交通銀行（香港）
BANK OF COMMUNICATIONS (HONG KONG)

Bank of Communications (Hong Kong) Limited

(Incorporated in Hong Kong with limited liability)

2024 INTERIM REPORT

CREATE SHARED VALUE

Bank of Communications (Hong Kong) Limited

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Report to the Board of Directors of Bank of Communications (Hong Kong) Limited

(Incorporated in Hong Kong with limited liability)

Introduction

We have reviewed the interim financial report set out on pages 3 to 44 which comprises the unaudited interim statement of financial position of Bank of Communications (Hong Kong) Limited (the "Bank") as at 30 June 2024 and the related unaudited interim statement of profit or loss and other comprehensive income and unaudited interim statement of changes in equity and unaudited condensed interim statement of cash flows for the period then ended and explanatory notes. The directors are responsible for the preparation and presentation of the interim financial report in accordance with Hong Kong Accounting Standard 34, *Interim financial reporting*, issued by the Hong Kong Institute of Certified Public Accountants.

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

Scope of review

We conducted our review in accordance with Hong Kong Standard on Review Engagements 2410, *Review of interim financial information performed by the independent auditor of the entity*, issued by the Hong Kong Institute of Certified Public Accountants. A review of the interim financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the interim financial report as at 30 June 2024 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

9 September 2024

Unaudited Interim Statement of Profit or Loss and Other Comprehensive Income

(All amounts expressed in thousands of HK$ unless otherwise stated)

		Six months ended 30 June	
	Notes	**2024**	2023
Interest income calculated using effective interest rate		**11,522,297**	10,907,343
Interest expense		**(6,820,340)**	(6,675,186)
Net interest income	*4*	**4,701,957**	4,232,157
Fee and commission income	*5*	**613,627**	587,401
Fee and commission expense	*6*	**(33,717)**	(38,470)
Net fee and commission income		**579,910**	548,931
Net losses arising from trading activities	*8*	**(99,634)**	(383,076)
Net losses arising from financial investments		**(81,179)**	(56,811)
Dividend income	*7*	**150**	35
Other operating income	*9*	**14,674**	12,446
Change in expected credit losses	*10*	**(335,063)**	(1,938,085)
Other operating expenses	*11*	**(920,715)**	(899,719)
Profit before tax		**3,860,100**	1,515,878
Income tax expenses	*12*	**(637,286)**	(242,446)
Net profit for the period		**3,222,814**	1,273,432
Other comprehensive income for the period, net of tax			
Item that will not be reclassified subsequently to profit or loss:			
Equity investments at fair value through other comprehensive income – net change in fair value		**(69)**	449
Items that may be reclassified to profit or loss:			
Debt investments at fair value through other comprehensive income			
Net gains recorded in equity		**605,926**	860,751
Net losses reclassified from equity to profit or loss		**67,784**	47,437
Net losses arising from cash flow hedge		**(2,318)**	–
Other comprehensive income for the period		**671,323**	908,637
Total comprehensive income for the period		**3,894,137**	2,182,069

The notes on pages 7 to 44 form a part of these unaudited interim financial statements.

Unaudited Interim Statement of Financial Position

(All amounts expressed in thousands of HK$ unless otherwise stated)

	Notes	**As at 30 June 2024**	As at 31 December 2023
ASSETS			
Cash and balances with central bank	*13*	**1,562,560**	1,694,274
Due from and placements with banks and other financial institutions	*14*	**33,853,321**	24,176,735
Financial assets at fair value through profit or loss	*15*	**10,656,845**	10,353,084
Financial assets at amortized cost	*18*	**45,231,182**	46,685,972
Financial assets at fair value through other comprehensive income	*18*	**145,866,575**	141,280,949
Loans and advances to customers	*17*	**192,575,741**	191,991,477
Fixed assets	*19*	**87,450**	75,280
Current income tax assets		**–**	5,100
Right-of-use assets		**251,037**	253,691
Other assets	*20*	**7,951,600**	8,437,802
Total assets		**438,036,311**	424,954,364
LIABILITIES			
Due to banks and other financial institutions	*21*	**17,829,564**	17,044,251
Due to customers	*22*	**344,238,470**	333,327,098
Financial liabilities at fair value through profit or loss	*23*	**1,346,434**	2,703,827
Certificates of deposits issued	*24*	**111,480**	1,788,345
Current income tax liabilities		**627,823**	–
Deferred income tax liabilities		**220,630**	82,774
Lease liabilities		**258,031**	261,695
Debt securities issued	*25*	**7,808,367**	7,809,900
Other liabilities	*26*	**7,770,714**	7,932,919
Total liabilities		**380,211,513**	370,950,809
EQUITY			
Share capital	*27*	**37,900,000**	37,900,000
Other reserves		**1,773,215**	1,101,892
Retained earnings		**14,280,133**	11,130,213
Equity attributable to shareholder of the Bank		**53,953,348**	50,132,105
Additional equity instrument	*28*	**3,871,450**	3,871,450
Total equity		**57,824,798**	54,003,555
Total equity and liabilities		**438,036,311**	424,954,364

The financial statements were approved and authorized for issuance by the Board of Directors on 9 September 2024 and signed on its behalf by:

Xiao Ting, *Director* **Meng Yu,** *Director*

The notes on pages 7 to 44 form a part of these unaudited interim financial statements.

Unaudited Interim Statement of Changes in Equity

(All amounts expressed in thousands of HK$ unless otherwise stated)

	Notes	Share capital	Other reserves (Note (a))	Retained earnings (Note (b))	Equity attributable to shareholder of the Bank	Additional equity instrument	Total equity
At 1 January 2024		**37,900,000**	**1,101,892**	**11,130,213**	**50,132,105**	**3,871,450**	**54,003,555**
Net profit for the period		**–**	**–**	**3,222,814**	**3,222,814**	**–**	**3,222,814**
Other comprehensive income		**–**	**671,323**	**–**	**671,323**	**–**	**671,323**
		37,900,000	**1,773,215**	**14,353,027**	**54,026,242**	**3,871,450**	**57,897,692**
Dividends paid to additional equity instrument holders	*28*	**–**	**–**	**(72,894)**	**(72,894)**	**–**	**(72,894)**
At 30 June 2024		**37,900,000**	**1,773,215**	**14,280,133**	**53,953,348**	**3,871,450**	**57,824,798**
At 1 January 2023		37,900,000	(91,784)	8,870,254	46,678,470	3,871,450	50,549,920
Net profit for the period		–	–	1,273,432	1,273,432	–	1,273,432
Other comprehensive income		–	908,637	–	908,637	–	908,637
		37,900,000	816,853	10,143,686	48,860,539	3,871,450	52,731,989
Dividends paid to additional equity instrument holders	*28*	–	–	(73,120)	(73,120)	–	(73,120)
At 30 June 2023		37,900,000	816,853	10,070,566	48,787,419	3,871,450	52,658,869

Note (a):

Other reserves include HK$1,843,000 (30 June 2023: HK$Nil) of hedging reserve as at 30 June 2024.

Note (b):

In accordance with the requirements of the Hong Kong Monetary Authority (the "HKMA"), the regulatory reserve is set aside for general banking risks, including future losses or other unforeseeable risks. The regulatory reserve is set up in compliance with the HKMA's requirements and is distributable to shareholder of the Bank subject to consultation with the HKMA. As at 30 June 2024, HK$1,311,368,000 (30 June 2023: HK$1,208,377,000) was earmarked as the regulatory reserve from the retained earnings.

The notes on pages 7 to 44 form a part of these unaudited interim financial statements.

Unaudited Condensed Interim Statement of Cash Flows

(All amounts expressed in thousands of HK$ unless otherwise stated)

	Note	Six months ended 30 June	
		2024	2023
Net cash inflows/(outflows) from operating activities		**1,312,569**	(9,552,590)
Cash flows from investing activities:			
Purchase of financial investments		**(38,461,427)**	(34,252,521)
Disposal or redemption of financial investments		**35,118,883**	44,181,658
Dividend received		**150**	35
Interest received from financial investments		**3,848,599**	5,757,638
Purchase of fixed assets		**(33,594)**	(3,233)
Disposal of fixed assets		**–**	421
Purchase of intangible assets		**(12,364)**	(5,919)
Net cash inflows from investing activities		**460,247**	15,678,079
Cash flows from financing activities:			
Principal elements of lease payments		**(80,553)**	(71,954)
Interest paid for lease		**(2,501)**	(1,679)
Interest paid for debt securities issued		**(90,098)**	(89,921)
Dividend paid to additional equity instrument holders		**(72,894)**	(73,120)
Net cash outflows from financing activities		**(246,046)**	(236,674)
Net increase in cash and cash equivalents		**1,526,770**	5,888,815
Cash and cash equivalents at the beginning of the period		**18,709,839**	14,164,322
Cash and cash equivalents at the end of the period	*30*	**20,236,609**	20,053,137

The notes on pages 7 to 44 form a part of these unaudited interim financial statements.

1 GENERAL

Bank of Communications (Hong Kong) Limited ("the Bank") is a licensed bank incorporated and domiciled in Hong Kong. The address of its registered office is 20 Pedder Street, Central, Hong Kong and principal place of business is Unit B B/F & G/F, Unit C G/F, 1-3/F, 16/F Rm01 & 18/F Wheelock House, 20 Pedder Street, Central, Hong Kong. Its ultimate holding company is Bank of Communications Co., Ltd., which is incorporated in the People's Republic of China.

The financial information relating to the year ended 31 December 2023 that is included in this interim financial report as comparative information does not constitute the Bank's statutory annual financial statements for that year but is derived from those financial statements. Further information relating to these statutory financial statements required to be disclosed in accordance with section 436 of the Hong Kong Companies Ordinance (Cap. 622) is as follows:

The Bank has delivered the financial statements for the year ended 31 December 2023 to the Registrar of Companies as required by section 662(3) of, and Part 3 of Schedule 6 to, the Hong Kong Companies Ordinance (Cap. 622).

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 sections 406(2), 407(2) or (3) of the Hong Kong Companies Ordinance (Cap. 622).

The regulatory disclosure information required under the Banking (Disclosure) Rules is available in the Regulatory Disclosures Section of our website www.hk.bankcomm.com.

2 BASIS OF PREPARATION AND ACCOUNTING ESTIMATES AND JUDGEMENTS

2.1 Basis of preparation and material accounting policies

This unaudited interim financial report has been prepared in accordance with Hong Kong Accounting Standard ("HKAS") 34 *Interim Financial Reporting*. The financial statements have been prepared on the historical cost basis except for certain financial instruments which are measured at fair value.

This 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 Hong Kong Institute of Certified Public Accountants. KPMG's independent review report to the Board of Directors is included on page 2.

The Bank adopts the going concern basis in preparing its unaudited interim financial statements.

These unaudited interim financial statements of the Bank do not include all the notes of the types normally included in annual financial statements. Accordingly, these unaudited interim financial statements should be read in conjunction with the annual financial statements for the year ended 31 December 2023.

Except as described below, the Bank's accounting policies applied in preparing these unaudited interim financial statements are consistent with those policies applied in preparing the financial statements for the year ended 31 December 2023.

