於附註2。

作為比較信息被納入2018年中期報告的、與截至2017年12月31日止年度有關的財務信息雖然來源於本行的法定年度綜合財務報表，但不構成本行的法定年度綜合財務報表。《公司條例》第436條要求披露的與這些法定財務報表有關的更多信息如下：

按照《公司條例》第662(3)條及附表6第3部的要求，本行已向香港公司註冊處遞交截至2017年12月31日止年度的財務報表。

本行的核數師已就這些財務報表出具核數師報告。該核數師報告為無保留意見的核數師報告；其中不包含核數師在不出具保留意見的情況下以強調的方式提請使用者注意的任何事項；亦不包含根據《公司條例》第406(2)條及第407(2)或(3)條作出的聲明。

- (b) (i) 每股基本盈利乃按照已分派予混合／額外一級資本工具持有人港幣3.57億元（截至2017年6月30日止6個月：港幣2.45億元）後之期內綜合溢利及來自持續經營業務之可歸屬於本集團股東溢利，分別為港幣36.35億元及港幣36.35億元（截至2017年6月30日止6個月：港幣59.75億元及港幣29.26億元）及截至2018年6月30日止6個月內已發行普通股份的加權平均數27.86億股（截至2017年6月30日止6個月：27.14億股）計算。
- (ii) 每股攤薄盈利乃按照已分派予混合／額外一級資本工具持有人港幣3.57億元（截至2017年6月30日止6個月：港幣2.45億元）後之期內綜合溢利及來自持續經營業務之可歸屬於本集團股東溢利，分別為港幣36.35億元及港幣36.35億元（截至2017年6月30日止6個月：港幣59.75億元及港幣29.26億元）及就截至2018年6月30日止6個月內所有具備潛在攤薄影響的普通股作出調整得出的普通股份的加權平均數27.87億股（截至2017年6月30日止6個月：27.14億股）計算。

(c) 分派／股息

- (i) 可歸屬於本中期而應付予本集團股東的股息

	截至30/6/2018 止6個月 港幣百萬元	截至30/6/2017 止6個月 港幣百萬元
在中期後已宣布派發中期股息予28.08億股 每股港幣0.51元（截至2017年6月30日止 6個月：27.26億股每股港幣0.68元）	1,432	1,854

於報告期結束日該中期股息並未確認為負債。

中期財務報表附註(續)

1. (c) 分派／股息(續)

(ii) 已核准及在本中期支付可歸屬於上年度應付予本集團股東的股息

	截至30/6/2018 止6個月 港幣百萬元	截至30/6/2017 止6個月 港幣百萬元
已支付於報告期結束日後及本行股票過戶登記 截止日前根據認股計劃發行股份屬上年度 每股港幣0.60元的第二次中期股息(2017年： 每股港幣0.28元)	1	-
第二次中期股息予27.65億股每股港幣0.60元 (2017年：27.03億股每股港幣0.28元)	1,659	757
	<u>1,660</u>	<u>757</u>

(iii) 分派予混合／額外一級資本工具持有人

	截至30/6/2018 止6個月 港幣百萬元	截至30/6/2017 止6個月 港幣百萬元
已付或應付予混合一級資本工具的利息	106	105
已付予額外一級資本工具的款項	251	140
	<u>357</u>	<u>245</u>

(d) 股本

本行普通股的變動列示如下：

	於30/6/2018		於31/12/2017	
	股份數目 百萬	港幣百萬元	股份數目 百萬	港幣百萬元
已發行及繳足普通股：				
於1月1日	2,765	37,527	2,703	35,490
根據僱員認股計劃發行的股份 認股權的公平價值轉自 資本儲備—已發行認股權	3	73	3	93
以股代息發行的股份	—	12	—	17
	40	1,271	59	1,927
於6月30日／12月31日	<u>2,808</u>	<u>38,883</u>	<u>2,765</u>	<u>37,527</u>

2. 會計政策之變動

除下文所述者外，編製此中期財務報表時所採納的會計政策與本集團於2017年12月31日及截至該日止年度的綜合財務報表相同。

預期會計政策變動亦將在本集團於2018年12月31日及截至該日止年度的綜合財務報表內反映。

香港會計師公會頒佈多項新訂《香港財務報告準則》及《香港財務報告準則》之修訂，其於本集團的現行會計期間首次生效。其中，下列變動與本集團的財務報表有關。

- 《香港財務報告準則》第9號「金融工具」
- 《香港財務報告準則》第15號「與客戶之間的合同產生的收入」
- 香港《國際財務報告準則詮釋委員會詮釋》第22號「外幣交易及預付代價」

本集團並未採納任何於本會計期尚未生效的新準則或詮釋。

本集團受到關於《香港財務報告準則》第9號下金融資產分類及信貸損失計量的影響，並受到關於《香港財務報告準則》第15號下合約資產及合約負債列示的影響。

(a) 《香港財務報告準則》第9號「金融工具」

《香港財務報告準則》第9號「金融工具」取代《香港會計準則》第39號「金融工具：確認與計量」。新準則對金融資產的會計處理及金融負債的會計處理的若干方面作出重要變動。

在《香港財務報告準則》第9號允許下，本集團已選擇繼續應用《香港會計準則》第39號的對沖會計要求。

因本集團採納《香港財務報告準則》第9號而導致的本集團主要會計政策變動於下文概述。

金融資產及金融負債的分類

《香港財務報告準則》第9號規定金融資產有三大分類，計量類別分類為：攤銷成本、通過其他全面收益以反映公平價值及通過損益以反映公平價值。《香港財務報告準則》第9號下的金融資產分類一般基於管理金融資產的商業模式及該資產的合約現金流特徵。就初始確認時並非交易用途的股份工具而言，可作出不可撤回的選擇，將其後續的重大公平價值變動確認於其他全面收益。在終止確認股份工具時，在其他全面收益確認的累計盈利及虧損並不轉撥至損益，而按通過其他全面收益以反映公平價值計量的債務工具則相反，於終止確認時其累計盈利及虧損可轉撥至損益。就嵌入衍生工具的合約而言，若其主合約屬該準則範圍下的金融資產，該嵌入衍生工具不可與其主合約分開處理，而是將整個混合金融工具以作分類評估。該準則取消了《香港會計準則》第39號所定義的持至到期、貸款及應收賬款以及可供出售的分類。

中期財務報表附註(續)

2. 會計政策之變動(續)

(a) 《香港財務報告準則》第9號「金融工具」(續)

金融資產及金融負債的分類(續)

《香港財務報告準則》第9號基本上保留了《香港會計準則》第39號中對金融負債分類的要求。雖然根據《香港會計準則》第39號，所有指定為通過損益以反映公平價值作計量的金融負債的公平價值變動於損益內確認，但根據《香港財務報告準則》第9號，公平價值變動一般按以下方式列示：

- 因其信貸風險的變動而引致的公平價值變動，需列示於其他全面收益；及
- 公平價值變動總額的剩餘部份則包括於損益表內。

下表顯示本集團於2018年1月1日的金融資產及金融負債根據《香港會計準則》第39號的原有計量類別及根據《香港財務報告準則》第9號的新計量類別。

於2018年1月1日，根據《香港會計準則》第39號及根據《香港財務報告準則》第9號，本集團金融負債的計量類別並未有變動。

		根據 《香港會計準則》 第39號的原有分類	根據 《香港財務報告準則》 第9號的新分類	根據 《香港會計準則》 第39號的原有賬面值	根據 《香港財務報告準則》 第9號的新賬面值
	附註			港幣百萬元	港幣百萬元
現金及在銀行和其他金融機構的結存		貸款及應收賬款	攤銷成本	55,696	55,684
在銀行及其他金融機構的存款及墊款	17	貸款及應收賬款	攤銷成本	58,583	58,577
貿易票據	18	貸款及應收賬款	攤銷成本	3,896	3,887
貿易票據 ^a	18	貸款及應收賬款	通過其他全面收益以反映公平價值	10,013	10,033
交易用途資產	19	通過損益以反映公平價值	通過損益以反映公平價值(強制性)	6,956	6,956
衍生工具資產	37(a)	通過損益以反映公平價值	通過損益以反映公平價值(強制性)	11,335	11,335
客戶貸款及墊款	20	貸款及應收賬款	攤銷成本	470,339	470,738
投資證券—債務	21	通過損益以反映公平價值(指定)	通過損益以反映公平價值(指定)	3,125	3,125
投資證券—債務 ^b	21	通過損益以反映公平價值(指定)	通過損益以反映公平價值(強制性)	754	754
投資證券—債務 ^c	21	可供出售	攤銷成本	8,512	8,328
投資證券—債務	21	可供出售	通過其他全面收益以反映公平價值	100,532	100,532
投資證券—債務 ^d	21	可供出售	通過損益以反映公平價值(強制性)	7,690	7,690
投資證券—債務	21	持至到期投資	攤銷成本	9,720	9,701
投資證券—債務 ^d	21	持至到期投資	通過損益以反映公平價值(強制性)	78	81

中期財務報表附註(續)

2. 會計政策之變動(續)

(a) 《香港財務報告準則》第9號「金融工具」(續)

金融資產及金融負債的分類(續)

		根據 《香港會計準則》 第39號的原有分類	根據 《香港財務報告準則》 第9號的新分類	根據 《香港會計準則》 第39號的原有賬面值	根據 《香港財務報告準則》 第9號的新賬面值
	附註			港幣百萬元	港幣百萬元
投資證券—債務 ^d	21	貸款及應收賬款	通過損益以反映 公平價值(強制性)	133	132
投資證券—股份 ^b	21	通過損益以反映 公平價值(指定)	通過損益以反映 公平價值(強制性)	166	166
投資證券—股份	21	可供出售	通過損益以反映 公平價值(強制性)	2,697	2,697
投資證券—股份 ^e	21	可供出售	通過其他全面收益 以反映公平價值	345	345
投資證券—投資基金 ^b	21	通過損益以反映 公平價值(指定)	通過損益以反映 公平價值(強制性)	124	124
投資證券—投資基金	21	可供出售	通過損益以反映 公平價值(強制性)	549	549
其他資產(不包括持有 作出售資產)	23	貸款及應收賬款	攤銷成本	32,493	32,436
金融資產總額				783,736	783,870

- a. 若干貿易票據的商業模式是透過管理以滿足日常流動資金需求，並通常會導致具重大價值的銷售活動，因此重新分類為通過其他全面收益以反映公平價值。本集團認為，根據《香港財務報告準則》第9號，該等貿易票據組合是同時收取合約現金流及出售為目的之商業模型的金融資產。
- b. 於採納《香港財務報告準則》第9號前，若干投資證券被指定為通過損益以反映公平價值，因其按公平價值基準管理及評定表現，或持有衍生工具以管理該等證券的特定風險，而該指定可消除或明顯減少會計錯配的情況。根據《香港財務報告準則》第9號，該等證券符合強制性按通過損益以反映公平價值計量的準則，因該等證券的合約現金流並非純粹是本金及按本金結餘的利息支付。
- c. 若干債務證券由本集團在獨立的投資組合中持有以獲取長期收益。該等證券可出售，但預期有關出售的頻率很低。本集團認為，其商業模型是持有資產以收取合約現金流為目的。根據《香港財務報告準則》第9號，該等證券被分類為按攤銷成本計量。
- d. 投資證券的合約現金流並非純粹是本金及按本金結餘的利息支付。因此，根據《香港財務報告準則》第9號，該等證券被分類為強制性按通過損益以反映公平價值計量。
- e. 根據《香港財務報告準則》第9號，本集團持有作策略用途的若干可供出售股份投資被指定為按通過其他全面收益以反映公平價值計量。

中期財務報表附註(續)

2. 會計政策之變動(續)

(a) 《香港財務報告準則》第9號「金融工具」(續)

金融資產及金融負債的分類(續)

下表為根據《香港會計準則》第39號的賬面值與2018年1月1日過渡至《香港財務報告準則》第9號時根據《香港財務報告準則》第9號的賬面值的對賬：

	2017年 12月31日根據 《香港會計準則》 第39號的賬面值 港幣百萬元	重新分類 港幣百萬元	重新計量 港幣百萬元	2018年 1月1日根據 《香港財務報告 準則》第9號 的賬面值 港幣百萬元
金融資產				
攤銷成本				
現金及在銀行和其他金融機構的結存				
期初結餘	55,696			
重新計量			(12)	
期末結餘				55,684
在銀行及其他金融機構的存款及墊款				
期初結餘	58,583			
重新計量			(6)	
期末結餘				58,577
貿易票據				
期初結餘	13,909			
轉至按通過其他全面收益以反映 公平價值計量的貿易票據		(10,013)		
重新計量			(9)	
期末結餘				3,887
客戶貸款及墊款				
期初結餘	470,339			
重新計量			399	
期末結餘				470,738
投資證券				
期初結餘	9,931			
轉自可供出售 轉至通過損益以反映公平價值		8,512 (211)		
重新計量			(203)	
期末結餘				18,029

中期財務報表附註(續)

2. 會計政策之變動(續)

(a) 《香港財務報告準則》第9號「金融工具」(續)

金融資產及金融負債的分類(續)

	2017年 12月31日根據 《香港會計準則》 第39號的賬面值 港幣百萬元	重新分類 港幣百萬元	重新計量 港幣百萬元	2018年 1月1日根據 《香港財務報告 準則》第9號 的賬面值 港幣百萬元
其他資產				
期初結餘	32,493			
重新計量			(57)	
期末結餘				32,436
攤銷成本總額				639,351
金融資產				
可供出售				
投資證券				
期初結餘	120,325			
轉至通過其他全面收益 以反映公平價值－債務		(100,528)		
轉至通過其他全面收益 以反映公平價值－股份		(349)		
轉至通過損益以反映公平價值		(10,936)		
轉至攤銷成本		(8,512)		
期末結餘				-
按通過其他全面收益以反映 公平價值計量的貿易票據				
貿易票據				
期初結餘	-			
轉自攤銷成本		10,013		
重新計量			20	
期末結餘				10,033
通過其他全面收益以 反映公平值－債務				
投資證券				
期初結餘	-			
轉自可供出售		100,528		
期末結餘				100,528

中期財務報表附註(續)

2. 會計政策之變動(續)

(a) 《香港財務報告準則》第9號「金融工具」(續)

金融資產及金融負債的分類(續)

	2017年 12月31日根據 《香港會計準則》 第39號的賬面值	重新分類	重新計量	2018年 1月1日根據 《香港財務報告 準則》第9號 的賬面值
	港幣百萬元	港幣百萬元	港幣百萬元	港幣百萬元
通過其他全面收益				
以反映公平值－股份				
投資證券				
期初結餘	-			
轉自可供出售		349		
期末結餘				349
通過其他全面收益				
以反映公平價值總額				110,910
通過損益以反映公平價值				
交易用途資產	6,956			6,956
衍生工具資產	11,335			11,335
投資證券				
期初結餘	4,169			
轉自可供出售		10,936		
轉自攤銷成本		211		
重新計量			2	
期末結餘				15,318
通過損益以反映公平價值總額				33,609

下表顯示將金融資產由《香港會計準則》第39號的類別重新分類為《香港財務報告準則》第9號下的攤銷成本類別的影響。

港幣百萬元

金融資產

轉自《香港會計準則》第39號下的可供出售金融資產

於2018年6月30日的公平價值

7,064

若金融資產未被重新分類則於2018年本會在

其他全面收益中確認的公平價值盈利／(虧損)

(149)

2. 會計政策之變動(續)

(a) 《香港財務報告準則》第9號「金融工具」(續)

金融資產的減值

《香港財務報告準則》第9號以「預期信貸損失」模型替代《香港會計準則》第39號中的「已發生損失」模型。新的減值計算模型亦應用於若干貸款承擔及財務擔保合約，但不應用於股份投資。根據《香港財務報告準則》第9號，信貸損失的確認較根據《香港會計準則》第39號的確認為早。

本集團就以下非通過損益以反映公平價值計量的金融工具的預期信貸損失確認減值準備：

- 屬債務工具的金融資產；
- 租賃應收賬款；
- 已發出的財務擔保合約；
- 已發出的貸款承擔；及
- 合約資產

無需為股份投資計算減值。

本集團使用3階段法計量12個月或合約期內之預期信貸損失的減值準備如下：

階段	描述	減值損失
1	履行中	12個月內之預期信貸損失
2	履行中但於報告日，信貸風險自初始確認以來已顯著增加	合約期內之預期信貸損失
3	不良	合約期內之預期信貸損失

12個月內之預期信貸損失指金融工具在報告日後之12個月內，所有潛在違約事件所導致的信貸損失。

計量預期信貸損失

預期信貸損失是在不同經濟情景中一個信貸損失的概率在加權後的估算值，以如下方法計量：

違約風險承擔 x 違約概率 x 違約損失率

中期財務報表附註(續)

2. 會計政策之變動(續)

(a) 《香港財務報告準則》第9號「金融工具」(續)

信貸不良金融資產

於各報告日，本集團評估按攤銷成本列賬的金融資產及按通過其他全面收益以反映公平價值列賬的債務金融資產是否為信貸不良。當發生一宗或多宗對金融資產的估計未來現金流造成不利影響的事件，則該金融資產屬「信貸不良」。

金融資產出現信貸減值的證據包括但不限於以下可觀察數據：

- 借款人或發行人出現重大財政困難；
- 違反合約，如拖欠或逾期事件；
- 本集團根據其他情況下不會考慮的條款重組貸款或墊款；或
- 借款人很可能會破產或進行其他財務重組。

因借款人的財政狀況惡化而重訂條款的貸款，除有證據證明無法收取合約現金流的風險已顯著減低且並無其他減值跡象外，通常被視為信貸不良。此外，逾期90日或以上的貸款被視為已減值。

在財務狀況表中列示預期信貸損失的準備

預期信貸損失的減值準備在財務狀況表中按以下方式列示：

- 按攤銷成本的金融資產：從資產的賬面總額中扣除；
- 貸款承擔及財務擔保合約：一般作為負債方面的撥備；及
- 按通過其他全面收益以反映公平價值計量的債務工具：在財務狀況表中並不列示減值準備，因該等資產的賬面值為其公平價值，包括任何預期信貸損失。然而，減值準備在公平價值儲備內確認並單獨披露。

中期財務報表附註(續)

2. 會計政策之變動(續)

(a) 《香港財務報告準則》第9號「金融工具」(續)

撇銷

若貸款及債務證券無實際可收回的前景，則予撇銷(部分或全部)。當本集團判斷借款人並無資產或收入來源可產生足夠的現金流以償還應撇銷的金額時，一般會如此處理。然而，本集團對已撇銷的金融資產會繼續追收債務的工作，以遵守本集團收回應收金額的程序。

下表為2017年12月31日根據《香港會計準則》第39號的期末金融資產減值準備及根據《香港會計準則》第37號「準備、或然負債及或然資產」的貸款承擔及財務擔保合約的撥備與2018年1月1日根據《香港財務報告準則》第9號的期初預期信貸減值準備的對賬。

	2017年12月31日 (《香港會計準則》 第39號/ 《香港會計準 則》第37號)			2018年1月1日 (《香港財務 報告準則》 第9號)
	重新分類	重新計量		
	港幣百萬元	港幣百萬元	港幣百萬元	港幣百萬元
根據《香港會計準則》第39號的貸款及應收賬款以及持至到期投資／根據《香港財務報告準則》第9號的按攤銷成本計量的金融資產	3,454	-	(297)	3,157
根據《香港會計準則》第39號的可供出售債務證券重新分類為根據《香港財務報告準則》第9號的按攤銷成本計量	-	-	58	58
	3,454	-	(239)	3,215
根據《香港會計準則》第39號的可供出售債務證券／根據《香港財務報告準則》第9號按通過其他全面收益以反映公平價值計量的債務證券	-	-	212	212
根據《香港會計準則》第39號按攤銷成本計量的貸款及應收賬款重新分類為根據《香港財務報告準則》第9號的通過其他全面收益以反映公平價值	-	-	18	18
	3,454	-	(9)	3,445
已發行貸款承擔及財務擔保合約	-	-	164	164
總額	3,454	-	155	3,609

過渡

因採納《香港財務報告準則》第9號修訂的會計政策變動除以下所列者外已作出追溯性修訂。

- 以往年度的比較數字並未重報。採納《香港財務報告準則》第9號引致的金融資產及金融負債之賬面值差異於2018年1月1日的留存溢利及儲備中確認。因此，就2017年列示的資料並無反映《香港財務報告準則》第9號的規定，故不可與根據《香港財務報告準則》第9號就2018年列示的資料比較。

中期財務報表附註(續)

2. 會計政策之變動(續)

(a) 《香港財務報告準則》第9號「金融工具」(續)

過渡(續)

- 已根據初始應用日的事實及情況作如下評估。
 - 釐定持有的金融資產的商業模式。
 - 指定及撤回之前指定部分金融資產及金融負債為通過損益以反映公平價值分類。
 - 指定部分非交易用途的股份工具為通過其他全面收益以反映公平價值。
 - 於指定為通過損益以反映公平價值的金融負債中，釐定因應金融負債的信貸風險改變確認於其他全面收益會否於損益中造成或擴大會計錯配。
 - 若債務證券於《香港財務報告準則》第9號的初始應用日的信用風險低，則本集團已假定該資產的信用風險自從初始確認以來未有顯著增加。

下表分析過渡至《香港財務報告準則》第9號對儲備及留存溢利的影響(扣除稅項)。該影響涉及負債信貸儲備、公平價值儲備及留存溢利，對其他股東權益部份並無影響。

	於2018年 1月1日採納 《香港財務 報告準則》 第9號的影響
	港幣百萬元
負債信貸儲備	
根據《香港會計準則》第39號的期末結餘(2017年12月31日)	—
指定為通過損益以反映公平價值的金融負債的信貸風險變動	(6)
	<hr/>
根據《香港財務報告準則》第9號的期初結餘(2018年1月1日)	(6)
	<hr/> <hr/>
公平價值儲備	
根據《香港會計準則》第39號的期末結餘(2017年12月31日)	1,465
將投資證券(債務)由可供出售重新分類為按攤銷成本	(105)
將投資證券(債務、股份及投資基金)由可供出售重新分類 為通過損益以反映公平價值	(270)
將貿易票據由按攤銷成本計量重新分類為通過其他全面收益 以反映公平價值計量	15
根據《香港財務報告準則》第9號確認按通過其他全面收益 以反映公平價值計量的債務金融資產的預期信貸損失	198
	<hr/>
根據《香港財務報告準則》第9號的期初結餘(2018年1月1日)	1,303
	<hr/> <hr/>

中期財務報表附註(續)

2. 會計政策之變動(續)

(a) 《香港財務報告準則》第9號「金融工具」(續)

過渡(續)

	於2018年 1月1日採納 《香港財務 報告準則》 第9號的影響
	港幣百萬元
留存溢利	
根據《香港會計準則》第39號的期末結餘(2017年12月31日)	28,890
根據《香港財務報告準則》第9號的重新分類	278
金融負債的自身信貸風險	6
根據《香港財務報告準則》第9號確認預期信貸損失 (包括貸款承擔及財務擔保合約)	(243)
聯營公司投資的影響	(73)
	<hr/>
根據《香港財務報告準則》第9號的期初結餘(2018年1月1日)	<u>28,858</u>

(b) 《香港財務報告準則》第15號「與客戶之間的合同產生的收入」

《香港財務報告準則》第15號制訂一個確認來自客戶合約收入及若干費用的綜合架構。《香港財務報告準則》第15號取代涵蓋來自銷售貨品及提供服務而產生的收入的《香港會計準則》第18號「收入」，以及規定建造合約的會計處理的《香港會計準則》第11號「建造合約」。

本集團對新準則進行評估，認為現有與客戶之間的合同產生的收入之會計處理方法與新準則是一致的。除合約資產及負債的列示變動外，採納《香港財務報告準則》第15號對本集團的財務狀況並無任何重大影響，亦不會對留存溢利構成過渡性影響。根據《香港財務報告準則》第15號，僅當本集團擁有代價的無條件權利時方確認應收賬款。若本集團於收到合約內承諾的貨品及服務的代價或無條件享有該代價之前確認相關收入，則該項收取代價的權利被分類為合約資產。當收取代價的權利成為無條件時，合約資產轉至應收賬款。同樣，當客戶支付代價或被合約要求支付的代價且該款項已到期應付時，在本集團確認相關收入前，會確認合約負債(而非應付款項)。有關合約資產及合約負債之披露，請參閱附註23及26。

(c) 香港《國際財務報告準則詮釋委員會詮釋》第22號「外幣交易及預付代價」

該詮釋就初始確認實體以外幣收取或支付預付代價的交易的相關資產、支出或收入(或其中的部分)時為釐定所使用的匯率而釐定「交易日期」提供指引。

該詮釋澄清，「交易日期」為初始確認支付或收取預付代價所產生的非貨幣資產或負債之日。若於確認相關項目前有多項支出或收入，則各項支出或收入的交易日期應按此方法釐定。採納香港《國際財務報告準則詮釋委員會詮釋》第22號對本集團的財務狀況及財務業績並無任何重大影響。

中期財務報表附註(續)

3. 利息收入

	截至30/6/2018 止6個月 港幣百萬元	截至30/6/2017 止6個月 港幣百萬元
持續經營業務		
貸款、在銀行和金融機構的存款、及貿易票據	10,262	8,877
投資證券		
—按攤銷成本或通過其他全面收益以反映公平價值 (2017：持至到期或可供出售)	1,660	1,443
—指定為通過損益以反映公平價值	53	83
—強制按通過損益以反映公平價值	119	—
交易用途資產	89	56
	<u>12,183</u>	<u>10,459</u>

在不包括對沖影響前，來自非按公平價值確認損益的金融資產之利息收入為港幣119.43億元(截至2017年6月30日止6個月：港幣104.37億元)。

就已對沖利率風險的交易而言，作為帶息金融資產的合格對沖工具或可個別地與帶息金融資產共同管理的利率合約所產生的定期支出及收入首先抵銷，淨額與其相關金融資產產生的利息收入合併。

截至2018年6月30日止期內，減值金融資產的應計利息為港幣1.28億元(截至2017年6月30日止6個月：港幣1.73億元)。

4. 利息支出

	截至30/6/2018 止6個月 港幣百萬元	截至30/6/2017 止6個月 港幣百萬元
持續經營業務		
客戶存款、銀行及其他金融機構的存款		
—按攤銷成本	5,159	3,923
—指定為通過損益以反映公平價值	18	—
已發行存款證及債務證券		
—按攤銷成本	323	268
—指定為通過損益以反映公平價值	129	88
按攤銷成本列賬的後償票據	300	438
其他借款	4	3
	<u>5,933</u>	<u>4,720</u>

在不包括對沖影響前，來自非按公平價值確認損益的金融負債之利息支出為港幣58.01億元(截至2017年6月30日止6個月：港幣46.82億元)。

就已對沖利率風險的交易而言，作為帶息金融負債的合格對沖工具或可個別地與帶息金融負債共同管理的利率合約所產生的定期支出及收入首先抵銷，淨額與其相關金融負債產生的利息支出合併。

