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## **Non-collateralised Structured Products**

### **Addendum to the Base Listing Document dated 13 April 2023 relating to Structured Products**

**to be issued by**



**The Bank of East Asia, Limited**  
*(incorporated with limited liability in Hong Kong)*

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This addendum includes particulars given in compliance with the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “**Listing Rules**”) for the purpose of giving further information with regard to us. **You must read this addendum in conjunction with our base listing document dated 13 April 2023 (our “Base Listing Document”).**

**We accept full responsibility for the accuracy of the information contained in this addendum and/or our Base Listing Document and confirm, having made all reasonable enquiries, that to the best of our knowledge and belief there are no other facts the omission of which would make any statement in this addendum and/or our Base Listing Document misleading.**

**The Structured Products are complex products. Investors should exercise caution in relation to them. The Structured Products involve derivatives. The investment decision is yours but you should not invest in any series of Structured Products unless you fully understand and are willing to assume the risks associated with them.**

Investors are warned that the Structured Products are not principal protected and the price of Structured Products may fall in value as rapidly as it may rise and holders may sustain a total loss of their investment. Prospective purchasers should therefore ensure that they understand the nature of the Structured Products and carefully study the risk factors set out in our Base Listing Document and the relevant launch announcement and supplemental listing document, where necessary, seek professional advice, before they invest in the Structured Products.

The Structured Products constitute our general unsecured contractual obligations and of no other person and will rank equally among themselves and with all our other unsecured obligations (save for those obligations preferred by law) upon liquidation. If you purchase the Structured Products, you are relying upon our creditworthiness and have no rights under the Structured Products against (a) the company which has issued the underlying securities; (b) the trustee or the manager of the underlying unit trust; or (c) the index compiler of any underlying index. If we become insolvent or default on our obligations under the Structured Products, you may not be able to recover all or even part of the amount due under the Structured Products (if any).

## IMPORTANT INFORMATION

### What is this addendum about?

This addendum contains extracts of our Interim Report 2023 which contains our unaudited interim financial information for the six months ended 30 June 2023. This addendum is a supplement to our Base Listing Document.

You should read this addendum together with our Base Listing Document (including any other addendum to our Base Listing Document to be issued by us from time to time) and the relevant launch announcement and supplemental listing document (including any addendum to such launch announcement and supplemental listing document to be issued by us from time to time) (together, the “**Listing Documents**”) before investing in any Structured Product.

### Where can you inspect the relevant documents?

Copies of each of the Listing Documents and other documents set out in the section headed “Where can you inspect the relevant documents?” in our Base Listing Document may be inspected during usual business hours on any weekday (Saturdays, Sundays and public holidays excepted) at our office at 10 Des Voeux Road Central, Hong Kong.

各上市文件連同於基本上市文件「閣下可在何處查閱有關文件？」一節所列的其他文件，可於任何平日(星期六、星期日及公眾假期除外)的一般辦公時間內，於我們的辦事處（地址為香港德輔道中 10 號）查閱。

### Are we subject to any litigation?

Save as disclosed in our Listing Documents, we and our subsidiaries are not aware of any litigation or claims of material importance pending or threatened against us or them.

### Has our financial position changed since last financial year-end?

Save as disclosed in this addendum and Appendix 6 of the Base Listing Document, there has been no material adverse change in our financial or trading position since the date of our most recently published audited financial statements.

### Are we regulated by any bodies referred to in Rule 15A.13(2) or (3) of the Listing Rules?

We are a licensed bank regulated by, among others, the Hong Kong Monetary Authority.

### What are our credit ratings?

Our credit ratings as of the date of this addendum are:

<i>Rating Agency</i>	<i>Rating (outlook)</i>
Moody's Investors Service, Inc.	A3 (Stable)
S&P Global Ratings	A- (Stable)

You may visit the following website for updated information of our credit ratings:

[http://www.hkbea.com/hk/ci/investor\\_comm/credit\\_ratings/index.htm](http://www.hkbea.com/hk/ci/investor_comm/credit_ratings/index.htm)

Rating agencies usually receive a fee from issuers that they rate. When evaluating our creditworthiness, you should not solely rely on our credit ratings because:

- (a) credit rating is not a recommendation to buy, sell or hold the Structured Products;
- (b) ratings of companies may involve difficult-to-quantify factors such as market competition, the success or failure of new products and markets and managerial competence;
- (c) a high credit rating is not necessarily indicative of low risk. Our credit ratings as of the date of this addendum are for reference only. Any downgrading of our ratings could result in a reduction in the value of the Structured Products;
- (d) a credit rating is not an indication of the liquidity or volatility of the Structured Products; and
- (e) a credit rating may be downgraded if our credit quality declines.

### How can you get further information about us?

You may visit [www.hkbea.com](http://www.hkbea.com) to obtain further information about us.

## CONTENTS

	Page
EXTRACTS OF OUR INTERIM REPORT 2023	4

## **EXTRACTS OF OUR INTERIM REPORT 2023**

The information set out in this section below has been extracted from our Interim Report 2023 which contains the unaudited interim financial information of us and our subsidiaries for the six months ended 30 June 2023. References to page numbers on the pages in this section are to the page numbers in our Interim Report 2023.

The principal accounting policies adopted in the preparation of the unaudited interim financial information for the six months ended 30 June 2023 are consistent with those used in our financial statements for the year ended 31 December 2022, except for the accounting policy changes that are expected to be reflected in the 2023 audited accounts. Details of these changes in accounting policies are set out in Note 2 on page 11 of the Interim Report 2023.

Our Interim Report 2023 is available for inspection at our office at 10 Des Voeux Road Central, Hong Kong. You may also visit our website at <http://www.hkbea.com/html/en/bea-about-bea-investor-communication-annual-and-interim-reports.html> to access such report.

## FINANCIAL HIGHLIGHTS

	30 June 2023	30 June 2022	31 December 2022
<b>For the half year ended</b>			
<b>Profitability</b>	HK\$ Mn	HK\$ Mn	HK\$ Mn
Operating profit before impairment losses	5,688	3,712	5,018
Profit attributable to owners of the parent	2,636	1,499	2,860
<b>Earnings Per Share and Dividends Per Share</b>	HK\$	HK\$	HK\$
Basic earnings	0.87	0.39	0.93
Dividends	0.36	0.16	0.65
<b>Key Ratios</b>	%	%	%
Return on average assets (annualised) <sup>1</sup>	0.5	0.2	0.6
Return on average equity (annualised) <sup>2</sup>	4.8	2.2	5.3
Cost-to-income ratio <sup>3</sup>	44.7	54.3	49.0

### At period/year end

<b>Balance Sheet Strength</b>	HK\$ Mn	HK\$ Mn	HK\$ Mn
Total loans and advances to customers and trade bills	533,077	554,443	549,543
Total assets	872,069	908,211	882,825
Total customers' deposits and certificates of deposit issued	662,310	691,221	680,755
Total equity	107,319	106,325	106,346
<b>Key Ratios</b>	%	%	%
Loan to deposit ratio <sup>4</sup>	80.3	79.8	80.6
Impaired loan ratio <sup>5</sup>	2.56	1.58	2.39
Common Equity Tier 1 capital ratio <sup>6</sup>	16.8	15.7	15.8
Tier 1 capital ratio <sup>6</sup>	18.8	17.7	17.7
Total capital ratio <sup>6</sup>	21.4	20.2	20.1

Notes:

1. Annualised profits attributable to the owners of the parent for the period after deduction of the distributions to Additional Tier 1 issue holders / Monthly average balance of the total assets for the period including last year-end balance.
2. Annualised profits attributable to the owners of the parent for the period after deduction of the distributions to Additional Tier 1 issue holders / Monthly average balance of the total equity attributable to the owners of the parent for the period including last year-end balance.
3. Operating expenses / Operating income.
4. Total gross loans and advances to customers / Total deposits from customers and certificates of deposit issued.
5. Gross impaired loans and advances to customers / Total gross loans and advances to customers.
6. It is computed on a consolidated basis in accordance with Banking (Capital) Rules.