(All amounts expressed in thousands of HK$ unless otherwise stated)

2 BASIS OF PREPARATION AND ACCOUNTING ESTIMATES AND JUDGEMENTS *(continued)*

2.1 Basis of preparation and material accounting policies *(continued)*

2.1.1 New and revised HKFRSs effective by 1 January 2024 applied by the Bank

Amendments to HKAS 1	Classification of Liabilities as Current or Non-current
Amendments to HKAS 1	Non-current Liabilities with Covenants
Amendments to HKFRS 16	Lease Liability in a Sale and Leaseback
Amendments to HKAS 7	Supplier Finance Arrangements

The amendments listed above did not have any material impacts on the Bank's accounting policies and did not require retrospective adjustments.

2.1.2 Standards and amendments that are not yet effective and have not been adopted by the Bank

Certain new accounting standards and interpretations have been published that are not mandatory for 30 June 2024 reporting periods and have not been early adopted by the Bank. The application of these standards is not expected to have a material impact on the Bank's financial statements.

2.2 Critical accounting estimates and judgements in applying accounting policies

The preparation of these unaudited interim financial statements requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense.

In preparing these unaudited interim financial statements, the significant judgements made by management in applying the Bank's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the Bank's financial statements for the year ended 31 December 2023, except for those applied in determining forward-looking information incorporated in the calculation of expected credit loss ("ECL") of financial instruments. Details of changes in these significant judgements are further set out under note 3.1.1.2.

3 FINANCIAL RISK MANAGEMENT

3.1 Credit risk

3.1.1 Expected credit loss measurement

3.1.1.1 Measuring ECL – Explanation of inputs, assumptions and estimation techniques

The ECL is measured on either a 12-month or lifetime basis depending on whether a significant increase in credit risk ("SICR") has occurred since initial recognition or whether an asset is considered to be credit-impaired. Expected credit losses are the discounted product of the Probability of Default (PD), Exposure at Default (EAD), and Loss Given Default (LGD), defined as follows:

- The PD represents the likelihood of a borrower defaulting on its financial obligation, either over the next 12 months (12M PD), or over the remaining lifetime (Lifetime PD) of the obligation.

- EAD is based on the amounts the Bank expects to be owed at the time of default. For example, for a revolving credit commitment, EAD includes the current drawn balance plus any further amount that is expected to be drawn up to the current contractual limit by the time of default, should it occur.

- LGD represents the Bank's expectation of the extent of loss on a defaulted exposure. LGD varies by type of counterparty, type and seniority of claim and availability of collateral or other credit support. LGD is expressed as a percentage loss per unit of exposure at the time of default.

3 FINANCIAL RISK MANAGEMENT *(continued)*

3.1 Credit risk *(continued)*

3.1.1 Expected credit loss measurement (continued)

3.1.1.1 Measuring ECL – Explanation of inputs, assumptions and estimation techniques (continued)

The ECL is determined by projecting the PD, LGD and EAD for each future year and for each individual exposure. These three components are multiplied together and adjusted for the likelihood of survival (i.e. the exposure has not prepaid or defaulted in an earlier year). This effectively calculates an ECL for each future year, which is then discounted back to the reporting date and summed. The discount rate used in the ECL calculation is the original effective interest rate or an approximation thereof.

The Lifetime PD is developed by using forecasted macroeconomic factors to calculate a forecasted 12M PD for the 2nd to 5th year. For the years after the fifth year, it is assumed that the PD will remain the same.

EAD represents the total amount of on-balance sheet and off-balance sheet exposure at the time of default by debtor, reflecting the total amount of possible losses to be incurred. In general, this includes the utilized credit limit, interest receivable, the anticipated usage of unused credit facilities as well as the related expenses to be incurred.

LGDs are determined based on the factors which impact the recoveries made post default. These vary by product type.

- For secured products, this is primarily based on collateral type and projected collateral values, historical discounts to market/book values due to forced sales, time to repossession and recovery costs observed.
- For unsecured products, LGDs are typically set at product level due to the limited differentiation in recoveries achieved across different borrowers. These LGDs are influenced by collection strategies, including contracted debt sales and price.

3.1.1.2 Forward-looking information incorporated in the ECL models

Forward-looking information is incorporated in both the assessment of SICR and the calculation of ECL. The Bank has performed historical analysis to identify the key economic variables that impact credit risk and expected credit losses for each portfolio.

These economic variables and their associated impact on the PD, EAD and LGD vary across different financial instruments. Expert judgement has also been employed in this process. To establish the base economic scenario for the next five years, forecasts of these economic variables are collected from different sources, including economics team of the Bank of Communications Co., Ltd., Development Strategy Team of the Bank and the International Monetary Fund (IMF). After five years, it is assumed that the economic variables will remain stable and the last available forecast is used. A statistical regression analysis has been conducted to ascertain the impact of these economic variables on the PD, EAD and LGD. This analysis aims to understand the historical impact changes in these variables on default rates and on the components of LGD and EAD.

In addition to the base economic scenario, the Bank's Risk Management Department and Development Strategy Team have taken into account other economic scenarios. These scenarios and weightings for each of these scenarios are derived from the calculation of historical data. At 30 June 2024 and 31 December 2023, the Bank concluded that three scenarios were used in the calculation process. The scenario weightings are determined based on expert credit judgement, taking account of the range of potential outcomes that each selected scenario represents.

Following this assessment, the Bank then measures ECL as either a probability-weighted 12-month ECL (Stage 1), or a probability-weighted lifetime ECL (Stages 2 and 3). These probability-weighted ECLs are determined by running each scenario through the relevant ECL model and multiplying the result by the appropriate scenario weighting (the weighting is applied to the ECL outputs, rather than the inputs).

Similar to all economic forecasts, the projections and probabilities associated with the economic scenarios rely on the estimations of future economic conditions. These estimations are sensitive to changes resulting from macro events such as the COVID-19 pandemic and geopolitical developments. They are, therefore, inherently subject to a high degree of uncertainty and as a result, the actual outcomes may deviate significantly from the projected ones. The Bank regards these forecasts as its best estimation of potential outcomes. Analysis has been conducted to assess the variations across the Bank's diverse portfolios to make sure the selected scenarios adequately encompass the range of possible scenarios. The proposed macroeconomic forecasts and probability weightings are subject to review by the management.

3 FINANCIAL RISK MANAGEMENT *(continued)*

3.1 Credit risk *(continued)*

3.1.1 Expected credit loss measurement (continued)

3.1.1.2 Forward-looking information incorporated in the ECL models (continued)

Economic variable assumptions

The global outbreak of the COVID-19 pandemic has presented unparalleled economic and social challenges across all regions. Governments worldwide have taken various measures, such as social distancing and lockdowns, to mitigate the spread of the virus which, however, have led to a significant downturn in global economic activities throughout 2020. At the same time, a variety of relief measures have been rolled out to prevent further deterioration and facilitate economic recovery on an unprecedented scale. After containment measures for the pandemic were loosened, economic activities in most economies have gradually picked up throughout 2022. However, the pace of recovery slowed down in 2023. It is expected that the level of recovery would be similar in 2024.

The above developments pertaining to the COVID-19 pandemic and changes in the geopolitical environment in the first half of 2024 have added complexities to the estimation of economic scenarios. As a result, the Bank has found it necessary to reassess its economic scenarios and probability weightings when calculating ECL.

The Bank continued to adopt three economic scenarios across all portfolios. These scenarios encompass the "Base" scenario, which is considered the most likely, as well as two additional scenarios known as the "Upside" and "Downside" scenarios. The Upside scenario represents a less likely but more favorable outcome, while the Downside scenario reflects a less likely and less favorable outcome.

The "Base" scenario can be described as follows: following a moderate rebound of the global economy in 2023, a mild recovery is anticipated in 2024. This recovery is expected to occur alongside the continuation of contractionary monetary policies in most developed countries, aimed at addressing high levels of inflation. GDP in most regions rebounded moderately in 2023, followed by a further recovery in 2024. However, the extent of recovery is highly uneven within the global economy as China's GDP expanded moderately while a mild recovery is observed in Hong Kong. Furthermore, the unemployment rate is anticipated to decline further in 2024 across most regions, compared with the high levels witnessed in 2020. Forecasts indicate a gradual return to the pre-pandemic growth levels similar to those observed in 2019, over the course of the forthcoming years.

In addition to the scenarios mentioned above, other forward-looking factors, including the impact of any regulatory, legislative or political changes, have been taken into account as well. However, these factors are not deemed to have a material impact and therefore no adjustment has been made to the ECL to account for them. This assessment is reviewed and monitored on a regular basis as to whether it is appropriate.

(All amounts expressed in thousands of HK$ unless otherwise stated)

3 FINANCIAL RISK MANAGEMENT *(continued)*

3.1 Credit risk *(continued)*

3.1.1 Expected credit loss measurement *(continued)*

3.1.1.2 Forward-looking information incorporated in the ECL models (continued)

Sensitivity analysis

The following table presents the base ECL scenario compared to the probability-weighted ECL derived from using three ECL scenarios. The difference reflects the impact of deriving multiple scenarios around the base ECL and resultant change in ECL due to non-linearity and sensitivity to using macroeconomic forecasts.

Change from Base to Probability-weighted ECL	**As at 30 June 2024**	As at 31 December 2023
Probability-weighted ECL	**6,754,778**	6,595,658
Base ECL	**6,595,077**	6,558,317
Difference in amount	**159,701**	37,341
Difference in percentage	**2.4%**	0.6%

3.1.2 Credit risk exposure – Collateral

The Bank closely monitors collateral held for financial assets considered to be credit-impaired, as it becomes more likely that the Bank will take possession of collateral to mitigate potential credit losses. The fair value is capped at lower of carrying amount and fair value. Financial assets that are credit-impaired and related collateral held in order to mitigate potential losses are shown below:

As at 30 June 2024	**Gross exposure**	**ECL allowance**	**Carrying amount**	**Fair value of collateral held**
Loans to individuals	**115,166**	**(39,423)**	**75,743**	**78,016**
Loans to corporate entities	**6,986,029**	**(5,763,556)**	**1,222,473**	**1,053,000**
	7,101,195	**(5,802,979)**	**1,298,216**	**1,131,016**

As at 31 December 2023	Gross exposure	ECL allowance	Carrying amount	Fair value of collateral held
Loans to individuals	94,162	(30,618)	63,544	63,082
Loans to corporate entities	6,226,157	(5,609,384)	616,773	211,827
	6,320,319	(5,640,002)	680,317	274,909

(All amounts expressed in thousands of HK$ unless otherwise stated)

3 FINANCIAL RISK MANAGEMENT *(continued)*

3.1 Credit risk *(continued)*

3.1.3 Movements of gross carrying amount and ECL allowance

Movement of gross carrying amount – Loans and advances to customers at amortized cost

Corporate Loan	**Stage 1**	**Stage 2**	**Stage 3**	**Total**
Gross carrying amount as at 1 January 2024	**111,811,688**	**18,174,581**	**6,226,157**	**136,212,426**
Transfers:				
Transfer from Stage 1 to Stage 2	**(9,293,777)**	**9,293,777**	**–**	**–**
Transfer from Stage 1 to Stage 3	**(153,482)**	**–**	**153,482**	**–**
Transfer from Stage 2 to Stage 1	**303,927**	**(303,927)**	**–**	**–**
Transfer from Stage 2 to Stage 3	**–**	**(775,351)**	**775,351**	**–**
Transfer from Stage 3 to Stage 1	**964**	**–**	**(964)**	**–**
New financial assets originated or purchased, financial assets remeasurement, derecognized, repayments and further lending (Note)	**2,016,633**	**(865,576)**	**(10,802)**	**1,140,255**
Write-offs	**–**	**–**	**(156,777)**	**(156,777)**
Foreign exchange and other movements	**(180,487)**	**(67,028)**	**(418)**	**(247,933)**
Gross carrying amount as at 30 June 2024	**104,505,466**	**25,456,476**	**6,986,029**	**136,947,971**

Note: The balances include the corporate loans originated or purchased in the period and subsequently transferred between stage 1, stage 2 and stage 3 during the period.