中期財務報表附註(續)

5. 服務費及佣金收入

服務費及佣金收入分類如下：

	截至30/6/2018 止6個月	截至30/6/2017 止6個月 重報
	港幣百萬元	港幣百萬元
持續經營業務		
信用卡	525	484
貸款、透支及擔保	343	351
其他零售銀行服務	194	166
證券及經紀	179	112
貿易融資	164	166
信託及其他代理業務	152	115
投資產品	78	44
財務諮詢	43	17
其他	257	253
	<u>1,935</u>	<u>1,708</u>
服務費及佣金收入總額		
	<u>1,935</u>	<u>1,708</u>
其中：		
由非持作交易用途或指定為通過損益以反映公平價值列賬之 金融資產或負債所產生之淨服務費收入(不包括用作計算 有效利率之金額)	1,379	1,229
服務費收入	1,935	1,708
服務費支出	(556)	(479)

6. 交易溢利淨額

	截至30/6/2018 止6個月	截至30/6/2017 止6個月
	港幣百萬元	港幣百萬元
持續經營業務		
外幣買賣及外匯掉期溢利/(虧損)	310	(518)
交易用途證券溢利	83	315
衍生工具淨盈利	134	366
交易用途股份證券的股息收入	29	24
	<u>556</u>	<u>187</u>
	<u>556</u>	<u>187</u>

中期財務報表附註(續)

7. 通過損益以反映公平價值其他金融工具的淨表現

	截至30/6/2018 止6個月 港幣百萬元	截至30/6/2017 止6個月 港幣百萬元
持續經營業務		
指定為通過損益以反映公平價值金融工具的淨表現		
—重估已發行債務盈利	2	5
—重估金融資產／負債虧損	(28)	(9)
—出售金融資產虧損	(2)	—
強制按通過損益以反映公平價值金融工具的淨表現 (除已包括在交易溢利淨額內)		
—重估金融資產虧損	(136)	—
—出售金融資產溢利	15	—
—來自非交易用途的股份證券之股息／分派收入	7	—
	(142)	(4)

8. 對沖溢利／(虧損)淨額

	截至30/6/2018 止6個月 港幣百萬元	截至30/6/2017 止6個月 港幣百萬元
持續經營業務		
公平價值對沖		
—可歸屬於被對沖項目之對沖風險產生的淨(虧損)／溢利	(394)	263
—用作對沖工具的淨溢利／(虧損)	410	(265)
	16	(2)

截至2018年6月30日止6個月及2017年6月30日止6個月，因現金流對沖所產生並已在本集團收益表內確認之無效部分是不重大的。

中期財務報表附註(續)

9. 保險業務淨收入

	截至30/6/2018 止6個月	截至30/6/2017 止6個月
	港幣百萬元	港幣百萬元
持續經營業務		
(a) 保險業務淨收入		
淨利息收入	252	216
交易溢利淨額	41	51
來自指定為通過損益以反映公平價值 其他金融工具的淨溢利	-	32
來自強制按通過損益以反映公平價值 其他金融工具的淨虧損	(139)	-
對沖虧損淨額	(8)	(12)
淨保費	2,833	3,033
其他經營收入	-	1
	<hr/>	<hr/>
保險索償及支出淨額	2,979	3,321
	(b) <hr/>	(c) <hr/>
	(2,727)	(3,171)
	<hr/>	<hr/>
經營支出	252	150
金融資產減值損失回撥/(支銷)	(1)	(2)
出售可供出售金融資產之淨溢利	3	(2)
出售通過其他全面收益以反映公平價值 債務投資證券的淨溢利	-	97
	10	-
	<hr/>	<hr/>
	264	243
	<hr/>	<hr/>
(b) 淨保費		
保費收入總額(註)	2,863	3,063
保費收入總額之分保份額	(30)	(30)
	<hr/>	<hr/>
	2,833	3,033
	<hr/>	<hr/>
(c) 保險索償及支出淨額		
已付索償、利益及退保 準備金變動	1,771	2,468
	903	682
	<hr/>	<hr/>
	2,674	3,150
	<hr/>	<hr/>
已付索償、利益及退保之分保份額	(342)	(907)
準備金變動之分保份額	315	851
	<hr/>	<hr/>
	(27)	(56)
	<hr/>	<hr/>
保險佣金支出淨額	2,647	3,094
	80	77
	<hr/>	<hr/>
	2,727	3,171
	<hr/>	<hr/>

註： 保費收入總額指由長期業務及一般保險業務產生的已收取和應收取之保費總額，並已扣除折扣及回報。

中期財務報表附註(續)

10. 其他經營收入

	截至30/6/2018 止6個月 港幣百萬元	截至30/6/2017 止6個月 港幣百萬元
持續經營業務		
可供出售金融資產股息收入	–	14
按通過其他全面收益以反映公平價值計量的 股份證券股息收入	8	–
保險箱租金收入	54	42
物業租金收入	89	78
其他	69	50
	<u>220</u>	<u>184</u>

11. 經營支出

	截至30/6/2018 止6個月 港幣百萬元	截至30/6/2017 止6個月 重報 ^註 港幣百萬元
持續經營業務		
定額供款公積金供款		
– 香港	72	71
– 香港以外	119	107
以股份為基礎作支付的費用	17	19
薪金及其他員工成本	2,310	2,078
員工成本總額	<u>2,518</u>	<u>2,275</u>
不包括折舊的物業及設備支出		
– 物業租金	266	288
– 保養、維修及其他	303	281
不包括折舊的物業及設備支出總額	<u>569</u>	<u>569</u>
固定資產折舊	240	230
無形資產攤銷	7	16
其他經營支出		
– 法律及專業服務費	180	191
– 通訊、文具及印刷	127	128
– 廣告費	86	111
– 印花稅、預提稅及增值稅	70	55
– 有關信用卡支出	68	15
– 業務推廣及商務旅遊	58	56
– 保險費	54	47
– 互聯網平台費用	33	–
– 捐款	9	2
– 會員費	8	7
– 銀行收費	5	5
– 銀行牌照費	2	2
– 其他	152	130
其他經營支出總額	<u>852</u>	<u>749</u>
經營支出總額	<u>4,186</u>	<u>3,839</u>

中期財務報表附註(續)

11. 經營支出(續)

註：由於須更準確地反映支出的性質，有關信用卡獎勵計劃的信用卡支出港幣6,400萬元已重新分類為服務費及佣金支出。相關重報亦已在綜合收益表及附註5和附註28內反映。

12. 金融工具減值損失

	截至30/6/2018 止6個月 港幣百萬元	截至30/6/2017 止6個月 港幣百萬元
持續經營業務		
客戶貸款及墊款	298	760
其他	(16)	5
	282	765

13. 出售可供出售金融資產之淨溢利

	截至30/6/2017 止6個月 港幣百萬元
持續經營業務	
由儲備轉撥的重估盈利淨額	220
期內產生的虧損	(5)
	215

14. 出售通過其他全面收益以反映公平價值金融資產之淨溢利

	截至30/6/2018 止6個月 港幣百萬元
持續經營業務	
出售債務證券之淨溢利	
— 由儲備轉撥的重估盈利淨額	23
— 期內產生的溢利	26
	49

15. 出售固定資產之淨虧損

	截至30/6/2018 止6個月 港幣百萬元	截至30/6/2017 止6個月 港幣百萬元
持續經營業務		
出售投資物業之淨虧損	(1)	-
出售行址、傢俬、裝修及設備之淨虧損	(9)	(7)
	(10)	(7)

中期財務報表附註(續)

16. 所得稅

綜合收益表內的稅項指：

	截至30/6/2018 止6個月 港幣百萬元	截至30/6/2017 止6個月 港幣百萬元
持續經營業務		
本期稅項－香港		
本年度稅項	432	292
往年度撥備不足	3	18
	<u>435</u>	<u>310</u>
本期稅項－香港以外		
本年度稅項	248	361
往年度撥備不足／(過剩的回撥)	207	(76)
	<u>455</u>	<u>285</u>
遞延稅項		
暫時性差異的源生及轉回	(128)	(21)
	<u>762</u>	<u>574</u>

香港利得稅款是以截至2018年6月30日止6個月預計應課稅溢利按稅率16.5% (截至2017年6月30日止6個月：16.5%) 計算。

海外分行及附屬公司的稅款亦按其經營所在國家現行稅率計算。

中期財務報表附註(續)

17. 在銀行及其他金融機構的存款及墊款

	30/6/2018	31/12/2017 重報 ^註
	港幣百萬元	港幣百萬元
在銀行及其他金融機構的存款及墊款 到期期限		
— 1個月內	53,846	47,996
— 1個月至1年內	12,467	10,587
— 1年後	78	—
	66,391	58,583
減：減值準備	(10)	—
— 第一階段	(10)	—
— 第二階段	—	—
— 第三階段	—	—
	66,381	58,583
其中：		
在中央銀行的存款及墊款	—	—

註：由於須更準確地反映交易的性質，與銀行及其他金融機構的逆回購交易港幣49.74億元已由現金及在銀行和其他金融機構的結存重新分類為在銀行及其他金融機構的存款及墊款。相關重報亦已在綜合財務狀況表及附註29和附註33內反映。

18. 貿易票據

	30/6/2018	31/12/2017
	港幣百萬元	港幣百萬元
攤銷成本	3,046	13,910
減：減值準備	(5)	(1)
— 第一階段	(3)	—
— 第二階段	(1)	—
— 第三階段	(1)	—
— 個別	—	(1)
	3,041	13,909
通過其他全面收益以反映公平價值	13,387	—
	16,428	13,909

中期財務報表附註(續)

19. 交易用途資產

	30/6/2018	31/12/2017
	港幣百萬元	港幣百萬元
國庫債券(包括外匯基金票據)	649	2,218
債務證券	4,387	1,781
股份證券	1,871	2,953
投資基金	3	4
	<u>6,910</u>	<u>6,956</u>

20. 客戶貸款及墊款

(a) 客戶貸款及墊款

	30/6/2018	31/12/2017
	港幣百萬元	港幣百萬元
按攤銷成本計量的客戶貸款及墊款	491,098	473,776
減：減值準備	(2,293)	(3,437)
— 第一階段	(660)	—
— 第二階段	(575)	—
— 第三階段	(1,058)	—
— 個別	—	(1,059)
— 整體	—	(2,378)
	<u>488,805</u>	<u>470,339</u>

中期財務報表附註(續)

20. 客戶貸款及墊款(續)

(b) 客戶貸款及墊款—按行業分類

按行業分類的客戶貸款及墊款總額及有抵押墊款的百分比是按照金管局所採用的類別和定義。

	30/6/2018		31/12/2017	
	墊款總額 港幣百萬元	有抵押墊款 的百分比 百分率	墊款總額 港幣百萬元	有抵押墊款 的百分比 百分率
在香港使用的貸款				
工商金融				
—物業發展	23,549	59.12	20,280	70.18
—物業投資	38,636	90.07	37,359	92.71
—金融企業	15,511	66.64	12,489	66.06
—股票經紀	4,787	87.60	6,899	90.20
—批發與零售業	8,302	58.99	8,831	63.00
—製造業	2,098	42.48	2,123	40.31
—運輸與運輸設備	4,789	62.85	4,976	65.45
—娛樂活動	128	73.21	176	71.30
—資訊科技	2,450	0.91	2,747	1.26
—其他	21,530	72.44	25,876	67.63
—小計	121,780	72.07	121,756	74.48
個人				
—購買「居者有其屋計劃」、 「私人參建居屋計劃」及 「租者置其屋計劃」 樓宇貸款	1,049	100.00	1,064	100.00
—購買其他住宅物業的貸款	50,247	100.00	42,803	100.00
—信用卡墊款	4,138	0.00	4,644	0.00
—其他	37,485	87.17	34,034	87.14
—小計	92,919	90.37	82,545	89.07
在香港使用的貸款總額	214,699	79.99	204,301	80.37
貿易融資	3,836	66.75	3,934	70.33
在香港以外使用的貸款*	272,563	50.04	265,541	54.34
客戶墊款總額	491,098	63.26	473,776	65.70

* 在香港以外使用的貸款包括以下在中國內地使用的貸款。

	30/6/2018		31/12/2017	
	墊款總額 港幣百萬元	有抵押墊款 的百分比 百分率	墊款總額 港幣百萬元	有抵押墊款 的百分比 百分率
物業發展	46,580	54.96	44,416	54.04
物業投資	28,570	90.57	29,176	92.32
金融企業	35,640	3.77	33,431	6.24
批發與零售業	11,109	53.80	13,058	58.37
製造業	6,608	31.05	7,176	30.41
購買其他住宅物業貸款	14,446	88.86	15,181	99.94
其他	39,738	28.12	38,716	33.62
	182,691	46.45	181,154	50.24

中期財務報表附註(續)

20. 客戶貸款及墊款(續)

(b) 客戶貸款及墊款—按行業分類(續)

以下按行業分類並佔客戶墊款總額百分之十或以上的墊款中已個別減值的貸款，以及相關資料如下：

	30/6/2018	31/12/2017
	港幣百萬元	港幣百萬元
(i) 物業發展		
a. 已個別減值的貸款	453	316
b. 特殊準備	—	—
c. 整體準備	138	420
d. 於收益表支銷的準備	30	92
e. 撇銷	52	26
(ii) 物業投資		
a. 已個別減值的貸款	511	792
b. 特殊準備	211	113
c. 整體準備	353	425
d. 於收益表支銷的準備	302	197
e. 撇銷	171	118
(iii) 購買住宅物業的貸款		
a. 已個別減值的貸款	297	296
b. 特殊準備	3	3
c. 整體準備	85	214
d. 於收益表支銷的準備	28	12
e. 撇銷	8	4
(iv) 批發與零售業		
a. 已個別減值的貸款	771	1,084
b. 特殊準備	202	368
c. 整體準備	97	180
d. 於收益表支銷的準備	85	666
e. 撇銷	348	438
(v) 酒店		
a. 已個別減值的貸款	1,096	1,189
b. 特殊準備	177	258
c. 整體準備	79	69
d. 於收益表支銷的準備	117	62
e. 撇銷	33	99

特殊準備指減值信貸風險在合約期內內的預期信貸損失準備(2017年：個別減值準備)及整體準備指非減值信貸風險在12個月及合約期內內的預期信貸損失準備(2017年：整體減值準備)。

20. 客戶貸款及墊款(續)

(c) 客戶貸款及墊款—按區域分類

客戶墊款總額按國家或區域的分類，是根據交易對手的所在地，並已顧及轉移風險因素。一般而言，有關墊款的債權獲得並非交易對手所在地的國家的一方擔保，或該債權的履行對象是某銀行的海外分行，而該銀行的總辦事處並非設於交易對手的所在地，風險便確認為由一個國家轉移到另一個國家。減值準備是按照金管局所採用的術語。

	30/6/2018				
	客戶墊款 總額	逾期3個月 以上的 客戶墊款	減值客戶 墊款	特殊準備	整體準備
	港幣百萬元	港幣百萬元	港幣百萬元	港幣百萬元	港幣百萬元
香港	220,296	1,096	1,938	374	326
中國內地	203,302	1,816	2,473	633	795
其他亞洲國家及地區	26,785	118	195	51	71
其他	40,715	—	25	—	43
總額	491,098	3,030	4,631	1,058	1,235
佔客戶墊款總額的百分比			0.94%		
減值客戶墊款抵押品市值			3,766		
	31/12/2017				
	客戶墊款 總額	逾期3個月 以上的 客戶墊款	減值客戶 墊款	特殊準備	整體準備
	港幣百萬元	港幣百萬元	港幣百萬元	港幣百萬元	港幣百萬元
香港	207,523	1,746	1,997	336	498
中國內地	203,128	2,039	2,758	682	1,721
其他亞洲國家及地區	27,456	191	390	41	68
其他	35,669	1	32	—	91
總額	473,776	3,977	5,177	1,059	2,378
佔客戶墊款總額的百分比			1.09%		
減值客戶墊款抵押品市值			4,329		

中期財務報表附註(續)

20. 客戶貸款及墊款(續)

(c) 客戶貸款及墊款—按區域分類(續)

特殊準備指減值信貸風險在合約期內內的預期信貸損失準備(2017年：個別減值準備)及整體準備指非減值信貸風險在12個月及合約期內內的預期信貸損失準備(2017年：整體減值準備)。

減值貸款及墊款是個別出現客觀減值證據而須個別評估的貸款。上述資料按國家或區域的分類，是根據交易對手的所在地，並已顧及轉移風險因素。

抵押品包括任何具公平價值及可隨時出售的有形抵押品。這些抵押品包括(但不限於)現金及存款、股票及債券、物業按揭及其他固定資產如器材及設備之押記。倘抵押品價值高於客戶貸款及墊款總額，則只計入最高達貸款及墊款總額的抵押品金額。

21. 投資證券

	30/6/2018				
	強制按通過損益以反映公平價值計量	指定為通過損益以反映公平價值	按通過其他全面收益以反映公平價值計量	按攤銷成本計量	總額
	港幣百萬元	港幣百萬元	港幣百萬元	港幣百萬元	港幣百萬元
國庫債券(包括外匯基金票據)	—	—	23,700	1,897	25,597
持有存款證	—	—	1,127	1,128	2,255
債務證券	10,889	1,726	73,201	15,277	101,093
股份證券	2,951	—	603	—	3,554
投資基金	914	—	—	—	914
	<u>14,754</u>	<u>1,726</u>	<u>98,631</u>	<u>18,302</u>	<u>133,413</u>

當本集團持有衍生工具以管理債務證券的特定風險時，該等證券會被指定為通過損益以反映公平價值，而該指定可消除或明顯減少會計錯配的情況。

中期財務報表附註(續)

21. 投資證券(續)

指定為通過全面收益以反映公平價值的股份證券

於2018年1月1日，本集團指定若干在下表所列示的股份證券為通過其他全面收益以反映公平價值。於2017年，該等投資分類為可供出售及按公平價值計量。作出通過其他全面收益以反映公平價值的指定是由於預期持有該等投資作長期策略用途。

	截至30/6/2018止6個月	
	於30/6/2018 的公平價值	已確認 股息收入
	港幣百萬元	港幣百萬元
香港仔飲食企業有限公司	2	—
易辦事(香港)有限公司	45	4
銀聯通寶有限公司	18	2
諾華誠信有限公司	11	—
香港場外結算有限公司	6	—
環聯資訊有限公司	64	—
中國銀聯股份有限公司	448	1
歐洲結算系統	7	1
環球銀行金融電信協會	2	—
	<u>603</u>	<u>8</u>

	31/12/2017				
	指定為通過 損益以反映 公平價值	可供出售	持至到期	貸款及 應收賬款	總額
	港幣百萬元	港幣百萬元	港幣百萬元	港幣百萬元	港幣百萬元
國庫債券(包括外滙基金票據)	—	27,024	1,699	—	28,723
持有存款證	—	1,150	1,269	—	2,419
債務證券	3,879	88,560	6,830	133	99,402
股份證券	166	3,042	—	—	3,208
投資基金	124	549	—	—	673
	<u>4,169</u>	<u>120,325</u>	<u>9,798</u>	<u>133</u>	<u>134,425</u>

中期財務報表附註(續)

22. 固定資產

	30/6/2018				
	投資物業 港幣百萬元	行址 港幣百萬元	傢俬、裝修 及設備 港幣百萬元	小計 港幣百萬元	總額 港幣百萬元
成本或估值					
於2018年1月1日	5,107	8,193	5,149	13,342	18,449
增置	-	6	197	203	203
重估盈餘	394	-	-	-	394
出售	-	(22)	(102)	(124)	(124)
由行址轉作投資物業時產生的重估盈餘	-	8	-	8	8
由行址轉入投資物業	16	(16)	-	(16)	-
由投資物業轉入行址	(151)	151	-	151	-
減：抵銷行址重估的累計折舊	-	(1)	-	(1)	(1)
匯兌調整	-	(62)	(26)	(88)	(88)
於2018年6月30日	5,366	8,257	5,218	13,475	18,841
累計折舊及攤銷					
於2018年1月1日	-	1,874	3,825	5,699	5,699
期內支銷	-	81	159	240	240
抵銷行址重估的累計折舊	-	(1)	-	(1)	(1)
出售時撇銷	-	(8)	(91)	(99)	(99)
匯兌調整	-	(16)	(22)	(38)	(38)
於2018年6月30日	-	1,930	3,871	5,801	5,801
賬面淨值於2018年6月30日	5,366	6,327	1,347	7,674	13,040
賬面淨值於2017年12月31日	5,107	6,319	1,324	7,643	12,750
上述資產的總額列示如下：					
按成本	-	7,478	5,218	12,696	12,696
按董事估值					
—1989	-	779	-	779	779
按專業估值					
—2018	5,366	-	-	-	5,366
	5,366	8,257	5,218	13,475	18,841

中期財務報表附註(續)

23. 其他資產

	30/6/2018	31/12/2017 重報 ^註
	港幣百萬元	港幣百萬元
應計利息	3,088	2,578
承兌客戶負債	19,263	18,309
其他賬項*	8,050	11,622
減：減值準備	(320)	(16)
— 第一階段	(39)	—
— 第二階段	(4)	—
— 第三階段	(277)	—
— 個別	—	(14)
— 整體	—	(2)
	<u>30,081</u>	<u>32,493</u>
持有作出售資產(附註43)	<u>463</u>	<u>466</u>
	<u>30,544</u>	<u>32,959</u>

* 包括由《香港財務報告準則》第15號所產生的合約資產為無(於2018年1月1日：無)。

註：由於須符合今期的呈報方式，分類為貸款及應收賬款的債務證券港幣1.33億元已在投資證券(附註21)項下列示。

24. 指定為通過損益以反映公平價值的金融負債

	30/6/2018	31/12/2017
	港幣百萬元	港幣百萬元
銀行及其他金融機構的存款及結餘	3,468	3,110
已發行存款證	13,918	11,655
已發行債務證券	706	851
	<u>18,092</u>	<u>15,616</u>

當本集團持有指定為通過損益以反映公平價值的相關衍生工具，以上金融負債被指定為通過損益以反映公平價值，而該指定可消除或明顯減少會計錯配的情況。

在期內及累計結餘，下表列示指定為通過損益以反映公平價值的金融負債的公平價值變動及在其他全面收益表內確認的金額，而該變動是歸屬於該等負債的信貸風險。

	30/6/2018
	港幣百萬元
於1月1日結餘	(6)
期內在其他全面收益表內確認的金額	(4)
於6月30日結餘	<u>(10)</u>

中期財務報表附註(續)

24. 指定為通過損益以反映公平價值的金融負債(續)

計算可歸屬於金融負債信貸風險的公平價值變動是採用近期發行相同債務的可觀察信用利差，然後根據集團實體稍後所發行高級債務的信用違約掉期之可觀察利差變動作調整。

於2018年6月30日，指定為通過損益以反映公平價值金融負債的賬面值較其到期日之合約金額低港幣5,600萬元(2017年12月31日：低港幣5,600萬元)。

25. 交易用途負債

	30/6/2018	31/12/2017
	港幣百萬元	港幣百萬元
外滙基金票據空倉	199	-
股份空倉	-	11
	<u>199</u>	<u>11</u>

26. 其他負債

	30/6/2018	31/12/2017
	港幣百萬元	港幣百萬元
應計應付利息	3,284	3,187
應付承兌票據	19,263	18,309
減值準備		
—已發出財務擔保合約	42	-
—已發出貸款承擔	100	-
持有作出售負債(附註43)	7	9
其他賬項*	24,542	23,873
	<u>47,238</u>	<u>45,378</u>

* 包括由《香港財務報告準則》第15號所產生的合約負債港幣5.92億元(於2018年1月1日：港幣5.08億元)。

27. 借貸資本

	30/6/2018	31/12/2017
	港幣百萬元	港幣百萬元
按攤銷成本及經公平價值對沖調整後列賬的後償票據		
在2020年7月16日到期的定息6億美元後償票據	(1) 4,715	4,769
在2024年11月20日到期的定息5億美元後償票據	(2) 3,868	3,876
在2026年11月3日到期的定息5億美元後償票據	(3) 3,723	3,768
	<u>12,306</u>	<u>12,413</u>

中期財務報表附註(續)

27. 借貸資本(續)

截至2018年6月30日及2017年12月31日止期內／年度內本集團對其所發行之債務證券的本金和利息並無違約或不履行。

- (1) 兩宗票面值總額港幣47.08億元(6億美元)及賬面總額港幣47.15億元(於2017年12月31日：港幣47.69億元)的借貸資本，是指由本行於2010年7月16日(4.5億美元)及於2010年7月23日(1.5億美元)發行年息6.125%，並評定為二級資本的後償票據。該票據於新加坡交易所上市，並將於2020年7月16日到期。在2018年上半年，因採用公平價值對沖會計法而錄得的無效對沖部分虧損為港幣300萬元(2017年上半年：港幣200萬元虧損)。
- (2) 票面值港幣39.23億元(5億美元)及賬面值港幣38.68億元(於2017年12月31日：港幣38.76億元)的借貸資本，是指由本行於2014年11月20日發行年息4.25%，並評定為二級資本的後償票據(按歐洲形式中期票據計劃發行)。該等票據於聯交所上市，並將於2024年11月20日到期。在2018年上半年，因採用公平價值對沖會計法而錄得的無效對沖部分虧損為港幣100萬元(2017年上半年：港幣200萬元溢利)。
- (3) 票面值港幣39.23億元(5億美元)及賬面值港幣37.23億元(於2017年12月31日：港幣37.68億元)的借貸資本，是指由本行於2016年11月3日發行年息4%，並評定為二級資本的後償票據(按歐洲形式中期票據計劃發行)。該等票據於聯交所上市，並將於2026年11月3日到期。在2018年上半年，因採用公平價值對沖會計法而錄得的無效對沖部分虧損為港幣200萬元(2017年上半年：港幣40萬元溢利)。

28. 分部報告

本集團按分處管理其業務，而分處則由業務及地區混合組成。分部資料的列報與內部匯報予本集團的高層管理人員作為資源分配及表現評核的方式是一致的。本集團列報以下八個可匯報分部。營運分部並未包括在以下的可匯報分部內。

個人銀行包括在香港之分行營運、個人電子網絡銀行、消費貸款、按揭貸款及信用卡業務。

企業銀行包括在香港之企業借貸及銀團貸款、資產融資、商業貸款及證券業務貸款。

財資市場包括在香港之財資運作及證券買賣。

財富管理包括提供予在香港之私人銀行業務及相關資產。

金融機構包括在香港之全球同業間的銀行代理行及金融貿易業務。

其他香港銀行業務主要包括在香港之保險業務、信託業務、證券及期貨經紀、放債人業務及企業財務諮詢。

中國內地業務主要包括在香港支援中國內地業務的後勤單位、所有在中國內地經營的分行、附屬公司及聯營公司，但不包括在中國內地經營資料處理及其他後勤支援之附屬公司。

28. 分部報告(續)