## **CORPORATE INFORMATION**

**SPECIAL ADVISOR TO THE BOARD**  
**Dr. Isidro FAINÉ CASAS**

### **BOARD OF DIRECTORS**

#### **Executive Directors**

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

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

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

#### **Non-executive Directors**

**Professor Arthur LI Kwok-cheung**  
*(Deputy Chairman)*

**Mr. Aubrey LI Kwok-sing**

**Mr. Winston LO Yau-lai**

**Mr. Stephen Charles LI Kwok-sze**

**Dr. Daryl NG Win-kong**

**Mr. Masayuki OKU**

**Dr. Francisco Javier SERRADO TREPAT**

#### **Independent Non-executive Directors**

**Dr. Allan WONG Chi-yun**  
*(Deputy Chairman)*

**Dr. the Hon. Rita FAN HSU Lai-tai**

**Mr. Meocre LI Kwok-wing**

**Dr. the Hon. Henry TANG Ying-yen**

**Dr. Delman LEE**

**Mr. William Junior Guilherme DOO**

**Dr. David MONG Tak-yeung**

### **SENIOR ADVISOR**

**Mr. CHAN Tze-ching**

### **SENIOR MANAGEMENT**

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

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

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

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

### **COMPANY SECRETARY**

**Mr. Alson LAW Chun-tak**

### **AUDITOR**

#### **KPMG**

*Certified Public Accountants*

*Public Interest Entity Auditor registered in accordance  
with the Accounting and Financial Reporting  
Council Ordinance*

### **SHARE LISTING**

The Stock Exchange of Hong Kong Limited

### **SHARE REGISTRAR**

Tricor Standard Limited

Telephone: (852) 2980 1333

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### **ADR DEPOSITARY BANK**

BNY Mellon

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### **REGISTERED OFFICE**

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E-mail: [info@hkbea.com](mailto:info@hkbea.com)

## INTERIM RESULTS

The Board of Directors of the Bank is pleased to announce the unaudited results (Note 1(a)) of the Group for the six months ended 30th June, 2023. The interim financial report is prepared on a basis consistent with the accounting policies and methods adopted in the 2022 audited financial statements, except for the accounting policy changes that are expected to be reflected in the 2023 audited financial statements. Details of these changes in accounting policies are set out in Note 2. The interim financial report is unaudited, but has been reviewed by KPMG in accordance with Hong Kong Standard on Review Engagements 2410, Review of Interim Financial Information Performed by the Independent Auditor of the Entity, issued by the HKICPA. KPMG's independent review report to the Board is included on page 72.

### Consolidated Income Statement

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

## Consolidated Income Statement (Continued)

		6 months ended 30/6/2023	6 months ended 30/6/2022
	Notes	HK\$ Mn	HK\$ Mn
Attributable to:			
Owners of the parent		2,636	1,499
Non-controlling interests		2	11
		<u>2,638</u>	<u>1,510</u>
Profit for the period		<u>2,638</u>	<u>1,510</u>
Profit for the Bank		<u>2,600</u>	<u>1,455</u>
Earnings per share			
Basic	1(b)	HK\$0.87	HK\$0.39
Diluted	1(b)	HK\$0.87	HK\$0.39



## Consolidated Statement of Comprehensive Income

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

## Consolidated Statement of Financial Position

		30/6/2023	31/12/2022
	Notes	HK\$ Mn	HK\$ Mn
<b>ASSETS</b>			
Cash and balances with banks	15	43,444	54,579
Placements with and advances to banks	16	58,308	60,203
Trade bills	17	1,460	529
Trading assets	18	3,840	1,530
Derivative assets	35(b)	12,028	11,092
Loans and advances to customers	19	526,235	542,394
Investment securities	20	157,887	147,007
Investments in associates and joint ventures	21	8,782	9,061
Fixed assets	22	13,320	13,476
– Investment properties		5,144	5,166
– Other properties and equipment		7,382	7,593
– Right-of-use assets		794	717
Goodwill and intangible assets		1,858	1,870
Deferred tax assets	29	1,828	1,849
Other assets	23	43,079	39,235
Total Assets		872,069	882,825
<b>EQUITY AND LIABILITIES</b>			
Deposits and balances of banks		25,975	25,478
– Designated at fair value through profit or loss	24	4,031	4,545
– At amortised cost		21,944	20,933
Deposits from customers		625,722	648,093
– Demand deposits and current accounts		53,380	65,899
– Savings deposits		129,825	145,107
– Time, call and notice deposits		442,517	437,087
Trading liabilities		1	5
Derivative liabilities	35(b)	4,777	4,145
Certificates of deposit issued		36,588	32,662
– Designated at fair value through profit or loss	24	18,127	19,001
– At amortised cost		18,461	13,661
Current taxation		1,586	1,252
Debt securities issued		1,508	2,892
– Designated at fair value through profit or loss	24	825	811
– At amortised cost		683	2,081
Deferred tax liabilities	29	438	226
Other liabilities	25	52,402	49,799
Loan capital – at amortised cost	26	15,753	11,927
Total Liabilities		764,750	776,479
Share capital	1(d)	41,878	41,856
Reserves	30	55,104	54,131
Total equity attributable to owners of the parent		96,982	95,987
Additional equity instruments	31	10,090	10,090
Non-controlling interests		247	269
Total Equity		107,319	106,346
Total Equity and Liabilities		872,069	882,825

## Consolidated Statement of Changes in Equity

	Share capital	General reserve	Revaluation reserve of bank premises	Capital reserve	Exchange revaluation reserve	Capital reserve – staff share options issued	Fair value reserve	Liability credit reserve	Other reserves <sup>1</sup>	Retained profits	Total	Additional equity instruments	Non-controlling interests	Total equity
	HK\$ Mn	HK\$ Mn	HK\$ Mn	HK\$ Mn	HK\$ Mn	HK\$ Mn	HK\$ Mn	HK\$ Mn	HK\$ Mn	HK\$ Mn	HK\$ Mn	HK\$ Mn	HK\$ Mn	HK\$ Mn
At 1st January, 2023	41,856	13,658	2,255	895	(1,822)	150	510	15	5,105	33,365	95,987	10,090	269	106,346
Changes in equity														
Profit for the period	-	-	-	-	-	-	-	-	-	2,636	2,636	-	2	2,638
Other comprehensive income	-	-	-	-	(1,434)	-	657	(3)	43	-	(737)	-	-	(737)
Total comprehensive income	-	-	-	-	(1,434)	-	657	(3)	43	2,636	1,899	-	2	1,901
Shares issued in lieu of dividend (Note 1(d))	22	-	-	-	-	-	-	-	-	-	22	-	-	22
Equity settled share-based transaction	-	-	-	-	-	12	-	-	-	-	12	-	-	12
Transfer	-	-	-	-	-	-	-	-	81	(81)	-	-	-	-
Distribution/Dividends declared or approved during the period	-	-	-	-	-	-	-	-	-	(754)	(754)	-	(24)	(778)
Share buy-back <sup>2</sup>	-	-	-	-	-	-	-	-	-	(184)	(184)	-	-	(184)
At 30th June, 2023	41,878	13,658	2,255	895	(3,256)	162	1,167	12	5,229	34,982	96,982	10,090	247	107,319
At 1st January, 2022	41,645	13,658	1,905	895	1,058	152	1,925	(46)	5,191	35,395	101,778	13,968	304	116,050
Changes in equity														
Profit for the period	-	-	-	-	-	-	-	-	-	1,499	1,499	-	11	1,510
Other comprehensive income	-	-	1	-	(1,830)	-	(1,356)	69	45	-	(3,071)	-	-	(3,071)
Total comprehensive income	-	-	1	-	(1,830)	-	(1,356)	69	45	1,499	(1,572)	-	11	(1,561)
Shares issued in lieu of dividend	146	-	-	-	-	-	-	-	-	-	146	-	-	146
Equity settled share-based transaction	-	-	-	-	-	11	-	-	-	-	11	-	-	11
Transfer	-	-	-	-	-	(24)	-	-	(7)	31	-	-	-	-
Distribution/Dividends declared or approved during the period	-	-	-	-	-	-	-	-	-	(1,432)	(1,432)	-	(48)	(1,480)
Share buy-back <sup>3</sup>	-	-	-	-	-	-	-	-	-	(2,916)	(2,916)	-	-	(2,916)
Redemption of additional equity instruments	-	-	-	-	-	-	-	-	-	(47)	(47)	(3,878)	-	(3,925)
At 30th June, 2022	41,791	13,658	1,906	895	(772)	139	569	23	5,229	32,530	95,968	10,090	267	106,325

