

ADDENDUM DATED 19 September 2024

If you are in any doubt about any of the contents of this addendum, you should obtain independent professional advice.

Hong Kong Exchanges and Clearing Limited, The Stock Exchange of Hong Kong Limited and Hong Kong Securities Clearing Company Limited take no responsibility for the contents of this addendum, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this addendum.

Non-collateralised Structured Products

Addendum to the Base Listing Document dated 15 April 2024 relating to Structured Products

to be issued by



The Bank of East Asia, Limited

(incorporated with limited liability in Hong Kong)

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 15 April 2024 (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 2024 which contains our unaudited interim financial information for the six months ended 30 June 2024. 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 (Negative)
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

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 to obtain further information about us.

CONTENTS

	Page
EXTRACTS OF OUR INTERIM REPORT 2024	4

EXTRACTS OF OUR INTERIM REPORT 2024

The information set out in this section below has been extracted from our Interim Report 2024 which contains the unaudited interim financial information of us and our subsidiaries for the six months ended 30 June 2024. References to page numbers on the pages in this section are to the page numbers in our Interim Report 2024.

The principal accounting policies adopted in the preparation of the unaudited interim financial information for the six months ended 30 June 2024 are consistent with those used in our financial statements for the year ended 31 December 2023, except for the accounting policy changes that are expected to be reflected in the 2024 audited accounts. Details of these changes in accounting policies are set out in Note 2 on page 11 of the Interim Report 2024.

Our Interim Report 2024 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 2024	30 June 2023	31 December 2023
For the half year ended			
Profitability	HK\$ Mn	HK\$ Mn	HK\$ Mn
Operating profit before impairment losses	5,671	5,688	5,626
Profit attributable to owners of the parent	2,111	2,636	1,482
Earnings Per Share and Dividends Per Share	HK\$	HK\$	HK\$
Basic earnings	0.69	0.87	0.45
Dividends	0.31	0.36	0.18
Key Ratios	%	%	%
Return on average assets (annualised) ¹	0.4	0.5	0.3
Return on average equity (annualised) ²	3.7	4.8	2.4
Cost-to-income ratio ³	45.9	44.7	46.3

At period/year end

Balance Sheet	HK\$ Mn	HK\$ Mn	HK\$ Mn
Total loans and advances to customers and trade bills	536,979	533,077	532,484
Total assets	875,217	872,069	860,361
Total customers' deposits and certificates of deposit issued	652,681	662,310	656,216
Total equity	109,381	107,319	108,326
Key Ratios	%	%	%
Loan to deposit ratio ⁴	82.0	80.3	81.1
Impaired loan ratio ⁵	2.62	2.56	2.69
Common Equity Tier 1 capital ratio ⁶	17.1	16.8	17.3
Tier 1 capital ratio ⁶	19.2	18.8	19.4
Total capital ratio ⁶	22.8	21.4	22.0

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

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

Stock Code: 23

SHARE REGISTRAR

Tricor Standard Limited

Telephone: +852 2980 1333

Facsimile: +852 2810 8185

ADR DEPOSITARY BANK

BNY Mellon

Telephone: 1-888-BNY-ADRS

E-mail: shrrelations@cpushareownerservices.com

REGISTERED OFFICE

10 Des Voeux Road Central, Hong Kong

Telephone: +852 3608 3608

Facsimile: +852 3608 6000

Website: www.hkbea.com

E-mail: info@hkbea.com

INTERIM RESULTS

The Board of Directors of the Bank is pleased to announce the unaudited results (Note 1(a)) of the Group for the six months ended 30 June 2024. The interim financial report is prepared on a basis consistent with the accounting policies and methods adopted in the 2023 audited financial statements, except for the accounting policy changes that are expected to be reflected in the 2024 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 30/6/2024	6 months ended 30/6/2023
	Notes	HK\$ Mn	HK\$ Mn
Interest income	3	20,379	18,856
Interest income calculated using the effective interest method		18,930	17,563
Related interest income		1,449	1,293
Interest expense	4	(12,151)	(10,811)
Net interest income		8,228	8,045
Fee and commission income	5	1,829	1,807
Fee and commission expense		(411)	(357)
Net fee and commission income		1,418	1,450
Net trading profit	6	752	645
Net result on financial instruments at FVTPL	7	(59)	(116)
Net result on financial assets measured at FVOCI	8	(80)	68
Net profit/(loss) on sale of financial assets measured at amortised cost		2	(6)
Net hedging profit	9	85	51
Other operating income	10	138	139
Non-interest income		2,256	2,231
Operating income		10,484	10,276
Operating expenses	11	(4,813)	(4,588)
Operating profit before impairment losses		5,671	5,688
Impairment losses on financial instruments	12	(2,881)	(2,492)
Impairment losses on associate	21	(94)	–
Impairment losses on other assets		(2)	(6)
Impairment losses		(2,977)	(2,498)
Operating profit after impairment losses		2,694	3,190
Net profit on sale of assets held for sale		1	3
Net loss on disposal of subsidiaries/associates		–	(13)
Net loss on disposal of fixed assets	13	(10)	(7)
Valuation losses on investment properties	22	(75)	(22)
Share of profits less losses of associates and joint ventures		120	172
Profit for the period before taxation		2,730	3,323
Income tax	14	(609)	(685)
Profit for the period		2,121	2,638