國際業務包括在香港支援國際銀行業務的後勤單位、所有在海外經營的分行包括澳門及台灣、附屬公司及聯營公司。

其他業務包括與地產有關的業務、香港業務之後勤單位、投資物業、行址及在香港之其他附屬公司的業績(除已包括在其他香港銀行業務內的附屬公司)。

在評估分部表現及分配分部間的資源時，集團的高層管理人員根據以下基準監控可歸屬於每一可匯報分部之業績、資產及負債：

分部資產包括所有有形資產、無形資產及金融資產(聯營公司之權益除外)、遞延稅項資產及其他企業資產。分部負債包括存款、金融負債及可歸屬於個別分部的其他負債。

收入與支出按有關分部所產生的利息及服務費用和佣金收入，及由有關分部引致的支出或可歸屬於有關分部產生之折舊或攤銷來分配予可匯報分部。分部收入與支出並不包括集團之聯營公司的活動所產生集團應佔之收入與支出。除匯報分部間的收入外，由一分部提供協助予另一分部，包括分享資產，並未計算在內。

中期財務報表附註(續)

28. 分部報告(續)

	香港銀行業務						中國內地 業務	國際業務	可匯報 分部總額	分部間之		總額
	個人銀行	企業銀行	財資市場	財富管理	金融機構	其他				其他	交易抵銷	
	港幣百萬元	港幣百萬元	港幣百萬元	港幣百萬元	港幣百萬元	港幣百萬元				港幣百萬元	港幣百萬元	
截至2018年6月30日止6個月												
持續經營業務												
淨利息收入	1,887	948	84	223	9	86	1,764	810	5,811	437	2	6,250
非利息收入/(支出)	446	211	5	226	11	363	550	150	1,962	491	(177)	2,276
經營收入	2,333	1,159	89	449	20	449	2,314	960	7,773	928	(175)	8,526
經營支出	(760)	(96)	(79)	(108)	(6)	(210)	(1,630)	(340)	(3,229)	(1,132)	175	(4,186)
未扣除減值損失之經營溢利/(虧損)	1,573	1,063	10	341	14	239	684	620	4,544	(204)	-	4,340
金融工具的減值損失	(92)	(92)	(1)	9	(1)	-	(312)	207	(282)	-	-	(282)
無形資產之減值損失	-	-	-	-	-	-	(1)	-	(1)	-	-	(1)
已扣除減值損失後之經營溢利/(虧損)	1,481	971	9	350	13	239	371	827	4,261	(204)	-	4,057
出售固定資產、按過渡其他全面收益以 反映公平價值計量金融資產之 溢利/(虧損)	(7)	-	44	-	-	-	2	-	39	-	-	39
出售出售組別及持有 作出售資產之溢利	-	-	-	-	-	-	-	10	10	-	-	10
重估投資物業溢利	-	-	-	-	-	-	-	-	-	394	-	394
應佔聯營公司溢利減虧損	-	-	-	-	-	-	41	240	281	-	-	281
除稅前溢利	1,474	971	53	350	13	239	414	1,077	4,591	190	-	4,781
期內折舊	(32)	(1)	(2)	(1)	-	(8)	(105)	(15)	(164)	(76)	-	(240)
於2018年6月30日												
分部資產	94,468	148,724	167,114	25,417	7,922	20,618	297,555	107,841	869,659	13,661	(66,270)	817,050
聯營公司投資	-	-	-	-	-	53	3,492	5,776	9,321	-	-	9,321
其他資產—持有作出售資產	-	-	-	-	-	388	75	-	463	-	-	463
資產總額	94,468	148,724	167,114	25,417	7,922	21,059	301,122	113,617	879,443	13,661	(66,270)	826,834
分部負債	319,597	738	59,501	21,212	5	16,850	249,287	97,480	764,670	2,440	(43,878)	723,232
其他負債—持有作出售負債	-	-	-	-	-	7	-	-	7	-	-	7
負債總額	319,597	738	59,501	21,212	5	16,857	249,287	97,480	764,677	2,440	(43,878)	723,239

中期財務報表附註(續)

28. 分部報告(續)

	香港銀行業務						中國內地 業務	國際業務	可匯報 分部總額	分部間之		總額
	個人銀行	企業銀行	財資市場	財富管理	金融機構	其他				其他	交易抵銷	
	港幣百萬元	港幣百萬元	港幣百萬元	港幣百萬元	港幣百萬元	港幣百萬元				港幣百萬元	港幣百萬元	
截至2017年6月30日止6個月(重報)												
持續經營業務												
淨利息收入/(支出)	1,699	963	(177)	183	17	116	1,944	741	5,486	255	(2)	5,739
非利息收入/(支出)	404	182	(83)	236	9	328	386	115	1,577	416	(167)	1,826
經營收入	2,103	1,145	(260)	419	26	444	2,330	856	7,063	671	(169)	7,565
經營支出	(771)	(88)	(64)	(99)	(5)	(224)	(1,422)	(281)	(2,954)	(1,054)	169	(3,839)
未扣除減值損失之經營溢利/(虧損)	1,332	1,057	(324)	320	21	220	908	575	4,109	(383)	-	3,726
金融工具的減值損失	(75)	(169)	(2)	(1)	-	(6)	(510)	1	(762)	(3)	-	(765)
持有作出售資產之減值損失	-	-	-	-	-	-	(58)	-	(58)	-	-	(58)
已扣除減值損失後之經營溢利/(虧損)	1,257	888	(326)	319	21	214	340	576	3,289	(386)	-	2,903
出售固定資產、持至到期投資及可供出售金融資產之溢利/(虧損)	(4)	5	213	-	-	2	(1)	-	215	(1)	-	214
出售出售組別及持有作出售資產之溢利/(虧損)	-	-	-	-	-	-	(2)	-	(2)	192	-	190
出售附屬/聯營公司之溢利	-	-	-	-	-	-	-	-	-	2	-	2
重估投資物業盈利	-	-	-	-	-	-	-	-	-	229	-	229
應佔聯營公司溢利減虧損	-	-	-	-	-	-	37	187	224	-	-	224
除稅前溢利/(虧損)	1,253	893	(113)	319	21	216	374	763	3,726	36	-	3,762
期內折舊	(30)	(1)	(2)	(1)	-	(7)	(100)	(16)	(157)	(73)	-	(230)
於2017年12月31日												
分部資產	81,889	148,083	164,908	26,284	5,237	21,123	299,726	107,804	855,054	13,555	(69,562)	799,047
聯營公司投資	-	-	-	-	-	54	3,414	5,961	9,429	-	-	9,429
其他資產—持有作出售資產	-	-	-	-	-	351	76	39	466	-	-	466
資產總額	81,889	148,083	164,908	26,284	5,237	21,528	303,216	113,804	864,949	13,555	(69,562)	808,942
分部負債	309,279	902	53,725	21,606	5	16,762	251,933	98,057	752,269	2,509	(47,059)	707,719
其他負債—持有作出售負債	-	-	-	-	-	9	-	-	9	-	-	9
負債總額	309,279	902	53,725	21,606	5	16,771	251,933	98,057	752,278	2,509	(47,059)	707,728

中期財務報表附註(續)

29. 資產及負債的剩餘期限分析

	30/6/2018							總額 港幣百萬元
	即時還款	1個月內	1個月以上 至3個月	3個月以上 至1年	1年以上 至5年	5年以上	無註明日期 或逾期	
	港幣百萬元	港幣百萬元	港幣百萬元	港幣百萬元	港幣百萬元	港幣百萬元	港幣百萬元	
資產								
現金及在銀行和其他金融機構的結存	24,811	71	368	264	-	-	23,355	48,869
在銀行及其他金融機構的存款及墊款	-	53,841	9,030	3,432	78	-	-	66,381
貿易票據	3	3,097	4,802	8,526	-	-	-	16,428
交易用途資產	-	10	380	2,312	2,260	74	1,874	6,910
衍生工具資產	-	-	-	-	-	-	10,604	10,604
客戶貸款及墊款	3,399	63,323	27,013	93,529	190,306	108,780	2,455	488,805
投資證券	-	4,784	8,269	27,465	65,327	23,462	4,106	133,413
聯營公司投資	-	-	-	-	-	-	9,321	9,321
固定資產	-	-	-	-	-	-	13,040	13,040
商譽及無形資產	-	-	-	-	-	-	1,951	1,951
遞延稅項資產	-	-	-	-	-	-	568	568
其他資產	133	4,761	7,949	10,176	727	163	6,635	30,544
資產總額	28,346	129,887	57,811	145,704	258,698	132,479	73,909	826,834
負債								
銀行及其他金融機構的存款及結餘	2,262	14,908	10,705	3,181	-	-	-	31,056
客戶存款	211,443	105,605	147,652	83,528	20,448	-	6	568,682
—活期存款及往來賬戶	77,941	-	-	-	-	-	-	77,941
—儲蓄存款	132,655	-	-	-	-	-	-	132,655
—定期及通知存款	847	105,605	147,652	83,528	20,448	-	6	358,086
交易用途負債	-	-	199	-	-	-	-	199
衍生工具負債	-	-	-	-	-	-	10,039	10,039
已發行存款證	-	7,389	21,365	22,061	-	-	-	50,815
本期稅項	-	-	-	1,570	-	-	-	1,570
已發行債務證券	-	142	157	301	263	-	-	863
遞延稅項負債	-	-	-	-	-	-	471	471
其他負債	950	4,455	8,971	12,444	9,274	3,770	7,374	47,238
借貸資本	-	-	-	-	12,306	-	-	12,306
負債總額	214,655	132,499	189,049	123,085	42,291	3,770	17,890	723,239
淨差距	(186,309)	(2,612)	(131,238)	22,619	216,407	128,709		

中期財務報表附註(續)

29. 資產及負債的剩餘期限分析(續)

	31/12/2017(重報)							總額 港幣百萬元
	即時還款	1個月內	1個月以上 至3個月	3個月以上 至1年	1年以上 至5年	5年以上	無註明日期 或逾期	
	港幣百萬元	港幣百萬元	港幣百萬元	港幣百萬元	港幣百萬元	港幣百萬元	港幣百萬元	
資產								
現金及在銀行和其他金融機構的結存	26,093	749	936	1,535	-	-	26,383	55,696
在銀行及其他金融機構的存款及墊款	-	47,996	9,361	1,226	-	-	-	58,583
貿易票據	32	3,336	3,853	6,688	-	-	-	13,909
交易用途資產	-	557	220	1,681	1,394	147	2,957	6,956
衍生工具資產	-	-	-	-	-	-	11,335	11,335
客戶貸款及墊款	3,674	54,317	30,919	93,731	187,627	96,783	3,288	470,339
投資證券	-	3,674	16,715	26,092	60,431	23,632	3,881	134,425
聯營公司投資	-	-	-	-	-	-	9,429	9,429
固定資產	-	-	-	-	-	-	12,750	12,750
商譽及無形資產	-	-	-	-	-	-	1,959	1,959
遞延稅項資產	-	-	-	-	-	-	602	602
其他資產	154	4,280	7,443	10,154	1,069	175	9,684	32,959
資產總額	29,953	114,909	69,447	141,107	250,521	120,737	82,268	808,942
負債								
銀行及其他金融機構的存款及結餘	4,352	9,485	7,026	6,116	2	-	-	26,981
客戶存款	220,257	114,771	127,662	88,810	18,552	1,621	11	571,684
- 活期存款及往來賬戶	85,518	-	-	-	-	-	-	85,518
- 儲蓄存款	133,969	-	-	-	-	-	-	133,969
- 定期及通知存款	770	114,771	127,662	88,810	18,552	1,621	11	352,197
交易用途負債	-	-	-	-	-	-	11	11
衍生工具負債	-	-	-	-	-	-	12,077	12,077
已發行存款證	-	4,096	12,500	19,870	-	-	-	36,466
本期稅項	-	-	-	1,160	-	-	-	1,160
已發行債務證券	-	-	117	431	459	-	-	1,007
遞延稅項負債	-	-	-	-	-	-	551	551
其他負債	924	4,250	8,358	12,898	8,940	3,454	6,554	45,378
借貸資本	-	-	-	-	12,413	-	-	12,413
負債總額	225,533	132,602	155,663	129,285	40,366	5,075	19,204	707,728
淨差距	(195,580)	(17,693)	(86,216)	11,822	210,155	115,662		

中期財務報表附註(續)

30. 遞延稅項資產及負債確認

確認於綜合財務狀況表中遞延稅項(資產)/負債的組成部分及期內之變動如下：

遞延稅項源自：	超過有關折舊 的折舊免稅額	物業重估	金融資產 的減值損失	按通過其他 全面收益以 反映公平價值 金融資產重估	稅損	其他	總額
	港幣百萬元	港幣百萬元	港幣百萬元	港幣百萬元	港幣百萬元	港幣百萬元	港幣百萬元
於2018年1月1日	218	100	(569)	136	-	64	(51)
採納《香港財務報告準則》 第9號的影響	-	-	89	(13)	-	-	76
收益表內(存入)/支銷	36	-	(100)	(10)	3	(57)	(128)
儲備內(存入)/支銷	-	8	-	(8)	-	(1)	(1)
匯兌及其他調整	1	-	8	-	-	(2)	7
	<u>255</u>	<u>108</u>	<u>(572)</u>	<u>105</u>	<u>3</u>	<u>4</u>	<u>(97)</u>
於2018年6月30日							
於2017年12月31日結餘	<u>218</u>	<u>100</u>	<u>(569)</u>	<u>136</u>	<u>-</u>	<u>64</u>	<u>(51)</u>

當有法定權利可將現有稅項資產與現有稅項負債抵銷，而遞延稅項涉及同一稅務機關，則可將個別實體的遞延稅項資產與遞延稅項負債互相抵銷。下列在綜合財務狀況表內列賬之金額，已計入適當抵銷。

	30/6/2018	31/12/2017
	港幣百萬元	港幣百萬元
遞延稅項資產	(568)	(602)
遞延稅項負債	<u>471</u>	<u>551</u>
	<u>(97)</u>	<u>(51)</u>

中期財務報表附註(續)

31. 儲備

	30/6/2018	31/12/2017
	港幣百萬元	港幣百萬元
一般儲備	14,054	14,060
行址重估儲備	1,757	1,757
公平價值儲備	1,062	1,465
匯兌重估儲備	(13)	487
資本儲備	958	230
資本儲備－已發行僱員認股權	140	135
負債信貸儲備	(10)	-
其他儲備	4,921	4,931
留存溢利*	30,063	28,890
	<u>52,932</u>	<u>51,955</u>
未入賬擬派股息	<u>1,432</u>	<u>1,659</u>

* 為符合《銀行業條例》有關審慎監管的規定，本行需在規管儲備中維持超過已確認減值損失的可能貸款及墊款及投資減值損失金額。經諮詢金管局後，儲備的變動已直接在留存溢利內劃定。於2018年6月30日，留存溢利中包括與此有關屬可派發予本集團股東港幣50.46億元(2017年12月31日：港幣40.62億元)，但派發前須諮詢金管局。

32. 額外股本工具

		30/6/2018	31/12/2017
		港幣百萬元	港幣百萬元
6.5億美元無到期日非累積後償資本證券	(1)	5,016	5,016
5億美元無到期日非累積後償資本證券	(2)	3,878	3,878
		<u>8,894</u>	<u>8,894</u>

(1) 於2015年12月2日，本行發行面值6.5億美元(扣除有關發行成本後等值港幣50.16億元)無到期日非累積後償資本工具「額外一級資本工具」。該額外一級資本工具是無到期日及附帶5.50%息率，直至2020年12月2日的第一次收回日。如該額外一級資本工具並非按相等於當時五年期美國庫券息率加年息3.834%之固定利率贖回，息率將會按每五年重新釐定。本行可自行決定是否取消支付利息。如出現一項無法經營事件並將會持續，該額外一級資本工具將會被撇銷。該額外一級資本工具在發生清盤事件時比普通股有優先權。

(2) 於2017年5月18日，本行發行面值5億美元(扣除有關發行成本後等值港幣38.79億元)無到期日非累積後償資本工具「額外一級資本工具」。該額外一級資本工具是無到期日及附帶5.625%息率，直至2022年5月18日的第一次收回日。如該額外一級資本工具並非按相等於當時五年期美國庫券息率加年息3.682%之固定利率贖回，息率將會按每五年重新釐定。本行可自行決定是否取消支付利息。如出現一項無法經營事件並將會持續，該額外一級資本工具將會被撇銷。該額外一級資本工具在發生清盤事件時比普通股有優先權。

中期財務報表附註(續)

33. 綜合現金流量表

現金及等同現金項目

	30/6/2018	30/6/2017
	港幣百萬元	重報 港幣百萬元
(i) 在綜合現金流量表內現金及等同現金項目的組成部分		
現金及原本期限為3個月以內在銀行及其他金融機構的結存	25,640	24,391
原本期限為3個月以內在銀行及其他金融機構的存款及墊款	60,524	46,789
原本期限為3個月以內的國庫債券	2,517	2,279
原本期限為3個月以內之持有的存款證	1,128	3,406
加：持有作出售資產中包括現金及在銀行及 其他金融機構的結存(附註43)	4	-
	<u>89,813</u>	<u>76,865</u>
(ii) 與綜合財務狀況表的對賬		
現金及在銀行及其他金融機構的結存	48,869	53,014
在銀行及其他金融機構的存款及墊款	66,381	52,200
國庫債券、持有的存款證及債務證券		
— 交易用途資產	5,036	3,113
— 投資證券	128,945	127,889
	133,981	131,002
加：持有作出售資產中包括現金及在銀行及 其他金融機構的結存(附註43)	4	-
在綜合財務狀況表列示的金額	249,235	236,216
減：原本期限為3個月以上的金額	(136,185)	(130,728)
受監管限制的在中央銀行之現金結存	(23,237)	(28,623)
在綜合現金流量表內的現金及等同現金項目	<u>89,813</u>	<u>76,865</u>

中期財務報表附註(續)

34. 抵銷金融工具

下表列示受抵銷、具法律效力之淨額結算總安排及相近協議約束的金融工具詳情。

於2018年6月30日				
	於財務狀況 表中抵銷之 已確認金融 負債總額	於財務狀況 表中列示的 金融資產淨額	未有於相關 金融工具中 抵銷之金額	淨額
	港幣百萬元	港幣百萬元	港幣百萬元	港幣百萬元
資產				
衍生工具資產	27	-	(26)	1
其他賬項	655	(536)	-	119
總額	<u>682</u>	<u>(536)</u>	<u>(26)</u>	<u>120</u>
於2018年6月30日				
	於財務狀況 表中抵銷之 已確認金融 資產總額	於財務狀況 表中列示的 金融負債淨額	未有於相關 金融工具中 抵銷之金額	淨額
	港幣百萬元	港幣百萬元	港幣百萬元	港幣百萬元
負債				
衍生工具負債	115	-	(26)	89
其他賬項	536	(536)	-	-
總額	<u>651</u>	<u>(536)</u>	<u>(26)</u>	<u>89</u>

中期財務報表附註(續)

34. 抵銷金融工具(續)

於2017年12月31日					
	已確認金融 資產總額	於財務狀況 表中抵銷之 已確認金融 負債總額	於財務狀況 表中列示的 金融資產淨額	未有於相關 金融工具中 抵銷之金額	淨額
	港幣百萬元	港幣百萬元	港幣百萬元	港幣百萬元	港幣百萬元
資產					
衍生工具資產	38	-	38	(34)	4
其他賬項	1,164	(763)	401	-	401
總額	1,202	(763)	439	(34)	405
於2017年12月31日					
	已確認金融 負債總額	於財務狀況 表中抵銷之 已確認金融 資產總額	於財務狀況 表中列示的 金融負債淨額	未有於相關 金融工具中 抵銷之金額	淨額
	港幣百萬元	港幣百萬元	港幣百萬元	港幣百萬元	港幣百萬元
負債					
衍生工具負債	69	-	69	(34)	35
其他賬項	763	(763)	-	-	-
總額	832	(763)	69	(34)	35

35. 金融工具的公平價值

(a) 以公平價值列賬的金融工具

公平價值估計是根據金融工具的特性和相關市場資料於某一特定時間作出，因此一般是主觀的。本集團以下列的分級方法計算公平價值：

第一級—參考同一工具在活躍市場取得的市場報價。

第二級—根據可觀察的參數之估值模式。為此級別估值的工具，包括以下方式：就相若工具在活躍市場取得的市場報價；就相若工具在非活躍市場取得的市場報價；或其他估值模式，而該等估值模式所用的參數，是直接或間接可從市場觀察所得的數據。

第三級—根據重要但非可觀察得到的參數之估值模式。為此級別估值的工具，其估值模式所輸入之參數為非可觀察的數據，惟該等非可觀察的數據可以對估值產生重大影響。為此級別估值的工具，也包括在活躍市場取得相若金融工具的市場報價，惟當中需要作出非可觀察之調整或假設，以反映不同金融工具之間的差別。

於活躍市場買賣的金融資產及金融負債，是根據市場報價或交易對手報價以釐定其公平價值。而對於所有其他金融工具，本集團則利用估值模式以釐定公平價值。估值模式包括淨現值及現金流量折現模式、以及其他市場廣泛應用的期權估值模式。用於估值模式之假設及參數包括無風險利率、基準利率、股票價格、外幣兌換率、指數價格、過往或預期波幅及相聯關係。採用估值模式的目的是計量公平價值，藉以在報告日能反映金融工具的價格，而該價格可被視為在正常交易下市場人士當賣出資產時可收取或當轉移負債時須支付之款項。

本集團會使用廣泛應用的估值模式，以釐定一般性及較簡單金融工具的公平價值，例如僅使用可觀察市場價格及毋須管理層耗時判斷及估計之利率及貨幣掉期。可觀察價格及模式的參數，通常可從市場上的上市債務及股份證券、在交易所買賣的衍生工具和簡單的場外交易衍生工具如利率掉期獲取。獲取可觀察市場價格及模式的參數，可以減省管理層需時判斷及估計，也可減少有關釐定公平價值的不穩定因素。是否取得可觀察市場價格及參數，視乎產品及市場性質，並會因金融市場的個別事件和一般情況而有不同變化。

至於較複雜的金融工具，本集團會使用通常由已有認受性的估值模式改動而來。部分甚或所有須予輸入模式的重要參數或未能從市場中觀察得出，而必須從市場價格或利率計算、或基於假設而估計而得出。該等須利用重要而非可觀察之參數的估值模式，需要管理層投入較多時間於判斷及估計，始能釐定金融工具的公平價值；而揀選適當的估值模式、為估值之金融工具決定其預期的未來現金流、決定交易對手違約和提早還款的或然率，以及挑選適用的貼現率等，一般皆需要管理層的判斷和估計。

本集團已就計算公平價值設立了監控機制。此機制包括擁有產品監控功能並獨立於前線管理人員，稱為金融工具估值群組(「群組」)。價格核賣的程序已經確立。任何將被採用的價格模式必須經過嚴格的檢測及審批程序。

中期財務報表附註(續)

35. 金融工具的公平價值(續)

(a) 以公平價值列賬的金融工具(續)

下表是分析於報告期期末，在公平價值分級內金融工具之公平價值的處理方式：

	30/6/2018				31/12/2017			
	第一級	第二級	第三級	總額	第一級	第二級	第三級	總額
	港幣百萬元	港幣百萬元	港幣百萬元	港幣百萬元	港幣百萬元	港幣百萬元	港幣百萬元	港幣百萬元
重覆發生的公平價值釐定								
資產								
交易用途資產	2,092	4,818	-	6,910	3,018	3,938	-	6,956
衍生工具資產	-	10,604	-	10,604	-	11,335	-	11,335
投資證券								
—強制按通過損益以 反映公平價值計量	11,396	3,057	301	14,754	-	-	-	-
—指定通過損益以 反映公平價值	838	888	-	1,726	2,594	1,575	-	4,169
—通過其他全面收益 以反映公平價值	64,201	33,827	603	98,631	-	-	-	-
—可供出售	-	-	-	-	83,835	35,928	562	120,325
	<u>78,527</u>	<u>53,194</u>	<u>904</u>	<u>132,625</u>	<u>89,447</u>	<u>52,776</u>	<u>562</u>	<u>142,785</u>
負債								
交易用途負債	199	-	-	199	11	-	-	11
衍生工具負債	-	10,039	-	10,039	-	12,077	-	12,077
指定為通過損益以反映 公平價值的金融負債	-	18,092	-	18,092	-	15,616	-	15,616
	<u>199</u>	<u>28,131</u>	<u>-</u>	<u>28,330</u>	<u>11</u>	<u>27,693</u>	<u>-</u>	<u>27,704</u>

截至2018年6月30日止期內及2017年12月31日止年度內，根據第一級及第二級分級方法釐定公平價值之金融工具，兩者之間均並無重大的轉移。本集團的政策是只確認於報告期期末公平價值分級之間發生的轉移。

35. 金融工具的公平價值(續)

(a) 以公平價值列賬的金融工具(續)

有關在第三級估值的重要非可觀察參數資料：

	估值模式	重要非可觀察參數	幅度
按通過其他全面收益以反映公平價值非上市股份工具(2017年：可供出售)	資產淨值	不適用	不適用
	現金流折扣模式	折扣率	12.37% (2017年12月31日：15.4%)
		市場性折扣	20% (2017年12月31日：20%)
	市場可類比法	盈利倍數	27.80% – 33.53% (2017年12月31日：25.13% – 26.33%)
		市賬率	4.68% – 4.79% (2017年12月31日：4.11% – 4.39%)
		市場性折扣	50% (2017年12月31日：50%)

按通過其他全面收益以反映公平價值(2017年：可供出售)非上市股份工具的公平價值是採用現金流折扣模式作估算，根據受投資公司的財務狀況及業績之分析，或參考可比較上市公司之倍數(如價格／盈利率的比較)，但須計入市場性折扣以反映該股份並非有活躍交易之調整。任何因比率／受投資公司的財務狀況及業績之個別增加對公平價值有正面影響，而因折扣率／市場性折扣之個別增加則對公平價值有負面影響。

在第三級之金融工具估值是受上述相同估值監控機制及金融工具估值群組的定期檢視。

中期財務報表附註(續)

35. 金融工具的公平價值(續)

(a) 以公平價值列賬的金融工具(續)

(1) 使用重要而非可觀察之參數的金融工具估值

已列賬並含有重要而非可觀察參數的工具，其公平價值之變動如下。

	30/6/2018		31/12/2017
	強制按通過 損益以反映 公平價值計量 的投資證券 港幣百萬元	按通過其他 全面收益以 反映公平價值 的投資證券 港幣百萬元	可供出售 金融資產 港幣百萬元
資產			
於1月1日	213	349	493
購入	104	-	42
結算	(8)	-	(86)
公平價值變動確認於收益表	(8)	-	(2)
公平價值變動確認於其他全面收益	-	254	114
匯兌調整	-	-	1
於6月30日/12月31日	<u>301</u>	<u>603</u>	<u>562</u>
於報告期結束日持有按通過其他全面收益以反映公平價值(2017年：可供出售)資產而已計入其他全面收益的公平價值儲備之期內收益或虧損總額	<u>-</u>	<u>254</u>	<u>114</u>
於報告期結束日持有之資產而已計入期內收益表之通過損益以反映公平價值金融工具的淨表現之期內收益或虧損總額	<u>(8)</u>	<u>-</u>	<u>-</u>