Corporate Loan	Stage 1	Stage 2	Stage 3	Total
Gross carrying amount as at 1 January 2023	131,707,658	12,812,245	5,752,876	150,272,779
Transfers:				
Transfer from Stage 1 to Stage 2	(2,131,201)	2,131,201	–	–
Transfer from Stage 1 to Stage 3	(57,410)	–	57,410	–
Transfer from Stage 2 to Stage 1	278,472	(278,472)	–	–
Transfer from Stage 2 to Stage 3	–	(544,746)	544,746	–
Transfer from Stage 3 to Stage 1	–	–	–	–
New financial assets originated or purchased, financial assets remeasurement, derecognized, repayments and further lending (Note)	(18,044,414)	4,049,334	459,769	(13,535,311)
Write-offs	–	–	(591,942)	(591,942)
Foreign exchange and other movements	58,583	5,019	3,298	66,900
Gross carrying amount as at 31 December 2023	111,811,688	18,174,581	6,226,157	136,212,426

Note: The balances include the corporate loans originated or purchased in the period and subsequently transferred between stage 1, stage 2 and stage 3 during the period.

(All amounts expressed in thousands of HK$ unless otherwise stated)

3 FINANCIAL RISK MANAGEMENT *(continued)*

3.1 Credit risk *(continued)*

3.1.3 Movements of gross carrying amount and ECL allowance (continued)

Movement of ECL allowance – Loans and advances to customers at amortized cost

Corporate Loan	**Stage 1 12-month ECL allowance**	**Stage 2 Lifetime ECL allowance**	**Stage 3 Lifetime ECL allowance**	**Total**
ECL allowance amount as at 1 January 2024	**326,676**	**192,786**	**5,609,384**	**6,128,846**
Transfers:				
Transfer from Stage 1 to Stage 2	**(34,226)**	**34,226**	**–**	**–**
Transfer from Stage 1 to Stage 3	**(1,435)**	**–**	**1,435**	**–**
Transfer from Stage 2 to Stage 1	**7,976**	**(7,976)**	**–**	**–**
Transfer from Stage 2 to Stage 3	**–**	**(27,859)**	**27,859**	**–**
Transfer from Stage 3 to Stage 1	**978**	**–**	**(978)**	**–**
New financial assets originated or purchased, financial assets remeasurement, derecognized, repayments and further lending	**(4,568)**	**2,841**	**6,406**	**4,679**
Changes in PDs/LGDs/EADs	**(52,210)**	**21,064**	**202,189**	**171,043**
Unwind of discount	**3,435**	**4,184**	**68,866**	**76,485**
Recoveries of loans and advances written-off in previous periods	**–**	**–**	**5,443**	**5,443**
Write-offs	**–**	**–**	**(156,777)**	**(156,777)**
Foreign exchange and other movements	**(650)**	**(1,106)**	**(271)**	**(2,027)**
ECL allowance amount as at 30 June 2024	**245,976**	**218,160**	**5,763,556**	**6,227,692**

Corporate Loan	Stage 1 12-month ECL allowance	Stage 2 Lifetime ECL allowance	Stage 3 Lifetime ECL allowance	Total
ECL allowance amount as at 1 January 2023	526,961	92,350	1,982,779	2,602,090
Transfers:				
Transfer from Stage 1 to Stage 2	(33,913)	33,913	–	–
Transfer from Stage 1 to Stage 3	(2,223)	–	2,223	–
Transfer from Stage 2 to Stage 1	12,773	(12,773)	–	–
Transfer from Stage 2 to Stage 3	–	(13,382)	13,382	–
Transfer from Stage 3 to Stage 1	–	–	–	–
New financial assets originated or purchased, financial assets remeasurement, derecognized, repayments and further lending	(25,772)	47,917	671,823	693,968
Changes in PDs/LGDs/EADs	(151,429)	41,817	3,291,781	3,182,169
Unwind of discount	–	2,921	–	2,921
Recoveries of loans and advances written-off in previous periods	–	–	238,424	238,424
Write-offs	–	–	(591,942)	(591,942)
Foreign exchange and other movements	279	23	914	1,216
ECL allowance amount as at 31 December 2023	326,676	192,786	5,609,384	6,128,846

(All amounts expressed in thousands of HK$ unless otherwise stated)

3 FINANCIAL RISK MANAGEMENT *(continued)*

3.1 Credit risk *(continued)*

3.1.3 Movements of gross carrying amount and ECL allowance *(continued)*

Movement of gross carrying amount – Loans and advances to customers at amortized cost

Retail Loan	**Stage 1**	**Stage 2**	**Stage 3**	**Total**
Gross carrying amount as at 1 January 2024	**61,591,318**	**368,669**	**94,162**	**62,054,149**
Transfers:				
Transfer from Stage 1 to Stage 2	**(234,348)**	**234,348**	**–**	**–**
Transfer from Stage 1 to Stage 3	**(41,615)**	**–**	**41,615**	**–**
Transfer from Stage 2 to Stage 1	**69,354**	**(69,354)**	**–**	**–**
Transfer from Stage 2 to Stage 3	**–**	**(15,620)**	**15,620**	**–**
Transfer from Stage 3 to Stage 1	**383**	**–**	**(383)**	**–**
Transfer from Stage 3 to Stage 2	**–**	**–**	**–**	**–**
New financial assets originated or purchased, financial assets remeasurement, derecognized, repayments and further lending (Note)	**58,717**	**(50,978)**	**(28,481)**	**(20,742)**
Write-offs	**–**	**–**	**(7,367)**	**(7,367)**
Foreign exchange and other movements	**(43)**	**–**	**–**	**(43)**
Gross carrying amount as at 30 June 2024	**61,443,766**	**467,065**	**115,166**	**62,025,997**

Note: The balances include the retail loans originated in the period and subsequently transferred between stage 1, stage 2 and stage 3 during the period.

Retail Loan	Stage 1	Stage 2	Stage 3	Total
Gross carrying amount as at 1 January 2023	59,956,467	566,957	48,072	60,571,496
Transfers:				
Transfer from Stage 1 to Stage 2	(284,597)	284,597	–	–
Transfer from Stage 1 to Stage 3	(46,937)	–	46,937	–
Transfer from Stage 2 to Stage 1	372,268	(372,268)	–	–
Transfer from Stage 2 to Stage 3	–	(21,885)	21,885	–
Transfer from Stage 3 to Stage 1	1,155	–	(1,155)	–
Transfer from Stage 3 to Stage 2	–	791	(791)	–
New financial assets originated or purchased, financial assets remeasurement, derecognized, repayments and further lending (Note)	1,592,665	(89,522)	(8,062)	1,495,081
Write-offs	–	–	(12,724)	(12,724)
Foreign exchange and other movements	297	(1)	–	296
Gross carrying amount as at 31 December 2023	61,591,318	368,669	94,162	62,054,149

Note: The balances include the retail loans originated in the period and subsequently transferred between stage 1, stage 2 and stage 3 during the period.

(All amounts expressed in thousands of HK$ unless otherwise stated)

3 FINANCIAL RISK MANAGEMENT *(continued)*

3.1 Credit risk *(continued)*

3.1.3 Movements of gross carrying amount and ECL allowance (continued)

Movement of ECL allowance – Loans and advances to customers at amortized cost

Retail Loan	Stage 1 12-month ECL allowance	Stage 2 Lifetime ECL allowance	Stage 3 Lifetime ECL allowance	Total
ECL allowance amount as at 1 January 2024	**44,170**	**23,860**	**30,618**	**98,648**
Transfers:				
Transfer from Stage 1 to Stage 2	**(461)**	**461**	**–**	**–**
Transfer from Stage 1 to Stage 3	**(145)**	**–**	**145**	**–**
Transfer from Stage 2 to Stage 1	**8,665**	**(8,665)**	**–**	**–**
Transfer from Stage 2 to Stage 3	**–**	**(2,176)**	**2,176**	**–**
Transfer from Stage 3 to Stage 1	**104**	**–**	**(104)**	**–**
Transfer from Stage 3 to Stage 2	**–**	**–**	**–**	**–**
New financial assets originated or purchased, financial assets remeasurement, derecognized, repayments and further lending	**279**	**(8,063)**	**(1,316)**	**(9,100)**
Changes in PDs/LGDs/EADs	**(18,097)**	**36,979**	**13,983**	**32,865**
Unwind of discount	**362**	**273**	**185**	**820**
Recoveries of loans and advances written-off in previous periods	**–**	**–**	**1,103**	**1,103**
Write-offs	**–**	**–**	**(7,367)**	**(7,367)**
Foreign exchange and other movements	**–**	**–**	**–**	**–**
ECL allowance amount as at 30 June 2024	**34,877**	**42,669**	**39,423**	**116,969**

Retail Loan	Stage 1 12-month ECL allowance	Stage 2 Lifetime ECL allowance	Stage 3 Lifetime ECL allowance	Total
ECL allowance amount as at 1 January 2023	27,606	47,299	29,141	104,046
Transfers:				
Transfer from Stage 1 to Stage 2	(159)	159	–	–
Transfer from Stage 1 to Stage 3	(50)	–	50	–
Transfer from Stage 2 to Stage 1	38,033	(38,033)	–	–
Transfer from Stage 2 to Stage 3	–	(1,934)	1,934	–
Transfer from Stage 3 to Stage 1	762	–	(762)	–
Transfer from Stage 3 to Stage 2	–	178	(178)	–
New financial assets originated or purchased, financial assets remeasurement, derecognized, repayments and further lending	5,728	77	(730)	5,075
Changes in PDs/LGDs/EADs	(27,750)	14,714	12,571	(465)
Unwind of discount	–	1,387	–	1,387
Recoveries of loans and advances written-off in previous periods	–	–	1,316	1,316
Write-offs	–	–	(12,724)	(12,724)
Foreign exchange and other movements	–	13	–	13
ECL allowance amount as at 31 December 2023	44,170	23,860	30,618	98,648

(All amounts expressed in thousands of HK$ unless otherwise stated)

3 FINANCIAL RISK MANAGEMENT *(continued)*

3.1 Credit risk *(continued)*

3.1.3 Movements of gross carrying amount and ECL allowance (continued)

Movement of gross carrying amount – Loans and advances to customers at amortized cost

Loans and advances to customers	**Stage 1**	**Stage 2**	**Stage 3**	**Total**
Gross carrying amount as at 1 January 2024	**173,403,006**	**18,543,250**	**6,320,319**	**198,266,575**
Transfers:				
Transfer from Stage 1 to Stage 2	**(9,528,125)**	**9,528,125**	**–**	**–**
Transfer from Stage 1 to Stage 3	**(195,097)**	**–**	**195,097**	**–**
Transfer from Stage 2 to Stage 1	**373,281**	**(373,281)**	**–**	**–**
Transfer from Stage 2 to Stage 3	**–**	**(790,971)**	**790,971**	**–**
Transfer from Stage 3 to Stage 1	**1,347**	**–**	**(1,347)**	**–**
Transfer from Stage 3 to Stage 2	**–**	**–**	**–**	**–**
New financial assets originated or purchased, financial assets remeasurement, derecognized, repayments and further lending (Note)	**2,075,350**	**(916,554)**	**(39,283)**	**1,119,513**
Write-offs	**–**	**–**	**(164,144)**	**(164,144)**
Foreign exchange and other movements	**(180,530)**	**(67,028)**	**(418)**	**(247,976)**
Gross carrying amount as at 30 June 2024	**165,949,232**	**25,923,541**	**7,101,195**	**198,973,968**

Note: The balances include the corporate and retail loans originated or purchased in the period and subsequently transferred between stage 1, stage 2 and stage 3 during the period.