Consolidated Income Statement (continued)

		6 months ended 30/6/2024	6 months ended 30/6/2023
	Notes	HK\$ Mn	HK\$ Mn
Attributable to:			
Owners of the parent		2,111	2,636
Non-controlling interests		10	2
		<u>2,121</u>	<u>2,638</u>
Profit for the period		<u>2,121</u>	<u>2,638</u>
Profit for the Bank		<u>1,909</u>	<u>2,600</u>
Earnings per share			
Basic	1(b)	HK\$0.69	HK\$0.87
Diluted	1(b)	HK\$0.69	HK\$0.87

Consolidated Statement of Comprehensive Income

		6 months ended 30/6/2024	6 months ended 30/6/2023
	Notes	HK\$ Mn	HK\$ Mn
Net profit		2,121	2,638
Other comprehensive income for the period:			
Items that will not be reclassified to income statement:			
Premises:			
– unrealised surplus on revaluation of premises		11	–
– deferred taxes	30	4	–
Fair value reserve (equity instruments):			
– net change in fair value		(88)	53
– deferred taxes	30	(3)	–
Liability credit reserve:			
– net change in fair value attributable to Group's own credit risk	24	(7)	(5)
– deferred taxes	24,30	1	2
Items that may be reclassified subsequently to income statement:			
Fair value reserve (debt instruments):			
– net change in fair value		915	765
– amount transferred to income statement on disposal		85	(43)
– deferred taxes	30	(169)	(118)
Share of changes in equity of associates and joint ventures		26	43
Exchange differences arising from translation of accounts/ disposal of overseas, Macau and Taiwan branches, subsidiaries, associates and joint ventures		(927)	(1,434)
Other comprehensive income		(152)	(737)
Total comprehensive income		1,969	1,901
Total comprehensive income attributable to:			
Owners of the parent		1,959	1,899
Non-controlling interests		10	2
		1,969	1,901

Consolidated Statement of Financial Position

		30/6/2024	31/12/2023
	Notes	HK\$ Mn	HK\$ Mn
ASSETS			
Cash and balances with banks	15	39,988	45,903
Placements with and advances to banks	16	44,088	43,691
Trade bills	17	1,669	373
Trading assets	18	919	3,049
Derivative assets	36(b)	3,080	9,056
Loans and advances to customers	19	530,393	526,984
Investment securities	20	182,899	167,270
Investments in associates and joint ventures	21	8,201	8,384
Fixed assets	22	13,234	13,493
– Investment properties		5,049	5,105
– Other properties and equipment		7,476	7,603
– Right-of-use assets		709	785
Goodwill and intangible assets		1,843	1,852
Deferred tax assets	30	1,690	1,836
Other assets	23	47,213	38,470
Total Assets		875,217	860,361
EQUITY AND LIABILITIES			
Deposits and balances of banks		35,099	25,619
– Designated at fair value through profit or loss	24	234	3,199
– At amortised cost		34,865	22,420
Deposits from customers	25	630,109	628,598
– Demand deposits and current accounts		58,389	65,643
– Savings deposits		126,113	118,163
– Time, call and notice deposits		445,607	444,792
Trading liabilities		22	–
Derivative liabilities	36(b)	3,037	4,007
Certificates of deposit issued		22,572	27,618
– Designated at fair value through profit or loss	24	3,213	9,415
– At amortised cost		19,359	18,203
Current taxation		1,736	1,602
Debt securities issued		540	844
– Designated at fair value through profit or loss	24	384	688
– At amortised cost		156	156
Deferred tax liabilities	30	678	468
Other liabilities	26	49,010	47,312
Loan capital – at amortised cost	27	23,033	15,967
Total Liabilities		765,836	752,035
Share capital	1(d)	41,933	41,915
Reserves	31	57,094	56,058
Total equity attributable to owners of the parent		99,027	97,973
Additional equity instruments	32	10,090	10,090
Non-controlling interests		264	263
Total Equity		109,381	108,326
Total Equity and Liabilities		875,217	860,361

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 ¹	Retained profits	Total	Additional equity instruments	Non-controlling interests	Total equity
	HK\$ Mn	HK\$ Mn	HK\$ Mn	HK\$ Mn	HK\$ Mn	HK\$ Mn	HK\$ Mn	HK\$ Mn	HK\$ Mn	HK\$ Mn	HK\$ Mn	HK\$ Mn	HK\$ Mn	HK\$ Mn
At 1 January 2024	41,915	13,658	2,270	895	(2,545)	139	1,338	4	5,154	35,145	97,973	10,090	263	108,326
Changes in equity														
Profit for the period	-	-	-	-	-	-	-	-	-	2,111	2,111	-	10	2,121
Other comprehensive income	-	-	15	-	(927)	-	740	(6)	26	-	(152)	-	-	(152)
Total comprehensive income	-	-	15	-	(927)	-	740	(6)	26	2,111	1,959	-	10	1,969
Shares issued in lieu of dividend (Note 1(d))	18	-	-	-	-	-	-	-	-	18	-	-	-	18
Equity settled share-based transaction	-	-	-	-	-	11	-	-	-	11	-	-	-	11
Transfer	-	-	-	-	-	(37)	-	-	45	(8)	-	-	-	-
Distribution/Dividends declared or approved during the period	-	-	-	-	-	-	-	-	-	(774)	(774)	-	(9)	(783)
Share buy-back ²	-	-	-	-	-	-	-	-	-	(160)	(160)	-	-	(160)
At 30 June 2024	<u>41,933</u>	<u>13,658</u>	<u>2,285</u>	<u>895</u>	<u>(3,472)</u>	<u>113</u>	<u>2,078</u>	<u>(2)</u>	<u>5,225</u>	<u>36,314</u>	<u>99,027</u>	<u>10,090</u>	<u>264</u>	<u>109,381</u>
At 1 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 ²	-	-	-	-	-	-	-	-	-	(184)	(184)	-	-	(184)
At 30 June 2023	<u>41,878</u>	<u>13,658</u>	<u>2,255</u>	<u>895</u>	<u>(3,256)</u>	<u>162</u>	<u>1,167</u>	<u>12</u>	<u>5,229</u>	<u>34,982</u>	<u>96,982</u>	<u>10,090</u>	<u>247</u>	<u>107,319</u>