中期財務報表附註(續)

35. 金融工具的公平價值(續)

(a) 以公平價值列賬的金融工具(續)

(2) 因重要而非可觀察之假設變動至合理可行之另類假設所產生的影響

	30/6/2018			
	直接記錄於損益上之影響		直接記錄於股東權益上之影響	
	有利	(不利)	有利	(不利)
	港幣百萬元	港幣百萬元	港幣百萬元	港幣百萬元
金融資產				
强制按通過損益以反映公平價值計量的投資證券	25	(25)	-	-
按通過其他全面收益以反映公平價值的投資證券	-	-	50	(50)
	<u>25</u>	<u>(25)</u>	<u>50</u>	<u>(50)</u>
	31/12/2017			
	直接記錄於損益上之影響		直接記錄於股東權益上之影響	
	有利	(不利)	有利	(不利)
	港幣百萬元	港幣百萬元	港幣百萬元	港幣百萬元
金融資產				
可供出售金融資產	-	-	47	(47)
	<u>-</u>	<u>-</u>	<u>47</u>	<u>(47)</u>

在若干情況下，計算金融工具的公平價值所使用的估值模式，其含有的假設並非依據在相同工具的當前可觀察市場交易價格，亦非依賴其他可觀察的市場數據。上表顯示公平價值之敏感度，即因轉用至合理可行之另類假定所產生的正、負10%的價值的並行變動。

35. 金融工具的公平價值(續)

(b) 以公平價值以外列賬的金融工具公平價值

本集團採用下列方法和重要假定，以釐定如下的金融工具的公平價值：

- (i) 不設指定期限的活期存款和儲蓄賬戶的公平價值，乃假定為於報告期結束日可按要求而支付的金額。
- (ii) 浮息金融工具的公平價值，乃假定為與其賬面值相若。如此等工具為貸款和非上市債務證券，由於相關的信貸風險影響是在賬面值和公平價值中將減值準備金額減除後才分別予以確認，因此其公平價值不能反映其信貸素質的改變。
- (iii) 以攤銷成本入賬的定息貸款和按揭貸款的公平價值，乃在此等貸款按相若貸款所獲提供的目前市場利率批出時，以市場利率比較的方式估計。由於相關的信貸風險影響是在賬面值和公平價值中將減值準備金額減除後才分別予以確認，在決定公平價值總額時，貸款組合內各項貸款的信貸素質的改變均不會予以考慮。
- (iv) 非上市股票投資的公平價值是在可能情況下採用適用的股息折扣模式，或應佔投資的淨資產，或為設有禁售期之投資按其市值以折扣計算。
- (v) 非上市開放式投資基金的公平價值估計，是基於投資經理所匯報的每股資產淨值作出。
- (vi) 已發出的融資擔保之公平價值，是以參考在相若服務的公平交易中所徵收費用之可取得相關資料而釐定；有關的資料也可參考利率差價而估計，亦可以就貸款機構對發出擔保所實際徵收的息率，與在沒有取得擔保之情況下而貸款機構將可能徵收的估計息率作出比較，並在當中取用較可靠的相關資料以釐定公平價值。

除下列者外，以成本或攤銷成本入賬的金融工具賬面值，與其於2018年6月30日及2017年12月31日之公平價值相若。

	30/6/2018		31/12/2017	
	賬面值	公平價值	賬面值	公平價值
	港幣百萬元	港幣百萬元	港幣百萬元	港幣百萬元
金融資產				
按攤銷成本的投資證券 (2017年：持至到期)	18,302	18,417	9,798	9,756

36. 信貸風險

本集團採納階段分配準則如下：

金管局的5級資產		階段分配
合格	一般(即不符合本行的「信貸風險顯著增加」的準則)	1
	符合本行的「信貸風險顯著增加」的準則	2
需要關注		2
次級		3
呆滯		
虧損		

「信貸風險顯著增加」的準則已計及兩個關鍵因素：

- 風險的內部或外部評級與風險源生之時的評級相比顯著轉差；及
- 風險的評級不再等同於國際通用的「投資級別」定義的「低信貸風險界限」

a. 信貸質素分析

貸款及墊款的信貸質素

下表載列貸款及墊款的信貸質素分析。除特別指明者外，表格內的金額為賬面總額。

	30/6/2018								31/12/2017	
	12個月內之預期 信貸損失		非信貸不良的合約期內 之預期信貸損失		信貸不良的合約期內 之預期信貸損失		總額		總額	
	本金	應計利息	本金	應計利息	本金	應計利息	本金	應計利息	本金	應計利息
	港幣百萬元	港幣百萬元	港幣百萬元	港幣百萬元	港幣百萬元	港幣百萬元	港幣百萬元	港幣百萬元	港幣百萬元	港幣百萬元
按攤銷成本的客戶貸款及墊款										
-1-15級：合格	458,442	1,011	23,107	81	-	-	481,549	1,092	463,082	963
-16-17級：需要關注	-	-	4,918	21	-	-	4,918	21	5,517	23
-18級：次級	-	-	-	-	1,521	7	1,521	7	1,392	5
-19級：呆滯	-	-	-	-	2,322	143	2,322	143	3,003	42
-20級：虧損	-	-	-	-	788	218	788	218	782	2
賬面值總額	458,442	1,011	28,025	102	4,631	368	491,098	1,481	473,776	1,035
減值準備	(660)	(2)	(575)	(3)	(1,058)	(223)	(2,293)	(228)	(3,437)	-
賬面值	457,782	1,009	27,450	99	3,573	145	488,805	1,253	470,339	1,035

中期財務報表附註(續)

36. 信貸風險(續)

a. 信貸質素分析(續)

除貸款及墊款外的金融資產的信貸質素(續)

	30/6/2018								31/12/2017	
	12個月內之預期 信貸損失		非信貸不良的合約期內 之預期信貸損失		信貸不良的合約期內 之預期信貸損失		總額		總額	
	本金	應計利息	本金	應計利息	本金	應計利息	本金	應計利息	本金	應計利息
	港幣百萬元	港幣百萬元	港幣百萬元	港幣百萬元	港幣百萬元	港幣百萬元	港幣百萬元	港幣百萬元	港幣百萬元	港幣百萬元
在銀行及其他金融 機構的存款及墊款 -1-15級：合格	66,391	85	-	-	-	-	66,391	85	58,583	39
賬面值總額	66,391	85	-	-	-	-	66,391	85	58,583	39
減值準備	(10)	-	-	-	-	-	(10)	-	-	-
賬面值	66,381	85	-	-	-	-	66,381	85	58,583	39
	30/6/2018								31/12/2017	
	12個月內之 預期信貸損失		非信貸不良的 合約期內之 預期信貸損失		信貸不良的 合約期內之 預期信貸損失		總額		總額	
	港幣百萬元		港幣百萬元		港幣百萬元		港幣百萬元		港幣百萬元	
貸款承擔										
-1-15級：合格			135,849	13,654	-	-	149,503	145,259		
-16-17級：需要關注			6	19	-	-	25	167		
總額			135,855	13,673	-	-	149,528	145,426		
減值準備			(79)	(21)	-	-	(100)	-		
財務擔保合約										
-1-15級：合格			25,769	2,704	-	-	28,473	28,187		
-16-17級：需要關注			-	80	-	-	80	3		
總額			25,769	2,784	-	-	28,553	28,190		
減值準備			(32)	(10)	-	-	(42)	-		

資金交易的信貸風險管理方法，與本集團管理其企業及銀行借貸的方法一致及風險級別是適用於設有個別對手限額的對手。

中期財務報表附註(續)

36. 信貸風險(續)

a. 信貸質素分析(續)

除貸款及墊款外的金融資產的信貸質素(續)

於報告期結束日，按照外部信貸評級機構，穆迪投資服務，或相同等級的評級機構，所指定之債務證券投資的信貸質素分析如下：

	30/6/2018						31/12/2017			
	12個月內之預期 信貸損失		非信貸不良的合約期內 之預期信貸損失		信貸不良的合約期內 之預期信貸損失		總額		總額	
	本金	應計利息	本金	應計利息	本金	應計利息	本金	應計利息	本金	應計利息
	港幣百萬元	港幣百萬元	港幣百萬元	港幣百萬元	港幣百萬元	港幣百萬元	港幣百萬元	港幣百萬元	港幣百萬元	港幣百萬元
按攤銷成本的債務證券										
(2017年：持至到期及貸款及應收賬款)										
Aaa	-	-	-	-	-	-	-	-	-	-
Aa1至Aa3	2,679	1	-	-	-	-	2,679	1	2,571	1
A1至A3	5,546	104	-	-	-	-	5,546	104	5,074	99
Baa1至Baa3	2,308	29	-	-	-	-	2,308	29	1,193	10
Baa3以下	1,484	19	-	-	-	-	1,484	19	567	8
無評級	6,331	74	28	-	-	-	6,359	74	526	6
賬面值總額	18,348	227	28	-	-	-	18,376	227	9,931	124
減值準備	(73)	(1)	(1)	-	-	-	(74)	(1)	-	-
賬面值	18,275	226	27	-	-	-	18,302	226	9,931	124
通過其他全面收益以反映公平價值的債務證券										
(2017年：可供出售)										
Aaa	5,824	15	-	-	-	-	5,824	15	6,957	11
Aa1至Aa3	16,010	15	-	-	-	-	16,010	15	22,722	24
A1至A3	35,521	427	-	-	-	-	35,521	427	36,299	458
Baa1至Baa3	28,961	299	-	-	-	-	28,961	299	32,796	346
Baa3以下	1,306	15	-	-	-	-	1,306	15	1,794	20
無評級	10,171	109	235	3	-	-	10,406	112	16,166	178
賬面值總額—按公平價值	97,793	880	235	3	-	-	98,028	883	116,734	1,037
減值準備	(192)	(2)	(9)	-	-	-	(201)	(2)	-	-

中期財務報表附註(續)

36. 信貸風險(續)

a. 信貸質素分析(續)

除貸款及墊款外的金融資產的信貸質素(續)

下表載列按通過損益以反映公平價值計量的非交易金融資產的信貸分析。

	30/6/2018	31/12/2017
	港幣百萬元	港幣百萬元
債務證券		
Aaa	160	163
Aa1至Aa3	2,825	1,039
A1至A3	1,788	1,686
Baa1至Baa3	6,640	376
Baa3以下	253	-
無評級	949	615
	<u>12,615</u>	<u>3,879</u>
賬面總額—按公平價值	<u>12,615</u>	<u>3,879</u>

下表載列作交易用途債務證券的信貸分析。

	30/6/2018	31/12/2017
	港幣百萬元	港幣百萬元
債務證券		
Aaa	-	-
Aa1至Aa3	217	61
A1至A3	4,559	3,761
Baa1至Baa3	118	117
Baa3以下	-	-
無評級	142	60
	<u>5,036</u>	<u>3,999</u>
賬面總額—按公平價值	<u>5,036</u>	<u>3,999</u>

下表載列由衍生工具資產交易所產生之對手信貸質素分析如下。

	30/6/2018	31/12/2017
	港幣百萬元	港幣百萬元
衍生工具資產		
Aa1至Aa3	322	664
A1至A3	4,082	2,214
Baa1至Baa3	3,734	4,620
Baa3以下	222	56
無評級	2,244	3,781
	<u>10,604</u>	<u>11,335</u>
賬面總額—按公平價值	<u>10,604</u>	<u>11,335</u>

中期財務報表附註(續)

36. 信貸風險(續)

a. 信貸質素分析(續)

現金及在銀行和其他金融機構的結存

於2018年6月30日，本集團持有現金及在銀行和其他金融機構的結存為港幣488.69億元(2017年12月31日：港幣556.96億元)。基於穆迪投資服務或相當的評級，其中98%的現金及在銀行和其他金融機構交易對手的結存評級為投資評級。

b. 減值準備對賬

下表列示按金融工具的類別劃分的減值準備的期初結餘與期末結餘的對賬。編製對賬的方法是比較減值準備於1月1日至6月30日期間交易層面的狀況。

關於12個月內之預期信貸損失、合約期內之預期信貸損失及信貸不良的解釋見附註2。

	30/6/2018			總額 港幣百萬元
	12個月內之 預期信貸損失 港幣百萬元	非信貸不良的 合約期內之 預期信貸損失 港幣百萬元	信貸不良的 合約期內之 預期信貸損失 港幣百萬元	
客戶貸款及墊款				
於1月1日的結餘	839	1,028	1,177	3,044
轉至12個月內之預期信貸損失	238	(238)	-	-
轉至非信貸不良的合約期內之預期信貸損失	(7)	32	(25)	-
轉至信貸不良的合約期內之預期信貸損失	(33)	(40)	73	-
源生或購入之新金融資產、撤銷確認資產、 還款及進一步貸款	(68)	(132)	19	(181)
撤銷	-	-	(841)	(841)
模型變動	-	-	-	-
減值準備的重新計量淨額(包括外匯調整)	(307)	(72)	878	499
於6月30日的結餘	662	578	1,281	2,521
其中：				
就按攤銷成本的客戶墊款	660	575	1,058	2,293
就相關應收應計利息	2	3	223	228
	662	578	1,281	2,521

中期財務報表附註(續)

36. 信貸風險(續)

b. 減值準備對賬(續)

	30/6/2018			總額 港幣百萬元
	12個月內之 預期信貸損失	非信貸不良的 合約期內之 預期信貸損失	信貸不良的 合約期內之 預期信貸損失	
	港幣百萬元	港幣百萬元	港幣百萬元	
債務證券				
於1月1日的結餘	277	13	-	290
轉至12個月內之預期信貸損失	-	-	-	-
轉至非信貸不良的合約期內之預期信貸損失	-	-	-	-
轉至信貸不良的合約期內之預期信貸損失	-	-	-	-
源生或購入之新金融資產、撤銷確認資產、 還款及進一步貸款	31	(2)	-	29
撤銷	-	-	-	-
模型變動	-	-	-	-
減值準備的重新計量淨額(包括外匯調整)	(40)	(1)	-	(41)
於6月30日的結餘	268	10	-	278
其中：				
就按攤銷成本的債務證券	73	1	-	74
就相關應收應計利息	1	-	-	1
	74	1	-	75
就按通過其他全面收益以反映公平價值的 債務證券	192	9	-	201
就相關應收應計利息	2	-	-	2
	194	9	-	203

按通過其他全面收益以反映公平價值的債務證券的減值準備並不在財務狀況表內確認，因按通過其他全面收益以反映公平價值的債務證券的賬面值是其公平價值。

中期財務報表附註(續)

36. 信貸風險(續)

b. 減值準備對賬(續)

	30/6/2018			
	12個月內之 預期信貸損失	非信貸不良的 合約期內之 預期信貸損失	信貸不良的 合約期內之 預期信貸損失	總額
	港幣百萬元	港幣百萬元	港幣百萬元	港幣百萬元
其他				
於1月1日的結餘	220	54	1	275
轉至12個月內之預期信貸損失	25	(25)	-	-
轉至非信貸不良的合約期內之預期信貸損失	(5)	5	-	-
轉至信貸不良的合約期內之預期信貸損失	-	-	-	-
源生或購入之新金融資產、撤銷確認資產、 還款及進一步貸款	7	(12)	53	48
撤銷	-	-	-	-
模型變動	-	-	-	-
減值準備的重新計量淨額(包括外匯調整)	(69)	13	1	(55)
	<u>178</u>	<u>35</u>	<u>55</u>	<u>268</u>
於6月30日的結餘				
其中：				
就按通過其他全面收益以反映公平價值的 貿易票據	9	2	-	11
就相關應收應計利息	-	-	-	-
	<u>9</u>	<u>2</u>	<u>-</u>	<u>11</u>
就按攤銷成本的貿易票據	3	1	1	5
就相關應收應計利息	-	-	-	-
	<u>3</u>	<u>1</u>	<u>1</u>	<u>5</u>
就在銀行和其他金融機構的存款	10	-	-	10
就相關應收應計利息	-	-	-	-
	<u>10</u>	<u>-</u>	<u>-</u>	<u>10</u>
就現金及在銀行和其他金融機構的結存	9	-	-	9
就相關應收應計利息	-	-	-	-
	<u>9</u>	<u>-</u>	<u>-</u>	<u>9</u>
就貸款承擔和財務擔保合約	111	31	-	142
就應收賬款及其他賬項	36	1	54	91

按通過其他全面收益以反映公平價值的貿易票據的減值準備並不在財務狀況表內確認，因按通過其他全面收益以反映公平價值的貿易票據的賬面值是其公平價值。

中期財務報表附註(續)

37. 資產負債表以外的風險

(a) 每項資產負債表以外風險的主要類別摘要如下：

	30/6/2018 港幣百萬元	31/12/2017 港幣百萬元
或然負債的合約金額		
直接信貸代替品	14,883	12,319
與交易有關的或然項目	783	817
與貿易有關的或然項目	1,892	1,490
	<u>17,558</u>	<u>14,626</u>
承擔的合約金額		
可無條件取消而毋須事先通知的承擔	164,557	170,099
其他承擔的原到期日		
-1年或以下	11,304	7,766
-1年以上	28,305	26,577
	<u>204,166</u>	<u>204,442</u>
總額	<u>221,724</u>	<u>219,068</u>
信貸風險加權金額	<u>25,899</u>	<u>31,289</u>
衍生工具的公平價值		
資產		
匯率合約	6,773	8,806
利率合約	3,201	2,258
股份合約	626	256
其他	4	15
	<u>10,604</u>	<u>11,335</u>
負債		
匯率合約	6,978	9,599
利率合約	2,431	1,924
股份合約	600	534
其他	30	20
	<u>10,039</u>	<u>12,077</u>
衍生工具的名義金額		
匯率合約	739,200	699,544
利率合約	546,023	511,219
股份合約	15,918	19,757
其他	335	1,342
	<u>1,301,476</u>	<u>1,231,862</u>
信貸風險加權金額*		
匯率合約	3,224	4,230
利率合約	522	455
股份合約	97	92
其他	350	349
	<u>4,193</u>	<u>5,126</u>

資產負債表以外風險的公平價值及信貸風險加權金額，並未計及雙邊淨額結算安排的影響。

* 根據《資本規則》，本行選擇採納「基礎內部評級基準計算法」計算於2018年6月30日及2017年12月31日之信貸風險之風險加權金額。

中期財務報表附註(續)

37. 資產負債表以外的風險(續)

(b) 資本承擔

於6月30日及12月31日並未在賬項中提撥準備有關購買物業、廠房及設備的資本承擔如下：

	30/6/2018 港幣百萬元	31/12/2017 港幣百萬元
已核准支出並已簽約	227	242
已核准支出但未簽約	287	215
	514	457

38. 關聯人士的重大交易

(a) 主要管理人員薪酬

本集團之主要管理人員薪酬，包括支付予本行董事及若干最高薪酬僱員的金額如下：

	30/6/2018 港幣百萬元	31/12/2017 港幣百萬元
短期僱員福利	76	78
僱員退休福利	4	3
股份補償福利	17	19
	97	100

(b) 本集團為其職員提供若干退休保障計劃。截至2018年6月30日止6個月，本集團對該等計劃的供款總額為港幣8,200萬元(截至2017年6月30日止6個月：港幣7,900萬元)。

本集團與其關聯人士進行多項交易，該等人士包括聯營公司、及主要行政人員與其直系親屬、及受該等人士所控制或具有重大影響力的公司。該等交易包括接受該等人士存款及為他們提供信貸。所有存款及信貸的利率，均按照給予一般相若水平客戶的條款。

截至2018年6月30日止6個月，本集團從關聯人士所收取與支付予他們的利息，及於2018年6月30日關聯人士的欠款及欠關聯人士的款項，及截至2018年6月30日止6個月關聯人士的最高欠款及欠關聯人士的最高款項總額總結如下：

	主要管理人員		聯營公司	
	30/6/2018 港幣百萬元	30/6/2017 港幣百萬元	30/6/2018 港幣百萬元	30/6/2017 港幣百萬元
利息收入	12	59	16	9
利息支出	14	13	2	-
關聯人士的欠款	3,323	4,725	1,117	684
欠關聯人士的款項	2,569	2,528	115	32
關聯人士的最高欠款	3,739	5,493	1,781	725
欠關聯人士的最高款項	4,809	5,648	723	151
給予信貸承諾	629	2,505	1,422	317

39. 綜合基準

除特別說明外，此中期報告所載的財務資料是按用作會計用途之綜合基準編製。

編製集團的資本充足比率及流動性狀況，是按用作監管用途之綜合基準編製。而編製用作會計用途及監管用途之綜合基準之最大分別是前者包括本行及其所有附屬公司，而後者只包括本行及本集團部分從事銀行業務或其他與銀行業務有關的附屬公司。

已包括在綜合財務報表內的附屬公司列示如下：

公司名稱	業務性質	資產總額 港幣百萬元	股東權益總額 港幣百萬元
承悅有限公司	投資控股	359	359
* 東亞銀行(信託)有限公司	信託服務	216	206
BC (BVI) Holdings Limited	投資控股	16	16
BEA Blue Sky Company Limited	出任BEA Blue Sky Real Estate Fund L.P.單一普通合夥人	1	—
BEA Blue Sky Real Estate Fund L.P.	出任有限責任合夥人用作投資內地房地產基金	92	89
BEA Blue Sky SLP Limited	出任BEA/AGRE China Real Estate Fund, L.P.特殊有限責任合夥人	—	—
BEA Consortium GS Investors L.P.	出任有限責任合夥人用作投資私募基金	62	62
東亞保險代理有限公司	保險代理服務	—	—
東亞人壽保險有限公司	人壽保險	15,308	1,354
BEA Pacific Asia Limited	不活動	—	—
東亞聯豐投資管理有限公司	資產管理	551	485
東亞聯豐投資管理(深圳)有限公司	資產管理／投資管理	4	4
Blue Care (BVI) Holdings Limited	投資控股	16	16
Blue Care JV (BVI) Holdings Limited	投資控股	20	17

中期財務報表附註(續)

39. 綜合基準(續)

公司名稱	業務性質	資產總額 港幣百萬元	股東權益總額 港幣百萬元
寶康醫療服務有限公司	醫療服務	51	39
藍十字(亞太)保險有限公司	保險	3,230	704
滙中興業有限公司	物業投資	832	649
階潤有限公司	投資控股	103	103
重慶市東榮商務諮詢有限公司	商業諮詢服務	4	–
* 重慶兩江新區領達小額貸款有限公司	小額貸款	364	362
Citiview Capital Limited	普通合夥人及有限責任合夥人	4	(1)
Corona Light Limited	投資控股	930	930
* 領達財務有限公司	放債人	522	505
Crystal Gleaming Limited	投資控股	930	930
卓領控股有限公司	投資控股	1,127	1,127
EA Securities Limited	投資控股	–	(63)
* 東亞數據信息服務(廣東)有限公司	服務	121	109
* 東亞設施管理有限公司	設施管理	10	9
East Asia Financial Services (BVI) Ltd.	投資控股	1	1
東亞期貨有限公司	期貨及期權交易	60	60
* East Asia Holding Company, Inc.	銀行控股公司	634	617
East Asia Indonesian Holdings Limited	投資控股	136	136
East Asia International Trustees Holdings (BVI) Limited	投資控股	10	10
East Asia International Trustees Limited	信託服務	23	19

中期財務報表附註(續)

39. 綜合基準(續)

公司名稱	業務性質	資產總額 港幣百萬元	股東權益總額 港幣百萬元
* East Asia Properties (US), Inc.	物業持有	15	12
東亞物業控股有限公司	投資控股	–	(59)
東亞物業代理有限公司	物業代理	10	9
East Asia Property Holdings (Jersey) Limited	物業持有	28	27
東亞前海控股有限公司	投資控股	213	213
東亞秘書有限公司	秘書服務	–	–
東亞證券有限公司	證券買賣	1,232	894
* 東亞服務(控股)有限公司	控股公司	24	–
East Asia Strategic Holdings Limited	投資控股	–	–
Golden Empire International Inc.	物業投資	1	1
High Town Limited	投資控股	4	4
* Innovate Holdings Limited	為東亞銀行混合一級資本 而成立之特定目的投資 工具公司	2,496	2,496
Leader One Limited	投資控股	1	1
Manchester Property Holdings Ltd.	物業控股	33	16
君騰香港控股有限公司	投資控股	203	203
Red Phoenix Limited	汽車租賃	1	1
Shaftesbury Property Holdings Limited	投資控股	103	103
Shaftesbury Property Investments Limited	投資控股	66	66
上海領偕商務諮詢有限公司	商業資訊諮詢，企業管理 諮詢	213	213

中期財務報表附註(續)

39. 綜合基準(續)

公司名稱	業務性質	資產總額 港幣百萬元	股東權益總額 港幣百萬元
* 深圳市領達小額貸款有限公司	小額貸款	300	295
Silver River International Limited	普通合夥人及有限責任合夥人	59	—
Silver Sunlight Limited	普通合夥人	—	—
Skyray Holdings Limited	投資控股	450	450
Speedfull Limited	投資控股	450	450
*/# 東亞銀行(中國)有限公司	銀行及有關的金融服務	276,501	27,218
東亞銀行受託代管有限公司	受託代管服務	—	—
The Bank of East Asia (Nominees) Private Limited	信託、受信及託管服務	—	—
Travelsafe Limited	不活動	—	—
明康醫療香港有限公司	醫療服務	21	(12)
United Chinese (Nominee) Limited	不活動	—	—

* 「規管金融實體」是按照《資本規則》之定義及已包括在用作監管用途之綜合基準內。

「聯營實體」是按照《銀行業(流動性)規則》之定義及已包括在用作監管用途之綜合基準內。

40. 比較數字

若干2017年的比較數字經已重報以符合本期的呈報方式。詳情請參閱綜合收益表、綜合財務狀況表及附註5、11、17、23、28、29及33中所述的重報影響。

中期財務報表附註(續)

41. 在截至2018年6月30日止六個月前已公布但尚未生效的修訂、新準則和詮釋所產生的可能影響

多項修訂及新準則已於2018年1月1日後之會計年度生效並容許提前採納，但本集團於準備此中期報告時未有提前採納任何新或修訂的準則。本集團於上年年報中提及已公布但尚未生效的新準則對本集團的綜合財務報表可能構成的重大影響，在此有以下補充。