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

2. In the first half of 2023, the Bank bought back 17,840,200 issued shares on the Stock Exchange at a consideration of HK\$183 million. Together with the direct transaction cost of approximately HK\$1 million, a total amount of HK\$184 million was accounted for as deduction from retained profits.

3. On 28th March, 2022, the Bank executed a share buy-back deed with Elliott Investment Management's affiliate entities to repurchase approximately 247 million shares of the Bank. The share buy-back transaction was completed on 11th April, 2022 at a consideration of HK\$2,904 million. Together with the direct transaction cost of approximately HK\$12 million, a total amount of HK\$2,916 million was accounted for as deduction from retained profits. The shares repurchased were cancelled on 20th April, 2022.

## Condensed Consolidated Cash Flow Statement

		6 months ended 30/6/2023	6 months ended 30/6/2022
	Notes	HK\$ Mn	HK\$ Mn
NET CASH (OUTFLOW)/INFLOW FROM OPERATIONS		(12,022)	9,305
Income tax paid			
Hong Kong profits tax paid		(67)	(6)
Outside Hong Kong profits tax paid		(243)	(121)
NET CASH (USED IN)/GENERATED FROM OPERATING ACTIVITIES		(12,332)	9,178
INVESTING ACTIVITIES			
Dividends received from associates and joint ventures		–	7
Dividends received from equity securities measured at FVOCI		17	9
Purchase of fixed assets		(221)	(179)
Proceeds from disposal of other properties and equipment		3	103
Proceeds from sale of assets held for sale		9	–
NET CASH USED IN INVESTING ACTIVITIES		(192)	(60)
FINANCING ACTIVITIES			
Ordinary dividends paid		(457)	(925)
Distribution to Additional Tier 1 issue holders	1(c)	(299)	(409)
Payment for repurchase of shares		(184)	(2,916)
Issue of debt securities		–	390
Issue of loan capital		3,904	3,879
Capital element of lease rentals paid		(122)	(146)
Interest element of lease rentals paid		(13)	(13)
Redemption of debt securities issued		(1,408)	(2,931)
Redemption of additional equity instruments		–	(3,925)
Interest paid on debt securities issued		(40)	(126)
Interest paid on loan capital		(402)	(158)
NET CASH GENERATED FROM/(USED IN) FINANCING ACTIVITIES		979	(7,280)
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS		(11,545)	1,838
CASH AND CASH EQUIVALENTS AT 1st JANUARY		112,149	120,646
Effect of foreign exchange rate changes		(1,738)	(2,338)
CASH AND CASH EQUIVALENTS AT 30th JUNE	32	98,866	120,146
Cash flows from operating activities included:			
Interest received		18,710	9,736
Interest paid		9,545	3,619
Dividend received		22	20

## Notes to the Interim Financial Statements

Notes:

1. (a) This interim report has been prepared in accordance with the same accounting policies adopted in the 2022 annual financial statements, except for the accounting policy changes that are expected to be reflected in the 2023 annual financial statements. Details of these changes in accounting policies are set out in Note 2 below.

The financial information relating to the financial year ended 31st December, 2022 that is included in the interim financial report as comparative information does not constitute the Bank's statutory annual consolidated financial statements for that financial year but is derived from those financial statements. Further information relating to these statutory financial statements disclosed in accordance with section 436 of the Companies Ordinance is as follows:

The Bank has delivered the financial statements for the year ended 31st December, 2022 to the Registrar of Companies in accordance with section 662(3) of, and Part 3 of Schedule 6 to, the Companies Ordinance.

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

- (b) (i) The calculation of basic earnings per share is based on the consolidated profit for the period attributable to owners of the parent of HK\$2,337 million (six months ended 30th June, 2022: HK\$1,090 million) after accounting for the distribution of HK\$299 million (six months ended 30th June, 2022: HK\$409 million) to Additional Tier 1 issue holders, and on the weighted average of 2,677 million ordinary shares outstanding during the six months ended 30th June, 2023 (six months ended 30th June, 2022: 2,818 million).
- (ii) The calculation of diluted earnings per share is the same as the calculation of basic earnings per share, except that the weighted average of ordinary shares is adjusted for the effects of all dilutive potential shares. For the six months ended 30th June, 2023, the weighted average of ordinary shares adjusted for the effects of all dilutive potential shares was 2,677 million (six months ended 30th June, 2022: 2,818 million).
- (c) Distribution/Dividends
- (i) Dividends payable to equity owners of the parent attributable to the interim period

	6 months ended 30/6/2023 HK\$ Mn	6 months ended 30/6/2022 HK\$ Mn
Interim dividend declared after the interim period of HK\$0.36 per share on 2,664 million shares (six months ended 30th June, 2022: HK\$0.16 per share on 2,689 million shares)	959	430

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

## Notes to the Interim Financial Statements (Continued)

### 1. (c) Distribution/Dividends (Continued)

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

	6 months ended 30/6/2023	6 months ended 30/6/2022
	HK\$ Mn	HK\$ Mn
Second interim dividend of HK\$0.17 per share on 2,677 million shares (2022: HK\$0.35 per share on 2,923 million shares)	455	1,023

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

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

### (d) Share Capital

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

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

### Share buy-back

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

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

## Notes to the Interim Financial Statements (Continued)

### 2. Changes in Accounting Policies

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

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

### 3. Interest Income

	6 months ended 30/6/2023	6 months ended 30/6/2022
	HK\$ Mn	HK\$ Mn
Loans, placements with banks, and trade bills	14,889	8,200
Investment securities		
– measured at amortised cost or FVOCI	3,851	1,385
– mandatorily measured at FVTPL	79	53
Trading assets	37	20
	<u>18,856</u>	<u>9,658</u>

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

The above included interest income of HK\$17,563 million (six months ended 30th June, 2022: HK\$10,154 million), before hedging effect, for financial assets that are not recognised at fair value through profit or loss.

### 4. Interest Expense

	6 months ended 30/6/2023	6 months ended 30/6/2022
	HK\$ Mn	HK\$ Mn
Customer deposits and deposits of banks		
– at amortised cost	9,369	3,274
– designated at FVTPL	90	12
Certificates of deposit and debt securities issued		
– at amortised cost	279	238
– designated at FVTPL	541	118
Subordinated notes carried at amortised cost	436	166
Lease liabilities	14	15
Other borrowings	82	5
	<u>10,811</u>	<u>3,828</u>

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

The above included interest expense of HK\$10,104 million (six months ended 30th June, 2022: HK\$3,711 million), before hedging effect, for financial liabilities that are not recognised at fair value through profit or loss.