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

2. In the first half of 2024, the Bank bought back 16 million (six months ended 30 June 2023: 18 million) issued shares on the Stock Exchange at a total consideration of HK\$159 million (six months ended 30 June 2023: HK\$183 million). Together with the direct transaction cost of approximately HK\$1 million (six months ended 30 June 2023: HK\$1 million), a total amount of HK\$160 million (six months ended 30 June 2023: HK\$184 million) was accounted for as a deduction from retained profits.

Condensed Consolidated Cash Flow Statement

		6 months ended 30/6/2024	6 months ended 30/6/2023
	Notes	HK\$ Mn	HK\$ Mn
NET CASH OUTFLOW FROM OPERATIONS		(12,376)	(12,022)
Income tax paid			
Hong Kong profits tax paid		(63)	(67)
Outside Hong Kong profits tax paid		(257)	(243)
NET CASH USED IN OPERATING ACTIVITIES		(12,696)	(12,332)
INVESTING ACTIVITIES			
Dividends received from equity securities measured at FVOCI		5	17
Purchase of fixed assets		(275)	(221)
Proceeds from disposal of other properties and equipment		4	3
Proceeds from sale of assets held for sale		8	9
NET CASH USED IN INVESTING ACTIVITIES		(258)	(192)
FINANCING ACTIVITIES			
Ordinary dividends paid		(467)	(457)
Distribution to Additional Tier 1 issue holders	1(c)	(298)	(299)
Payment for repurchase of shares		(160)	(184)
Issue of loan capital		8,914	3,904
Capital element of lease rentals paid		(133)	(122)
Interest element of lease rentals paid		(16)	(13)
Redemption of debt securities issued		(312)	(1,408)
Redemption of loan capital		(1,611)	–
Interest paid on debt securities issued		(12)	(40)
Interest paid on loan capital		(576)	(402)
NET CASH GENERATED FROM FINANCING ACTIVITIES		5,329	979
NET DECREASE IN CASH AND CASH EQUIVALENTS		(7,625)	(11,545)
CASH AND CASH EQUIVALENTS AT 1 JANUARY		92,134	112,149
Effect of foreign exchange rate changes		(745)	(1,738)
CASH AND CASH EQUIVALENTS AT 30 JUNE	33	83,764	98,866
Cash flows from operating activities included:			
Interest received		20,241	18,710
Interest paid		11,823	9,545
Dividend received		6	22

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 2023 annual financial statements, except for the accounting policy changes that are expected to be reflected in the 2024 annual financial statements. Details of these changes in accounting policies are set out in Note 2 below.

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

The Bank has delivered the financial statements for the year ended 31 December 2023 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\$1,813 million (six months ended 30 June 2023: HK\$2,337 million) after accounting for the distribution of HK\$298 million (six months ended 30 June 2023: HK\$299 million) to Additional Tier 1 issue holders, and on the weighted average of 2,645 million ordinary shares outstanding during the six months ended 30 June 2024 (six months ended 30 June 2023: 2,677 million).
- (ii) The calculation of diluted earnings per share is the same as the calculation of basic earnings per share, except that the weighted average of ordinary shares is adjusted for the effects of all dilutive potential shares. For the six months ended 30 June 2024, the weighted average of ordinary shares adjusted for the effects of all dilutive potential shares was 2,645 million (six months ended 30 June 2023: 2,677 million).

(c) Distribution/Dividends

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

	6 months ended 30/6/2024	6 months ended 30/6/2023
	HK\$ Mn	HK\$ Mn
Interim dividend declared after the interim period of HK\$0.31 per share on 2,636 million shares (six months ended 30 June 2023: HK\$0.36 per share on 2,664 million shares)	817	959

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 30/6/2024	6 months ended 30/6/2023
	HK\$ Mn	HK\$ Mn
Second interim dividend of HK\$0.18 per share on 2,645 million shares (2023: HK\$0.17 per share on 2,677 million shares)	476	455

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

	6 months ended 30/6/2024	6 months ended 30/6/2023
	HK\$ Mn	HK\$ Mn
Distribution paid on the Additional Tier 1 capital instruments	298	299

(d) Share Capital

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

	At 30 June 2024		At 31 December 2023	
	No. of shares		No. of shares	
	Million	HK\$ Mn	Million	HK\$ Mn
Ordinary shares, issued and fully paid:				
At 1 January	2,650	41,915	2,680	41,856
Shares issued in lieu of dividend	2	18	6	59
Share repurchased and cancelled	(16)	–	(36)	–
At 30 June/31 December	2,636	41,933	2,650	41,915

Share buy-back

In the first half of 2024, 16,042,600 shares were repurchased on the Stock Exchange at an aggregate consideration (excluding expenses) of HK\$159 million and 16,159,800 shares were cancelled (including 829,800 shares repurchased in 2023), representing 0.61% and 0.61% of the ordinary shares in issue at the beginning of the period, respectively. The remaining 712,600 shares repurchased in the first half of 2024 were cancelled on 29 July 2024.