Loans and advances to customers	Stage 1	Stage 2	Stage 3	Total
Gross carrying amount as at 1 January 2023	191,664,125	13,379,202	5,800,948	210,844,275
Transfers:				
Transfer from Stage 1 to Stage 2	(2,415,798)	2,415,798	–	–
Transfer from Stage 1 to Stage 3	(104,347)	–	104,347	–
Transfer from Stage 2 to Stage 1	650,740	(650,740)	–	–
Transfer from Stage 2 to Stage 3	–	(566,631)	566,631	–
Transfer from Stage 3 to Stage 1	1,155	–	(1,155)	–
Transfer from Stage 3 to Stage 2	–	791	(791)	–
New financial assets originated or purchased, financial assets remeasurement, derecognized, repayments and further lending (Note)	(16,451,749)	3,959,812	451,707	(12,040,230)
Write-offs	–	–	(604,666)	(604,666)
Foreign exchange and other movements	58,880	5,018	3,298	67,196
Gross carrying amount as at 31 December 2023	173,403,006	18,543,250	6,320,319	198,266,575

Note: The balances include the corporate and retail loans originated or purchased in the period and subsequently transferred between stage 1, stage 2 and stage 3 during the period.

(All amounts expressed in thousands of HK$ unless otherwise stated)

3 FINANCIAL RISK MANAGEMENT *(continued)*

3.1 Credit risk *(continued)*

3.1.3 Movements of gross carrying amount and ECL allowance (continued)

Movement of ECL allowance – Loans and advances to customers at amortized cost

Loans and advances to customers	Stage 1 12-month ECL allowance	Stage 2 Lifetime ECL allowance	Stage 3 Lifetime ECL allowance	Total
ECL allowance amount as at 1 January 2024	**370,846**	**216,646**	**5,640,002**	**6,227,494**
Transfers:				
Transfer from Stage 1 to Stage 2	**(34,687)**	**34,687**	**–**	**–**
Transfer from Stage 1 to Stage 3	**(1,580)**	**–**	**1,580**	**–**
Transfer from Stage 2 to Stage 1	**16,641**	**(16,641)**	**–**	**–**
Transfer from Stage 2 to Stage 3	**–**	**(30,035)**	**30,035**	**–**
Transfer from Stage 3 to Stage 1	**1,082**	**–**	**(1,082)**	**–**
Transfer from Stage 3 to Stage 2	**–**	**–**	**–**	**–**
New financial assets originated or purchased, financial assets remeasurement, derecognized, repayments and further lending	**(4,289)**	**(5,222)**	**5,090**	**(4,421)**
Changes in PDs/LGDs/EADs	**(70,307)**	**58,043**	**216,172**	**203,908**
Unwind of discount	**3,797**	**4,457**	**69,051**	**77,305**
Recoveries of loans and advances written-off in previous periods	**–**	**–**	**6,546**	**6,546**
Write-offs	**–**	**–**	**(164,144)**	**(164,144)**
Foreign exchange and other movements	**(650)**	**(1,106)**	**(271)**	**(2,027)**
ECL allowance amount as at 30 June 2024	**280,853**	**260,829**	**5,802,979**	**6,344,661**

Loans and advances to customers	Stage 1 12-month ECL allowance	Stage 2 Lifetime ECL allowance	Stage 3 Lifetime ECL allowance	Total
ECL allowance amount as at 1 January 2023	554,567	139,649	2,011,920	2,706,136
Transfers:				
Transfer from Stage 1 to Stage 2	(34,072)	34,072	–	–
Transfer from Stage 1 to Stage 3	(2,273)	–	2,273	–
Transfer from Stage 2 to Stage 1	50,806	(50,806)	–	–
Transfer from Stage 2 to Stage 3	–	(15,316)	15,316	–
Transfer from Stage 3 to Stage 1	762	–	(762)	–
Transfer from Stage 3 to Stage 2	–	178	(178)	–
New financial assets originated or purchased, financial assets remeasurement, derecognized, repayments and further lending	(20,044)	47,994	671,093	699,043
Changes in PDs/LGDs/EADs	(179,179)	56,531	3,304,352	3,181,704
Unwind of discount	–	4,308	–	4,308
Recoveries of loans and advances written-off in previous periods	–	–	239,740	239,740
Write-offs	–	–	(604,666)	(604,666)
Foreign exchange and other movements	279	36	914	1,229
ECL allowance amount as at 31 December 2023	370,846	216,646	5,640,002	6,227,494

(All amounts expressed in thousands of HK$ unless otherwise stated)

3 FINANCIAL RISK MANAGEMENT *(continued)*

3.1 Credit risk *(continued)*

3.1.3 Movements of gross carrying amount and ECL allowance (continued)

Movement of gross carrying amount – Due from and placements with banks and other financial institutions

Due from and placements with banks and other financial institutions	Stage 1	Stage 2	Stage 3	Total
Gross carrying amount as at 1 January 2024	**24,197,333**	**–**	**–**	**24,197,333**
New financial assets originated or purchased, financial assets remeasurement, derecognized, repayments and further lending	**9,723,850**	**–**	**–**	**9,723,850**
Foreign exchange and other movements	**(32,018)**	**–**	**–**	**(32,018)**
Gross carrying amount as at 30 June 2024	**33,889,165**	**–**	**–**	**33,889,165**

Due from and placements with banks and other financial institutions	Stage 1	Stage 2	Stage 3	Total
Gross carrying amount as at 1 January 2023	24,549,023	–	–	24,549,023
New financial assets originated or purchased, financial assets remeasurement, derecognized, repayments and further lending	(341,008)	–	–	(341,008)
Foreign exchange and other movements	(10,682)	–	–	(10,682)
Gross carrying amount as at 31 December 2023	24,197,333	–	–	24,197,333

Movement of ECL allowance – Due from and placements with banks and other financial institutions

Due from and placements with banks and other financial institutions	Stage 1 12-month ECL allowance	Stage 2 Lifetime ECL allowance	Stage 3 Lifetime ECL allowance	Total
ECL allowance amount as at 1 January 2024	**20,598**	**–**	**–**	**20,598**
New financial assets originated or purchased, financial assets remeasurement, derecognized, repayments and further lending	**14,795**	**–**	**–**	**14,795**
Changes in PDs/LGDs/EADs	**439**	**–**	**–**	**439**
Unwind of discount	**17**	**–**	**–**	**17**
Foreign exchange and other movements	**(5)**	**–**	**–**	**(5)**
ECL allowance amount as at 30 June 2024	**35,844**	**–**	**–**	**35,844**

Due from and placements with banks and other financial institutions	Stage 1 12-month ECL allowance	Stage 2 Lifetime ECL allowance	Stage 3 Lifetime ECL allowance	Total
ECL allowance amount as at 1 January 2023	1,963	–	–	1,963
New financial assets originated or purchased, financial assets remeasurement, derecognized, repayments and further lending	17,687	–	–	17,687
Changes in PDs/LGDs/EADs	948	–	–	948
Unwind of discount	–	–	–	–
Foreign exchange and other movements	–	–	–	–
ECL allowance amount as at 31 December 2023	20,598	–	–	20,598

(All amounts expressed in thousands of HK$ unless otherwise stated)

3 FINANCIAL RISK MANAGEMENT *(continued)*

3.1 Credit risk *(continued)*

3.1.3 Movements of gross carrying amount and ECL allowance *(continued)*

Movement of carrying amount – Debt securities at fair value through other comprehensive income

Debt securities at fair value through other comprehensive income	**Stage 1**	**Stage 2**	**Stage 3**	**Total**
Carrying amount as at 1 January 2024	**140,018,694**	**1,252,837**	**–**	**141,271,531**
New financial assets originated or purchased, financial assets remeasurement, derecognized, repayments and further lending	**6,348,434**	**(1,136,851)**	**–**	**5,211,583**
Foreign exchange and other movements	**(616,368)**	**(9,520)**	**–**	**(625,888)**
Carrying amount as at 30 June 2024	**145,750,760**	**106,466**	**–**	**145,857,226**

Debt securities at fair value through other comprehensive income	Stage 1	Stage 2	Stage 3	Total
Carrying amount as at 1 January 2023	160,722,835	620,848	–	161,343,683
New financial assets originated or purchased, financial assets remeasurement, derecognized, repayments and further lending	(20,724,649)	631,547	–	(20,093,102)
Foreign exchange and other movements	20,508	442	–	20,950
Carrying amount as at 31 December 2023	140,018,694	1,252,837	–	141,271,531

Movement of ECL allowance – Debt securities at fair value through other comprehensive income

Debt securities at fair value through other comprehensive income	**Stage 1** **12-month ECL allowance**	**Stage 2** **Lifetime ECL allowance**	**Stage 3** **Lifetime ECL allowance**	**Total**
ECL allowance amount as at 1 January 2024	**207,716**	**7,864**	**–**	**215,580**
New financial assets originated or purchased, financial assets remeasurement, derecognized, repayments and further lending	**17,334**	**(6,811)**	**–**	**10,523**
Changes in PDs/LGDs/EADs	**(6,742)**	**(186)**	**–**	**(6,928)**
Unwind of discount	**1,378**	**119**	**–**	**1,497**
Foreign exchange and other movements	**(303)**	**(77)**	**–**	**(380)**
ECL allowance amount as at 30 June 2024	**219,383**	**909**	**–**	**220,292**

Debt securities at fair value through other comprehensive income	Stage 1 12-month ECL allowance	Stage 2 Lifetime ECL allowance	Stage 3 Lifetime ECL allowance	Total
ECL allowance amount as at 1 January 2023	184,196	2,177	–	186,373
New financial assets originated or purchased, financial assets remeasurement, derecognized, repayments and further lending	132	832	–	964
Changes in PDs/LGDs/EADs	23,137	4,800	–	27,937
Unwind of discount	–	53	–	53
Foreign exchange and other movements	251	2	–	253
ECL allowance amount as at 31 December 2023	207,716	7,864	–	215,580

(All amounts expressed in thousands of HK$ unless otherwise stated)

3 FINANCIAL RISK MANAGEMENT *(continued)*

3.1 Credit risk *(continued)*

3.1.3 Movements of gross carrying amount and ECL allowance (continued)

Movement of gross carrying amount – Debt securities at amortized cost

Debt securities at amortized cost	Stage 1	Stage 2	Stage 3	Total
Gross carrying amount as at 1 January 2024	**47,371,701**	**44,690**	**–**	**47,416,391**
New financial assets originated or purchased, financial assets remeasurement, derecognized, repayments and further lending	**(752,379)**	**(43,181)**	**–**	**(795,560)**
Foreign exchange and other movements	**(293,696)**	**(1,509)**	**–**	**(295,205)**
Gross carrying amount as at 30 June 2024	**46,325,626**	**–**	**–**	**46,325,626**