## Notes to the Interim Financial Statements (Continued)

### 5. Fee and Commission Income

Fee and commission income is disaggregated by services:

	6 months ended 30/6/2023	6 months ended 30/6/2022
	HK\$ Mn	HK\$ Mn
Loans, overdrafts and guarantees	518	440
Credit cards	372	331
Sale of third party insurance policies	290	251
Other retail banking services	108	101
Trust and other fiduciary activities	94	112
Investment products	90	118
Securities brokerage	83	124
Trade finance	47	50
Others	205	224
Total fee and commission income	1,807	1,751
Net fee income on financial assets and financial liabilities that are not measured at FVTPL (other than those included in determining the effective interest rate)	1,454	1,445
Fee income	1,807	1,751
Fee expenses	(353)	(306)

### 6. Net Trading Profit

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

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

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



## Notes to the Interim Financial Statements (Continued)

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

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

### 9. Net Hedging Profit

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

## Notes to the Interim Financial Statements (Continued)

### 10. Other Operating Income

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

*Note:*

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

## Notes to the Interim Financial Statements (Continued)

### 11. Operating Expenses

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

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

## Notes to the Interim Financial Statements (Continued)

### 12. Impairment Losses on Financial Instruments

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

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

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

### 14. Income Tax

Taxation in the consolidated income statement represents:

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

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

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

## Notes to the Interim Financial Statements (Continued)

### 15. Cash and Balances with Banks

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

### 16. Placements with and Advances to Banks

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

### 17. Trade Bills

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

## Notes to the Interim Financial Statements (Continued)

### 18. Trading Assets

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

### 19. Loans and Advances to Customers

#### (a) Loans and advances to customers

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

## Notes to the Interim Financial Statements (Continued)

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

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

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

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

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

## Notes to the Interim Financial Statements (Continued)

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

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

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



## Notes to the Interim Financial Statements (Continued)

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

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

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

## Notes to the Interim Financial Statements (Continued)

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

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

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

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

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

## Notes to the Interim Financial Statements (Continued)

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

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

The information concerning the breakdown of the gross amount of advances to customers by geographical areas is derived according to the location of the counterparties after taking into account any transfer of risk in accordance with the requirements of Banking (Disclosure) Rules. In general, such transfer of risk takes place if the claims are guaranteed by a party in a country which is different from that of the counterparty or if the claims are on an overseas branch of a bank whose head office is located in another country. The location of a party is determined by its residence which is the economic territory under whose laws the party is incorporated or registered. This requirement is different from the allocation under segment reporting in Note 27 which is prepared in a manner consistent with the way in which information is reported internally to the Group's Senior Management. The specific provisions represent lifetime expected credit loss provisions for credit impaired (Stage 3) exposures and the collective provisions represent the 12-month and lifetime expected credit loss provisions for non-credit impaired (Stage 1 and Stage 2) exposures.

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

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

## Notes to the Interim Financial Statements (Continued)

### 20. Investment Securities

30/6/2023						
	Treasury bills (including Exchange Fund Bills)	Certificates of deposit held	Debt securities	Equity securities	Investment funds	Total
	HK\$ Mn	HK\$ Mn	HK\$ Mn	HK\$ Mn	HK\$ Mn	HK\$ Mn
Investment securities measured at amortised cost						
Gross carrying amount before impairment allowances	2,463	2,022	9,478	–	–	13,963
Less: Impairment allowances	–	–	(556)	–	–	(556)
	2,463	2,022	8,922	–	–	13,407
Investment securities measured at FVOCI	23,375	–	116,795	892	–	141,062
Investment securities mandatorily measured at FVTPL	–	–	2,586	–	832	3,418
	25,838	2,022	128,303	892	832	157,887
31/12/2022						
	Treasury bills (including Exchange Fund Bills)	Certificates of deposit held	Debt securities	Equity securities	Investment funds	Total
	HK\$ Mn	HK\$ Mn	HK\$ Mn	HK\$ Mn	HK\$ Mn	HK\$ Mn
Investment securities measured at amortised cost						
Gross carrying amount before impairment allowances	2,428	809	11,630	–	–	14,867
Less: Impairment allowances	–	–	(405)	–	–	(405)
	2,428	809	11,225	–	–	14,462
Investment securities measured at FVOCI	22,390	–	105,167	839	–	128,396
Investment securities mandatorily measured at FVTPL	–	–	3,270	37	842	4,149
	24,818	809	119,662	876	842	147,007

## Notes to the Interim Financial Statements (Continued)

### 20. Investment Securities (Continued)

#### *Equity securities designated at FVOCI*

	30/6/2023		31/12/2022	
	Fair value	Dividend income recognised	Fair value	Dividend income recognised
	HK\$ Mn	HK\$ Mn	HK\$ Mn	HK\$ Mn
Equity investments held for long-term strategic purposes	892	17	839	16

### 21. Investments in Associates and Joint Ventures

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

At 30th June, 2023, the fair value of the Group's investment in AFFIN Bank Berhad ("AFFIN") based on the quoted market price had been persistently below the carrying amount for a period of time. As a result, the Group performed an impairment test on the investment using a value-in-use ("VIU") methodology and this demonstrated that the recoverable amount of the investment was HK\$3,602 million. The recoverable amount was higher than the carrying value of HK\$3,508 million and no further impairment charge was recognised (2022: no impairment charge). The VIU calculation uses discounted cash flow projections based on AFFIN's latest forecast of financial results and estimates made by the Group's management for the next five years and extrapolating in perpetuity using a long-term growth rate of 3% to derive a terminal value. Discount rate of 12.23% (31/12/2022: 11.95%), which is based on a Capital Asset Pricing Model calculation for AFFIN, is used in the VIU calculation.

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

	Favourable change		Unfavourable change	
	Increase in VIU	VIU	Decrease in VIU	VIU
	HK\$ Mn	HK\$ Mn	HK\$ Mn	HK\$ Mn
At 30th June, 2023				
Discount rate	-50 bps	240	+50 bps	(215)
Long-term growth rate	+50 bps	28	-50 bps	(26)
Expected cash flows	+10%	360	-10%	(360)

## Notes to the Interim Financial Statements (Continued)

### 22. Fixed Assets

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

## Notes to the Interim Financial Statements (Continued)

### 22. Fixed Assets (Continued)

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

## Notes to the Interim Financial Statements (Continued)

### 23. Other Assets

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

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

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

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

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

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

There was no transfer of cumulative gain or loss within equity due to de-recognition of liabilities designated at FVTPL during first half of 2023 (31/12/2022: Nil).

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

The carrying amount of financial liabilities designated as at FVTPL at 30th June, 2023 was HK\$294 million lower than the contractual amount due at maturity (31/12/2022: HK\$428 million lower).



## Notes to the Interim Financial Statements (Continued)

### 25. Other Liabilities

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

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

### 26. Loan Capital

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

The Group has not had any defaults of principal, interest or other breaches with respect to its debt securities during the period/year ended 30th June, 2023 and 31st December, 2022.

- (1) Loan capital with face value of US\$500 million (equivalent to HK\$3,917 million) and carrying amount of HK\$3,675 million (31/12/2022: HK\$3,691 million) represents subordinated notes carrying a coupon rate of 4.875% p.a. qualifying as Tier 2 capital and meeting the loss-absorbing capacity requirements issued on 22nd April, 2022 by the Bank. The notes are listed on the Hong Kong Stock Exchange, will mature on 22nd April, 2032 and are callable on 22nd April, 2027. The notes are under fair value hedge accounting and hedge ineffectiveness of HK\$0.4 million loss was recorded in first half of 2023.
- (2) Loan capital with face value of US\$250 million (equivalent to HK\$1,958 million) and carrying amount of HK\$1,864 million (31/12/2022: HK\$1,876 million) represents non-preferred loss-absorbing capacity notes carrying a coupon rate of 5.125% p.a. and meeting the loss-absorbing capacity requirements issued on 7th July, 2022 by the Bank. The notes are listed on the Hong Kong Stock Exchange, will mature on 7th July, 2028 and are callable on 7th July, 2027. The notes are under fair value hedge accounting and insignificant hedge ineffectiveness was recorded in first half of 2023.