《香港財務報告準則》第16號「租賃」

《香港財務報告準則》第16號將於2019年1月1日之會計年度生效。在2017年年度的財務報表中已提及《香港財務報告準則》第16號將主要影響現行本集團對物業、廠房及設備的租賃作為承租人(分類為經營租賃)的會計處理方法。預計採納新會計模式會令資產及負債增加，以及影響按租賃期限在收益表中確認費用支出的時間。本集團仍在評估《香港財務報告準則》第16號所造成的影響，因此未能對本綜合財務報表的有關影響量化。

42. 符合指引

此中期財務報表經已按照有關《上市規則》的披露規定，包括符合香港會計師公會頒布《香港會計準則》第34號「中期財務報告」而編製。此中期財務報表已於2018年8月29日獲授權發布。

銀行業披露報表(即補充財務資料的附註E所載)以及此中期財務報表所列載的披露資料，亦已根據金管局所頒布的《銀行業(披露)規則》之要求作披露。

43. 已終止經營業務及持有作出售資產

2016年10月5日，東亞銀行有限公司、新創建集團有限公司(「新創建集團」)及East Asia Secretaries (BVI) Limited(「East Asia Secretaries」)與Trivium Investment Limited(「Trivium」)簽訂了一份購買股份協議，Trivium是一間由環球投資機構Permira全資擁有的附屬公司，出售由East Asia Secretaries持有的Tricor Holdings Limited及其附屬公司(「卓佳集團」)的全部已發行股份，作價為港幣64.70億元。卓佳集團均是通過East Asia Secretaries由本行及新創建集團分別持有75.61%及24.39%之權益。隨着出售交易完成，本行已終止持有卓佳集團任何股份權益，而卓佳集團亦並非是本行之附屬公司。本行就此項出售錄得淨溢利港幣30.05億元，並已計入來自已終止經營業務之可歸屬於本集團股東溢利項下。卓佳集團的經營業績在截至2017年6月30日止6個月的綜合收益表中呈列為已終止經營業務。

2017年11月29日，本行及其全資附屬公司領達財務有限公司與中國金融投資管理有限公司簽訂一份股權轉讓協議，就買賣深圳市領達小額貸款有限公司(「深圳領達小額貸款」)、重慶兩江新區領達小額貸款有限公司(「重慶領達小額貸款」)及重慶市東榮商務諮詢有限公司(「東榮商務諮詢」)的全部股權(統稱「內地業務出售交易」)。內地業務出售交易的總對價為人民幣5.63億元，惟雙方可在完成交易時協定對此金額作出調整。該項交易之完成須得到中國內地相關監管部門批准。深圳領達小額貸款、重慶領達小額貸款及東榮商務諮詢於2018年6月30日及2017年12月31日的資產及負債在綜合財務報表中分別以持有作出售資產及持有作出售負債列示。

中期財務報表附註(續)

43. 已終止經營業務及持有作出售資產(續)

期內已終止經營業務的業績如下：

	截至30/6/2018 止6個月	截至30/6/2017 止6個月
	港幣百萬元	港幣百萬元
利息收入	-	1
利息支出	-	(1)
淨利息收入	-	-
服務費及佣金收入	-	312
服務費及佣金支出	-	-
服務費及佣金收入淨額	-	312
交易虧損淨額	-	(4)
非利息收入	-	308
經營收入	-	308
經營支出	-	(232)
未扣除減值損失之經營溢利	-	76
金融資產減值損失	-	(2)
已扣除減值損失後之經營溢利	-	74
出售已終止經營業務之淨溢利	-	4,084
應佔聯營公司溢利減虧損	-	1
期內除稅前溢利	-	4,159
所得稅		
本期稅項		
- 香港	-	(8)
- 香港以外	-	(6)
期內已終止經營業務溢利	-	4,145

中期財務報表附註(續)

43. 已終止經營業務及持有作出售資產(續)

持有作出售之出售組別的資產和負債摘要如下：

	30/6/2018 港幣百萬元	31/12/2017 港幣百萬元
資產		
現金及在銀行和其他金融機構的結存	4	4
客戶貸款及墊款	345	307
客戶貸款及墊款總額	347	317
減：減值準備		
— 第一階段	(1)	—
— 第二階段	(1)	—
— 第三階段	—	—
— 特殊	—	(10)
固定資產	7	9
— 投資物業	—	—
— 其他物業及設備	7	9
遞延稅項資產	23	25
其他資產	9	6
持有作出售資產	<u>388</u>	<u>351</u>
負債		
其他負債	7	9
持有作出售負債	<u>7</u>	<u>9</u>

持有作出售之資產及負債摘要如下：

	30/6/2018 港幣百萬元	31/12/2017 港幣百萬元
持有作出售資產(附註23)		
持有作出售組別	388	351
其他物業	75	115
	<u>463</u>	<u>466</u>
持有作出售負債(附註26)		
持有作出售組別	<u>7</u>	<u>9</u>

有關持有作出售組別在其他全面收益內確認之累計收入如下：

	30/6/2018 港幣百萬元	30/06/2017 港幣百萬元
確認在其他全面收益內之累計收入	<u>(43)</u>	<u>—</u>

補充財務資料

A. 資本充足

	30/6/2018 港幣百萬元	31/12/2017 港幣百萬元
股本基礎		
— 普通股權一級資本	74,207	72,786
— 額外一級資本	10,312	10,666
	<hr/>	<hr/>
— 一級資本總額	84,519	83,452
— 二級資本	15,041	14,672
	<hr/>	<hr/>
— 資本總額	<u>99,560</u>	<u>98,124</u>
風險加權資產類別		
— 信貸風險	433,472	496,034
— 市場風險	24,430	28,161
— 營運風險	31,454	31,005
	<hr/>	<hr/>
減：扣除	489,356 (3,258)	555,200 (3,332)
	<hr/>	<hr/>
	<u>486,098</u>	<u>551,868</u>
	<hr/>	<hr/>
	30/6/2018	31/12/2017
	百份率	百份率
普通股權一級資本比率	15.3	13.2
一級資本比率	17.4	15.1
總資本比率	20.5	17.8

資本充足比率乃根據金管局所頒布的《資本規則》計算。根據《資本規則》，本行選擇採納「基礎內部評級基準計算法」計算信貸風險之風險加權資產、「內部模式計算法」計算市場風險及「標準計算法」計算營運風險。

用作監管用途之綜合基礎與作會計用途之綜合基礎是不相同的。包括在用作監管用途之附屬公司乃根據金管局按《資本規則》第3C條所頒布的通知內列載。不包括在綜合基礎用作監管用途之附屬公司為非金融類公司以及已核准和受一監管機構規管的證券及保險公司，對該等公司有關維持足夠資本以支持商業活動的監管安排，與按照適用於《資本規則》及《銀行業條例》的金融機構之標準相符。本行於該等公司的權益已按《資本規則》第3部分所述之門檻規定以及附表4H所述之過渡性安排經計算後從一級及二級資本中扣除。

補充財務資料(續)

A. 資本充足(續)

包括在用作監管用途的綜合基礎之主要附屬公司已於中期報告之附註39列示。

本集團之附屬公司在多個國家及地區營運而其資本乃受當地法則約束，可能在轉移受規管資本及在銀行集團成員間的資金調配方面存在某些限制。

有關本集團的監管資本工具及其他披露資料，可瀏覽本行網站www.hkbea.com主頁內「監管披露」的連繫或按www.hkbea.com/html/tc/bea-about-bea-regulatory-disclosures.html 的直接連繫。

B. 流動性狀況

		<u>30/6/2018</u>	<u>31/12/2017</u>
		百分率	百分率
平均流動性覆蓋比率	— 第一季度	137.8	150.7
	— 第二季度	144.8	129.5
	— 第三季度	不適用	136.5
	— 第四季度	不適用	151.7

流動性覆蓋比率是根據由2015年1月1日起生效的《銀行業(流動性)規則》計算。相關的監管披露資料可瀏覽本行網站www.hkbea.com主頁內「監管披露」的連繫或按www.hkbea.com/html/tc/bea-about-bea-regulatory-disclosures.html 的直接連繫。

本行持有以港幣計價的一級優質流動資產不少於以港幣計價的淨現金流出總額的20%。按各綜合層級的流動性覆蓋比率並沒有重大的貨幣錯配。

補充財務資料(續)

C. 逾期、經重組及收回資產

(a) 逾期及經重組墊款

	30/6/2018		31/12/2017	
	港幣百萬元	佔客戶墊款總額的百分比	港幣百萬元	佔客戶墊款總額的百分比
逾期客戶墊款				
– 3個月以上至6個月	97	0.0	576	0.1
– 6個月以上至1年	852	0.2	765	0.2
– 1年以上	2,081	0.4	2,636	0.5
	3,030	0.6	3,977	0.8
經重組客戶墊款	104	0.0	108	0.0
逾期及經重組客戶墊款總額	3,134	0.6	4,085	0.8
已逾期墊款涵蓋部份	2,557	0.5	3,241	0.7
已逾期墊款非涵蓋部份	473	0.1	736	0.1
已逾期墊款涵蓋部份之抵押品市值	4,499		4,508	
逾期3個月以上墊款的個別減值準備	696		931	

有明確到期日之貸款及墊款，若其本金或利息已逾期，並於期結日仍未償還，則列作逾期處理。定期分期償還之貸款，若其中一次還款逾期，而於期結日仍未償還，則列作逾期處理。即時到期之貸款，若已向借款人送達還款通知，但借款人未按指示還款，或貸款已超出借款人獲通知的批准限額，而此情況持續超過有關逾期期限，亦列作逾期處理。

補充財務資料(續)

C. 逾期、經重組及收回資產(續)

(a) 逾期及經重組墊款(續)

可視作合格抵押品的資產須符合下列條件：

- (a) 該資產的市值是可即時決定的或是可合理地確定及證實的；
- (b) 該資產是有市價的及有二手市場可即時將該資產出售；
- (c) 本行收回資產的權利是有法律依據及沒有障礙的；及
- (d) 本行在有需要時可對該資產行使控制權。

合格抵押品主要分為下列兩種：

- (i) 合格金融抵押品主要包括現金存款及股票。
- (ii) 合格實物抵押品主要包括土地及建築物、汽車及設備。

按不同情況下，當本行客戶面對財政困難而無力償還貸款，本行一般採用以下方式以追收欠款：

- (a) 重新編排債務還款期時間表／債務重組
- (b) 沒收抵押品
- (c) 採取法律行動
- (d) 通過收數公司追收

(b) 銀行墊款

	30/6/2018 港幣百萬元	31/12/2017 港幣百萬元
逾期銀行墊款		
— 3個月以上至6個月	—	—
— 6個月以上至1年	—	—
— 1年以上	—	—
	—	—
經重組銀行墊款	—	—
	—	—
逾期及經重組墊款總額	—	—

補充財務資料(續)

C. 逾期、經重組及收回資產(續)

(c) 其他逾期及經重組資產

	30/6/2018		
	應計利息	債務證券	其他資產*
	港幣百萬元	港幣百萬元	港幣百萬元
其他逾期資產			
– 3個月以上至6個月	1	–	–
– 6個月以上至1年	30	–	–
– 1年以上	153	–	1
	184	–	1
經重組資產	1	–	–
其他逾期及經重組資產總額	185	–	1
	31/12/2017		
	應計利息	債務證券	其他資產*
	港幣百萬元	港幣百萬元	港幣百萬元
其他逾期資產			
– 3個月以上至6個月	–	–	–
– 6個月以上至1年	–	–	–
– 1年以上	–	–	1
	–	–	1
經重組資產	–	–	–
其他逾期及經重組資產總額	–	–	1

* 其他資產是指貿易票據及應收款項。

補充財務資料(續)

C. 逾期、經重組及收回資產(續)

(d) 收回資產

	30/6/2018 港幣百萬元	31/12/2017 港幣百萬元
收回土地及建築物*	917	1,485
收回汽車及設備	-	-
收回機器	-	-
收回資產總額	917	1,485

此等金額指於2018年6月30日及2017年12月31日收回資產的估計市值。

* 結餘中包括港幣6.28億元(2017年12月31日：港幣500萬元)已簽約出售但仍未成交的物業。

D. 槓桿比率

	30/6/2018 百分率	31/12/2017 百分率
槓桿比率	9.9	10.0

槓桿比率之披露是由2015年3月31日起生效，其計算乃按金管局根據《資本規則》第3C條頒布的通知內所指定的綜合基準。有關披露資料可瀏覽本行網站www.hkbea.com主頁內「監管披露」的連繫或按www.hkbea.com/html/tc/bea-about-bea-regulatory-disclosures.html 的直接連繫。

E. 銀行業披露報表

本期的額外資料披露是根據《銀行業(披露)規則》及按金管局所頒布的披露模版而編製，詳情可瀏覽本行網站www.hkbea.com主頁內「監管披露」的連繫或按www.hkbea.com/html/tc/bea-about-bea-regulatory-disclosures.html 的直接連繫。

獨立審閱報告



致東亞銀行有限公司董事會

引言

我們已審閱 貴集團列載於第117頁至第186頁的中期財務報告，此中期財務報告包括於2018年6月30日的綜合財務狀況表與截至該日止6個月期間有關的綜合收益表、綜合全面收益表、綜合權益變動表和簡略綜合現金流量表以及附註解釋。根據《上市規則》，上市公司必須符合《上市規則》中的相關規定和香港會計師公會頒布的《香港會計準則》第34號「中期財務報告」的規定編製中期財務報告。董事須負責根據《香港會計準則》第34號編製及列報中期財務報告。

我們的責任是根據我們的審閱對中期財務報告作出結論，並按照我們雙方所協定的應聘條款，僅向全體董事會報告。除此以外，我們的報告書不可用作其他用途。我們概不就本報告書的內容，對任何其他人士負責或承擔法律責任。

審閱範圍

我們已根據香港會計師公會所頒布的《香港審閱工作準則》第2410號「獨立核數師對中期財務信息的審閱」進行審閱。中期財務報告審閱工作包括主要向負責財務會計事項的人員詢問、並實施分析和其他審閱程序。由於審閱的範圍遠較按照《香港審核準則》進行審核的範圍為小，所以不能保證我們會注意到在審核中可能會被發現的所有重大事項。因此我們不會發表任何審核意見。

結論

根據我們的審閱工作，我們並沒有注意到任何事項，使我們相信於2018年6月30日的中期財務報告在所有重大方面沒有按照《香港會計準則》第34號「中期財務報告」的規定編製。

畢馬威會計師事務所

執業會計師
香港中環
遮打道10號
太子大廈8樓

2018年8月29日

中期股息

董事會欣然宣布派發截至2018年6月30日止6個月的中期股息每股港幣0.51元（「2018中期股息」）（2017中期股息：每股港幣0.68元），2018中期股息將以現金派發予於2018年9月18日（星期二）辦公時間結束時在本行股東名冊上已登記的股東，股東亦可選擇收取已繳足股款的新股以代替現金（「以股代息計劃」）。2018中期股息的除息日期為2018年9月13日（星期四）。以股代息計劃的詳情將連同有關選擇表格約於2018年9月18日（星期二）寄予各股東。以股代息計劃須待聯交所上市委員會批准所發行的新股上市及買賣方可作實。有關的股息單和以股代息的股票將約於2018年10月12日（星期五）以平郵寄予股東。

過戶日期

本行將於2018年9月17日（星期一）及2018年9月18日（星期二）暫停辦理股票過戶登記。如欲享有2018中期股息，股東須於2018年9月14日（星期五）下午4時前，將過戶文件送達卓佳標準有限公司，地址為香港皇后大道東183號合和中心22樓辦理登記手續。

財務回顧

財務表現

於2018年首6個月，本集團錄得可歸屬於本集團股東溢利達港幣39.92億元，較2017年同期錄得的港幣62.20億元，下跌港幣22.28億元或35.8%。

不計及2017年上半年錄得之已終止經營業務盈利合共港幣30.49億元，可歸屬於本集團股東溢利則上升港幣8.21億元或25.9%。

來自持續經營業務之每股基本盈利由2017年上半年的港幣1.08元，增至2018年同期的港幣1.30元。倘計及已終止經營業務，則每股基本盈利自2017年首6個月的港幣2.20元，下降至2018年同期的港幣1.30元。

來自持續經營業務之年度平均資產回報率由0.8%升至0.9%，而來自持續經營業務之年度平均股東權益回報率則由7.1%升至8.0%。倘計及已終止經營業務，年度平均資產回報率由1.1%降至0.9%，而年度平均股東權益回報率則由10.8%降至8.0%。

2018年首6個月，本集團來自持續經營業務的淨利息收入增加港幣5.11億元，或8.9%，至港幣62.50億元。淨息差由1.64%擴闊至1.70%，而平均帶息資產增加4.7%。

來自持續經營業務的服務費及佣金收入淨額增加港幣1.44億元，或11.8%，至港幣13.62億元。來自證券及經紀業務、零售銀行服務、資產管理、投資產品和信用卡業務的佣金收入均錄得增長。

綜合而言，來自持續經營業務的交易及對沖淨額，以及指定／強制為通過損益以反映公平價值金融工具的淨表現增加港幣2.49億元，至港幣4.30億元。整體而言，來自持續經營業務的非利息收入增加24.6%，至港幣22.76億元，而來自持續經營業務的經營收入上升12.7%，至港幣85.26億元。

來自持續經營業務的經營支出總額上升9.1%，至港幣41.86億元。由於經營收入增加港幣9.61億元，或12.7%，成本對收入比率因此由2017年上半年的50.7%，改善至2018年上半年的49.1%。

來自持續經營業務的未扣除減值損失之經營溢利達港幣43.40億元，較2017年同期增加港幣6.14億元，或16.5%。

根據《香港財務報告準則》第9號，2018年金融資產之減值損失支銷淨額為港幣2.82億元，比較2017年根據《香港會計準則》第39號之減值支銷淨額則為港幣7.65億元。本集團的減值貸款比率由2017年12月底的1.09%，下降至2018年6月底的0.94%。香港業務的減值貸款比率由0.91%下降至0.79%，內地業務的減值貸款比率則由1.79%下降至1.59%。

來自持續經營業務的扣除減值損失後之經營溢利達港幣40.57億元，增加港幣11.54億元，或39.8%。

持續經營業務中出售通過其他全面收益按公平價值計量的／可供出售的金融資產所獲淨溢利減少77.2%，至港幣4,900萬元。

2018年首6個月，持續經營業務中出售出售組別及持有作出售資產之淨溢利減少港幣1.80億元，或94.6%，主要是由於2017年出售一項香港物業錄得溢利港幣1.92億元所致。

來自持續經營業務的重估投資物業盈利增加至港幣3.94億元。

來自持續經營業務的集團應佔聯營公司之除稅後溢利為港幣2.81億元，較2017年同期增加港幣5,700萬元，或25.0%。

經計及所得稅後，來自持續經營業務的除稅後溢利升至港幣40.19億元，較2017年上半年錄得的港幣31.88億元上升26.0%。

財務狀況

於2018年6月30日，本集團綜合資產總額達港幣8,268.34億元，較2017年年底的港幣8,089.42億元增加2.2%。

客戶墊款總額上升3.7%，至港幣4,910.98億元，而貿易票據貼現則增加18.1%，至港幣164.33億元。

可歸屬於本集團股東權益總額增加2.6%，至港幣918.15億元，主要是由於在2018年首6個月錄得淨溢利達港幣39.92億元。

客戶存款總額輕微下跌0.5%，至港幣5,686.82億元。其中，活期存款和往來存款賬戶結餘減少港幣75.77億元，降幅為8.9%；儲蓄存款減少港幣13.14億元，降幅為1.0%；而定期存款則增加港幣58.89億元，增幅為1.7%。包括客戶存款及所有已發行存款證的存款總額增加1.9%，至港幣6,194.97億元。

於2018年6月底，貸款對存款比率為79.3%，而2017年年底則為77.9%。

於2018年6月30日，總資本比率、一級資本比率及普通股權一級資本比率分別為20.5%、17.4%及15.3%。截至2018年6月30日止季度的平均流動性覆蓋比率為144.8%，遠高於2018年90%的法定下限。

業務回顧

環球經濟環境於2018上半年進一步轉好。美國經濟繼續穩步增長，歐洲及中國市場的表現亦超乎預期。

由於外部需求增強，香港出口於2018年上半年按年增長9.3%。2018年上半年，私人消費強勁增長7.4%，而失業率跌至2018上半年的平均2.9%。股票及物業價值持續上揚帶來的正面財富效應，亦令市場氛圍更趨活躍，加上訪港遊客數量回升，刺激上半年零售銷售按年增長13.4%。

住宅物業價格於2018上半年攀升10.4%，原因是投資需求在超低息環境下持續旺盛。整體而言，香港經濟增長速度於上半年度加快至4.0%。

內地方面，外部需求轉強為製造業帶來支持，2018年上半年的出口總值按年飆升12.7%。內地政府利用穩定的經濟環境，透過收緊銀行拆借及其他緊縮措施，清理過剩信貸。政府亦對樓市採取更多限制政策，令一線城市樓價上漲有所降溫。整體來說，上半年經濟增長為6.8%。

展望未來，隨着中美貿易糾紛影響擴散至更為廣泛的經濟領域，內地持續推行去槓桿措施的政策方向可能會受到考驗。另外，由於有關的貿易糾紛已然影響業界信心，因此預期2018下半年內地經濟增長會有所放緩，預期全年增長6.5%，而通脹率平均為2.1%。

2018下半年，香港經濟將會受到貿易糾紛及本地可能加息的雙重打擊，導致增長放緩和資產市場受壓。預計2018年本地生產總值平均增長率為3.8%，而通脹率平均為2.2%。

香港業務

截至2018年6月30日止6個月，東亞銀行香港的客戶貸款及貿易票據總額上升5.2%，而客戶貸款則增長5.8%，存款總額亦增加4.5%，債券投資則減少1.3%。

零售銀行

受惠於服務數碼化、營運流程精簡及分行網絡優化等措施，本行的零售業務於2018年上半年繼續表現穩健。淨利息收入按年增長11.1%，而服務費及佣金收入淨額則增加8.0%。整體而言，經營收入較去年同期上升10.9%。

投資產品銷售錄得雙位數升幅，而按揭貸款亦取得強勁增長。新開立賬戶持續增加，而往來賬戶及儲蓄賬戶結餘亦進一步上升。

分行數碼化計劃完成後，本行繼續致力完善服務素質及提升客戶體驗。客戶現在可使用手機申請及提取個人貸款，增加了便利性。本行將提升「視像櫃員」功能，以方便客戶享用自助開戶服務。本行已在分行網絡派駐客戶體驗經理，協助客戶使用本行的數碼技術並鼓勵他們轉用數碼渠道。過去一年，經常使用東亞銀行網上及流動銀行服務的客戶數目增加23.2%，而透過數碼渠道完成金融交易佔整體的28%。

東亞銀行於2018年6月首次推出創新的i-Payment Hub，讓商戶可以透過單一平台收取不同流動支付渠道所得的款項。隨後，本行將為消費者研發更多支付方案，包括新增一項管理各種電子錢包的功能。同時，BEA App於今年首季進行了一次重大改版後仍在不斷更新。本行快將推出新財富管理工具，為用戶帶來更大方便，冀能增加帶動收入的交易。

企業及商業銀行

2018年上半年，企業銀行業務取得穩健增長。本行繼續著重資產素質，嚴格篩選貸款業務。因此，企業貸款餘額較2017年年底微升1.5%，減值貸款比率亦有所改善。

交叉銷售銀行產品及提高非利息收入的措施取得成效。保險佣金增加42.4%，而財資產品銷售收入亦增長39.6%。整體來說，服務費及佣金收入淨額增長9.9%，抵銷了淨利息收入的輕微下跌，而在回顧期內，經營收入錄得1.3%的增幅。由於貸款撥備減少，因此除稅前溢利上升8.9%。

國內流動性收緊，不少內地公司重返香港尋求資金。預期今年下半年，香港的貸款需求將進一步改善，對未來淨利息收入將產生正面影響。

隨著利率逐漸上升，本行計劃吸納更多來自企業客戶的往來賬戶及儲蓄賬戶存款，藉以降低資金成本。為實現此項目標，本行將為企業客戶提供具競爭力的現金管理方案及更全面的支援服務。此外，由於粵港澳大灣區規劃所帶來的商機日益增加，企業銀行團隊現正與本集團廣東省內的分行緊密合作，讓大灣區的客戶能充分利用東亞銀行於區內的優勢和提供的各種服務。

財富管理

2018年，私人銀行業務開局良好。淨利息收入按年計錄得雙位數增長。投資產品銷售在首季亦表現強勁，證券類資產的增長尤其理想。雖然第2季內市場氣氛轉淡，但2018年上半年有關投資產品銷售的收入，仍較去年同期增加4.8%。然而，服務費及佣金收入淨額卻錄得下降，這是由於2017年上半年有若干大額保單交易入賬，致使去年基數增大所致。總體而言，經營收入按年增長1.8%，而貸款及管理資產較2017年年底則有所下跌。

私人銀行部門一直以來致力提升營運效益及客戶滿意度。於後端服務方面，處理香港股票買賣盤交易流程已實現自動化，直通式的運作平台上將會增添更多產品，包括債券、單位信託基金及結構性產品。

隨著大灣區內交通進一步改善及資金流不斷增多，區內增長勢將加速。目前，大灣區的客戶佔私人銀行內地客戶群的管理資產19.6%，本行計劃在未來3年內將該比例增加一倍。此外，私人銀行亦將服務加強聚焦至內地其他正高速發展的城市，以發揮本行擁有較其他外資銀行更龐大網絡所帶來的競爭優勢。

保險及強積金服務

於回顧期內，本行旗下全資壽險附屬公司－東亞人壽保險有限公司專注提升盈利能力多於整體保費收入增長。業務焦點轉移至長期壽險產品，雖然該類產品的新造保單保費收入較短期壽險產品為低，但能為本行帶來較高的佣金收入，並長遠為東亞人壽帶來更大利潤。由於採取了此項策略，本行來自銷售東亞人壽產品的佣金收入於2018年上半年按年仍保持增長。

東亞人壽正致力將壽險產品的申請程序數碼化。自該公司於2017年5月起轉用電子表格進行強制性的財務需要分析程序後，資料準確度比以往更高，處理時間亦縮短約三分之二。直通式的無紙化申請平台目前亦正處於開發階段，將進一步減省整項申請的處理時間。

本行旗下全資一般保險附屬公司－藍十字(亞太)保險有限公司保費收入按年增長達9.8%。於2017年出現的價格下行壓力在回顧期內有所緩和，尤令團體醫療保險業務受惠。經網上處理的一般保險保費收入按年增長8.4%，主要來自旅遊保險業務。藍十字已於2018年6月為其旅遊保險推出電子索償服務，以進一步提升網上服務功能。此外，該公司將於2018年年底為所有個人醫療保險計劃推出自動續保服務，有助進一步降低行政成本及提高續保率。

於2018年6月30日，東亞銀行旗下強積金計劃的成員總數增至超過756,000名，而管理資產則為港幣254.00億元。透過精簡運作以控制成本的措施持續見效，對溢利帶來正面影響。