Debt securities at amortized cost	Stage 1	Stage 2	Stage 3	Total
Gross carrying amount as at 1 January 2023	50,354,809	199,301	–	50,554,110
New financial assets originated or purchased, financial assets remeasurement, derecognized, repayments and further lending	(2,920,166)	(154,921)	–	(3,075,087)
Foreign exchange and other movements	(62,942)	310	–	(62,632)
Gross carrying amount as at 31 December 2023	47,371,701	44,690	–	47,416,391

Movement of ECL allowance – Debt securities at amortized cost

Debt securities at amortized cost	Stage 1 12-month ECL allowance	Stage 2 Lifetime ECL allowance	Stage 3 Lifetime ECL allowance	Total
ECL allowance amount as at 1 January 2024	**47,281**	**587**	**–**	**47,868**
New financial assets originated or purchased, financial assets remeasurement, derecognized, repayments and further lending	**(3,572)**	**(570)**	**–**	**(4,142)**
Changes in PDs/LGDs/EADs	**1,011**	**(10)**	**–**	**1,001**
Unwind of discount	**386**	**13**	**–**	**399**
Foreign exchange and other movements	**(117)**	**(20)**	**–**	**(137)**
ECL allowance amount as at 30 June 2024	**44,989**	**–**	**–**	**44,989**

Debt securities at amortized cost	Stage 1 12-month ECL allowance	Stage 2 Lifetime ECL allowance	Stage 3 Lifetime ECL allowance	Total
ECL allowance amount as at 1 January 2023	23,869	693	–	24,562
New financial assets originated or purchased, financial assets remeasurement, derecognized, repayments and further lending	11,808	587	–	12,395
Changes in PDs/LGDs/EADs	11,614	(728)	–	10,886
Unwind of discount	–	34	–	34
Foreign exchange and other movements	(10)	1	–	(9)
ECL allowance amount as at 31 December 2023	47,281	587	–	47,868

3 FINANCIAL RISK MANAGEMENT *(continued)*

3.2 Fair value of financial assets and liabilities

(a) Determination of fair value and valuation techniques

Certain financial assets and liabilities of the Bank are measured at fair value or with fair value disclosed for financial reporting purposes. The fair value has been determined using appropriate valuation techniques and inputs for fair value measurements. The appropriateness of the valuation techniques and the inputs to the fair value measurements are reviewed periodically.

Fair value measurements are categorized into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

(i) Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;

(ii) Level 2 inputs are inputs, other than quoted prices included within level 1, that are observable for the asset or liability, either directly or indirectly; and

(iii) Level 3 inputs are unobservable inputs for the asset or liability.

(All amounts expressed in thousands of HK$ unless otherwise stated)

3 FINANCIAL RISK MANAGEMENT *(continued)*

3.2 Fair value of financial assets and liabilities *(continued)*

(b) Financial assets and financial liabilities measured at fair value on a recurring basis

The table below summarizes the information relating to the fair value hierarchy of the financial assets and financial liabilities measured at fair value on a recurring basis:

	Level 1	Level 2	Level 3	Total
As at 30 June 2024				
Financial assets at fair value through profit or loss				
Debt securities				
– Governments and central banks	**40**	**–**	**–**	**40**
– Banks and other financial institutions	**246,499**	**–**	**–**	**246,499**
– Corporate entities	**202,847**	**–**	**–**	**202,847**
Derivative financial instruments				
– Foreign exchange contracts	**–**	**606,847**	**–**	**606,847**
– Interest rate contracts and others	**–**	**9,600,612**	**–**	**9,600,612**
	449,386	**10,207,459**	**–**	**10,656,845**
Financial assets at fair value through other comprehensive income				
Debt securities				
– Governments and central banks	**22,591,016**	**740,043**	**–**	**23,331,059**
– Banks and other financial institutions	**52,467,000**	**4,550,792**	**–**	**57,017,792**
– Corporate entities	**63,243,628**	**2,264,747**	**–**	**65,508,375**
Equity securities				
– Banks and other financial institutions	**–**	**–**	**9,349**	**9,349**
	138,301,644	**7,555,582**	**9,349**	**145,866,575**
Total financial assets measured at fair value	**138,751,030**	**17,763,041**	**9,349**	**156,523,420**
Financial liabilities at fair value through profit or loss				
Certificates of deposits issued	**–**	**–**	**–**	**–**
Derivative financial instruments				
– Foreign exchange contracts	**–**	**577,249**	**–**	**577,249**
– Interest rate contracts and others	**–**	**769,185**	**–**	**769,185**
Total financial liabilities measured at fair value	**–**	**1,346,434**	**–**	**1,346,434**

(All amounts expressed in thousands of HK$ unless otherwise stated)

3 FINANCIAL RISK MANAGEMENT *(continued)*

3.2 Fair value of financial assets and liabilities *(continued)*

(b) Financial assets and financial liabilities measured at fair value on a recurring basis (continued)

	Level 1	Level 2	Level 3	Total
As at 31 December 2023				
Financial assets at fair value through profit or loss				
Debt securities				
– Governments and central banks	119,448	–	–	119,448
– Banks and other financial institutions	242,207	–	–	242,207
– Corporate entities	200,867	–	–	200,867
Derivative financial instruments				
– Foreign exchange contracts	–	877,680	–	877,680
– Interest rate contracts and others	–	8,912,882	–	8,912,882
	562,522	9,790,562	–	10,353,084
Financial assets at fair value through other comprehensive income				
Debt securities				
– Governments and central banks	21,113,727	816,151	–	21,929,878
– Banks and other financial institutions	51,450,504	6,567,732	–	58,018,236
– Corporate entities	60,303,246	1,020,171	–	61,323,417
Equity securities				
– Banks and other financial institutions	–	–	9,418	9,418
	132,867,477	8,404,054	9,418	141,280,949
Total financial assets measured at fair value	133,429,999	18,194,616	9,418	151,634,033
Financial liabilities at fair value through profit or loss				
Certificates of deposits issued	–	1,788,345	–	1,788,345
Derivative financial instruments				
– Foreign exchange contracts	–	1,772,210	–	1,772,210
– Interest rate contracts and others	–	931,617	–	931,617
Total financial liabilities measured at fair value	–	4,492,172	–	4,492,172

(All amounts expressed in thousands of HK$ unless otherwise stated)

3 FINANCIAL RISK MANAGEMENT *(continued)*

3.2 Fair value of financial assets and liabilities *(continued)*

(c) Financial instruments not measured at fair value

The table below summarizes the carrying amounts and fair values where there are obvious variances from the carrying amounts, of those financial assets and liabilities that are not presented on the statement of financial position at their fair value:

	As at 30 June 2024		As at 31 December 2023	
	Carrying amount	**Fair value**	Carrying amount	Fair value
Financial assets				
Financial assets at amortized cost	**45,231,182**	**45,765,081**	46,685,972	46,924,302
Financial liabilities				
Certificates of deposits issued at amortized cost	**111,480**	**111,782**	–	–
Debt securities issued	**7,808,367**	**7,332,695**	7,809,900	7,242,896

Fair value hierarchy of financial instruments not measured at fair value:

	Level 1	**Level 2**	**Level 3**	**Total**
As at 30 June 2024				
Financial assets				
Financial assets at amortized cost	**35,039,576**	**10,725,505**	**–**	**45,765,081**
Financial liabilities				
Certificates of deposits issued at amortized cost	**–**	**111,782**	**–**	**111,782**
Debt securities issued	**7,332,695**	**–**	**–**	**7,332,695**

	Level 1	Level 2	Level 3	Total
As at 31 December 2023				
Financial assets				
Financial assets at amortized cost	36,113,102	10,811,200	–	46,924,302
Financial liabilities				
Certificates of deposits issued at amortized cost	–	–	–	–
Debt securities issued	7,242,896	–	–	7,242,896

Other financial instruments not carried at fair value are typically short-term in nature or repriced to current market rates frequently. Accordingly, their carrying amounts are reasonable approximations of their fair values.

(All amounts expressed in thousands of HK$ unless otherwise stated)

3 FINANCIAL RISK MANAGEMENT *(continued)*

3.3 Offsetting financial assets and financial liabilities

Certain financial assets and financial liabilities of the Bank are subject to enforceable master netting arrangements or similar agreements. The agreement between the Bank and the counterparty generally allows for net settlement of the relevant financial assets and financial liabilities when both elect to settle on a net basis. In the absence of such a mutual consent, financial assets and financial liabilities will be settled on a gross basis. However, each party to the master netting arrangements or similar agreements will have the option to settle all such amounts on a net basis in the event of default of the other party. These financial assets and financial liabilities of the Bank are not offset in accordance with HKFRS.

The following table presents the recognized financial instruments that are offset, or subject to enforceable master netting arrangements and other similar agreements but not offset, as at 30 June 2024 and 31 December 2023. The column 'net amount' shows the impact on the Bank's statement of financial position if all set-off rights were exercised.

				Related amounts not offset		
	Gross amounts of recognized financial assets	Gross amounts of recognized financial liabilities set off in the statement of financial position	Net amounts of financial assets presented in the statement of financial position	Financial instruments (including non-cash collateral)	Cash collateral received	Net amount
As at 30 June 2024						
Financial assets						
Derivative financial instruments	**10,207,459**	**–**	**10,207,459**	**(958,975)**	**(1,479,259)**	**7,769,225**
Financial assets at fair value through other comprehensive income	**10,761,664**	**–**	**10,761,664**	**(10,387,122)**	**–**	**374,542**
Total	**20,969,123**	**–**	**20,969,123**	**(11,346,097)**	**(1,479,259)**	**8,143,767**

				Related amounts not offset		
	Gross amounts of recognized financial liabilities	Gross amounts of recognized financial assets set off in the statement of financial position	Net amounts of financial liabilities presented in the statement of financial position	Financial instruments (including non-cash collateral)	Cash collateral advanced	Net amount
Financial liabilities						
Derivative financial instruments	**1,346,434**	**–**	**1,346,434**	**(973,584)**	**(1,900,582)**	**(1,527,732)**
Due to banks and other financial institutions	**10,387,122**	**–**	**10,387,122**	**(10,387,122)**	**–**	**–**
Total	**11,733,556**	**–**	**11,733,556**	**(11,360,706)**	**(1,900,582)**	**(1,527,732)**

(All amounts expressed in thousands of HK$ unless otherwise stated)

3 FINANCIAL RISK MANAGEMENT *(continued)*

3.3 Offsetting financial assets and financial liabilities *(continued)*

	Gross amounts of recognized financial assets	Gross amounts of recognized financial liabilities set off in the statement of financial position	Net amounts of financial assets presented in the statement of financial position	Related amounts not offset: Financial instruments (including non-cash collateral)	Related amounts not offset: Cash collateral received	Net amount
As at 31 December 2023						
Financial assets						
Derivative financial instruments	9,790,562	–	9,790,562	(1,261,037)	(817,382)	7,712,143
Financial assets at fair value through other comprehensive income	3,500,593	–	3,500,593	(3,288,027)	–	212,566
Total	13,291,155	–	13,291,155	(4,549,064)	(817,382)	7,924,709