## Notes to the Interim Financial Statements (Continued)

### 26. Loan Capital (Continued)

- (3) Loan capital with face value of US\$500 million (equivalent to HK\$3,917 million) and carrying amount of HK\$3,910 million represents non-preferred loss-absorbing capacity notes carrying a coupon rate of 6.75% p.a. and meeting the loss-absorbing capacity requirements issued on 15th March, 2023 by the Bank. The notes are listed on the Hong Kong Stock Exchange, will mature on 15th March, 2027 and are callable on 15th March, 2026. The notes are under fair value hedge accounting and hedge ineffectiveness of HK\$5.9 million loss was recorded in first half of 2023.
- (4) Loan capital with face value of RMB1,500 million (equivalent to HK\$1,618 million) and carrying amount of HK\$1,617 million (31/12/2022: HK\$1,695 million) represents subordinated notes carrying a coupon of 4.94% p.a. issued on 25th April, 2019 by the Bank's subsidiary, The Bank of East Asia (China) Limited. The notes will mature on 25th April, 2029 and are callable on 25th April, 2024.
- (5) Loan capital with face value of US\$600 million (equivalent to HK\$4,700 million) and carrying amount of HK\$4,687 million (31/12/2022: HK\$4,665 million) represents subordinated notes carrying a coupon of 4% p.a. qualifying as Tier 2 capital and meeting the loss-absorbing capacity requirements issued on 29th May, 2020 by the Bank. The notes are listed on the Hong Kong Stock Exchange, will mature on 29th May, 2030 and are callable on 29th May, 2025.

### 27. Segment Reporting

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

**Hong Kong operations**, divided into the following five reportable segments.

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

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

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

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

## Notes to the Interim Financial Statements (Continued)

### 27. Segment Reporting (Continued)

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

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

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

	Hong Kong operations					Chinese Mainland operations	Overseas operations	Corporate management	Inter-segment elimination	Total
	Personal banking	Wholesale banking	Treasury markets	Wealth management	Others	Total				
	HK\$ Mn	HK\$ Mn	HK\$ Mn	HK\$ Mn	HK\$ Mn	HK\$ Mn	HK\$ Mn	HK\$ Mn	HK\$ Mn	HK\$ Mn
<b>6 months ended 30th June, 2023</b>										
Net interest income/(expense)	2,652	1,420	456	194	(108)	4,614	2,061	1,303	67	8,045
Non-interest income	648	379	49	305	173	1,554	587	103	-	2,231
Operating income	3,300	1,799	505	499	65	6,168	2,648	1,406	67	10,276
Operating expenses	(862)	(218)	(102)	(183)	(1,171)	(2,536)	(1,672)	(393)	-	(4,588)
Operating profit/(loss) before impairment losses	2,438	1,581	403	316	(1,106)	3,632	976	1,013	67	5,688
(Charge for)/Write back of impairment losses on financial instruments	(52)	(1,629)	142	(46)	(4)	(1,589)	(833)	(70)	-	(2,492)
Other impairment losses	-	-	-	-	-	-	(6)	-	-	(6)
Operating profit/(loss) after impairment losses	2,386	(48)	545	270	(1,110)	2,043	137	943	67	3,190
Net profit/(loss) on disposal of asset held for sales	-	-	-	-	4	4	(1)	-	-	3
Net loss on disposal of subsidiaries/associates	-	-	-	-	-	-	-	(13)	-	(13)
Net loss on disposal of fixed assets	(3)	-	-	-	-	(3)	(4)	-	-	(7)
Valuation losses on investment properties	-	-	-	-	(21)	(21)	-	(1)	-	(22)
Share of profits less losses of associates and joint ventures	-	-	-	-	(4)	(4)	45	131	-	172
Profit/(Loss) before taxation	2,383	(48)	545	270	(1,131)	2,019	177	1,060	67	3,323
Depreciation for the period	(105)	(8)	(6)	(4)	(103)	(226)	(144)	(29)	-	(399)
<b>At 30th June, 2023</b>										
Segment assets	121,932	159,215	233,721	20,135	13,352	548,355	231,804	126,644	-	863,258
Investments in associates and joint ventures	-	-	-	-	52	52	3,762	4,968	-	8,782
Other assets – Assets held for sale	-	-	-	-	15	15	14	-	-	29
Total assets	121,932	159,215	233,721	20,135	13,419	548,422	235,580	131,612	-	872,069
Total liabilities	361,208	35,618	51,898	33,613	2,593	484,930	207,562	115,339	-	764,750

## Notes to the Interim Financial Statements (Continued)

### 27. Segment Reporting (Continued)

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

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

## Notes to the Interim Financial Statements (Continued)

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

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

## Notes to the Interim Financial Statements (Continued)

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

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

## Notes to the Interim Financial Statements (Continued)

### 29. Deferred Tax Assets and Liabilities Recognised

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

Deferred tax arising from:	Depreciation allowances in excess of related depreciation	Revaluation of properties	Impairment losses on financial assets	Revaluation of financial assets at FVOCI	Tax losses	Others	Total
	HK\$ Mn	HK\$ Mn	HK\$ Mn	HK\$ Mn	HK\$ Mn	HK\$ Mn	HK\$ Mn
At 31st December, 2022/ 1st January, 2023	(354)	(113)	1,904	15	16	155	1,623
(Charged)/Credited to income statement	(18)	-	31	-	(16)	(33)	(36)
(Charged)/Credited to reserves	-	-	-	(118)	-	2	(116)
Exchange and other adjustments	-	-	(77)	2	-	(6)	(81)
At 30th June, 2023	<u>(372)</u>	<u>(113)</u>	<u>1,858</u>	<u>(101)</u>	<u>-</u>	<u>118</u>	<u>1,390</u>

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

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

### 30. Reserves

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

## Notes to the Interim Financial Statements (Continued)

### 30. Reserves (Continued)

*Note: A regulatory reserve is maintained to satisfy the provisions of the Hong Kong Banking Ordinance for prudential supervision purposes by earmarking amounts in respect of losses which the Bank will or may incur on loans and advances and investments in addition to impairment losses recognised. Movements in the reserve are earmarked directly through retained earnings and in consultation with the HKMA. As at 30th June, 2023, the effect of this requirement is to restrict the amount of reserves which can be distributed by the Bank to shareholders by HK\$2,071 million (31/12/2022: HK\$1,742 million).*

### 31. Additional Equity Instruments

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

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



## Notes to the Interim Financial Statements (Continued)

### 32. Consolidated Cash Flow Statement

#### *Cash and cash equivalents*

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

## Notes to the Interim Financial Statements (Continued)

### 33. Fair Values of Financial Instruments

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

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

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

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

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

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

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

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

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

## Notes to the Interim Financial Statements (Continued)

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

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

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

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

During the period ended 30th June, 2023 and year ended 31st December, 2022, there were no significant transfers of financial instruments between Level 1 and Level 2 of the fair value hierarchy. The Group's policy is to recognise transfers between levels of fair value hierarchy as at the end of the reporting period in which they occur.