In 2023, 35,940,800 shares were repurchased on the Stock Exchange at an aggregate consideration (excluding expenses) of HK\$366 million and 35,797,200 shares were cancelled (including 686,200 shares repurchased in 2022), representing 1.34% and 1.34% of the ordinary shares in issue at the beginning of the year, respectively. The remaining 829,800 shares repurchased in 2023 were cancelled on 8 January 2024.

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 30/6/2024	6 months ended 30/6/2023
	HK\$ Mn	HK\$ Mn
Loans, placements with banks, and trade bills	15,494	14,889
Investment securities		
– measured at amortised cost or FVOCI	4,816	3,851
– mandatorily measured at FVTPL	49	79
Trading assets	20	37
	<u>20,379</u>	<u>18,856</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\$18,930 million (six months ended 30 June 2023: HK\$17,563 million), before hedging effect, for financial assets that are not recognised at fair value through profit or loss.

4. Interest Expense

	6 months ended 30/6/2024	6 months ended 30/6/2023
	HK\$ Mn	HK\$ Mn
Customer deposits and deposits of banks		
– at amortised cost	10,807	9,369
– designated at FVTPL	54	90
Certificates of deposit and debt securities issued		
– at amortised cost	380	279
– designated at FVTPL	175	541
Subordinated notes carried at amortised cost	617	436
Lease liabilities	16	14
Other borrowings	102	82
	<u>12,151</u>	<u>10,811</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\$11,789 million (six months ended 30 June 2023: HK\$10,104 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 30/6/2024	6 months ended 30/6/2023
	HK\$ Mn	HK\$ Mn
Loans, overdrafts and guarantees	452	518
Credit cards	400	372
Sale of third party insurance policies	311	290
Other retail banking services	102	108
Investment products	100	90
Securities brokerage	93	83
Trust and other fiduciary activities	81	94
Trade finance	71	47
Others	219	205
	<hr/>	<hr/>
Total fee and commission income	1,829	1,807
	<hr/>	<hr/>
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)	1,423	1,454
Fee income	1,829	1,807
Fee expense	(406)	(353)

6. Net Trading Profit

	6 months ended 30/6/2024	6 months ended 30/6/2023
	HK\$ Mn	HK\$ Mn
Profit on dealing in foreign currencies and funding swaps	255	233
Profit on trading securities	77	28
Net gain on derivatives	414	379
Dividend income from trading equity securities	6	5
	<hr/>	<hr/>
	752	645
	<hr/>	<hr/>

7. Net Result on Financial Instruments at FVTPL

	6 months ended 30/6/2024	6 months ended 30/6/2023
	HK\$ Mn	HK\$ Mn
Net loss from financial instruments designated at FVTPL	(64)	(137)
Net gain from financial instruments mandatorily measured at FVTPL (other than those included in net trading profits)	5	21
	<hr/>	<hr/>
	(59)	(116)
	<hr/>	<hr/>

Notes to the Interim Financial Statements (continued)

8. Net Result on Financial Assets Measured at FVOCI

	6 months ended 30/6/2024	6 months ended 30/6/2023
	HK\$ Mn	HK\$ Mn
Net (loss)/profit on sale of debt securities	(85)	51
Dividend income from equity securities	5	17
	<u>(80)</u>	<u>68</u>

9. Net Hedging Profit

	6 months ended 30/6/2024	6 months ended 30/6/2023
	HK\$ Mn	HK\$ Mn
Fair value hedges		
– Net loss on hedged items attributable to the hedged risk	(1,102)	(351)
– Net gain on hedging instruments	1,187	402
	<u>85</u>	<u>51</u>

10. Other Operating Income

	6 months ended 30/6/2024	6 months ended 30/6/2023
	HK\$ Mn	HK\$ Mn
Rental from safe deposit boxes	59	59
Rental income on properties	56	65
Others	23	15
	<u>138</u>	<u>139</u>

Notes to the Interim Financial Statements (continued)

11. Operating Expenses

	6 months ended 30/6/2024	6 months ended 30/6/2023
	HK\$ Mn	HK\$ Mn
Contributions to defined contribution plan		
– Hong Kong	110	94
– Outside Hong Kong	115	110
Equity settled share-based payment expenses	11	12
Salaries and other staff costs	2,562	2,479
Total staff costs	2,798	2,695
Premises and equipment expenses excluding depreciation		
– Expenses relating to short-term leases	5	4
– Expenses relating to low value assets	5	6
– Maintenance, repairs and others	434	390
Total premises and equipment expenses excluding depreciation	444	400
Depreciation and amortisation	435	406
Other operating expenses		
– Internet platform charges	277	265
– Legal and professional fees	231	207
– Communications, stationery and printing	139	137
– Advertising and business promotion expenses	124	116
– Others	365	362
Total other operating expenses	1,136	1,087
Total operating expenses	4,813	4,588