	Gross amounts of recognized financial liabilities	Gross amounts of recognized financial assets set off in the statement of financial position	Net amounts of financial liabilities presented in the statement of financial position	Related amounts not offset: Financial instruments (including non-cash collateral)	Related amounts not offset: Cash collateral advanced	Net amount
Financial liabilities						
Derivative financial instruments	2,703,827	–	2,703,827	(1,275,512)	(2,558,964)	(1,130,649)
Due to banks and other financial institutions	3,288,027	–	3,288,027	(3,288,027)	–	–
Total	5,991,854	–	5,991,854	(4,563,539)	(2,558,964)	(1,130,649)

(All amounts expressed in thousands of HK$ unless otherwise stated)

4 NET INTEREST INCOME

	Six months ended 30 June	
	2024	2023
Interest income		
Due from and placements with banks and other financial institutions	**1,080,937**	699,920
Loans and advances to customers	**4,517,303**	4,461,626
Financial assets at amortized cost	**979,878**	1,157,323
Financial assets at fair value through other comprehensive income	**4,944,179**	4,588,474
	11,522,297	10,907,343
Interest expense		
Due to banks and other financial institutions	**(368,757)**	(934,303)
Due to customers	**(6,360,287)**	(5,630,369)
Debt securities and certificates of deposit issued at amortized cost	**(91,296)**	(110,514)
	(6,820,340)	(6,675,186)
Net interest income	**4,701,957**	4,232,157

5 FEE AND COMMISSION INCOME

	Six months ended 30 June	
	2024	2023
Settlement service	**25,706**	24,129
Interchange service	**13,333**	12,672
Credit facilities, guarantee and commitment	**15,793**	15,150
Agency service	**526,171**	504,312
Depositary service	**28,783**	27,453
Others	**3,841**	3,685
	613,627	587,401

6 FEE AND COMMISSION EXPENSE

	Six months ended 30 June	
	2024	2023
Settlement and brokerage service	**24,710**	25,264
Interchange service	**5,856**	5,795
Others	**3,151**	7,411
	33,717	38,470

7 DIVIDEND INCOME

	Six months ended 30 June	
	2024	2023
Financial assets at fair value through other comprehensive income – unlisted investment	**150**	35

(All amounts expressed in thousands of HK$ unless otherwise stated)

8 NET LOSSES ARISING FROM TRADING ACTIVITIES

	Six months ended 30 June	
	2024	2023
Foreign exchange	**(168,502)**	(322,841)
Interest rate instruments and others	**49,480**	(98,724)
Debt securities at fair value through profit or loss	**33**	(26,992)
Net gains of interest rate instruments and items under fair value hedge	**20,431**	65,020
Others	**(1,076)**	461
	(99,634)	(383,076)

Net losses on foreign exchange include gains or losses from the trading of spot and forward contracts, currency swaps, cross currency interest rate swaps, currency options and the translation of foreign currency monetary assets and liabilities into HK$.

Net gains/(losses) on interest rate instruments and others include trading gains and losses and fair value changes of interest rate swaps, interest rate options and other derivatives.

9 OTHER OPERATING INCOME

	Six months ended 30 June	
	2024	2023
Management fee received from a branch of the ultimate holding company	**1,722**	1,645
Others	**12,952**	10,801
	14,674	12,446

10 CHANGE IN EXPECTED CREDIT LOSSES

	Six months ended 30 June	
	2024	2023
Change in ECL allowance		
Loans and advances to customers	**274,765**	1,892,225
Financial investments at amortized cost	**(2,879)**	20,786
Debt investments at fair value through other comprehensive income	**4,712**	8,768
Cash and balances with central bank	**(941)**	–
Other receivables	**46,109**	15,031
Due from and placements with banks and other financial institutions	**15,246**	243
Financial guarantees and credit related commitments	**(1,949)**	1,032
	335,063	1,938,085

(All amounts expressed in thousands of HK$ unless otherwise stated)

11 OTHER OPERATING EXPENSES

	Six months ended 30 June	
	2024	2023
Staff costs		
– Salaries and other allowances	**296,667**	320,015
– Retirement benefit costs	**25,534**	25,382
Loss on disposal of fixed assets	**184**	26
General operational and administrative expenses	**130,967**	78,418
Depreciation and amortization	**31,355**	17,095
Depreciation of right-of-use assets	**81,770**	74,661
Auditor's remuneration	**2,602**	1,981
Buildings administration fee	**6,377**	5,579
Rental expenses	**28,886**	23,280
Repairs and maintenance	**18,001**	16,232
Printing, postage and telegram	**18,879**	19,182
Directors', senior management's and key personnel's emoluments	**10,528**	12,094
Management fee paid to a branch of the ultimate holding company	**254,368**	293,167
Interest expense on lease liabilities	**2,501**	1,679
Others	**12,096**	10,928
	920,715	899,719

12 INCOME TAX EXPENSES

	Six months ended 30 June	
	2024	2023
Current income tax		
– Hong Kong profits tax	**632,923**	244,569
– Over provision in prior periods	**–**	(10)
	632,923	244,559
Deferred income tax	**4,363**	(2,113)
Income tax expenses	**637,286**	242,446

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

13 CASH AND BALANCES WITH CENTRAL BANK

	As at 30 June 2024	As at 31 December 2023
Cash	**420,728**	445,655
Balances with central bank	**1,142,325**	1,250,053
Less: ECL allowance	**(493)**	(1,434)
	1,562,560	1,694,274

(All amounts expressed in thousands of HK$ unless otherwise stated)

14 DUE FROM AND PLACEMENTS WITH BANKS AND OTHER FINANCIAL INSTITUTIONS

	As at 30 June 2024	As at 31 December 2023
Due from banks and other financial institutions	**2,741,228**	2,768,315
Placements with and loans to banks	**31,147,937**	21,429,018
Less: ECL allowance	**(35,844)**	(20,598)
	33,853,321	24,176,735

15 FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	As at 30 June 2024	As at 31 December 2023
Derivative financial instruments (note 16)	**10,207,459**	9,790,562
Debt securities at fair value through profit or loss		
– Listed	**131,539**	248,325
– Unlisted	**317,847**	314,197
	10,656,845	10,353,084

Debt securities at fair value through profit or loss are analyzed by issuer as follows:

	As at 30 June 2024	As at 31 December 2023
Debt securities at fair value through profit or loss		
– Governments and central banks	**40**	119,448
– Banks and other financial institutions	**246,499**	242,207
– Corporate entities	**202,847**	200,867
	449,386	562,522

16 DERIVATIVE FINANCIAL INSTRUMENTS

The following derivative instruments are utilized by the Bank for trading or hedging purposes:

Currency forwards are contracts between two parties to buy or sell certain currencies at a specified future date at a predetermined price. The party agreeing to buy the underlying currency in the future assumes a long position, and the party agreeing to sell the currency in the future assumes a short position. The price agreed upon is called the delivery price, which is equal to the forward price at the time the contract is entered into.

Currency and interest rate swaps are commitments to exchange one set of cash flows for another. Swaps result in an economic exchange of currencies or interest rates (for example, fixed rate for floating rate) or a combination of all these (i.e. cross-currency interest rate swaps). The Bank's credit risk represents the potential cost to replace the swap contracts if counterparties fail to perform their obligation. This risk is monitored on an ongoing basis with reference to the current fair value, the notional amount of the contracts and the liquidity of the market.

Currency and interest rate options are contractual agreements under which the seller (writer) grants the purchaser (holder) the right, but not the obligation, either to buy (a call option) or sell (a put option), on or before a set date or during a set period, a specific amount of the financial instrument at a predetermined price. The seller receives a premium from the purchaser in consideration for assuming foreign exchange or interest rate risk. Options may be either exchange-traded or negotiated between the Bank and a customer (over-the-counter market).

(All amounts expressed in thousands of HK$ unless otherwise stated)

16 DERIVATIVE FINANCIAL INSTRUMENTS *(continued)*

The notional amounts of certain types of financial instruments provide a reference of the amounts recognized in the statement of financial position but do not necessarily indicate the amounts of future cash flows involved or the current fair value of the instruments and, therefore, do not indicate the Bank's exposure to credit or market risks. The derivative instruments become favourable (assets) or unfavourable (liabilities) as a result of fluctuations in market interest rates or foreign exchange rates relative to their terms. The aggregate fair values of derivative financial assets and liabilities can fluctuate significantly from time to time. The fair values of derivative instruments held are set out in the following tables.

	For hedging			For trading			Total		
	Contractual/ notional amount	Fair values		Contractual/ notional amount	Fair values		Contractual/ notional amount	Fair values	
		Assets	Liabilities		Assets	Liabilities		Assets	Liabilities
As at 30 June 2024									
Foreign exchange contracts	**22,254,331**	**2,235**	**(19,287)**	**233,898,365**	**604,612**	**(557,962)**	**256,152,696**	**606,847**	**(577,249)**
Interest rate contracts and others	**128,566,888**	**8,882,041**	**(106,370)**	**38,688,482**	**718,571**	**(662,815)**	**167,255,370**	**9,600,612**	**(769,185)**
Total amount of derivative instruments recognized	**150,821,219**	**8,884,276**	**(125,657)**	**272,586,847**	**1,323,183**	**(1,220,777)**	**423,408,066**	**10,207,459**	**(1,346,434)**
As at 31 December 2023									
Foreign exchange contracts	6,445,459	2,127	(152)	262,628,974	875,553	(1,772,058)	269,074,433	877,680	(1,772,210)
Interest rate contracts and others	121,064,808	8,235,377	(333,888)	36,356,132	677,505	(597,729)	157,420,940	8,912,882	(931,617)
Total amount of derivative instruments recognized	127,510,267	8,237,504	(334,040)	298,985,106	1,553,058	(2,369,787)	426,495,373	9,790,562	(2,703,827)

The tables above provide a breakdown of the contractual or notional amounts and the fair values of the Bank's derivative financial instruments outstanding at period end. These instruments, comprising foreign exchange and interest rate derivatives allow the Bank and its customers to transfer, modify or reduce their foreign exchange and interest rate risks.

The Bank undertakes its transactions in foreign exchange and interest rates contracts with other financial institutions and customers. Management has established limits for these contracts based on counterparty types, industry sectors and countries. Related risks are regularly monitored and controlled by management.

Notional amounts of derivative financial instruments by original currency:

	As at 30 June 2024	As at 31 December 2023
Renminbi	**42,963,938**	39,498,482
United States Dollar	**225,580,513**	222,637,145
Hong Kong Dollar	**136,867,165**	150,899,588
Others	**17,996,450**	13,460,158
Total	**423,408,066**	426,495,373

(All amounts expressed in thousands of HK$ unless otherwise stated)

16 DERIVATIVE FINANCIAL INSTRUMENTS *(continued)*

Hedge accounting

(i) Fair value hedge

The Bank applies hedge accounting on hedging its interest rate risk on certain bond investments and loans, as follows:

The Bank holds a portfolio of long-term fixed rate debt securities and loans and therefore is exposed to changes in fair value due to movements in market rates. The Bank manages this risk exposure by entering into pay fixed/receive floating interest rate swaps.

Only the interest rate risk element is hedged and therefore other risks, such as credit risk, are managed but not hedged by the Bank. The interest rate risk component is determined as the change in fair value of the long-term fixed rate debt securities arising solely from changes in the benchmark rate of interest. Such changes are usually the largest component of the overall change in fair value.