## Notes to the Interim Financial Statements (Continued)

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

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

Information about significant unobservable inputs in Level 3 valuations:

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

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

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

## Notes to the Interim Financial Statements (Continued)

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

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

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

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

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

## Notes to the Interim Financial Statements (Continued)

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

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

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

		30/6/2023			
		Effect recorded in profit or loss Favourable	(Unfavourable)	Effect recorded directly in equity Favourable	(Unfavourable)
		HK\$ Mn	HK\$ Mn	HK\$ Mn	HK\$ Mn
Financial assets					
Investment securities					
mandatorily measured					
at FVTPL		59	(59)	–	–
Investment securities					
measured at FVOCI		–	–	74	(74)
		<u>59</u>	<u>(59)</u>	<u>74</u>	<u>(74)</u>
		31/12/2022			
		Effect recorded in profit or loss Favourable	(Unfavourable)	Effect recorded directly in equity Favourable	(Unfavourable)
		HK\$ Mn	HK\$ Mn	HK\$ Mn	HK\$ Mn
Financial assets					
Investment securities					
mandatorily measured					
at FVTPL		61	(61)	–	–
Investment securities					
measured at FVOCI		–	–	70	(70)
		<u>61</u>	<u>(61)</u>	<u>70</u>	<u>(70)</u>

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

## Notes to the Interim Financial Statements (Continued)

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

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

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

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

The carrying amounts of the Group's financial instruments carried at cost or amortised cost are not materially different from their fair values as at 30th June, 2023 and 31st December, 2022.

### 34. Credit Risk

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

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

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

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

## Notes to the Interim Financial Statements (Continued)

### 34. Credit Risk (Continued)

#### (a) Credit quality analysis

##### *Credit quality of loans and advances*

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

	30/6/2023							
	12-month ECL		Lifetime ECL not credit-impaired		Lifetime ECL credit-impaired		Total	
	Principal	Accrued interest	Principal	Accrued interest	Principal	Accrued interest	Principal	Accrued interest
	HK\$ Mn	HK\$ Mn	HK\$ Mn	HK\$ Mn	HK\$ Mn	HK\$ Mn	HK\$ Mn	HK\$ Mn
<b>Loans and advances to customers at amortised cost</b>								
– Grades 1-15: Pass	497,973	1,583	10,587	34	–	–	508,560	1,617
– Grades 16-17: Special Mention	–	–	9,474	54	–	–	9,474	54
– Grade 18: Substandard	–	–	–	–	5,423	79	5,423	79
– Grade 19: Doubtful	–	–	–	–	5,836	219	5,836	219
– Grade 20: Loss	–	–	–	–	2,324	85	2,324	85
Total gross carrying amount	497,973	1,583	20,061	88	13,583	383	531,617	2,054
Impairment allowances	(1,085)	(6)	(566)	(4)	(3,731)	(183)	(5,382)	(193)
Carrying amount	496,888	1,577	19,495	84	9,852	200	526,235	1,861
Market value of collateral held against impaired loans and advances to customers					6,876			



## Notes to the Interim Financial Statements (Continued)

### 34. Credit Risk (Continued)

#### (a) Credit quality analysis (Continued)

*Credit quality of loans and advances (Continued)*

		31/12/2022							
		12-month ECL		Lifetime ECL not credit-impaired		Lifetime ECL credit-impaired		Total	
		Principal	Accrued interest	Principal	Accrued interest	Principal	Accrued interest	Principal	Accrued interest
		HK\$ Mn	HK\$ Mn	HK\$ Mn	HK\$ Mn	HK\$ Mn	HK\$ Mn	HK\$ Mn	HK\$ Mn
<b>Loans and advances to customers at amortised cost</b>									
– Grades 1-15: Pass	508,308	1,534	11,543	51	–	–	519,851	1,585	
– Grades 16-17: Special Mention	–	–	16,018	95	–	–	16,018	95	
– Grade 18: Substandard	–	–	–	–	9,498	96	9,498	96	
– Grade 19: Doubtful	–	–	–	–	2,756	97	2,756	97	
– Grade 20: Loss	–	–	–	–	891	30	891	30	
Total gross carrying amount	508,308	1,534	27,561	146	13,145	223	549,014	1,903	
Impairment allowances	(1,084)	(5)	(1,018)	(8)	(4,518)	(123)	(6,620)	(136)	
Carrying amount	<u>507,224</u>	<u>1,529</u>	<u>26,543</u>	<u>138</u>	<u>8,627</u>	<u>100</u>	<u>542,394</u>	<u>1,767</u>	
Market value of collateral held against impaired loans and advances to customers									
					5,901				

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

## Notes to the Interim Financial Statements (Continued)

### 34. Credit Risk (Continued)

#### (a) Credit quality analysis (Continued)

*Credit quality of financial assets other than loans and advances*

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

		30/6/2023							
		12-month ECL		Lifetime ECL not credit-impaired		Lifetime ECL credit-impaired		Total	
		Principal	Accrued interest	Principal	Accrued interest	Principal	Accrued interest	Principal	Accrued interest
		HK\$ Mn	HK\$ Mn	HK\$ Mn	HK\$ Mn	HK\$ Mn	HK\$ Mn	HK\$ Mn	HK\$ Mn
<b>Trade bills measured at amortised cost</b>									
– Grades 1-15: Pass		546	–	–	–	–	–	546	–
Total gross carrying amount		546	–	–	–	–	–	546	–
Impairment allowances		–	–	–	–	–	–	–	–
Carrying amount		546	–	–	–	–	–	546	–
		31/12/2022							
		12-month ECL		Lifetime ECL not credit-impaired		Lifetime ECL credit-impaired		Total	
		Principal	Accrued interest	Principal	Accrued interest	Principal	Accrued interest	Principal	Accrued interest
		HK\$ Mn	HK\$ Mn	HK\$ Mn	HK\$ Mn	HK\$ Mn	HK\$ Mn	HK\$ Mn	HK\$ Mn
<b>Trade bills measured at amortised cost</b>									
– Grades 1-15: Pass		41	–	–	–	–	–	41	–
Total gross carrying amount		41	–	–	–	–	–	41	–
Impairment allowances		–	–	–	–	–	–	–	–
Carrying amount		41	–	–	–	–	–	41	–

## Notes to the Interim Financial Statements (Continued)

### 34. Credit Risk (Continued)

#### (a) Credit quality analysis (Continued)

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

30/6/2023							
12-month ECL		Lifetime ECL not credit-impaired		Lifetime ECL credit-impaired		Total	
Principal	Accrued interest	Principal	Accrued interest	Principal	Accrued interest	Principal	Accrued interest
HK\$ Mn	HK\$ Mn	HK\$ Mn	HK\$ Mn	HK\$ Mn	HK\$ Mn	HK\$ Mn	HK\$ Mn
<b>Trade bills measured at FVOCI</b>							
– Grades 1-15: Pass	914	–	–	–	–	914	–
Total carrying amount at fair value	914	–	–	–	–	914	–
Impairment allowances	–	–	–	–	–	–	–
31/12/2022							
12-month ECL		Lifetime ECL not credit-impaired		Lifetime ECL credit-impaired		Total	
Principal	Accrued interest	Principal	Accrued interest	Principal	Accrued interest	Principal	Accrued interest
HK\$ Mn	HK\$ Mn	HK\$ Mn	HK\$ Mn	HK\$ Mn	HK\$ Mn	HK\$ Mn	HK\$ Mn
<b>Trade bills measured at FVOCI</b>							
– Grades 1-15: Pass	480	–	8	–	–	488	–
Total carrying amount at fair value	480	–	8	–	–	488	–
Impairment allowances	–	–	–	–	–	–	–