12. Impairment Losses on Financial Instruments

	6 months ended 30/6/2024	6 months ended 30/6/2023
	HK\$ Mn	HK\$ Mn
Loans and advances to customers	2,713	2,373
Debt securities	157	39
Others	11	80
	2,881	2,492

Notes to the Interim Financial Statements (continued)

13. Net Loss on Disposal of Fixed Assets

	6 months ended 30/6/2024	6 months ended 30/6/2023
	HK\$ Mn	HK\$ Mn
Net loss on disposal of bank premises, furniture, fixtures and equipment	(10)	(7)

14. Income Tax

Taxation in the consolidated income statement represents:

	6 months ended 30/6/2024	6 months ended 30/6/2023
	HK\$ Mn	HK\$ Mn
Current tax – Hong Kong		
Tax for the period	300	300
Over-provision in respect of prior years	(20)	(26)
	280	274
Current tax – outside Hong Kong		
Tax for the period	344	392
Over-provision in respect of prior years	(164)	(17)
	180	375
Deferred tax		
Origination and reversal of temporary differences	149	36
	609	685

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

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

15. Cash and Balances with Banks

	30/6/2024	31/12/2023
	HK\$ Mn	HK\$ Mn
Cash in hand	920	1,417
Balances with central banks	25,669	32,139
Balances with other banks	13,400	12,348
Gross carrying amount before impairment allowances	39,989	45,904
Less: Impairment allowances	(1)	(1)
	39,988	45,903

Notes to the Interim Financial Statements (continued)

16. Placements with and Advances to Banks

	30/6/2024	31/12/2023
	HK\$ Mn	HK\$ Mn
Placements with and advances to banks		
Maturing		
– within one month	35,975	40,885
– after one month but within one year	8,115	2,808
– after one year	–	–
	<hr/>	<hr/>
Gross carrying amount before impairment allowances	44,090	43,693
Less: Impairment allowances	(2)	(2)
	<hr/>	<hr/>
	44,088	43,691
	<hr/>	<hr/>
Of which:		
Placements with and advances to central banks	2,173	2,142
	<hr/>	<hr/>

17. Trade Bills

	30/6/2024	31/12/2023
	HK\$ Mn	HK\$ Mn
Measured at amortised cost		
Gross carrying amount before impairment allowances	1,478	251
Less: Impairment allowances	–	–
	<hr/>	<hr/>
	1,478	251
Measured at FVOCI	191	122
	<hr/>	<hr/>
	1,669	373
	<hr/>	<hr/>

Notes to the Interim Financial Statements (continued)

18. Trading Assets

	30/6/2024	31/12/2023
	HK\$ Mn	HK\$ Mn
Certificates of deposit held	286	–
Debt securities	304	2,764
Equity securities	167	285
Investment funds	162	–
	<u>919</u>	<u>3,049</u>

19. Loans and Advances to Customers

(a) Loans and Advances to Customers

	30/6/2024	31/12/2023
	HK\$ Mn	HK\$ Mn
Gross carrying amount before impairment allowances	535,310	532,111
Less: Impairment allowances	(4,917)	(5,127)
	<u>530,393</u>	<u>526,984</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.

	30/6/2024		31/12/2023	
	Gross advances	% of gross advances covered by collateral	Gross advances	% of gross advances covered by collateral
	HK\$ Mn	%	HK\$ Mn	%
Loans for use in Hong Kong				
Industrial, commercial and financial				
– Property development	22,086	58.65	28,590	59.39
– Property investment	43,602	92.73	50,155	92.35
– Financial concerns	15,338	51.15	14,171	54.48
– Stockbrokers	931	99.76	1,218	91.77
– Wholesale and retail trade	8,146	40.20	5,996	53.85
– Manufacturing	4,050	34.15	3,219	39.40
– Transport and transport equipment	4,435	39.49	4,106	50.05
– Recreational activities	23	96.15	108	99.41
– Information technology	3,205	43.77	2,093	63.13
– Others	28,857	57.92	20,868	54.76
Sub-total	130,673	66.36	130,524	70.14
Individuals				
– Loans for the purchase of flats in the Home Ownership Scheme, Private Sector Participation Scheme and Tenants Purchase Scheme	1,044	98.63	1,081	99.10
– Loans for the purchase of other residential properties	97,793	99.36	96,147	99.53
– Credit card advances	3,938	0.00	4,740	0.00
– Others	18,790	55.21	20,555	58.71
Sub-total	121,565	89.31	122,523	88.83
Total loans for use in Hong Kong	252,238	77.42	253,047	79.19
Trade finance	7,257	22.95	5,592	32.97
Loans for use outside Hong Kong (Note)	275,815	33.52	273,472	35.82
Total advances to customers	535,310	54.06	532,111	56.41

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)