This strategy is designated as a fair value hedge and its effectiveness is assessed by comparing changes in the fair value of the debt securities attributable to changes in the benchmark rate of interest with changes in the fair value of the interest rate swaps.

The Bank establishes the hedging ratio by matching the notional of the derivatives with the principal of the portfolio being hedged. Following reasons could cause ineffectiveness:

(1) the effect of the counterparty and the Bank's own credit risk on the fair value of the interest rate swaps, which is not reflected in the fair value of the hedged item attributable to the change in interest rate;

(2) differences in maturities of the interest rate swaps and the debt securities.

(a) The following table contains details of the hedging instruments used in the Bank's hedging strategies:

		Carrying amount			
As at 30 June 2024	**Notional**	**Assets**	**Liabilities**	**Line item on statement of financial position**	**Fair value changes of the hedging instruments**
Fair value hedge					
Interest rate					
Interest rate contract	**128,566,888**	**8,882,041**	**(106,370)**	**Financial assets/ liabilities at fair value through profit or loss**	**961,858**

		Carrying amount			
As at 31 December 2023	Notional	Assets	Liabilities	Line item on statement of financial position	Fair value changes of the hedging instruments
Fair value hedge					
Interest rate					
Interest rate contract	121,064,808	8,235,377	(333,888)	Financial assets/ liabilities at fair value through profit or loss	(2,889,735)

(All amounts expressed in thousands of HK$ unless otherwise stated)

16 DERIVATIVE FINANCIAL INSTRUMENTS *(continued)*

Hedge accounting *(continued)*

(i) Fair value hedge (continued)

(b) The following table contains details of the hedged exposures covered by the Bank's hedging strategies:

As at 30 June 2024	**Carrying amount of hedged item**	**Accumulated amount of fair value adjustments on the hedged item**	**Line item on statement of financial position**	**Fair value changes of the hedged items**	**Ineffectiveness recognized in profit or loss**
Fair value hedge					
Interest rate					
Debt investments	**99,328,043**	**(7,798,952)**	**Financial asset at fair value through other comprehensive income**	**(567,486)**	**17,487**
Debt investments	**19,048,679**	**(1,049,455)**	**Financial asset at amortized cost**	**(367,979)**	**3,176**
Loans and advances to customers	**1,504,927**	**(53,566)**	**Loans and advances to customers**	**(5,962)**	**(232)**

As at 31 December 2023	Carrying amount of hedged item	Accumulated amount of fair value adjustments on the hedged item	Line item on statement of financial position	Fair value changes of the hedged items	Ineffectiveness recognized in profit or loss
Fair value hedge					
Interest rate					
Debt investments	93,562,285	(7,323,183)	Financial asset at fair value through other comprehensive income	2,729,041	19,748
Debt investments	18,170,929	(682,551)	Financial asset at amortized cost	135,905	(1,061)
Loans and advances to customers	1,510,889	(47,604)	Loans and advances to customers	42,766	(710)

(All amounts expressed in thousands of HK$ unless otherwise stated)

16 DERIVATIVE FINANCIAL INSTRUMENTS *(continued)*

Hedge accounting *(continued)*

(i) Fair value hedge *(continued)*

(c) The following table contains information regarding the effectiveness of the hedging relationships designated by the Bank, as well as the impacts on profit or loss and other comprehensive income:

For the six months ended 30 June 2024	Gains/(losses) recognized in other comprehensive Income	Hedge ineffectiveness recognized in profit or loss	Profit or loss line item that includes hedge ineffectiveness
Fair value hedge			
Interest rate	**–**	**20,431**	**Net gains arising from trading activities**

For the six months ended 30 June 2023	Gains/(losses) recognized in other comprehensive Income	Hedge ineffectiveness recognized in profit or loss	Profit or loss line item that includes hedge ineffectiveness
Fair value hedge			
Interest rate	–	65,020	Net gains arising from trading activities

(ii) Cash flow hedge

The Bank uses foreign exchange contracts to hedge against exposures to cash flow variability primarily resulting from foreign exchange risks. The hedged items include debt investments at FVOCI, due from and placements with banks and other financial institutions. The Bank mainly reviews critical terms of hedged item and hedging instrument to evaluate the effectiveness of hedging. With the supporting of testing results, the Bank's management considers the hedging relationship to be highly effective.

For the period ended 30 June 2024, the Bank recognized HK$1,843,000 (31 December 2023: HK$4,161,000) in the hedging reserve.

(All amounts expressed in thousands of HK$ unless otherwise stated)

17 LOANS AND ADVANCES TO CUSTOMERS

17.1 Loans and advances to customers

	As at 30 June 2024	As at 31 December 2023
Loans and advances to customers at amortized cost		
Loans and advances to customers	**198,920,402**	198,218,971
Less: ECL allowance	**(6,344,661)**	(6,227,494)
	192,575,741	191,991,477

17.2 Analysis of loans and advances to customers by staging

As at 30 June 2024	**Stage 1 allowance**	**Stage 2 allowance**	**Stage 3 allowance**	**Total**
Loans and advances to customers				
– Carried at amortized cost (Note)	**165,895,666**	**25,923,541**	**7,101,195**	**198,920,402**
Less: ECL allowance	**(280,853)**	**(260,829)**	**(5,802,979)**	**(6,344,661)**
Net loans and advances to customers	**165,614,813**	**25,662,712**	**1,298,216**	**192,575,741**

Note: Included in the stage 1 balance is a fair value loss of hedging adjustment of HK$53,566,000 which is not subject to ECL allowance (note 16(i)(b)).

As at 31 December 2023	Stage 1 allowance	Stage 2 allowance	Stage 3 allowance	Total
Loans and advances to customers				
– Carried at amortized cost (Note)	173,355,402	18,543,250	6,320,319	198,218,971
Less: ECL allowance	(370,846)	(216,646)	(5,640,002)	(6,227,494)
Net loans and advances to customers	172,984,556	18,326,604	680,317	191,991,477

Note: Included in the stage 1 balance is a fair value loss of hedging adjustment of HK$47,604,000 which is not subject to ECL allowance (note 16(i)(b)).

17.3 Credit quality of loans and advances to customers

Loans and advances to customers analyzed by security type

	As at 30 June 2024	As at 31 December 2023
Unsecured loans	**41,501,448**	38,885,581
Guaranteed loans	**55,683,665**	60,153,353
Loans secured by collateral	**101,735,289**	99,180,037
Gross amount of loans and advances to customers before ECL allowance	**198,920,402**	198,218,971

(All amounts expressed in thousands of HK$ unless otherwise stated)

18 FINANCIAL INVESTMENTS

	As at 30 June 2024	As at 31 December 2023
Financial assets at amortized cost		
Debt securities at amortized cost (Note)		
– Listed	**18,958,198**	18,213,506
– Unlisted	**26,317,973**	28,520,334
Less: ECL allowance	**(44,989)**	(47,868)
	45,231,182	46,685,972
Financial assets at fair value through other comprehensive income		
Debt securities at fair value through other comprehensive income		
– Listed	**93,324,216**	88,891,006
– Unlisted	**52,533,010**	52,380,525
Equity securities at fair value through other comprehensive income		
– Unlisted	**9,349**	9,418
	145,866,575	141,280,949
	191,097,757	187,966,921

Note: Included in the debt securities at amortized cost is a fair value loss of hedging adjustment of HK$1,049,455,000 (2023: HK$682,551,000) which is not subject to ECL allowance (note 16(i)(b)).

The Bank has designated the investment in equity instrument at fair value through other comprehensive income. The Bank chose this presentation alternative because the investment was made as a pre-requisite for the provision of the Bank's certain normal banking business rather than with a view to profit on a subsequent sale, and there is no plan to dispose this investment in short or medium term.

Financial investments analyzed by issuer are as follows:

	As at 30 June 2024	As at 31 December 2023
Financial assets at amortized cost		
Debt securities at amortized cost		
– Governments and central banks	**12,743,811**	14,298,435
– Banks and other financial institutions	**24,794,200**	24,772,755
– Corporate entities	**7,693,171**	7,614,782
	45,231,182	46,685,972
Financial assets at fair value through other comprehensive income		
Debt securities at fair value through other comprehensive income		
– Governments and central banks	**23,331,059**	21,929,878
– Banks and other financial institutions	**57,017,792**	58,018,236
– Corporate entities	**65,508,375**	61,323,417
Equity securities at fair value through other comprehensive income		
– Banks and other financial institutions	**9,349**	9,418
	145,866,575	141,280,949
	191,097,757	187,966,921

(All amounts expressed in thousands of HK$ unless otherwise stated)

19 FIXED ASSETS

	Equipment	**Property improvement**	**Transportation equipment**	**Total**
Cost				
As at 1 January 2024	**107,673**	**110,936**	**3,126**	**221,735**
Additions	**1,970**	**31,624**	**–**	**33,594**
Disposals	**(921)**	**(316)**	**–**	**(1,237)**
As at 30 June 2024	**108,722**	**142,244**	**3,126**	**254,092**
Accumulated depreciation				
As at 1 January 2024	**(70,560)**	**(74,245)**	**(1,650)**	**(146,455)**
Charge for the period	**(6,399)**	**(14,320)**	**(521)**	**(21,240)**
Disposals	**879**	**174**	**–**	**1,053**
As at 30 June 2024	**(76,080)**	**(88,391)**	**(2,171)**	**(166,642)**
Net book value				
As at 30 June 2024	**32,642**	**53,853**	**955**	**87,450**

	Equipment	Property improvement	Transportation equipment	Total
Cost				
As at 1 January 2023	98,429	89,250	3,126	190,805
Additions	13,703	21,686	–	35,389
Disposals	(4,459)	–	–	(4,459)
As at 31 December 2023	107,673	110,936	3,126	221,735
Accumulated depreciation				
As at 1 January 2023	(62,416)	(55,547)	(608)	(118,571)
Charge for the year	(12,539)	(18,698)	(1,042)	(32,279)
Disposals	4,395	–	–	4,395
As at 31 December 2023	(70,560)	(74,245)	(1,650)	(146,455)
Net book value				
As at 31 December 2023	37,113	36,691	1,476	75,280

(All amounts expressed in thousands of HK$ unless otherwise stated)

20 OTHER ASSETS

	As at 30 June 2024	As at 31 December 2023
Interest receivable	**2,997,347**	2,994,218
Less: ECL allowance	**(88,529)**	(60,766)
	2,908,818	2,933,452
Other receivables, prepayments and others	**4,171,918**	3,223,272
Less: ECL allowance	**(6)**	(6)
	4,171,912	3,223,266
Settlement accounts	**796,005**	2,208,468
Intangible assets (a)	**74,865**	72,616
	7,951,600	8,437,802

(a) Intangible assets

	Software
Cost	
As at 1 January 2024	**99,384**
Additions	**12,364**
As at 30 June 2024	**111,748**
Accumulated amortization	
As at 1 January 2024	**(26,768)**
Amortization expenses	**(10,115)**
As at 30 June 2024	**(36,883)**
Net book value as at 30 June 2024	**74,865**

	Software
Cost	
As at 1 January 2023	44,654
Additions	54,730
As at 31 December 2023	99,384
Accumulated amortization	
As at 1 January 2023	(16,996)
Amortization expenses	(9,772)
As at 31 December 2023	(26,768)
Net book value as at 31 December 2023	72,616

(All amounts expressed in thousands of HK$ unless otherwise stated)

21 DUE TO BANKS AND OTHER FINANCIAL INSTITUTIONS

	As at 30 June 2024	As at 31 December 2023
Deposits from banks and other financial institutions	**5,442,442**	11,756,224
Subordinated loan from the ultimate holding company	**2,000,000**	2,000,000
Financial assets sold under repurchase agreements (note 31)	**10,387,122**	3,288,027
Total	**17,829,564**	17,044,251

On 19 January 2018, the Bank had drawn down a HK$2,000 million Tier 2 capital subordinated loan from the ultimate holding company due 19 January 2028. It has a floating rate of interest payable quarterly per annum in arrears for each interest period at the aggregate of 1.50% per annum and three month HIBOR.