中國業務

內地經濟於2018年上半年保持穩健，按年增長6.8%。由於去槓桿措施降低流動性並推高資金成本，銀行業界持續面臨壓力。

2018年上半年，東亞銀行的中國業務錄得淨溢利港幣3.93億元，按年增長17.2%，主要由於減值損失減少。在中央政府實施金融去槓桿措施的背景，資金成本不斷攀升，導致淨息差收窄。淨利息收入按年下跌6.8%，降至港幣18.81億元，原因是淨息差下降了22個基點至1.53%。內地於今年4月下旬降低對大部分商業及外資銀行準備金的規定比率，有助紓緩資金緊絀的情況。儘管如此，東亞中國仍致力削減資金成本。

於2018年6月底，東亞銀行中國業務的企業及個人客戶貸款總額為港幣1,518.02億元，與2017年年底總額比較維持相同水平。客戶存款總額減少4.9%，至港幣1,895.65億元。

資產素質維持穩健，於2018年6月底減值貸款比率為1.59%，按半年計下降20個基點。同時，總減值貸款形成比率為0.98%，較2017年下半年下降47個基點，主要是由於今年上半年新增的減值貸款較去年下半年減少港幣3.55億元。

2018年上半年，中國業務的經營支出為港幣15.93億元，成本對收入比率則為65.5%。成本對收入比率高企主要是由於零售業務轉型計劃的相關投資所致，該計劃奠定東亞中國長遠發展策略的基礎。

東亞中國繼續推行分行網絡精簡計劃，上半年內，共有6間支行與其他網點合併。於2018年6月底，東亞中國於內地44個城市經營共30間分行及71間支行。

2018年上半年，東亞中國加緊推進其零售業務轉型策略。上年度東亞中國與領先的互聯網平台公司開展合作，推出創新的信用卡及消費金融產品，成功以更具成本效益的方式吸納新客戶。東亞中國將加快推進零售業務轉型，進一步加強與領先的互聯網平台公司的合作、升級其流動應用程式、發展電子銀行服務渠道，從而擴大客戶基礎並提升客戶體驗。

企業銀行業務方面，東亞中國專注於發展非房地產貸款、財資產品銷售、綜合交易銀行服務，以及跨境理財方案，藉以優化其資產組合和令收入來源更多元化。東亞中國目前正與東亞銀行集團其他業務部門緊密合作，致力把握大灣區規劃所帶來的機遇。

為提高營運效益及加強風險控制，東亞中國目前採用全面條線化管理模式，並重整其區域的營運架構。東亞中國將繼續投資於科技、整合其分行網絡、實施集中化管理業務流程，並致力處理不良資產及控制成本，以達致可持續發展的目標。

中央政府已於近期公布新措施，讓更多外資參與內地金融業。此等開放舉措將推動內地金融創新，亦為東亞銀行集團帶來更多機遇，為內地及海外客戶的多元化財務需要提供更優質服務。

國際業務

2018年上半年，東亞銀行美國分行的經營業績取得穩健的增長。於2018年6月30日，紐約分行及洛杉磯分行的貸款組合較2017年年底增長9.2%。在資金成本上升、加上對優質貸款資產的激烈競爭而擠壓貸款息差的背景下，期內的經營溢利對上年度同期微升3.8%。資產素質保持穩健，減值貸款比率近乎零。

受就業職位增加及消費信心向上這兩項支持住房支出及商業投資的因素所帶動，美國經濟於2018年上半年持續擴張。然而，來自加息的不確定性及美國政府的貿易政策，正引發對未來前景的憂慮。

本行美國分行將繼續拓展其貸款業務，鎖定優質的企業銀團及雙邊貸款，特別是商業地產行業。美國分行亦將專注發展併購貸款業務，為前景可觀行業以及本行亞洲區客戶提供投資資金。

儘管英國與歐盟就脫歐的談判結果依然未明朗，但本行英國業務仍較去年底錄得穩健的貸款增長(上升13.7%)，商業及住宅物業的貸款申請依然強勁。英國分行繼續為當地社區及來自亞洲的客戶提供服務。

本行的英國貸款組合將透過參與各行業的銀團貸款及「俱樂部貸款交易」進一步實現多元化。英國分行亦將繼續與本行在中國內地的專營服務進行緊密合作，以把握中國人或中國企業投資歐洲所帶來的業務機遇。

新加坡方面，其2018年經濟預期增長為3.2%。新加坡分行將加快發展其銀團及雙邊企業貸款以及貿易融資組合，主力吸納大、中型企業的新客戶，及專注於財資產品的交叉銷售。同時，新加坡分行亦借助本行在內地的專營服務，將繼續致力為中國企業在東南亞的貿易及投資提供高效的融資方案。

儘管2018年上半年營商環境轉趨低緩，本行於馬來西亞營運的離岸銀行—納閩分行仍致力為馬來西亞實力雄厚的客戶提供優質的雙邊企業貸款及銀團貸款服務。納閩分行將繼續特別留意「一帶一路」倡議下來自中國內地的投資，藉此把握新商機。

澳門及台灣業務

今年上半年，澳門分行所在的經營環境變得更具挑戰性。澳門貸款需求疲弱，導致銀行間為爭取客戶的優質資產出現激烈競爭，息差亦因而受壓。澳門分行預料經濟將會放緩，因此著重發展零售銀行業務，並成功擴展單位信託基金及保險產品系列，錄得服務費收入按年增長48.4%。澳門分行計劃於2018年下半年升級其核心銀行服務系統及網上零售銀行服務平台。

台灣分行亦面臨當地經濟不景氣的境況。儘管如此，於2018年6月底，其貸款餘額仍較2017年年底增加4.8%。台灣分行將繼續積極參與當地及國際銀團貸款，物色商機以提升貸款相關的服務費收入，以及吸納客戶的沉澱資金。

展望未來，東亞銀行各海外分行將繼續為來自大中華地區的大型企業客戶提供服務，協助其拓展國際業務。各海外分行亦將加強負債管理，並尋求擴大存款基礎，藉以提升流動性管理及減低資金成本。

其他附屬公司及聯營公司

東亞聯豐投資管理有限公司

2018年上半年，東亞聯豐投資的管理資產錄得3%的增長。這主要是由於東亞聯豐投資不斷成功擴大在歐洲及亞洲的零售及機構客戶群，成為增長的動力。

因應零售投資者對有關中國的投資基金需求日益增長，東亞聯豐投資於今年初推出了「中國滙通基金」。

2018年首季，東亞聯豐投資根據「內地與香港基金互認計劃」，獲准到內地推銷其旗艦產品「亞洲債券及貨幣基金」與「亞太區多元收益基金」。該兩隻基金現正透過內地的零售銀行及網上平台進行分銷。

在區外，東亞聯豐投資亦根據「瑞士與香港基金互認計劃」，將產品分銷範圍進一步擴大至瑞士。

東亞前海證券有限責任公司

本行持有49%權益的東亞前海證券，於2017年12月4日獲中國證券監督管理委員會頒發《經營證券期貨業務許可證》。東亞前海證券已獲准在中國從事多項業務，包括證券承銷與保薦、資產管理、經紀業務及自營交易。該聯營公司已在上述4個領域全面開展業務，並在北京、上海及深圳設有分支機構。

於2018年第2季，東亞前海證券與東亞中國攜手，成功推出旗下首個面向零售投資者的組合資產管理產品，名為「共贏一號」。目前，東亞前海證券正在籌備推出更多資產管理產品。

人力資源

東亞銀行集團於2018年6月30日的僱員人數為9,603人，分布如下：

來自持續經營業務	於2018年 6月30日	於2017年 12月31日 (重報)	於2017年 6月30日 (重報)
香港	5,144	5,305	5,277
中國內地	3,879	4,086	4,115
澳門及台灣	158	156	159
海外	422	431	419
總計	9,603	9,978	9,970

* 自2018年起，僱員人數已參考本行根據香港財務報告準則第8號「經營分部」編制的分部報告而歸類。因此，2017年的僱員人數須予重報，以茲比較。

本行於回顧期內就員工在年假、義工假期及醫療保障方面的福利進一步作出優化。與此同時，本行亦在全行上下推行一系列措施，提升員工對本行願景、使命及核心價值的認識，這個企業文化以兩個指導性原則為主，即審慎的風險管理及須公平待客。本行的高層管理人員及所有總經理級的人員，為其員工舉行了一系列包含互動環節的分享會，與員工分享本行的願景及文化。此外，本行為高級行政人員舉辦策略領導管理培訓、為日常負責管理員工的經理提供績效管理培訓、為全體員工提供風險管理培訓，以及為新加入的員工提供有關核心價值及操守準則的入職培訓等等。同時，本行繼續積極籌辦見習管理人員的計劃，為未來的領導職務培養人才。

未來展望

展望

2018年上半年的全球經濟狀況大致向好，但下半年前景則不太明朗。尤其是貿易糾紛升級引發關注，市場憂慮全球貿易往來及投資者情緒將受到不利影響。

2018年下半年，東亞銀行將繼續專注於深化數碼化轉型進程、拓展服務費收入、控制營運成本，以及改善資產素質。

數碼化轉型

本行向來著重深化與客戶的關係、提升客戶體驗，加強網絡安全措施，以及保障個人資料及交易的私隱，故發展嶄新的數碼、流動和金融科技方案仍將是本行的首要工作之一。數碼互動及金融科技合作將得到進一步提升，本行亦計劃推出新的支付方案以滿足商戶及客戶的需求。

非利息收入

東亞銀行將專注於提升個人／企業財富管理及私人銀行服務等業務的非利息收入，並將進一步加強提升銷售證券及經紀服務、保險及投資產品以及資產管理服務，從而產生額外的經常性服務費及佣金收入。此外，本行將充分利用其在內地設立的網點，進一步整合及拓展跨境銀行服務能力。

成本控制

就本行於3年內，即今年年底前節省共港幣7億元的成本控制計劃，推行進度良好。未來，本行將繼續尋求方法減少結構性失效的經營情況，以抑制日後營運成本不斷增加。

資產素質

東亞銀行將繼續縮減在內地對高信貸風險及受經濟周期影響行業的貸款業務。貸款予內地客戶的資產素質指標將持續樂觀。因此，預計本年度的貸款減值支出將會減少。

中國零售業務轉型

隨著內地政府嚴格推行去槓桿及減低金融風險的措施，在內地經營的銀行因流動性緊絀及資金成本上升而持續受壓。

為使能夠成功在此環境中經營業務，東亞中國將繼續投資於科技及其零售轉型，並採取審慎措施管理其資產負債組合及資產素質。

隨著內地活躍中產階級興起，而且消費支出強勁上升，加上電子商貿與金融科技平台的發展壯大，東亞中國計劃充分利用其全國經營牌照及分行網絡，以拓展旗下的零售貸款組合。

東亞中國將進一步利用科技提升客戶體驗、管理信貸風險及營運風險、提升效率及實現業務擴展。

同時，本行將進一步物色與業務夥伴的合作機會以吸納新客戶；而與互聯網／流動平台的強大合作關係將會創造新商機，以開發創新解決方案，滿足客戶不斷轉變的需求。

建基百年 邁向新里程

東亞銀行將於明年迎來成立100周年誌慶，本行將舉辦一系列活動，與客戶、股東及社會各界共同慶祝這個重要時刻。

展望未來，東亞銀行仍將堅定不移為廣大的客戶及社群提供優質金融方案，致力成為大中華及其他地區客戶信任及首選的銀行夥伴。

風險管理

根據香港金融管理局及其他監管機構的規定，本集團已建立一個有效的風險管治及管理架構。該架構的構造讓董事會及高層管理人員能夠以適當授權和制衡方式履行其風險管理的相關職責。此等職責包括根據本集團的業務策略及目標設定風險偏好、制定風險政策以管理上述策略的執行，並設立風險審批、控制、監控及補救的程序及限制。

風險委員會為本集團僅次於董事會的最高風險管治機構，成員包括4名獨立非執行董事（包括委員會主席）及兩名非執行董事。風險委員會直接監督本集團機構風險偏好的制定，並設定本集團因應其財務能力、策略性指引、當前市場情況以及監管要求而可承擔的風險水平。

風險委員會亦確保本集團的風險偏好獲反映於政策及程序上，讓高層管理人員及相關的分處主管加以採用，以行使其業務職能。透過本集團行政層面的各個管理委員會，包括危機管理委員會、風險管理委員會、信貸委員會、資產負債管理委員會及營運風險管理委員會，並在風險管理處的整體協調下，風險委員會定期檢討本集團的風險管理架構，確保根據現有政策及運用適當資源執行所有與風險相關的重要任務。

本集團已推行企業風險管理架構。此企業風險管理架構旨在全面有效地識別及管理潛在風險、實踐金管局對本集團作為一間具本地系統重要性銀行在風險管理方面的更高期望，以及鞏固「三道防線」風險管理模式。

為確保風險管理於本集團內有關的角色與責任能明確分工，本集團已採納「三道防線」風險管理框架。「三道防線」模式概述如下：

- 第一道防線為「風險負責人」，由總行各分處／部門主管及各重要附屬公司主管，連同其屬下職員組成，主要負責其業務單位的日常風險管理，包括特定風險管理機制及具體程序的設立及執行。
- 第二道防線為「風險監控人」，由總行指定的分處／部門主管組成。在其本身所屬分處／部門的支援下，風險監控人負責制定風險管理管治架構、獨立監督風險及輔助各管理委員會監控風險管理。
- 第三道防線為稽核處。稽核處負責為本集團風險管理架構（包括風險管治安排）的有效性提供保證。

集團風險總監協調本集團所有風險管理相關事務，與各風險監控人就風險管理政策的制定緊密協作，並透過與所有風險監控人及風險負責人的職能工作關係，在集團層面監督風險。

本集團已制定政策，以識別、衡量、監察、控制及匯報各類風險，並於適當的情況下調配資本以抵禦該等風險。本集團的主要風險管理政策及控制限額由董事會批准，並且受到監控及定期檢討，以符合市場轉變及法定要求，及達致風險管理程序的最佳做法。董事會已將持續管理風險的責任授予風險委員會及有關的管理委員會。與重要風險管理相關的事項須上報至監督風險管理的董事會。此外，集團風險總監的日常職責為監督集團風險管理相關事項，包括但不限於風險管理基礎架構及策略、風險偏好、風險管治文化及有關資源。

壓力測試為本集團風險管理的重要部分。東亞銀行定期對相關的主要風險進行壓力測試，評估受壓營商環境（包括中國內地及香港出現嚴重經濟下滑等假設情景）對本集團的財務狀況，尤其是資本充足、盈利能力及流動性可能產生的影響。有需要時，管理層亦會果斷制定並執行應對措施以減低潛在影響。

(a) 信貸風險管理

信貸風險是指因借款人或交易對手未能履行其責任而導致損失的風險。

信貸委員會負責管理所有與本集團信貸風險有關的事項，而本集團風險管理處轄下的信貸風險管理部則負責監察與信貸風險有關的活動。本集團透過設定目標市場、制定適當的信貸政策、進行信貸評核，以及監控資產素質，來識別和管理信貸風險。信貸風險控制限額設有不同層次。釐定所有限額時會考慮風險、回報及市場情況，並且採用積極限額監控程序。

在評估與個別客戶或交易對手相關的信貸風險時，其財政實力以及還款能力是主要的考慮因素。此外，客戶或交易對手所提供的抵押品亦有助減低信貸風險。

本集團已制定多項政策、程序及評級系統，以識別、衡量、監察、控制及匯報信貸風險。在此方面，本集團已將信貸風險管理指引詳列於集團的信貸風險管理手冊內，對信貸權限授權、授信標準、信貸監控程序、內部評級架構、信貸追收程序及撥備政策訂下規定。本集團持續檢討和改善該等指引，以配合市場轉變及有關法定要求，以及達致風險管理程序的最佳做法。

(b) 市場風險管理

市場風險是指由市場因素，例如利率、外匯、股票價格及商品價格的不利變動而導致本集團在溢利或虧損的風險。市場風險管理旨在減少財務工具內在波動性為本集團帶來的風險。

資產負債管理委員會負責處理所有與本集團市場風險有關的事項，亦負責定期檢討利率走勢及釐定相應的未來業務策略。本集團風險管理處轄下的資產負債管理部，負責監察與市場風險有關的活動。

透過衍生工具進行自營交易及向客戶出售衍生工具以用作風險管理產品，為本集團其中一項重要業務。此等工具亦用以管理本集團所承受的市場風險，作為本集團資產負債管理的一部分。本集團所採用的衍生工具主要為利率、外匯和股份相關合約，即為場外或場內交易的衍生工具。本集團大部分的衍生工具持倉均為切合客戶需求，以及為此等和其他交易項目而進行對沖。

在此方面，本集團必須管理的主要市場風險包括：

(i) 貨幣風險

本集團的外幣持倉源自外匯買賣(包括衍生工具)、商業銀行業務和結構性外匯風險。本集團的非結構性外匯風險主要以美元及人民幣為單位。所有外幣持倉均維持在董事會或資產負債管理委員會所訂定的限額內。

結構性外匯持倉主要源自於本集團分行、附屬公司和聯營公司的外匯投資，其有關的溢利或虧損因為已撥入儲備，所以未計算在風險值內。管理此等外匯投資的主要目的，是保障本集團的儲備免受匯率波動的影響。本集團盡力將以外幣計值的資產與以同一貨幣計值的負債，保持在相若水平。

(ii) 利率風險

本集團的交易組合中的利率持倉來自財資及商業銀行業務的動態對沖。利率風險由本集團資金市場處按董事會或資產負債管理委員會批准的限額範圍進行日常管理。管理利率風險的工具包括利率掉期和其他衍生工具。

(iii) 股份風險

本集團的股份持倉來自股份投資及客戶業務的動態對沖。股份風險由投資部按董事會、投資委員會或資產負債管理委員會批准的限額範圍進行日常管理。

市場風險控制限額設有不同層次以配合各類業務的實際需要。董事會審批核心控制限額並授權資產負債管理委員會審批具體的控制限額。釐定限額時會考慮風險、回報及市場情況等因素，並且採用積極限額監控程序。

在此方面，資產負債管理委員會負責監察本集團進行風險活動時所產生的相關市場風險，確保整體及個別市場風險處於本集團的風險承受範圍內。本集團會經常監控風險承擔情況，以確保所承擔風險屬於既定的控制限額內。

本集團運用風險值來量化相關交易組合的市場風險。風險值是統計學上的估計，用來量度於某一時段內持倉維持不變的情況下，因市場息率及價格的不利波動而引致組合的市值潛在虧損。

本集團通過歷史模擬法評估本集團交易組合的風險值，其按從歷史觀察期中截獲的每個市場波動情景對有關組合進行重新估值以計算風險值。該方法是依據1日持倉期、99%置信水平以及過往兩年觀察期來推算市場利率與價格的波動。

由分行及附屬公司的淨投資產生的結構性外匯持倉不包括在計算外匯交易持倉的風險值內。

上市股份的市值、私人股份基金及非上市股份(統稱「非上市證券」)的公平價值均由本集團投資部按限額管理。非上市證券及非交易上市股份是根據特定限額管理，且不包括在交易股份持倉的風險值計算內。資產負債管理委員會須定期檢討該限額。

風險值統計

	2018年上半年			
	於6月30日	最高	最低	平均
	港幣百萬元	港幣百萬元	港幣百萬元	港幣百萬元
交易活動的風險值總額	38	41	34	38
外匯交易持倉的風險值*	14	14	7	10
利率交易持倉的風險值	6	8	5	7
股份交易持倉的風險值	24	32	23	27

	2017年上半年			
	於6月30日	最高	最低	平均
	港幣百萬元	港幣百萬元	港幣百萬元	港幣百萬元
交易活動的風險值總額	43	49	38	42
外匯交易持倉的風險值*	9	17	9	14
利率交易持倉的風險值	3	4	2	3
股份交易持倉的風險值	35	37	25	29

* 包括所有外匯持倉但不包括結構性外匯持倉。

於2018年上半年，所有交易活動(包括外匯、利率及股份交易活動)所得的每日平均收入為港幣248萬元(2017年上半年的每日平均收入為港幣276萬元)。期內每日盈虧標準差為港幣1,050萬元(2017年同期標準差為港幣443萬元)。

(c) 營運風險管理

營運風險是指由於內部流程、人員和系統的不足或缺陷，或因外部事件而導致損失的風險。

營運風險管理的目的在於有系統及有效地識別、評估、監控及匯報營運風險；減少任何營運虧損及對本集團的其他影響；以及遵守相關監管規定的要求。

營運風險管理委員會負責監督本集團的營運風險管理，而本集團風險管理處轄下的營運風險管理部則負責監察與營運風險有關的活動。

本集團所採用的營運風險管理工具包括營運風險事件匯報、風險評估、關鍵風險指標、營運手冊、保險政策等。

(d) 流動性風險管理

流動性風險是指本集團因未能獲得充足資金投入而可能無法履行到期責任的風險（資金流動性風險）；或因市場深度不足或市場失序，本集團非得大幅降低市場價格的情況下無法輕易迅速變現資產的風險（市場流動性風險）。

流動性風險管理是為了確保本集團維持充足的現金流量以履行所有財務承擔，並掌握業務擴展的機會。當中包括確保本集團能夠在即時或合約期滿時滿足提款要求，在借款期滿時能夠還款，掌握貸款和投資的機會，以及符合所有有關流動性風險管理的法定規定，包括流動性覆蓋比率及穩定資金淨額比率。

資產負債管理委員會獲董事會授權，負責監察本集團的流動性風險管理。資產負債管理委員會制訂管理流動性風險的策略、政策及限額，以及確保執行有關策略與政策的措施。委員會定期舉行會議，檢討各既有監控架構的合規情況，以及是否需要改變策略及政策。流動資金狀況由本集團資金市場處轄下的資本市場及流動資金管理部每日按所訂限額範圍進行管理。本集團風險管理處轄下的資產負債管理部負責監察與流動性風險相關的活動。稽核處會定期作出檢討，確保流動性風險管理功能得以有效執行。

流動性覆蓋比率及穩定資金淨額比率對本集團的流動性風險管理施加更嚴格的監管制度。流動性覆蓋比率於2015年1月1日起生效，其要求本集團持有充足的優質流動資產以抵禦為期30日的預設壓力情景，以此提升本集團對抵禦短期流動性風險的抗逆能力。按要求本集團必須於2019年達致最低流動性覆蓋比率。過渡期間，有關百分比將由2015年的60%升至2019年的100%，自2016年起監管要求每年增加10%。

穩定資金淨額比率於2018年1月1日起生效，其作為對流動性覆蓋比率的補充，用於監測長期的資金風險，要求銀行具備充足穩定的資金來源。目前，本集團的穩定資金淨額比率一直維持在100%或以上的水平。為確保遵守提高後的監管要求，本集團於參考其流動性風險偏好後，為流動性覆蓋比率及穩定資金淨額比率設定的內部目標均高於上述監管規定水平。此外，資產負債管理委員會會定期檢閱流動性覆蓋比率及穩定資金淨額比率的重大變動，並提出建議補救措施，以應對來自（但不限於）存款基礎及其餘下到期期限、不同到期期限的貸款活動以及本集團資產及負債組合策略所產生的不利變動。在規劃資產及負債組合策略時，相關業務單位協助本集團評估資產增長及資金結構對流動性覆蓋比率及穩定資金淨額比率的影響，以供資產負債管理委員會檢討和作出決策。

為有效地管理流動性覆蓋比率及穩定資金淨額比率，本集團特別著重存留忠實客戶及維持客戶關係，藉以增強存款基礎。本集團在零售、小企業以及批發市場資金之間保持平衡，避免資金集中於任何一種來源。本集團透過發行存款證、中期票據、後償債項、貨幣市場拆借及借貸進入專業市場，獲取額外資金，以此維持本行於本地金融市場的地位及優化資產及負債的期限。

內部方面，集團內公司之間的融資交易乃按一般正常公平交易原則進行，處理方式與第三方交易一致，並會定期進行監察及適當控制。

除了緊守法定的流動性覆蓋比率及穩定資金淨額比率外，本集團已設立不同的流動性指標，以衡量及分析流動性風險，包括(但不限於)貸存比率、累積到期錯配比例、資金集中比率、集團內公司之間風險限額以及跨貨幣資金比率。

由於本集團大部分流動性風險來自資產與負債組合之間的期限錯配差距，本集團會透過使用本行的管理資訊系統，定期對一系列時間內的資產負債表內、外項目進行現金流量分析及預測，確定特定時間組別的資金需要，從而管理流動性風險。本集團維持充足的優質流動資產，作為能夠在資金受壓時可取用的流動資金緩衝。為滿足流動性覆蓋比率所需的優質流動資產包括：現金、外匯基金票據和債券、優質的政府債務票據，以及其他同等的而可供出售的流動資產。其中大部分優質流動資產以港幣計值。本集團維持應急資金來源，能提供策略性的流動資金，以應付未能預計及大量的資金需求。

本集團亦會定期進行壓力測試，以分析流動性風險。透過適用的虛擬及歷史假設，本集團的壓力測試均已考慮資產負債表內、外項目及其對現金流造成的影響。市場流動性風險的評估及檢討納入各個控制環節，包括投資／交易策略、市場風險監控、估值及組合檢討。三個壓力情景—即個別銀行危機、整體市場危機，以及結合上述兩種情況的綜合危機—均採用金管局監管政策手冊LM-2「穩健的流動性風險管理制度及管控措施」界定的最短存活期。

本集團會參照壓力測試結果，確認集團內的潛在弱點，並制訂應急資金政策及計劃，當中載列了本集團處理流動資金問題的策略及於緊急情況下彌補現金流不足的程序。

應急資金政策旨在提供防患未然的積極措施，並訂明以下3個階段：

1. 本集團運用預早警報指標，當中包括質量性及數量性的措施，及監察內部及外在因素。假如有任何早期跡象顯示本集團流動資金狀況將受重大影響，應通知資產負債管理委員會。資產負債管理委員會將考慮適當的補救措施，並在情況需要時會考慮採用危機管理措施。
2. 本集團已設立危機管理委員會，並由主席兼行政總裁擔任該委員會的主席，該委員會專責處理危機，並明確訂明取得應急資金的策略及程序，以及有關各方的職務及職責。
3. 於最後階段，本集團會在危機結束後對問題進行檢討，並作出必要改進，避免日後出現同類事件。

為應付商業環境中的任何轉變，本集團每年進行演習測試，並定期檢討應急資金政策。應急資金政策如有任何重大變動，均須取得董事會批准。

已發行存款證、債務證券及借貸資本

於2018年上半年，東亞銀行發行了面值為7.88億美元的浮息存款證及債務證券；面值為港幣38.09億元、2.87億美元、4.60億歐元及15.00億日圓的定息存款證及債務證券；以及面值為港幣8.78億元、18.92億美元、人民幣98.50億元、2.44億英鎊及7,500萬瑞士法郎的零息存款證及債務證券。本集團於到期時贖回各類存款證及債務證券達等值港幣332.05億元。