	30/6/2024		31/12/2023	
	Gross advances	% of gross advances covered by collateral	Gross advances	% of gross advances covered by collateral
	HK\$ Mn	%	HK\$ Mn	%
Loans for use in Chinese Mainland				
Industrial, commercial and financial				
– Property development	26,294	44.55	29,598	43.16
– Property investment	6,821	64.01	7,796	67.72
– Financial concerns	47,681	12.43	43,746	10.19
– Stockbrokers	–	0.00	440	100.00
– Wholesale and retail trade	11,787	7.47	8,509	10.42
– Manufacturing	15,458	1.41	14,255	7.35
– Transport and transport equipment	1,847	63.85	1,921	61.89
– Recreational activities	86	0.00	–	0.00
– Information technology	1,943	1.43	1,194	0.74
– Others	20,334	15.33	18,123	14.07
Sub-total	132,251	20.74	125,582	22.80
Individuals				
– Loans for the purchase of other residential properties	9,170	99.77	10,398	99.96
– Credit card advances	3,299	0.00	3,825	0.00
– Others	16,217	0.28	18,552	3.67
Sub-total	28,686	32.05	32,775	33.79
Total loans for use in Chinese Mainland	160,937	22.76	158,357	25.08

Notes to the Interim Financial Statements (continued)

19. Loans and Advances to Customers (continued)

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

	30/6/2024		31/12/2023	
	Gross advances	% of gross advances covered by collateral	Gross advances	% of gross advances covered by collateral
	HK\$ Mn	%	HK\$ Mn	%
Loans for use outside Hong Kong and Chinese Mainland				
Industrial, commercial and financial				
– Property development	7,381	57.19	8,239	50.27
– Property investment	31,380	76.54	33,696	77.20
– Financial concerns	12,066	69.64	14,109	73.80
– Wholesale and retail trade	4,951	12.66	4,808	15.39
– Manufacturing	12,953	1.40	15,032	1.41
– Transport and transport equipment	3,933	29.94	2,693	44.13
– Recreational activities	1,227	43.03	885	80.27
– Information technology	5,975	3.10	4,741	3.66
– Others	31,935	41.99	27,536	40.97
Sub-total	111,801	47.18	111,739	49.11
Individuals				
– Loans for the purchase of other residential properties	3,019	100.00	3,297	99.91
– Credit card advances	1	0.00	1	0.00
– Others	57	99.87	78	99.65
Sub-total	3,077	99.97	3,376	99.86
Total loans for use outside Hong Kong and Chinese Mainland	114,878	48.60	115,115	50.60
Total loans for use outside Hong Kong	275,815	33.52	273,472	35.82

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:

	30/6/2024	31/12/2023
	HK\$ Mn	HK\$ Mn
(i) Property development		
a. Individually impaired loans	7,234	7,581
b. Specific provisions	2,282	2,162
c. Collective provisions	151	404
d. New provision charged to income statement	1,824	2,157
e. Written off	1,532	3,934
(ii) Property investment		
a. Individually impaired loans	3,682	4,094
b. Specific provisions	425	441
c. Collective provisions	89	67
d. New provision charged to income statement	443	227
e. Written off	403	910
(iii) Loans for purchase of residential properties		
a. Individually impaired loans	385	359
b. Specific provisions	5	12
c. Collective provisions	35	25
d. New provision charged to income statement	21	17
e. Written off	1	1
(iv) Financial concerns		
a. Individually impaired loans	697	640
b. Specific provisions	132	50
c. Collective provisions	58	121
d. New provision charged to income statement	374	140
e. Written off	304	45

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 28 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.

	30/6/2024				
	Total advances to customers	Advances overdue for over three months	Impaired advances to customers	Specific provisions	Collective provisions
	HK\$ Mn	HK\$ Mn	HK\$ Mn	HK\$ Mn	HK\$ Mn
Hong Kong	240,053	3,607	4,930	898	211
Chinese Mainland	189,028	3,492	8,209	2,689	656
Other Asian Countries and Regions	36,776	89	237	141	93
Others	69,453	382	640	63	166
Total	<u>535,310</u>	<u>7,570</u>	<u>14,016</u>	<u>3,791</u>	<u>1,126</u>
% of total advances to customers			<u>2.62%</u>		
	31/12/2023				
	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	251,929	2,329	4,863	825	215
Chinese Mainland	174,954	5,393	8,567	2,648	1,072
Other Asian Countries and Regions	31,279	61	111	31	121
Others	73,949	297	793	32	183
Total	<u>532,111</u>	<u>8,080</u>	<u>14,334</u>	<u>3,536</u>	<u>1,591</u>
% of total advances to customers			<u>2.69%</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

	30/6/2024					
	Treasury bills (including Exchange Fund Bills)	Certificates of deposit held	Debt securities	Equity securities	Investment funds	Total
	HK\$ Mn	HK\$ Mn	HK\$ Mn	HK\$ Mn	HK\$ Mn	HK\$ Mn
Investment securities measured at amortised cost						
Gross carrying amount before impairment allowances	2,545	980	20,218	–	–	23,743
Less: Impairment allowances	–	–	(824)	–	–	(824)
	2,545	980	19,394	–	–	22,919
Investment securities measured at FVOCI	29,724	–	126,746	871	–	157,341
Investment securities mandatorily measured at FVTPL	–	–	1,879	–	760	2,639
	32,269	980	148,019	871	760	182,899
	31/12/2023					
	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	2,660	1,103	8,099	–	–	11,862
Less: Impairment allowances	–	–	(672)	–	–	(672)
	2,660	1,103	7,427	–	–	11,190
Investment securities measured at FVOCI	27,914	–	124,347	959	–	153,220
Investment securities mandatorily measured at FVTPL	–	–	2,076	–	784	2,860
	30,574	1,103	133,850	959	784	167,270