## Notes to the Interim Financial Statements (Continued)

### 34. Credit Risk (Continued)

#### (a) Credit quality analysis (Continued)

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

		30/6/2023							
		12-month ECL		Lifetime ECL not credit-impaired		Lifetime ECL credit-impaired		Total	
		Principal	Accrued interest	Principal	Accrued interest	Principal	Accrued interest	Principal	Accrued interest
		HK\$ Mn	HK\$ Mn	HK\$ Mn	HK\$ Mn	HK\$ Mn	HK\$ Mn	HK\$ Mn	HK\$ Mn
<b>Placements with and advances to banks</b>									
– Grades 1-15: Pass		58,310	87	–	–	–	–	58,310	87
Total gross carrying amount		58,310	87	–	–	–	–	58,310	87
Impairment allowances		(2)	–	–	–	–	–	(2)	–
Carrying amount		58,308	87	–	–	–	–	58,308	87
		31/12/2022							
		12-month ECL		Lifetime ECL not credit-impaired		Lifetime ECL credit-impaired		Total	
		Principal	Accrued interest	Principal	Accrued interest	Principal	Accrued interest	Principal	Accrued interest
		HK\$ Mn	HK\$ Mn	HK\$ Mn	HK\$ Mn	HK\$ Mn	HK\$ Mn	HK\$ Mn	HK\$ Mn
<b>Placements with and advances to banks</b>									
– Grades 1-15: Pass		60,204	122	–	–	–	–	60,204	122
Total gross carrying amount		60,204	122	–	–	–	–	60,204	122
Impairment allowances		(1)	–	–	–	–	–	(1)	–
Carrying amount		60,203	122	–	–	–	–	60,203	122

## Notes to the Interim Financial Statements (Continued)

### 34. Credit Risk (Continued)

#### (a) Credit quality analysis (Continued)

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

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

## Notes to the Interim Financial Statements (Continued)

### 34. Credit Risk (Continued)

#### (a) Credit quality analysis (Continued)

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

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

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

30/6/2023							
12-month ECL		Lifetime ECL not credit-impaired		Lifetime ECL credit-impaired		Total	
Principal	Accrued interest	Principal	Accrued interest	Principal	Accrued interest	Principal	Accrued interest
HK\$ Mn	HK\$ Mn	HK\$ Mn	HK\$ Mn	HK\$ Mn	HK\$ Mn	HK\$ Mn	HK\$ Mn
<b>Debt investment securities measured at amortised cost</b>							
Aaa	–	–	–	–	–	–	–
Aa1 to Aa3	3,242	1	–	–	–	3,242	1
A1 to A3	3,422	35	–	–	–	3,422	35
Baa1 to Baa3	2,864	14	–	–	–	2,864	14
Below Baa3	441	3	372	3	488	1,301	27
Unrated	2,765	41	–	–	369	3,134	51
Total gross carrying amount	12,734	94	372	3	857	13,963	128
Impairment allowances	(21)	–	(21)	–	(514)	(556)	(31)
Carrying amount	12,713	94	351	3	343	13,407	97
31/12/2022							
12-month ECL		Lifetime ECL not credit-impaired		Lifetime ECL credit-impaired		Total	
Principal	Accrued interest	Principal	Accrued interest	Principal	Accrued interest	Principal	Accrued interest
HK\$ Mn	HK\$ Mn	HK\$ Mn	HK\$ Mn	HK\$ Mn	HK\$ Mn	HK\$ Mn	HK\$ Mn
<b>Debt investment securities measured at amortised cost</b>							
Aaa	–	–	–	–	–	–	–
Aa1 to Aa3	3,210	1	–	–	–	3,210	1
A1 to A3	4,068	72	–	–	–	4,068	72
Baa1 to Baa3	2,248	18	–	–	–	2,248	18
Below Baa3	538	7	405	4	193	1,136	13
Unrated	3,584	48	368	8	253	4,205	61
Total gross carrying amount	13,648	146	773	12	446	14,867	165
Impairment allowances	(66)	(1)	(98)	(2)	(241)	(405)	(10)
Carrying amount	13,582	145	675	10	205	14,462	155

## Notes to the Interim Financial Statements (Continued)

### 34. Credit Risk (Continued)

#### (a) Credit quality analysis (Continued)

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

	30/6/2023							
	12-month ECL		Lifetime ECL not credit-impaired		Lifetime ECL credit-impaired		Total	
	Principal	Accrued interest	Principal	Accrued interest	Principal	Accrued interest	Principal	Accrued interest
	HK\$ Mn	HK\$ Mn	HK\$ Mn	HK\$ Mn	HK\$ Mn	HK\$ Mn	HK\$ Mn	HK\$ Mn
<b>Debt investment securities measured at FVOCI</b>								
Aaa	8,748	9	–	–	–	–	8,748	9
Aa1 to Aa3	24,174	91	–	–	–	–	24,174	91
A1 to A3	60,333	761	–	–	–	–	60,333	761
Baa1 to Baa3	43,353	481	333	3	–	–	43,686	484
Below Baa3	447	5	61	1	–	–	508	6
Unrated	2,721	32	–	–	–	–	2,721	32
Total carrying amount at fair value	139,776	1,379	394	4	–	–	140,170	1,383
where impairment allowances included	(103)	(1)	(20)	–	–	–	(123)	(1)
	31/12/2022							
	12-month ECL		Lifetime ECL not credit-impaired		Lifetime ECL credit-impaired		Total	
	Principal	Accrued interest	Principal	Accrued interest	Principal	Accrued interest	Principal	Accrued interest
	HK\$ Mn	HK\$ Mn	HK\$ Mn	HK\$ Mn	HK\$ Mn	HK\$ Mn	HK\$ Mn	HK\$ Mn
<b>Debt investment securities measured at FVOCI</b>								
Aaa	7,305	10	–	–	–	–	7,305	10
Aa1 to Aa3	21,855	37	–	–	–	–	21,855	37
A1 to A3	56,412	798	–	–	–	–	56,412	798
Baa1 to Baa3	37,906	419	803	9	–	–	38,709	428
Below Baa3	233	2	228	3	–	–	461	5
Unrated	2,815	37	–	–	–	–	2,815	37
Total carrying amount at fair value	126,526	1,303	1,031	12	–	–	127,557	1,315
where impairment allowances included	(214)	(2)	(41)	–	–	–	(255)	(2)

## Notes to the Interim Financial Statements (Continued)

### 34. Credit Risk (Continued)

#### (a) Credit quality analysis (Continued)

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

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

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

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

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

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

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



## Notes to the Interim Financial Statements (Continued)

### 34. Credit Risk (Continued)

#### (a) Credit quality analysis (Continued)

##### *Cash and balances with banks*

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

#### (b) Impairment allowances reconciliation

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

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

## Notes to the Interim Financial Statements (Continued)

### 34. Credit Risk (Continued)

#### (b) Impairment allowances reconciliation (Continued)

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

## Notes to the Interim Financial Statements (Continued)

### 34. Credit Risk (Continued)

#### (b) Impairment allowances reconciliation (Continued)

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

## Notes to the Interim Financial Statements (Continued)

### 34. Credit Risk (Continued)

#### (b) Impairment allowances reconciliation (Continued)

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

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

## Notes to the Interim Financial Statements (Continued)

### 34. Credit Risk (Continued)

#### (b) Impairment allowances reconciliation (Continued)

	30/6/2023			
	12-month ECL	Lifetime ECL not credit- impaired	Lifetime ECL credit- impaired	Total
	HK\$ Mn	HK\$ Mn	HK\$ Mn	HK\$ Mn
<b>Others</b>				
Balance at 1st January	133	23	238	394
Transfer to 12-month ECL	2	(2)	–	–
Transfer to lifetime ECL not credit-impaired	(1)	1	–	–
Transfer to lifetime ECL credit-impaired	–	–	–	–
New financial assets originated or purchased, assets derecognised and repayments	(18)	–	(14)	(32)
Write-offs	–	–	–	–
Net remeasurement of impairment allowances (including exchange adjustments)	(1)	21	73	93
Balance at 30th June	115	43	297	455
Of which:				
For trade bills measured at FVOCI	–	–	–	–
For related accrued interest receivable	–	–	–	–
	–	–	–	–
For trade bills measured at amortised cost (Note 17)	–	–	–	–
For related accrued interest receivable	–	–	–	–
	–	–	–	–
For placements with and advances to banks (Note 16)	2	–	–	2
For related accrued interest receivable	–	–	–	–
	2	–	–	2
For cash and balances with banks (Note 15)	1	–	–	1
For related accrued interest receivable	–	–	–	–
	1	–	–	1
For loan commitments and financial guarantee contracts (Note 25)	104	42	233	379
For account receivables and other accounts other than accrued interest receivable (Note 23)	8	1	64	73