於2018年6月底，已發行在外的存款證及債務證券面值相等於港幣519.63億元，賬面值則相等於港幣516.78億元。

已發行存款證及債務證券的年期

於2018年6月30日

(以百萬元位列示)

	總面值	到期年份		
		2018	2019	2020
浮息				
美元	855	47	788	20
定息 (附註)				
港幣	4,335	2,775	1,560	
美元	530	471	59	
日圓	3,500	2,000	1,500	
瑞士法郎	40	40		
歐元	220	220		
零息				
港幣	1,371	1,371		
美元	2,319	2,094	225	
人民幣	8,550	7,380	1,170	
英鎊	315	118	197	
日圓	2,000	2,000		
瑞士法郎	95	20	75	
歐元	35	35		
所有已發行存款證及債務證券 (港幣等值)	51,963	37,708	14,098	157

附註：

已就管理已發行長期存款證及債務證券附帶的利率風險，安排認為必要的相關利率掉期。

於2018年6月底，已發行的借貸資本面值相等於港幣125.54億元，賬面值則相等於港幣123.06億元。

借貨資本的年期
於2018年6月30日
(以百萬元位列示)

	總面值	到期年份		
		2020	2024	2026
美元(附註1及2)	1,600	600	500	500
所有已發行借貨資本(港幣等值)	12,554	4,708	3,923	3,923

附註：

1. 將於2024年到期的5億美元借貨資本於2019年11月20日可贖回。
2. 將於2026年到期的5億美元借貨資本於2021年11月3日可贖回。

(e) 利率風險管理

利率風險是指不利的利率變動帶來的風險。資產負債管理委員會獲董事會授權，負責監察本集團的利率風險管理，訂立管理利率風險的策略與政策，並制定相應措施，以確保執行有關策略與政策。利率風險由本集團資金市場處按董事會或資產負債管理委員會批核的限額範圍進行日常管理。本集團風險管理處轄下的資產負債管理部，負責監察利率風險相關的活動。稽核處會定期作出檢討，確保利率風險管理功能得以有效執行。

利率風險主要是由銀行賬冊內帶息資產、負債及資產負債表外項目在再定息時的時差所致。釐定利率風險水平時，對重訂息率風險、息率基準風險、期權風險及收益率曲線風險進行評估。本集團管理銀行賬冊上的利率風險主要集中於重訂息率的錯配。差距分析可讓本集團從靜態角度瞭解資產、負債和資產負債表外持倉的到期情況及重訂息率特點。本行設有重訂息率差距限額，以控制本集團的利率風險。

本集團每月進行敏感度分析，以估算利率變動對盈利和經濟價值的影響，當中假設本集團資產、負債和資產負債表外持倉的收益率曲線出現200個基點的利率衝擊。本集團設有敏感度限額，以控制本集團的盈利及經濟價值兩方面的利率風險承擔。有關結果會定期向資產負債管理委員會匯報。

(f) 策略性風險管理

策略性風險是指因本集團營運環境變動、不良策略決策、決策實施不當或對行業、經濟或技術變動反應遲緩而對本集團盈利、資本、信譽或地位造成當前或潛在影響的風險。

本集團轄下的風險管理處監控本集團現行生息資產組合及資金策略下的活動，並於適當情況下定期向資產負債管理委員會、風險管理委員會、風險委員會及董事會匯報有關情況。

本集團亦定期透過資本充足比率預計及內部資本充足評估程序進行資本管理，以評估支援本集團在風險可承受水平上所需的資本資源水平及結構。

(g) 法律風險管理

法律風險是指出現合約未能執行、訴訟或不利審判的情況，可能對本集團的日常運作或財務狀況造成擾亂或負面影響而導致損失的風險。

法律風險管理的目的，在於識別、評估、監控及匯報法律風險，以及遵守相關法律及監管規定的要求。

本集團提供由合資格內部人員及／或外聘律師／專業人士講解的適當培訓課程，並向員工發出定期提示。當處理法律事宜，本集團諮詢合資格內部人員，並於必要及適當的情況下徵詢具備相應專業知識的外聘律師（包括大律師及資深大律師）的意見。

營運風險管理委員會負責監督本集團的法律風險管理。

(h) 信譽風險管理

信譽風險是指因對本集團一項或多項有關營商手法、行為或財務狀況事件的負面報導而損及本集團信譽的風險。此等負面報導，不管真確與否，有可能影響公眾對本集團的信心，並可能導致高昂的訴訟費用，或令本集團客戶、業務及／或收入減少。

信譽風險管理的目的在於識別、評估、監控、匯報及緩解有關風險，以及確保符合相關監管規定的要求。

本集團制定各項政策、指引、手冊及守則，確保遵守適用法例、規則及規例，同時確保本集團維持高水準的企業管治，藉此保障及提升本集團的信譽。

本集團制定並遵從信譽風險管理手冊，該手冊載錄對信譽風險實施系統化管理的方法，包括識別、評估、監控、緩解及控制信譽風險的機制，藉此保護及提升本集團的信譽。本集團已建立事件應對及管理指引，以快速應對並管理未能預期的事件，並已建立媒體指引，以確保有效及一致地將本集團的關鍵信息傳達予媒體。

營運風險管理委員會負責監督本集團的信譽風險管理。

(i) 合規風險管理

合規風險是指因法律及監管制裁、罰金或罰款、財務損失，或因未能遵守適用於本集團業務活動的法例、規例、規則、相關自我監管機構所定的標準及行為守則令聲譽受損，而導致本集團損失的風險。

本集團已制定各項政策、指引及手冊，確保遵守所有適用法例、規則、行為守則、行業標準及有關監管機構發出的規管本集團營運的指引。本集團已制定並遵從集團合規風險管理手冊，該手冊載錄對合規風險實施系統化管理的方法，包括識別、評估、監控、緩解及控制合規風險的機制，藉此令本集團有效地管理合規風險，並採用風險為本的方式對本行主要職能進行獨立合規監察審查。

(j) 科技風險管理

科技風險是指因技術程序、人員及／或計算系統不足或出現故障；或因未經授權使用或破壞技術資源(尤其在涉及網絡安全及電子銀行時)導致本集團損失的風險。

為應對日漸上升的網絡安全威脅，本集團已根據既定風險偏好級別投入充足的網絡安全資源和實施適當的控制措施。本集團已制定科技風險相關政策及網絡安全策略，以及全面的安全意識計劃，以加強各個級別的網絡安全。

本集團亦已為科技風險設立妥善管理框架。處於集團頂層的董事會及其指定委員會負責對本集團科技風險的整體管理，統領各工作小組及「三道防線」解決個別領域的問題。

本集團繼續落實全面的控制政策、標準、指引及程序，確保充分實施與網絡系統及應用程式安全、客戶身份驗證、新產品及服務風險評估、以及資料保密及完整性相關的控制措施。

(k) 新產品及業務風險管理

新產品及業務風險是指本集團在新產品推出、現有產品結構性變動及新業務運作(即透過設立新附屬公司及／或合併或收購)時，未充分預先評估其重大潛在風險，而導致本集團損失的風險。此等重大潛在風險包括信貸風險、市場風險、營運風險、流動性風險、利率風險、法律風險、科技風險、合規風險、策略性風險、信譽風險及持續業務運作風險。

本集團已建立穩健風險管治架構，並以全面的控制指引及程序確保其實施。結構嚴密而有序的評估程序，確保本集團在推出新產品或業務前對潛在重大風險作出適當評估、記錄及審查。該程序亦有助高層管理人員監督新產品及業務。

每一個新產品的推出，須通過審批過程，包括業務和財務分析和風險評估。這些新產品首先由新產品評審工作組審核及評估，再由新產品及業務風險管理督導組認可及由風險管理委員會批准。新產品評審工作組由支援／監控職能的部門主管及風險監控代表組成；而督導組的主席為集團風險總監，並由支援／監控職能的處級主管組成。

(I) 持續業務運作風險管理

持續業務運作風險是指事件或危機發生時業務中斷導致損失的風險。業務中斷可能由員工、資訊科技及電訊系統、行址、主要服務提供者、關鍵紀錄等相關損失而引致。

為管理持續業務運作風險，本集團已制定全面的政策、指引及手冊。本集團所有個別職能單位均進行業務影響分析及制定業務持續規劃。

本集團每年進行演習以測試業務持續規劃是否備妥及有效。

企業社會責任

東亞銀行集團根據其社區投資計劃下的3大核心範疇－即教育、社會福利及環境，透過舉辦義工活動、慈善捐獻及其他援助方式，支持一系列的重要活動。

本行連續第3年冠名贊助「公益金東亞慈善高爾夫球賽」，為香港公益金會員機構轄下的精神健康服務籌得近港幣230萬元善款。環境方面，東亞銀行在香港環境卓越大獎中的服務及貿易業組別榮獲「金獎」，嘉許其在環境管理上的出色表現。

東亞銀行慈善基金繼續資助其3大主要慈善項目的受惠機構，該3大項目為：安老院舍完善人生關顧計劃、東亞銀行親子閱讀證書獎勵計劃及東亞培賢社。內地方面，上海宋慶齡基金會－東亞銀行公益基金已延續其對「螢火蟲樂園發展計劃」的資助承諾，於2018年5月與“la Caixa”基金會簽訂協議，在未來3年繼續為鄉村學校教育發展提供資助。

2018年6月，本行為高級行政人員及經理級別的員工舉行一系列關於環境、社會及管治的工作坊，旨在加深他們對可持續發展議題的理解和提高集團上下對環境、社會及管治重要性的認識。東亞銀行繼續通過本集團的企業社會責任工作小組，確保轄下各業務單位於回顧期內全面遵守企業社會責任政策、環境政策及其他相關守則及指引。有關東亞銀行的社區投資活動以及在環境、社會及管治方面的表現，請參閱本集團的《環境、社會及管治報告》以獲得更多資訊，該報告已上載於本行的企業網站www.hkbea.com（關於東亞銀行／企業社會責任）。

獎項

本行於2018年上半年表現卓越，先後獲頒發多個獎項，包括：

- 香港中小型企業總商會之「中小企業最佳拍檔獎2018」(連續第11年獲獎)；
- 華富財經(香港)有限公司之「華富財經傑出企業大獎2017—傑出中小企業服務機構(銀行)」(連續第5年獲獎)；
- 經濟通之「金融科技大獎2017之『傑出智能數碼分行』」；
- 新城財經台之「香港企業領袖品牌2018之『卓越創新智能銀行服務品牌』」；
- Le Fonti 之「Le Fonti大獎之『年度卓越創新銀行—中國』」；
- 《亞洲銀行家》之「亞洲銀行家2018年度國際卓越零售金融服務獎項計劃」之『香港最佳零售銀行』及『年度最佳數碼化分銷網絡』；
- 《彭博商業周刊》(中文版)之「金融機構大獎 2018」之『分行創新服務—卓越大獎』、『零售銀行—傑出大獎』、『手機應用服務—傑出大獎』及『整合營銷策略—傑出大獎』；
- 銀聯國際之「UPOP 商戶量卓越獎 2017」；
- 萬事達卡之「最創新網上付款平台Mastercard® Send™ —BEA i—Payment Hub」及「最佳青年卡 —BEA i—Titanium Card」；以及
- 富盛亞洲傳媒有限公司之「2017《指標》私人財富大獎：『年度中國團隊銅獎得主』」。

此外，東亞銀行(中國)有限公司亦獲得以下殊榮：

- 銀行業理財登記託管中心有限公司之「2017年全國銀行業理財訊息登記工作『優秀外資銀行』獎」；
- 中國外匯交易中心暨全國銀行間同業拆借中心之「2017年度銀行間本幣市場活躍交易商」；
- 中央國債登記結算有限責任公司之「2017年度中債優秀成員之『優秀自營機構獎』」；以及
- 中國網絡金融聯盟—中國計算機用戶協會金融互聯網分會之「2017年度銀行業網絡金融創新獎之『最佳交易銀行獎』」。

東亞聯豐投資在其管理及基金業績方面均表現卓越，先後獲得多個獎項：

- 《指標》之「《指標》基金 2017年度大獎：最佳亞洲固定收益基金公司」；及
- 《財資》雜誌之「2018年度財資基準研究—最佳亞洲本地貨幣債券投資公司之一(香港)」。

頒予東亞聯豐亞洲債券及貨幣基金的包括：

- 「湯森路透理柏基金香港年獎2018」之「最佳亞太區債券基金(強勢貨幣)」(按其過往3年業績)；及
- 「湯森路透理柏基金香港年獎2018」之「最佳亞太區債券基金(強勢貨幣)」(按其過往5年業績)。

董事資料的變動

根據《上市規則》第13.51B(1)條，自刊發本行2017年報起直至2018年8月29日（為通過本行2018中期報告當天）期間，董事按《上市規則》第13.51(2)條第(a)至(e)段及第(g)段規定披露資料的變動如下：

有關擔任其他公司董事職務及其他主要任命的變動

<u>董事姓名</u>	<u>其他公司董事職務及任命</u>
李國章教授	退任中國人民政治協商會議全國委員會委員
范禮賢博士	由2015年開始出任歐洲儲蓄銀行集團 (ESBG) 主席直至2018年6月，現為該集團的副主席
李家傑博士	獲委任為小米集團(在香港上市)之獨立非執行董事
李民斌先生	獲委任為香港特別行政區政府行政長官創新及策略發展顧問團成員及辭任香港管理專業協會理事會委員
黃永光博士	獲委任為楊協成有限公司(在新加坡上市)之非獨立非執行董事、獲委任為第十三屆中國人民政治協商會議北京市委員會委員及獲委任為香港貿易發展局內地商貿諮詢委員會委員
李國本博士	獲委任為牛奶國際控股有限公司(在倫敦、百慕達及新加坡上市)之非執行董事

有關董事酬金的變動

於2018年4月1日起，支付予本行行政總裁李國寶爵士的年度基本薪酬已由港幣1,090萬元增加至港幣1,130萬元。

除以上所述外，本行董事並無其他資料需根據《上市規則》第13.51B (1)條而作出披露。

董事及行政總裁權益

於2018年6月30日，根據《證券及期貨條例》第352條須予備存的登記冊（「該登記冊」）所記錄，本行各董事及行政總裁於本行及其相聯法團的股份、相關股份及債權證中擁有的權益及淡倉如下：

I. 本行普通股股份權益的好倉：

姓名	身分及性質	股份數目	總數	佔已發行 有投票權股份 的百分率
李國寶	實益擁有人 配偶的權益 法團的權益 遺產執行人	80,483,127 2,105,951 244,680 10,663,389	93,497,147 ¹	3.33
李國章	實益擁有人 法團的權益 遺產執行人	12,649,091 17,120,043 10,663,389	40,432,523 ²	1.44
黃子欣	實益擁有人 配偶的權益 酌情信託的成立人 及受益人	441,381 136 16,552,192	16,993,709 ³	0.61
李國星	實益擁有人 配偶的權益 法團的權益	1,187,385 23,229 16,796,722	18,007,336 ⁴	0.64
羅友禮	—	—	無	無
李國仕	實益擁有人 子女的權益 酌情信託的受益人 遺產管理人	11,170,164 649,336 235,735 1,277,259	13,332,494 ⁵	0.47
范禮賢	—	—	無	無
李家傑	法團的權益	679,000	679,000 ⁶	0.02
李民橋	實益擁有人 子女的權益 酌情信託的財產 授予人／成立人	1,079,032 7,375 2,072,330	3,158,737 ⁷	0.11
李民斌	實益擁有人 法團的權益	2,357,009 779,633	3,136,642 ⁸	0.11

姓名	身分及性質	股份數目	總數	佔已發行 有投票權股份 的百分率
黃永光	—	—	無	無
奧正之	—	—	無	無
范徐麗泰	—	—	無	無
李國榮	—	—	無	無
唐英年	—	—	無	無
陳健波	—	—	無	無
李國本	—	—	無	無

附註：

- 1 李國寶為80,483,127股的實益擁有人。由於其配偶潘金翠擁有2,105,951股之權益，他亦被視為擁有該等股份。他亦被視為擁有由李國寶慈善基金有限公司持有的244,680股，李國寶為該慈善機構的董事兼唯一成員。李國寶作為一個遺產的其中一位執行人，因而被視為擁有該遺產所持有的10,663,389股。李國章作為該遺產的其中一位執行人，亦被視為擁有同一批10,663,389股（請參閱下列附註2）。
- 2 李國章為12,649,091股的實益擁有人。他亦被視為擁有由Dapa Company Limited持有的17,120,043股，該公司為李國章全資擁有。李國章作為一個遺產的其中一位執行人，因而被視為擁有該遺產所持有的10,663,389股。李國寶作為該遺產的其中一位執行人，亦被視為擁有同一批10,663,389股（請參閱上列附註1）。
- 3 黃子欣為441,381股的實益擁有人。由於其配偶郭志蕙（已歿）擁有136股之權益，黃子欣被視為擁有該等股份。而由於黃子欣為一個酌情信託Allan Wong 2011 Trust的成立人及一位合資格受益人，他亦被視為擁有該酌情信託所持有的16,552,192股。
- 4 李國星為1,187,385股的實益擁有人。由於其配偶吳伊莉擁有23,229股之權益，他亦被視為擁有該等股份。李國星因全資擁有Hope Lake Ltd.而被視為擁有該公司所持有的16,796,722股。
- 5 李國仕為11,170,164股的實益擁有人。他亦被視為擁有由其子女持有的649,336股。李國仕作為一個遺產的其中一位管理人，因而被視為擁有該遺產持有的1,277,259股。而由於李國仕的子女為一個酌情信託Longevity Trust的受益人，李國仕亦被視為擁有該酌情信託所持有的235,735股。
- 6 李家傑被視為擁有由Golf Limited持有的679,000股，該公司為李家傑全資擁有。
- 7 李民橋為1,079,032股的實益擁有人。他亦被視為擁有由其18歲以下子女持有的7,375股。李民橋自願披露其作為財產授予人／成立人的一個酌情信託所持有的2,072,330股，由於他不可以影響受託人如何行使其酌情權，有關披露純屬自願性質。
- 8 李民斌為2,357,009股的實益擁有人。他亦被視為擁有由Triple Kingdom Limited持有的779,633股，該公司為李民斌全資擁有。

II. 本行相關股份(就股本衍生工具而言)的好倉：

根據本行的認可僱員認股計劃，李國寶、李民橋及李民斌獲授予認股權，以認購本行普通股股份。該等認股權屬於非上市以實物交收的期權。有關此等認股權在截至2018年6月30日止6個月內的資料，見於本報告「認股權資料」項下。

III. 混合一級資本工具的權益：

黃子欣為下列資本工具的實益擁有人^{附註}：

發行人	證券種類／類別	債權證數額	股份數目
東亞銀行有限公司	後償票據	7,000,000美元	-
Innovate Holdings Limited	優先股	-	7,000
東亞銀行有限公司	替代優先股(尚未發行)	-	7,000

附註：本行於2009年11月發行面值為5億美元的混合一級資本工具。該資本工具包括由本行發行並於2059年到期的步升後償票據(票據息率為年利率8.5%)(「2059 票據」)，以及由本行全資附屬公司Innovate Holdings Limited發行之永久非累積步升優先股(「Innovate優先股」)。2059 票據連同Innovate優先股以不可分拆單位形式於新加坡交易所上市。替代優先股(永久非累積步升優先股)由本行設立及將於發生替代事件(定義見日期為2009年11月11日本行發出之致股東通函)時發行以作為發行 2059 票據及Innovate優先股的條款之一。

除上述披露外，概無其他本行或其任何相聯法團的股份、相關股份或債權證的權益或淡倉載於該登記冊內。

認股權資料

根據《上市規則》所披露有關認股權的資料如下：

(1) 截至2018年6月30日止6個月內認股權的變動：

姓名	授予日期	認股權數目				於30/6/2018 尚未行使
		於01/1/2018 尚未行使	授出	行使	失效／註銷	
李國寶	05/5/2011 ^a	666,000 ^{T2}	—	666,000 ^c	—	0
	05/5/2011 ^a	668,000 ^{T3}	—	—	—	668,000
	03/5/2013 ^a	668,000 ^{T3}	—	—	—	668,000
	02/5/2014 ^a	666,000 ^{T1}	—	—	—	666,000
	02/5/2014 ^a	666,000 ^{T2}	—	—	—	666,000
	02/5/2014 ^a	668,000 ^{T3}	—	—	—	668,000
	04/5/2015 ^a	666,000 ^{T1}	—	—	—	666,000
	04/5/2015 ^a	666,000 ^{T2}	—	—	—	666,000
	04/5/2015 ^a	668,000 ^{T3}	—	—	—	668,000
	08/4/2016 ^a	666,000 ^{T2}	—	—	—	666,000
	08/4/2016 ^a	668,000 ^{T3}	—	—	—	668,000
	07/4/2017 ^a	666,000 ^{T1}	—	—	—	666,000
	07/4/2017 ^a	666,000 ^{T2}	—	—	—	666,000
	07/4/2017 ^a	668,000 ^{T3}	—	—	—	668,000
	10/4/2018 ^b	—	666,000 ^{T1}	—	—	666,000
	10/4/2018 ^b	—	666,000 ^{T2}	—	—	666,000
	10/4/2018 ^b	—	668,000 ^{T3}	—	—	668,000
李民橋	05/5/2011 ^a	216,000 ^{T2}	—	216,000 ^c	—	0
	05/5/2011 ^a	218,000 ^{T3}	—	—	—	218,000
	10/5/2012 ^a	216,000 ^{T2}	—	—	—	216,000
	10/5/2012 ^a	218,000 ^{T3}	—	—	—	218,000
	03/5/2013 ^a	216,000 ^{T1}	—	—	—	216,000
	03/5/2013 ^a	216,000 ^{T2}	—	—	—	216,000
	03/5/2013 ^a	218,000 ^{T3}	—	—	—	218,000
	02/5/2014 ^a	216,000 ^{T1}	—	—	—	216,000
	02/5/2014 ^a	216,000 ^{T2}	—	—	—	216,000
	02/5/2014 ^a	218,000 ^{T3}	—	—	—	218,000
	04/5/2015 ^a	216,000 ^{T1}	—	—	—	216,000
	04/5/2015 ^a	216,000 ^{T2}	—	—	—	216,000
	04/5/2015 ^a	218,000 ^{T3}	—	—	—	218,000
	08/4/2016 ^a	216,000 ^{T1}	—	—	—	216,000
	08/4/2016 ^a	216,000 ^{T2}	—	—	—	216,000
	08/4/2016 ^a	218,000 ^{T3}	—	—	—	218,000
	07/4/2017 ^a	216,000 ^{T1}	—	—	—	216,000
07/4/2017 ^a	216,000 ^{T2}	—	—	—	216,000	
07/4/2017 ^a	218,000 ^{T3}	—	—	—	218,000	
10/4/2018 ^b	—	216,000 ^{T1}	—	—	216,000	
10/4/2018 ^b	—	216,000 ^{T2}	—	—	216,000	
10/4/2018 ^b	—	218,000 ^{T3}	—	—	218,000	

姓名	授予日期	認股權數目				於30/6/2018 尚未行使
		於01/1/2018 尚未行使	授出	行使	失效／註銷	
李民斌	05/5/2011 ^a	216,000 ^{T2}	–	216,000 ^c	–	0
	05/5/2011 ^a	218,000 ^{T3}	–	–	–	218,000
	10/5/2012 ^a	216,000 ^{T2}	–	–	–	216,000
	10/5/2012 ^a	218,000 ^{T3}	–	–	–	218,000
	03/5/2013 ^a	216,000 ^{T1}	–	–	–	216,000
	03/5/2013 ^a	216,000 ^{T2}	–	–	–	216,000
	03/5/2013 ^a	218,000 ^{T3}	–	–	–	218,000
	02/5/2014 ^a	216,000 ^{T1}	–	–	–	216,000
	02/5/2014 ^a	216,000 ^{T2}	–	–	–	216,000
	02/5/2014 ^a	218,000 ^{T3}	–	–	–	218,000
	04/5/2015 ^a	216,000 ^{T1}	–	–	–	216,000
	04/5/2015 ^a	216,000 ^{T2}	–	–	–	216,000
	04/5/2015 ^a	218,000 ^{T3}	–	–	–	218,000
	08/4/2016 ^a	216,000 ^{T1}	–	–	–	216,000
	08/4/2016 ^a	216,000 ^{T2}	–	–	–	216,000
	08/4/2016 ^a	218,000 ^{T3}	–	–	–	218,000
	07/4/2017 ^a	216,000 ^{T1}	–	–	–	216,000
	07/4/2017 ^a	216,000 ^{T2}	–	–	–	216,000
	07/4/2017 ^a	218,000 ^{T3}	–	–	–	218,000
	10/4/2018 ^b	–	216,000 ^{T1}	–	–	–
10/4/2018 ^b	–	216,000 ^{T2}	–	–	–	216,000
10/4/2018 ^b	–	218,000 ^{T3}	–	–	–	218,000
其他僱員的 總數*	05/5/2011 ^a	291,000 ^{T2}	–	291,000 ^c	–	0
	05/5/2011 ^a	686,000 ^{T3}	–	–	–	686,000
	10/5/2012 ^a	532,000 ^{T1}	–	532,000 ^c	–	0
	10/5/2012 ^a	582,000 ^{T2}	–	–	–	582,000
	10/5/2012 ^a	636,000 ^{T3}	–	–	–	636,000
	03/5/2013 ^a	632,000 ^{T1}	–	–	–	632,000
	03/5/2013 ^a	682,000 ^{T2}	–	50,000 ^c	–	632,000
	03/5/2013 ^a	736,000 ^{T3}	–	50,000 ^c	–	686,000
	02/5/2014 ^a	844,000 ^{T1}	–	130,000 ^c	–	714,000
	02/5/2014 ^a	844,000 ^{T2}	–	–	–	844,000
	02/5/2014 ^a	849,500 ^{T3}	–	–	–	849,500
	04/5/2015 ^a	882,000 ^{T1}	–	–	–	882,000
	04/5/2015 ^a	882,000 ^{T2}	–	–	–	882,000
	04/5/2015 ^a	886,000 ^{T3}	–	–	–	886,000
	08/4/2016 ^a	632,000 ^{T1}	–	–	–	632,000
	08/4/2016 ^a	935,000 ^{T2}	–	37,000 ^c	–	898,000
	08/4/2016 ^a	942,500 ^{T3}	–	–	–	942,500
	07/4/2017 ^a	982,000 ^{T1}	–	–	–	982,000
	07/4/2017 ^a	982,000 ^{T2}	–	–	–	982,000
	07/4/2017 ^a	986,000 ^{T3}	–	–	–	986,000
10/4/2018 ^b	–	1,077,000 ^{T1}	–	–	–	1,077,000
10/4/2018 ^b	–	1,077,000 ^{T2}	–	–	–	1,077,000
10/4/2018 ^b	–	1,083,500 ^{T3}	–	–	–	1,083,500