22 DUE TO CUSTOMERS

	As at 30 June 2024	As at 31 December 2023
Demand deposits and current accounts	**10,008,843**	9,547,573
Saving deposits	**61,510,760**	55,181,125
Time, call, notice and other deposits	**272,718,867**	268,598,400
	344,238,470	333,327,098
Including:		
Deposits pledged as collateral	**3,561,956**	3,551,453

23 FINANCIAL LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS

	As at 30 June 2024	As at 31 December 2023
Derivative financial instruments (note 16)	**1,346,434**	2,703,827

24 CERTIFICATES OF DEPOSITS ISSUED

	As at 30 June 2024	As at 31 December 2023
Carried at amortized cost	**111,480**	–
Carried at fair value through profit or loss	**–**	1,788,345
	111,480	1,788,345

(All amounts expressed in thousands of HK$ unless otherwise stated)

25 DEBT SECURITIES ISSUED

	As at 30 June 2024	As at 31 December 2023
Tier 2 capital bonds	**7,808,367**	7,809,900

On 8 July 2021, the Bank issued USD1,000 million Tier 2 capital bonds due 2031. These bonds have an initial distribution rate of 2.304% per annum, payable semi-annually in arrear from year 1 to year 5, and resettable on year 5 at the then-prevailing 5-year U.S. Treasury yield plus 1.4% per annum.

26 OTHER LIABILITIES

	As at 30 June 2024	As at 31 December 2023
Interest payable	**2,251,858**	2,729,582
Settlement accounts	**1,480,534**	1,314,903
Provision for impairment allowances on financial guarantees and credit related commitments	**19,917**	21,866
Others	**4,018,405**	3,866,568
Total	**7,770,714**	7,932,919

27 SHARE CAPITAL

	Number of shares	**Share capital**
As at 31 December 2023, 1 January 2024 and 30 June 2024	37,900,000,000	37,900,000

28 ADDITIONAL EQUITY INSTRUMENT

	As at 30 June 2024	As at 31 December 2023
Undated non-cumulative subordinated Additional Tier 1 capital securities with US$500 million	**3,871,450**	3,871,450

In March 2020, the Bank issued USD500 million undated non-cumulative subordinated Additional Tier 1 capital securities. These capital securities are perpetual securities and listed on the Stock Exchange of Hong Kong Limited. The Bank has the option to redeem these securities on 3 March 2025, and every six months thereafter, or on the occurrence of certain other events. These capital securities have an initial distribution rate of 3.725% per annum, payable semi-annually in arrear from year 1 to year 5, and resettable on year 5 and every 5 years thereafter, at the then-prevailing 5-year U.S. Treasury yield plus 2.525% per annum. The Bank has paid dividends of HK$72,894,000 to the holders of additional equity instrument for the period ended 30 June 2024 (30 June 2023: HK$73,120,000). The equity instrument will be written down at the point of non-viability on the occurrence of a trigger event as defined in the Banking (Capital) rules. It ranks higher than ordinary shares in the event of a winding-up.

(All amounts expressed in thousands of HK$ unless otherwise stated)

29 FINANCIAL GUARANTEES AND CREDIT RELATED COMMITMENTS AND OTHER COMMITMENTS

Financial guarantees and credit related commitments

The following tables indicate the contractual amounts of the Bank's financial guarantees and credit related commitments which the Bank has committed to its customers:

	As at 30 June 2024	As at 31 December 2023
Letters of guarantee	**246,956**	57,124
Letters of credit commitments	**693,665**	469,737
Acceptances bills	**52,841**	130,193
Forward forward deposits placed	**640,440**	–
Credit card commitments	**4,649,911**	4,737,491
Other credit related commitments		
– Under 1 year	**16,527,692**	11,416,737
– More than 1 year	**10,777,239**	12,662,320
	33,588,744	29,473,602

Capital expenditure commitments

	As at 30 June 2024	As at 31 December 2023
Contracted but not provided for	**41,303**	7,795

Operating lease commitments

As at 30 June 2024, the Bank has non-cancellable operating lease commitments of HK$20,525,000 (31 December 2023: HK$2,147,000) related to short-term leases, which are the leases with a lease term of 12 months or less.

30 NOTES TO STATEMENT OF CASH FLOWS

Analysis of the balance of cash and cash equivalents

For the purposes of the statement of cash flows, cash and cash equivalents comprise the following balances with original maturities of less than or equal to 90 days used for the purpose of meeting short-term cash commitments:

	As at 30 June 2024	As at 31 December 2023
Cash and balances with central bank (note 13)	**1,562,560**	1,694,274
Due from and placements with banks and other financial institutions	**18,674,049**	17,015,565
	20,236,609	18,709,839

(All amounts expressed in thousands of HK$ unless otherwise stated)

31 COLLATERALS

Financial assets sold under repurchase agreements included certain transactions under which, title of the pledged securities has been transferred to counterparties.

Sales and repurchase agreements are transactions in which the Bank sells a security and simultaneously agrees to repurchase it (or an asset that is substantially the same) at a fixed price on a future date. Since the repurchase prices are fixed, the Bank is still exposed to substantially all the credit risks and market risks and rewards of those securities sold. These securities, which the Bank does not have the ability to use during the term of the arrangements, are not derecognized from the financial statements but regarded as "collateral" for the secured lending because the Bank retains substantially all the risks and rewards of these securities. In addition, the Bank recognizes a financial liability for cash received.

As at 30 June 2024 and 31 December 2023, the Bank entered into repurchase agreements with certain counterparties. The proceeds from selling such securities were presented as "financial assets sold under repurchase agreements" (see note 21).

	Transferred assets		Associated liabilities	
	As at 30 June 2024	As at 31 December 2023	**As at 30 June 2024**	As at 31 December 2023
Investment securities	**10,761,664**	3,500,593	**(10,387,122)**	(3,288,027)

32 MATERIAL RELATED PARTY TRANSACTIONS

During the period ended 30 June of 2024, the Bank has purchased certain loans and advances to customers of HK$9,045,205,000 (30 June 2023: Nil) from a branch of the ultimate holding company.

In addition to the above, all related party transactions that took place for the period ended 30 June 2024 were similar in nature to those disclosed in the 2023 Annual Report. There were no changes in the related party transactions described in the 2023 Annual Report that have had a material effect on the financial position or performance of the Bank for the period ended 30 June 2024.

(All amounts expressed in thousands of HK$ unless otherwise stated)

33 SEGMENTAL ANALYSIS

The Bank manages the business mainly from an operating segment perspective and the majority of the Bank's revenues, profits before tax and assets are derived from Hong Kong. The Bank is engaged predominantly in banking and related financial activities. It comprises corporate banking, personal banking, treasury and other business. Corporate banking mainly comprises corporate loans, bills, trade finance, corporate deposits and remittance. Personal banking mainly comprises individual loans, individual deposits, credit cards and remittance. Treasury mainly comprises money market placements and takings, financial investment, and securities sold under repurchase agreements. The "Others" segment mainly comprises unallocated revenue and expenses and corporate expenses.

The business information of the Bank is summarized as follows:

	Six months ended 30 June 2024				
	Corporate Banking	Personal Banking	Treasury	Others	Total
External net interest income/(expense)	2,510,568	(3,911,779)	6,103,356	(188)	4,701,957
Inter-segment net interest income/(expense)	(1,829,608)	4,844,812	(3,015,204)	–	–
Net interest income/(expense)	680,960	933,033	3,088,152	(188)	4,701,957
Other operating income/(expense)	180,466	425,025	(192,841)	1,271	413,921
Total operating income	861,426	1,358,058	2,895,311	1,083	5,115,878
Change in expected credit losses	(231,393)	(30,238)	(71,049)	(2,383)	(335,063)
Other operating expense					
– Depreciation and amortization	(1,801)	(106,233)	(12)	(5,079)	(113,125)
– Others	(81,092)	(679,735)	(40,622)	(6,141)	(807,590)
Profit/(loss) before tax	547,140	541,852	2,783,628	(12,520)	3,860,100
Income tax expense	–	–	–	(637,286)	(637,286)
Net profit/(loss) for the period	547,140	541,852	2,783,628	(649,806)	3,222,814
As at 30 June 2024					
Segment assets	150,055,488	63,256,084	224,331,823	–	437,643,395
Unallocated assets	–	–	–	392,916	392,916
Total assets	150,055,488	63,256,084	224,331,823	392,916	438,036,311
Segment liabilities	(63,478,835)	(283,779,627)	(31,632,593)	–	(378,891,055)
Unallocated liabilities	–	–	–	(1,320,458)	(1,320,458)
Total liabilities	(63,478,835)	(283,779,627)	(31,632,593)	(1,320,458)	(380,211,513)

(All amounts expressed in thousands of HK$ unless otherwise stated)

33 SEGMENTAL ANALYSIS *(continued)*

	Six months ended 30 June 2023				
	Corporate Banking	Personal Banking	Treasury	Others	Total
External net interest income/(expense)	1,928,468	(2,965,164)	5,268,853	–	4,232,157
Inter-segment net interest income/(expense)	(1,267,470)	4,165,906	(2,898,436)	–	–
Net interest income	660,998	1,200,742	2,370,417	–	4,232,157
Other operating income/(expense)	188,102	381,941	(448,518)	–	121,525
Total operating income	849,100	1,582,683	1,921,899	–	4,353,682
Change in expected credit losses	(1,909,540)	14,617	(42,966)	(196)	(1,938,085)
Other operating expense					
– Depreciation and amortization	(435)	(86,388)	(46)	(4,887)	(91,756)
– Others	(80,003)	(731,692)	(40,292)	44,024	(807,963)
Profit/(loss) before tax	(1,140,878)	779,220	1,838,595	38,941	1,515,878
Income tax expense	–	–	–	(242,446)	(242,446)
Net profit/(loss) for the period	(1,140,878)	779,220	1,838,595	(203,505)	1,273,432
As at 30 June 2023					
Segment assets	135,311,761	65,483,068	253,242,711	–	454,037,540
Unallocated assets	–	–	–	145,448	145,448
Total assets	135,311,761	65,483,068	253,242,711	145,448	454,182,988
Segment liabilities	(110,402,762)	(240,838,049)	(49,850,905)	–	(401,091,716)
Unallocated liabilities	–	–	–	(432,403)	(432,403)
Total liabilities	(110,402,762)	(240,838,049)	(49,850,905)	(432,403)	(401,524,119)

34 NON-ADJUSTING EVENT AFTER REPORTING PERIOD

Subsequent to the reporting date, the Bank expanded its loans business by acquiring certain loans portfolio approximately HK$945 million in July 2024 from a branch of the ultimate holding company. These loan transfer transactions entered with the branch were conducted in the ordinary and usual course of business and on normal commercial terms.