## Notes to the Interim Financial Statements (Continued)

### 34. Credit Risk (Continued)

#### (b) Impairment allowances reconciliation (Continued)

	31/12/2022			
	12-month ECL	Lifetime ECL not credit- impaired	Lifetime ECL credit- impaired	Total
	HK\$ Mn	HK\$ Mn	HK\$ Mn	HK\$ Mn
<b>Others</b>				
Balance at 1st January	143	24	85	252
Transfer to 12-month ECL	2	(2)	–	–
Transfer to lifetime ECL not credit-impaired	–	–	–	–
Transfer to lifetime ECL credit-impaired	(1)	(7)	8	–
New financial assets originated or purchased, assets derecognised and repayments	11	(3)	68	76
Write-offs	–	–	–	–
Net remeasurement of impairment allowances (including exchange adjustments)	(22)	11	77	66
Balance at 31st December	133	23	238	394
Of which:				
For trade bills measured at FVOCI	–	–	–	–
For related accrued interest receivable	–	–	–	–
	–	–	–	–
For trade bills measured at amortised cost (Note 17)	–	–	–	–
For related accrued interest receivable	–	–	–	–
	–	–	–	–
For placements with and advances to banks (Note 16)	1	–	–	1
For related accrued interest receivable	–	–	–	–
	1	–	–	1
For cash and balances with banks (Note 15)	2	–	–	2
For related accrued interest receivable	–	–	–	–
	2	–	–	2
For loan commitments and financial guarantee contracts (Note 25)	121	23	174	318
For account receivables and other accounts other than accrued interest receivable (Note 23)	9	–	64	73

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

## Notes to the Interim Financial Statements (Continued)

### 35. Off-balance Sheet Exposures

#### (a) *Contingent liabilities and commitments*

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

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

#### (b) *Derivatives*

##### Fair value of derivatives

Assets		
Exchange rate contracts	1,745	1,781
Interest rate contracts	10,143	9,220
Equity contracts	140	91
	<u>12,028</u>	<u>11,092</u>
Liabilities		
Exchange rate contracts	1,939	1,749
Interest rate contracts	2,692	2,297
Equity contracts	146	99
	<u>4,777</u>	<u>4,145</u>
Notional amount of derivatives		
Exchange rate contracts	283,218	292,921
Interest rate contracts	418,215	319,625
Equity contracts	7,954	4,774
	<u>709,387</u>	<u>617,320</u>

## Notes to the Interim Financial Statements (Continued)

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

#### (c) Capital commitments

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

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

#### (d) Contingencies

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

### 36. Material Related Party Transactions

#### (a) Key management personnel remuneration

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

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

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

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



## Notes to the Interim Financial Statements (Continued)

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

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

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

### 37. Basis of Consolidation

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

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

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

Name of company	Nature of business	Total assets	Total equity
		HK\$ Mn	HK\$ Mn
Ample Delight Limited	Investment holding	310	310
* Bank of East Asia (Trustees) Limited	Trustee service	203	189
BC (BVI) Holdings Limited	To be liquidated	–	–
BEA Consortium GS Investors L.P.	Acting as a limited partner for the purpose of making investment in private equity fund	7	7
BEA Insurance Agency Limited	Insurance agency services	–	–
BEA Union Investment Management Limited	Asset management	499	454
BEA Union Investment Management (Shenzhen) Limited	Asset management/ Investment management	4	3
Central Town Limited	Property investment	734	634

## Notes to the Interim Financial Statements (Continued)

### 37. Basis of Consolidation (Continued)

Name of company	Nature of business	Total assets HK\$ Mn	Total equity HK\$ Mn
Century Able Limited	Investment holding	79	79
Citiview Capital Limited	Acting as the general partner and limited partner of a limited partnership	1	1
Corona Light Limited	Investment holding	930	930
* Credit Gain Finance Company Limited	Money lenders	691	690
Crystal Gleaming Limited	Investment holding	930	930
Dragon Jade Holdings Company Limited	Investment holding	1,127	1,127
EA Securities Limited	Investment holding	–	(62)
* East Asia Digital Information Services (Guangdong) Limited	Servicing	237	195
* East Asia Facility Management Limited	Facility management	17	6
East Asia Financial Services (BVI) Ltd.	Investment holding	–	–
East Asia Futures Limited	Futures and options trading	58	57
* East Asia Holding Company, Inc.	Investment holding	632	615
East Asia Indonesian Holdings Limited	Investment holding	2	1
East Asia International Trustees Holdings (BVI) Limited	Investment holding	10	10
East Asia International Trustees Limited	Trustee service	49	45
* East Asia Properties (US), Inc.	Property holding	14	12
East Asia Properties Holding Company Limited	Investment holding	–	(27)
East Asia Property Agency Company Limited	Property agency	7	7
East Asia Qianhai Holdings Company Limited	Investment holding	197	197
East Asia Secretaries Limited	Secretarial services	–	–
East Asia Securities Company Limited	Securities broking	1,189	999

## Notes to the Interim Financial Statements (Continued)

### 37. Basis of Consolidation (Continued)

Name of company	Nature of business	Total assets HK\$ Mn	Total equity HK\$ Mn
* East Asia Services (Holdings) Limited	Holding company	23	1
Golden Empire International Inc.	Property investment	1	–
Leader One Limited	Investment holding	1	1
Manchester Property Holdings Ltd.	Property holding	26	10
Quantum Hong Kong Holdings Company Limited	Investment holding	48	48
Red Phoenix Limited	Leasing of motor vehicles	4	4
Shaftesbury Property Holdings Limited	Investment holding	52	52
Shaftesbury Property Investments Limited	Investment holding	36	36
Shanghai Lingxie Business Consulting Co., Ltd.	Business information consulting, corporate management consulting	195	194
Silver River International Limited	Acting as the general partner and limited partner of a limited partnership	–	–
Skyray Holdings Limited	Investment holding	450	450
Speedfull Limited	Investment holding	450	450
*/# The Bank of East Asia (China) Limited	Banking and related financial services	230,646	23,451
The Bank of East Asia (Nominees) Limited	Nominee services	–	–
The Bank of East Asia (Nominees) Private Limited	Trustee, fiduciary and custody services	–	–

\* “regulated financial entities” as defined by the Banking (Capital) Rules and included in the basis of consolidation for regulatory reporting purpose.

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

## Notes to the Interim Financial Statements (Continued)

### 38. Exposures to Interbank Offered Rates

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

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

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

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

### 39. Comparative Figures

Certain 2022 comparative figures have been restated to conform to current period's presentation. Please refer to Note 27 for the effect of the restatement.

## Notes to the Interim Financial Statements (Continued)

### 40. Statement of Compliance

The Interim Report has been prepared in accordance with the applicable disclosure provisions of the Listing Rules and in compliance with HKAS 34, "Interim Financial Reporting", issued by the HKICPA. It was authorised for issue on 24th August, 2023.

This Interim Report contains condensed consolidated financial statements and selected explanatory notes. The notes include an explanation of events and transactions that are significant to an understanding of the changes in financial position and performance of the Group since the 2022 annual financial statements. The condensed consolidated interim financial statements and notes thereon do not include all of the information required for a full set of financial statements prepared in accordance with HKFRSs.

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

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