Notes to the Interim Financial Statements (continued)

20. Investment Securities (continued)

Equity Securities Designated at FVOCI

	30/6/2024		31/12/2023	
	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	871	5	959	34

21. Investments in Associates and Joint Ventures

	30/6/2024	31/12/2023
	HK\$ Mn	HK\$ Mn
Share of net assets	9,389	9,469
Goodwill	431	440
	9,820	9,909
Less: Impairment allowances	(1,619)	(1,525)
	8,201	8,384

In the first half of 2024, the Group recognised an impairment loss of HK\$94 million for its investment in an unlisted associate operating in Chinese Mainland as a result of decrease in value-in-use of the investment (six months ended 30 June 2023: no impairment charge). At 30 June 2024, the investment's assessed recoverable amount of HK\$89 million (representing the estimated fair value less costs of disposal) was below the investment carrying value of HK\$183 million. The fair value (categorised as Level 3 valuation) was measured under market-comparable approach with reference to multiples of comparable listed companies, adjusted for a marketability discount to reflect the fact that the shares are not actively traded.

Notes to the Interim Financial Statements (continued)

21. Investments in Associates and Joint Ventures (continued)

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

At 30 June 2024, the fair value of the Group's investment in AFFIN based on the quoted market price had been persistently below the carrying amount. As a result, the Group performed an impairment test on the investment using a value-in-use ("VIU") methodology and this demonstrated that the recoverable amount of the investment was HK\$3,287 million. The recoverable amount was higher than the carrying value of HK\$2,969 million and no further impairment charge was recognised (six months ended 30 June 2023: no impairment charge). The VIU calculation uses discounted cash flow projections based on AFFIN's latest forecast of financial results and estimates made by the Group's management for the next five years and extrapolating in perpetuity using a long-term growth rate of 3% to derive a terminal value. Discount rate of 11.56% (31/12/2023: 12.03%), 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			Decrease in	
		VIU	VIU		VIU	VIU
		HK\$ Mn	HK\$ Mn		HK\$ Mn	HK\$ Mn
At 30 June 2024						
Discount rate	-50 bps	225	3,512	+50 bps	(199)	3,088
Long-term growth rate	+50 bps	21	3,308	-50 bps	(20)	3,267
Expected cash flows	+10%	329	3,616	-10%	(329)	2,958

Notes to the Interim Financial Statements (continued)

22. Fixed Assets

	30/6/2024						
	Investment properties	Bank premises	Furniture, fixtures and equipment	Sub-total	Right-of-use assets – Bank premises	Right-of-use assets – Furniture, fixtures and equipment	Total
	HK\$ Mn	HK\$ Mn	HK\$ Mn	HK\$ Mn	HK\$ Mn	HK\$ Mn	HK\$ Mn
Cost or valuation							
At 1 January 2024	5,105	7,931	6,910	14,841	1,428	23	21,397
Additions	-	3	272	275	72	2	349
Revaluation deficit	(75)	-	-	-	-	-	(75)
Disposals	-	(8)	(117)	(125)	-	-	(125)
Remeasurement	-	-	-	-	(2)	-	(2)
Revaluation surplus on bank premises upon transfer to investment properties	-	11	-	11	-	-	11
Transfer from bank premises to investment properties	45	(45)	-	(45)	-	-	-
Transfer from investment properties to bank premises	(26)	26	-	26	-	-	-
Expiry/termination of lease contracts	-	-	-	-	(83)	(1)	(84)
Less: Elimination of accumulated depreciation on revalued bank premises	-	(6)	-	(6)	-	-	(6)
Exchange adjustments	-	(98)	(55)	(153)	(16)	-	(169)
At 30 June 2024	5,049	7,814	7,010	14,824	1,399	24	21,296
Accumulated depreciation and impairment							
At 1 January 2024	-	2,365	4,873	7,238	651	15	7,904
Depreciation for the period	-	65	228	293	132	3	428
Expiry/termination of lease contracts	-	-	-	-	(79)	(1)	(80)
Elimination of accumulated depreciation on revalued bank premises	-	(6)	-	(6)	-	-	(6)
Written off on disposal	-	(4)	(107)	(111)	-	-	(111)
Exchange adjustments	-	(33)	(33)	(66)	(7)	-	(73)
At 30 June 2024	-	2,387	4,961	7,348	697	17	8,062
Net book value at 30 June 2024	5,049	5,427	2,049	7,476	702	7	13,234
The gross amounts of the above assets are stated:							
At cost	-	7,066	7,010	14,076	1,399	24	15,499
At Directors' valuation – 1989	-	748	-	748	-	-	748
At professional valuation – 2024	5,049	-	-	-	-	-	5,049
	5,049	7,814	7,010	14,824	1,399	24	21,296

Notes to the Interim Financial Statements (continued)