姓名	授予日期	認股權數目				於30/6/2018 尚未行使
		於01/1/2018 尚未行使	授出	行使	失效／註銷	
其他參與人**	05/5/2011 ^a	100,000 ^{T2}	—	100,000 ^c	—	0
	05/5/2011 ^a	100,000 ^{T3}	—	—	—	100,000
	10/5/2012 ^a	50,000 ^{T1}	—	50,000 ^c	—	0
	10/5/2012 ^a	100,000 ^{T2}	—	—	—	100,000
	10/5/2012 ^a	100,000 ^{T3}	—	—	—	100,000
	03/5/2013 ^a	50,000 ^{T1}	—	—	—	50,000
	03/5/2013 ^a	50,000 ^{T2}	—	—	—	50,000
	03/5/2013 ^a	50,000 ^{T3}	—	—	—	50,000
	04/5/2015 ^a	50,000 ^{T1}	—	—	—	50,000
	04/5/2015 ^a	50,000 ^{T2}	—	—	—	50,000
	04/5/2015 ^a	50,000 ^{T3}	—	—	34,254 [#]	15,746
	08/4/2016 ^a	50,000 ^{T2}	—	24,736 ^c	25,264 [#]	0
	08/4/2016 ^a	50,000 ^{T3}	—	—	—	50,000
	07/4/2017 ^a	50,000 ^{T1}	—	—	—	50,000
	07/4/2017 ^a	50,000 ^{T2}	—	—	—	50,000
	07/4/2017 ^a	50,000 ^{T3}	—	—	—	50,000
	10/4/2018 ^b	—	50,000 ^{T1}	—	—	50,000
	10/4/2018 ^b	—	50,000 ^{T2}	—	—	50,000
	10/4/2018 ^b	—	50,000 ^{T3}	—	—	50,000

* 按香港《僱傭條例》所指的「連續合約」工作的僱員。

** 其他參與人指三位本行前僱員。在其終止為本行僱員前已獲授予該等認股權。

認股權已被撤銷並註銷。詳情請參閱本節第(2)段。

附註：

a 於2011年至2017年授予的認股權詳情：

授予日期	部分	有效期	行使期	每股行使價 港幣(元)
05/5/2011	T2	05/5/2011 – 04/5/2013	05/5/2013 – 05/5/2018	32.00
05/5/2011	T3	05/5/2011 – 04/5/2014	05/5/2014 – 05/5/2019	32.00
10/5/2012	T1	10/5/2012 – 09/5/2013	10/5/2013 – 10/5/2018	28.99
10/5/2012	T2	10/5/2012 – 09/5/2014	10/5/2014 – 10/5/2019	28.99
10/5/2012	T3	10/5/2012 – 09/5/2015	10/5/2015 – 10/5/2020	28.99
03/5/2013	T1	03/5/2013 – 02/5/2014	03/5/2014 – 03/5/2019	31.40
03/5/2013	T2	03/5/2013 – 02/5/2015	03/5/2015 – 03/5/2020	31.40
03/5/2013	T3	03/5/2013 – 02/5/2016	03/5/2016 – 03/5/2021	31.40
02/5/2014	T1	02/5/2014 – 01/5/2015	02/5/2015 – 02/5/2020	32.50
02/5/2014	T2	02/5/2014 – 01/5/2016	02/5/2016 – 02/5/2021	32.50
02/5/2014	T3	02/5/2014 – 01/5/2017	02/5/2017 – 02/5/2022	32.50
04/5/2015	T1	04/5/2015 – 03/5/2016	04/5/2016 – 04/5/2021	34.15
04/5/2015	T2	04/5/2015 – 03/5/2017	04/5/2017 – 04/5/2022	34.15
04/5/2015	T3	04/5/2015 – 03/5/2018	04/5/2018 – 04/5/2023	34.15
08/4/2016	T1	08/4/2016 – 07/4/2017	08/4/2017 – 08/4/2022	28.45
08/4/2016	T2	08/4/2016 – 07/4/2018	08/4/2018 – 08/4/2023	28.45
08/4/2016	T3	08/4/2016 – 07/4/2019	08/4/2019 – 08/4/2024	28.45
07/4/2017	T1	07/4/2017 – 06/4/2018	07/4/2018 – 07/4/2023	32.25
07/4/2017	T2	07/4/2017 – 06/4/2019	07/4/2019 – 07/4/2024	32.25
07/4/2017	T3	07/4/2017 – 06/4/2020	07/4/2020 – 07/4/2025	32.25

b 於2018年授予的認股權：

(i) 詳情：

授予日期	部分	有效期	行使期	每股行使價 港幣(元)
10/4/2018	T1	10/4/2018 – 09/4/2019	10/4/2019 – 10/4/2024	32.25
10/4/2018	T2	10/4/2018 – 09/4/2020	10/4/2020 – 10/4/2025	32.25
10/4/2018	T3	10/4/2018 – 09/4/2021	10/4/2021 – 10/4/2026	32.25

(ii) 本行股份在2018年4月9日(即2018年4月10日授出認股權當日之前一個營業日)的收市價為港幣32.20元。

(iii) 截至2018年6月30日止6個月內授出認股權的公平價值及假設如下：

獲得服務以換取認股權的公平價值按授予認股權的公平價值計量。授予認股權之估計公平價值按三項式期權定價模式計量。認股權的合約年期為該定價模式的參數。

	<u>30/6/2018</u>
於計量日的公平價值	
— 部分1	港幣4.96元
— 部分2	港幣5.17元
— 部分3	港幣5.32元
股價	港幣32.25元
行使價	港幣32.25元
預計波幅(以三項式期權定價模式內採用的加權平均波幅)	19.45%
認股權年期	
— 部分1	6年
— 部分2	7年
— 部分3	8年
預計股息	3.71%–5.15%
無風險利率(根據外匯基金票據)	1.71%

預計波幅是根據過往之波幅(以認股權的加權剩餘年期計算)，再調整因公眾知悉的資訊影響未來波幅的預計變動。預計股息按過往的股息。主觀輸入假設的變動可能重大影響公平價值的估計。

認股權的授予須符合服務條件。該服務條件並未納入計算於授予日獲得服務的公平價值。授予認股權與市場情況並無關係。

c 在截至2018年6月30日止6個月內本行股份在緊接有關認股權行使日期之前的半年加權平均收市價：

授予日期	部分	行使認股權數目	每股行使價 港幣(元)	半年加權 平均收市價 港幣(元)
05/5/2011	T2	1,489,000	32.00	34.34
10/5/2012	T1	582,000	28.99	34.07
03/5/2013	T2	50,000	31.40	33.80
03/5/2013	T3	50,000	31.40	32.85
02/5/2014	T1	130,000	32.50	34.86
08/4/2016	T2	61,736	28.45	32.20

(2) 在截至2018年6月30日止6個月內被撤銷並註銷的認股權：

授予日期	部分	被撤銷並註銷 的認股權數目	每股行使價 港幣(元)
04/5/2015	T3	34,254	34.15
08/4/2016	T2	25,264	28.45

(3) 有關認股權的會計政策：

認股權的行使價為以下之較高者：

- (a) 於授出認股權當日本行股份在聯交所日報表的收市價；及
- (b) 相等於緊接授出有關認股權當日之前5個營業日，本行股份在聯交所日報表的平均收市價。

當認股權被行使時，所得款項計入股東權益。授予僱員之認股權的公平價值於收益表內確認為支出，而在股東權益賬內的資本儲備作相應的增加。公平價值乃採用三項式期權定價模式，按認股權授予日計算，並顧及授予認股權的條款。當僱員須符合歸屬期條件才可無條件享有該等認股權，估計公平價值總額在歸屬期內攤分入賬，並已考慮認股權歸屬的或然率。

估計可歸屬認股權的數目須在歸屬期內作出檢討。除非原本支出符合資產確認之要求，任何已在往年確認的累積公平價值之所需調整須在檢討期內的收益表支銷或回撥，並在資本儲備作相應調整。在歸屬日，除非因未能符合歸屬條件引致權利喪失純粹與本行普通股份的市價有關，確認為支出之金額按歸屬認股權的實際數目作調整（並在資本儲備作相應調整）。

屬股東權益金額確認在資本儲備內，直至當認股權被行使及分配新股時（轉入股本），或當認股權之有效期屆滿時（轉入留存溢利）。對於未能符合適用的歸屬條件的承授人，其未歸屬的認股權會全部或部分被撤銷。被撤銷的認股權會被註銷。

除上述所披露外，於2018年6月30日，本行的董事或行政總裁或他們的配偶或18歲以下子女概無獲授或行使任何權利以認購本行或其任何相聯法團的股本或債務證券。

主要股東及其他人士的權益

於2018年6月30日，根據《證券及期貨條例》第336條須予備存的登記冊（「該登記冊」）所紀錄，主要股東及其他人士擁有本行的股份及相關股份的權益如下：

本行普通股股份權益的好倉：

姓名	身分及性質	股份數目	佔已發行有投票權股份的百分率
三井住友銀行	實益擁有人	510,003,673 ¹	19.01
三井住友金融集團	法團的權益	510,003,673 ¹	19.01
Criteria Caixa, S.A., Sociedad Unipersonal	實益擁有人	464,287,319 ²	17.30
Fundación Bancaria Caixa d' Estalvis i Pensions de Barcelona, "la Caixa"	法團的權益	464,287,319 ²	17.30
國浩管理有限公司	實益擁有人	369,755,978 ^{3,4}	14.15 ⁵
國浩集團有限公司	法團的權益	369,755,978 ³	14.15
GuoLine Overseas Limited	法團的權益	369,755,978 ³	14.15 ⁵
GuoLine Capital Assets Limited	法團的權益	369,755,978 ³	14.15 ⁵
Hong Leong Company (Malaysia) Berhad	法團的權益	369,755,978 ^{3,4}	14.15
HL Holdings Sdn Bhd	法團的權益	369,755,978 ³	14.15
郭令燦	法團的權益	369,755,978 ³	14.15
Hong Leong Investment Holdings Pte. Ltd.	法團的權益	369,755,978 ⁴	14.15
Davos Investment Holdings Private Limited	法團的權益	369,755,978 ⁴	14.15
KWEK Leng Kee	法團的權益	369,755,978 ⁴	14.15
Elliott Capital Advisors, L.P.	法團的權益	218,080,742 ⁶	8.00

附註：

- 1 三井住友金融集團全資擁有三井住友銀行。三井住友金融集團因此而被視為擁有三井住友銀行所持有的510,003,673股的權益。

本行已收到通知上述兩個法團於2018年6月30日的持股量已增加至547,282,033股（相等於本行於2018年6月30日已發行股份約19.49%）。彼等增持有關股份無須根據《證券及期貨條例》第XV部作出披露。

- 2 於2018年6月30日，Fundación Bancaria Caixa d' Estalvis i Pensions de Barcelona, "la Caixa"（「la Caixa」）全資擁有Criteria Caixa, S.A., Sociedad Unipersonal（「Criteria Caixa」）。la Caixa 因此而被視為擁有Criteria Caixa 所持有的464,287,319股的權益。

本行已收到通知上述兩個法團於2018年6月30日的持股量已增加至491,476,626股（相等於本行於2018年6月30日已發行股份約17.50%）。彼等增持有關股份無須根據《證券及期貨條例》第XV部作出披露。

- 3 附註 3 及 4 所指之 369,755,978 股本行股份為同一批股份。國浩管理有限公司為 369,755,978 股（相等於本行於 2015年3月27日（即根據《證券及期貨條例》第XV部作出披露時）已發行股份約14.15%，及本行於2018年6月30日已發行股份約13.17%）之實益擁有人。由於 Hong Leong Company (Malaysia) Berhad 全資擁有 GuoLine Capital Assets Limited、GuoLine Capital Assets Limited 全資擁有 GuoLine Overseas Limited、GuoLine Overseas Limited 持有國浩集團有限公司的 71.88%權益及國浩集團有限公司全資擁有國浩管理有限公司，Hong Leong Company (Malaysia) Berhad 因此而被視為擁有國浩管理有限公司所持有的 369,755,978 股的權益。GuoLine Capital Assets Limited、GuoLine Overseas Limited 和國浩集團有限公司均被視為擁有國浩管理有限公司所持有的 369,755,978 股的權益。

郭令燦擁有HL Holdings Sdn Bhd（「HLH」）的全部權益，而郭令燦分別以其個人名義及透過其全資擁有的HLH持有 Hong Leong Company (Malaysia) Berhad的2.424%及46.534%權益，以及透過Newton (L) Limited持有0.311%（合共 49.27%權益），因此郭令燦被視為擁有國浩管理有限公司持有的369,755,978股股份的權益。

- 4 附註 3 及 4 所指之 369,755,978 股本行股份為同一批股份。Davos Investment Holdings Private Limited 持有 Hong Leong Investment Holdings Pte. Ltd.的 33.59%權益，Hong Leong Investment Holdings Pte. Ltd.則持有 Hong Leong Company (Malaysia) Berhad 的 34.69%權益。Davos Investment Holdings Private Limited 和 Hong Leong Investment Holdings Pte. Ltd.因持有 Hong Leong Company (Malaysia) Berhad 的權益而被視為擁有國浩管理有限公司所持有的 369,755,978 股（相等於2015年3月27日（即根據《證券及期貨條例》第XV部作出披露時）已發行股份約14.15%，及本行於2018年6月30日已發行股份約13.17%）的權益。

KWEK Leng Kee 因持有Davos Investment Holdings Private Limited的41.92%權益而被視為擁有國浩管理有限公司所持有之369,755,978股的權益。

- 5 GuoLine Overseas Limited 及 GuoLine Capital Assets Limited 為 Hong Leong Company (Malaysia) Berhad 的全資附屬公司；而國浩管理有限公司則為國浩集團有限公司的全資附屬公司。由於 Hong Leong Company (Malaysia) Berhad 及國浩集團有限公司已將大股東權益的通知存檔，GuoLine Overseas Limited、GuoLine Capital Assets Limited 及國浩管理有限公司根據《證券及期貨條例》中「全資集團豁免條文」毋須將其大股東權益通知存檔。

- 6 Elliott Capital Advisors, L.P.（「ECALP」）被視為擁有該批股份（相等於2017年7月4日（即根據《證券及期貨條例》第XV部作出披露時）已發行股份約8.00%，及本行於2018年6月30日已發行股份約7.77%），其中包括 Elliott International L.P.（「EILP」）持有的198,044,142股、The Liverpool Limited Partnership（「Liverpool LP」）持有的 20,035,600股、Artan Investments Ltd 持有的 200 股、Frasco Investments Ltd 持有的 200 股、Milton Investments Ltd 持有的 200 股、Parlan Investments Ltd 持有的 200 股及 Trevet Investments Ltd 持有的 200 股。

Liverpool Associates, Ltd 全資擁有 Liverpool LP；Elliott Associates, L.P.全資擁有Liverpool Associates, Ltd、Artan Investments Ltd 及 Frasco Investments Ltd；而EILP 則全資擁有Milton Investments Ltd、Parlan Investments Ltd 及 Trevet Investments Ltd。Hambleton, Inc.則全資擁有EILP。

ECALP 全資擁有 Elliott Associates, L.P.及Hambleton, Inc.。而ECALP 則慣於按照Paul Singer 的指令行事。

除上述所披露外，概無其他本行股份或相關股份的權益或淡倉載於該登記冊內。

購入、出售或贖回本行的上市證券

本行於2018年3月16日(票據到期日)完成贖回面值0.15億美元，孳息率為2.25%的高級票據(「2018美元高級票據」)。2018美元高級票據在2015年根據本行的中期票據計劃發行並於新加坡交易所上市。

除上述所披露贖回2018美元高級票據外，截至2018年6月30日止6個月內，本行或其任何附屬公司並無購入、出售或贖回本行的上市證券。

遵守企業管治守則

本集團致力維持良好的企業管治標準，並認為此承諾對於平衡股東、客戶及員工的利益，以及保持問責及透明度，至為重要。

本行已制定企業管治架構以確認集團內所有企業管治的主要人士，他們相互之間的關係，以及他們在應用有效企業管治政策和程序方面的角色。

本行亦參考市場趨勢及根據監管機構所發布的指引及要求，不時對所採用的企業管治實務進行檢討及改進。

除以下所述偏離守則條文A.2.1的行為外，本行在截至2018年6月30日止6個月期間內，已遵守《企業管治守則》的全部守則條文。本行亦已遵循CG-1、CG-5、提升獨立非執行董事的專業能力指引及銀行企業文化改革內各項要求。

《企業管治守則》守則條文A.2.1規定主席與行政總裁的角色應有區分，並不應由一人同時兼任。

李國寶爵士為本行的主席兼行政總裁。董事會認為此架構不會影響董事會與管理層兩者之間的權力和職權的平衡。主席及行政總裁之間的職責已清楚區分並以書面列載。本行董事會由極具經驗和才幹的成員組成並定期開會，以商討影響本行運作的事項。透過董事會的運作，足以確保權力和職權得到平衡。董事會的組合具有強大的獨立元素。董事會相信現時的架構有助於建立穩健而一致的領導權，使本行能夠迅速及有效地作出及實施各項決定。董事會相信委任李爵士出任主席兼行政總裁之職，會有利於本行的業務發展及管理。

本行已接獲所有董事確認他們已付出足夠時間履行其身為本行董事責任，並付出足夠時間及精神以處理本行事務；亦確認不時參與持續專業發展，以發展並更新其知識及技能以履行彼等作為本行董事的職務及責任。

本行審核委員會已審閱本行截至2018年6月30日止之半年業績及2018年中期報告。

遵守標準守則

本行已自行訂立一套與《上市規則》附錄10「上市發行人董事進行證券交易的標準守則」（「標準守則」）所訂標準同樣嚴格的董事及行政總裁證券交易政策，即內幕交易政策－董事及行政總裁（「本行政策」）。

本行亦已訂立一份內幕交易政策－集團人士以供本行僱員，或本行附屬公司的董事或僱員，遵照規定買賣本行證券。

本行經向所有董事明確查詢，彼等已確認於截至2018年6月30日止6個月之所有適用時期，均已遵守標準守則及本行政策中所要求的標準。

刊發中期報告

2018年中期報告備有中文及英文印刷本，以及載於本行網站（www.hkbea.com）及香港交易所之網站（www.hkexnews.hk）的網上電子版本。為減少企業通訊印刷本的數量從而減低對環境的影響，本行鼓勵各股東閱覽網上電子版本。無論股東之前曾否就收取企業通訊之方式（即收取印刷本或透過本行網站閱覽電子版本）作出任何選擇並將有關選擇通知本行，股東可隨時向本行股份登記處卓佳標準有限公司，地址為香港皇后大道東183號合和中心22樓，或以傳真（852）2861 1465或電郵BEA0023-ecom@hk.tricorglobal.com發出合理的書面通知，以更改其選擇，費用全免。該通知應註明閣下更改選擇之要求，全名及聯絡電話。

承董事會命
主席兼行政總裁
李國寶
謹啟

香港，2018年8月29日

於本報告日期，本行董事會成員為李國寶爵士[#]（主席兼行政總裁）、李國章教授*（副主席）、黃子欣博士**（副主席）、李國星先生*、羅友禮先生*、李國仕先生*、范禮賢博士*、李家傑博士*、李民橋先生[#]（副行政總裁）、李民斌先生[#]（副行政總裁）、黃永光博士*、奧正之先生*、范徐麗泰博士**、李國榮先生**、唐英年博士**、陳健波議員**及李國本博士**。

[#] 執行董事

* 非執行董事

** 獨立非執行董事

GLOSSARY 詞彙

AC 「審核委員會」	the Audit Committee of the Bank 本行的審核委員會
AUM 「管理資產」	Assets under management 管理資產
Bank Group or BEA Group or Group 「集團」或「本集團」	The Bank and its subsidiaries 東亞銀行及其附屬公司
Bank or BEA 「本行」或「東亞銀行」	The Bank of East Asia, Limited, a limited liability company incorporated in Hong Kong 東亞銀行有限公司，於香港註冊成立的有限公司
Bank Culture Reform 「銀行企業文化改革」	The circular in respect of Bank Culture Reform, issued by the HKMA on 2nd March, 2017 金管局於2017年3月2日發出之銀行企業文化改革通告
Banking Ordinance 《銀行業條例》	Hong Kong Banking Ordinance (Chapter 155 of the Laws of Hong Kong) 香港《銀行業條例》(香港法例第155章)
BEA China 「東亞中國」	The Bank of East Asia (China) Limited, a wholly-owned subsidiary of the Bank 東亞銀行(中國)有限公司，本行的全資附屬公司
BEA Life 「東亞人壽」	BEA Life Limited, a wholly-owned subsidiary of the Bank 東亞人壽保險有限公司，本行的全資附屬公司
BEA Union Investment 「東亞聯豐投資」	BEA Union Investment Management Limited, a non-wholly-owned subsidiary of the Bank 東亞聯豐投資管理有限公司，本行的非全資附屬公司
Blue Cross 「藍十字」	Blue Cross (Asia-Pacific) Insurance Limited, a wholly-owned subsidiary of the Bank 藍十字(亞太)保險有限公司，本行的全資附屬公司
Board 「董事會」	Board of Directors of the Bank 本行的董事會
Capital Rules 「《資本規則》」	Banking (Capital) Rules issued by the HKMA 金管局頒布的《銀行業(資本規則)》
CASA 「往來賬戶及儲蓄賬戶」	Current and savings account 往來賬戶及儲蓄賬戶
CG Code 「《企業管治守則》」	Corporate Governance Code and Corporate Governance Report, Appendix 14 of the Listing Rules 《上市規則》附錄14內所載的《企業管治守則》及《企業管治報告》
CG-1 「CG-1」	Supervisory Policy Manual CG-1 on Corporate Governance of Locally Incorporated Authorized Institutions, issued by the HKMA 金管局頒布之監管政策手冊CG-1內有關《本地註冊認可機構的企業管治》
CG-5 「CG-5」	Supervisory Policy Manual CG-5 on Guideline on a Sound Remuneration System, issued by the HKMA 金管局頒布之監管政策手冊CG-5內有關《穩健的薪酬制度指引》
CHF 「瑞士法郎」	Swiss franc, the lawful currency of Switzerland 瑞士法定貨幣
China or Mainland or Mainland China or PRC 「中國」或「內地」	People's Republic of China 中華人民共和國
CNY or RMB 「人民幣」	Chinese yuan or Renminbi, the lawful currency of the PRC 中國法定貨幣

Companies Ordinance 《公司條例》	the Companies Ordinance (Chapter 622 of the Laws of Hong Kong) 《公司條例》(香港法例第622章)
Credit Gain 「領達財務」	Credit Gain Finance Company Limited, a wholly-owned subsidiary of the Bank 領達財務有限公司，本行的全資附屬公司
Director(s) 「董事」	includes any person who occupies the position of a director, by whatever name called, of the Bank or otherwise as the context may require 包括任何擔任本行董事職位的人士(無論該人是以何職稱擔任該職位)，或文義另有所指的人士
Guidance on Empowerment of INEDs 「提升獨立非執行董事的專業能力指引」	The guidance on Empowerment of Independent Non-Executive Directors (INEDs) in the Banking Industry in Hong Kong, issued by the HKMA on 14th December, 2016 金管局於2016年12月14日頒布之提升香港銀行業獨立非執行董事的專業能力指引
East Asia Qianhai Securities 「東亞前海證券」	East Asia Qianhai Securities Company Limited 東亞前海證券有限責任公司
ERM 「企業風險管理架構」	Enterprise Risk Management 企業風險管理架構
EUR 「歐元」	Euro 歐元區法定貨幣
FVTPL 「通過損益以反映公平價值」	Fair value through profit or loss 通過損益以反映公平價值
FVOCI 「通過其他全面收益以反映公平價值」	Fair value through other comprehensive income 通過其他全面收益以反映公平價值
GBP 「英鎊」	Pound sterling, the lawful currency of the UK 英國法定貨幣
GDP 「本地生產總值」	Gross domestic product 本地生產總值
Greater Bay Area 「大灣區」	Guangdong-Hong Kong-Macao Greater Bay Area 粵港澳大灣區
HK\$ or HKD 「港幣」	Hong Kong dollar, the lawful currency of Hong Kong 香港法定貨幣
HKAS 「香港會計準則」	Hong Kong Accounting Standards 香港會計準則
HKEx 「香港交易所」	Hong Kong Exchanges and Clearing Limited 香港交易及結算所有限公司
HKFRS 「香港財務報告準則」	Hong Kong Financial Reporting Standards 香港財務報告準則
HKICPA 「香港會計師公會」	Hong Kong Institute of Certified Public Accountants 香港會計師公會
HKMA 「金管局」	Hong Kong Monetary Authority 香港金融管理局
Hong Kong or HK or HKSAR 「香港」	Hong Kong Special Administrative Region of PRC 中華人民共和國香港特別行政區
HKFRS 9 「財務報告第9號」	Hong Kong Financial Reporting Standard 9: Financial Instruments 香港財務報告準則第9號：金融工具

HQLAs 「優質流動資產」	High quality liquid assets 優質流動資產
JPY 「日圓」	Japanese yen, the lawful currency of Japan 日本法定貨幣
LCR 「流動性覆蓋比率」	Liquidity coverage ratio 流動性覆蓋比率
Listing Rules 「《上市規則》」	the Rules Governing the Listing of Securities on the Stock Exchange (as amended, modified or otherwise supplemented from time to time) 聯交所《證券上市規則》，經不時修訂、修改或以其他方式補充
Macau Branch 「澳門分行」	The Bank's branch operations in Macau 本行的澳門分行
Moody's 「穆迪」	Moody's Investor Service 穆迪信貸服務
Mn 「百萬」	Million 百萬
MPF 「強積金」	Mandatory Provident Fund 強制性公積金
MRF scheme 「基金互認計劃」	Mutual Recognition of Funds scheme 基金互認計劃
NIM 「淨息差」	Net interest margin 淨息差
NSFR 「穩定資金淨額比率」	Net Stable Funding Ratio 穩定資金淨額比率
OCI 「其他全面收益」	Other comprehensive income 其他全面收益
Senior Management 「高層管理人員」	The Chief Executive, Executive Directors and Deputy Chief Executives of the Bank 本行的行政總裁，執行董事及副行政總裁
SFO 「《證券及期貨條例》」	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) 《證券及期貨條例》(香港法例第571章)
Share 「股份」	Ordinary shares of the Bank 本行普通股
SME 「中小企」	Small and medium-sized enterprise 中小型企業
Stock Exchange 「聯交所」	The Stock Exchange of Hong Kong Limited 香港聯合交易所有限公司
UK 「英國」	United Kingdom 英國
US 「美國」	United States of America 美利堅合眾國
US\$ or USD 「美元」	United States dollar, the lawful currency of the US 美國法定貨幣
VaR 「風險值」	value-at-risk 風險值

Head Office 總行 10 Des Voeux Road Central
Hong Kong
香港德輔道中10號

Telephone 電話 (852) 3608 3608
Facsimile 傳真 (852) 3608 6000
Website 網址 www.hkbea.com