22. Fixed Assets (continued)

	31/12/2023						
	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 1 January 2023	5,166	8,064	6,478	14,542	1,304	25	21,037
Additions	–	13	667	680	326	2	1,008
Revaluation deficit	(86)	–	–	–	–	–	(86)
Disposals	–	(24)	(191)	(215)	–	–	(215)
Revaluation surplus on bank premises upon transfer to investment properties	–	13	–	13	–	–	13
Transfer from bank premises to investment properties	24	(24)	–	(24)	–	–	–
Expiry/termination of lease contracts	–	–	–	–	(199)	(4)	(203)
Less: Elimination of accumulated depreciation on revalued bank premises	–	(3)	–	(3)	–	–	(3)
Transfer to asset classified as assets held for sale	–	(21)	–	(21)	–	–	(21)
Exchange adjustments	1	(87)	(44)	(131)	(3)	–	(133)
At 31 December 2023	5,105	7,931	6,910	14,841	1,428	23	21,397
Accumulated depreciation and impairment							
At 1 January 2023	–	2,289	4,660	6,949	598	14	7,561
Depreciation for the year	–	134	413	547	255	5	807
Impairment for the year	–	1	–	1	–	–	1
Expiry/termination of lease contracts	–	–	–	–	(199)	(4)	(203)
Elimination of accumulated depreciation on revalued bank premises	–	(3)	–	(3)	–	–	(3)
Written off on disposal	–	(13)	(174)	(187)	–	–	(187)
Transfer to asset classified as assets held for sale	–	(8)	–	(8)	–	–	(8)
Exchange adjustments	–	(35)	(26)	(61)	(3)	–	(64)
At 31 December 2023	–	2,365	4,873	7,238	651	15	7,904
Net book value at 31 December 2023	5,105	5,566	2,037	7,603	777	8	13,493
The gross amounts of the above assets are stated:							
At cost	–	7,183	6,910	14,093	1,428	23	15,544
At Directors' valuation							
– 1989	–	748	–	748	–	–	748
At professional valuation							
– 2023	5,105	–	–	–	–	–	5,105
	5,105	7,931	6,910	14,841	1,428	23	21,397

Notes to the Interim Financial Statements (continued)

23. Other Assets

	30/6/2024	31/12/2023
	HK\$ Mn	HK\$ Mn
Accrued interest	4,338	4,200
Customer liabilities under acceptances	33,493	26,771
Other accounts	9,753	7,776
Gross carrying amount before impairment allowances	47,584	38,747
Less: Impairment allowances	(386)	(292)
	47,198	38,455
Assets held for sale	15	15
	47,213	38,470

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

	30/6/2024	31/12/2023
	HK\$ Mn	HK\$ Mn
Deposits and balances of banks	234	3,199
Deposits from customers (Note 25)	–	199
Certificates of deposit issued	3,213	9,415
Debt securities issued	384	688
	3,831	13,501

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

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

	30/6/2024	31/12/2023
	HK\$ Mn	HK\$ Mn
Balance at 1 January	4	15
Recognised in other comprehensive income during the period	(7)	(13)
Deferred tax	1	2
	(2)	4

There was no transfer of cumulative gain or loss within equity due to de-recognition of liabilities designated at FVTPL during first half of 2024 (31/12/2023: Nil).

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

The carrying amount of financial liabilities designated at FVTPL at 30 June 2024 was HK\$34 million lower than the contractual amount due at maturity (31/12/2023: HK\$120 million lower).

Notes to the Interim Financial Statements (continued)

25. Deposits from customers

	30/6/2024	31/12/2023
	HK\$ Mn	HK\$ Mn
Measured at amortised cost	630,109	628,399
Designated at FVTPL (Note 24)	–	199
	<u>630,109</u>	<u>628,598</u>

26. Other Liabilities

	30/6/2024	31/12/2023
	HK\$ Mn	HK\$ Mn
Accrued interest payable	5,005	5,265
Acceptance draft payable	33,493	26,771
Impairment allowances on financial guarantee contracts issued and loan commitments issued	135	415
Lease liabilities	777	852
Other accounts (Note)	9,600	14,009
	<u>49,010</u>	<u>47,312</u>

Note: Include contract liabilities of HK\$2,043 million (31/12/2023: HK\$2,162 million) from contracts with customers under HKFRS 15.

27. Loan Capital

		30/6/2024	31/12/2023
		HK\$ Mn	HK\$ Mn
Subordinated notes, at amortised cost with fair value hedge adjustments:			
USD500 million fixed rate Tier 2 capital securities due 22 April 2032	(1)	3,707	3,750
USD600 million fixed rate Tier 2 capital securities due 29 May 2030	(2)	4,673	4,727
USD650 million fixed rate Tier 2 capital securities due 27 June 2034	(3)	5,029	–
USD250 million fixed rate non-preferred loss absorbing capacity notes due 7 July 2028	(4)	1,872	1,899
USD500 million fixed rate non-preferred loss absorbing capacity notes due 15 March 2027	(5)	3,889	3,942
USD500 million fixed rate non-preferred loss absorbing capacity notes due 13 March 2027	(6)	3,863	–
Subordinated notes, at amortised cost without hedging:			
RMB1,500 million fixed rate due 25 April 2029	(7)	–	1,649
		<u>23,033</u>	<u>15,967</u>

The Group has not had any defaults of principal, interest or other breaches with respect to its debt securities during the period/year ended 30 June 2024 and 31 December 2023.

Notes to the Interim Financial Statements (continued)

27. Loan Capital (continued)

- (1) Loan capital with face value of US\$500 million (equivalent to HK\$3,904 million) and carrying amount of HK\$3,707 million (31/12/2023: HK\$3,750 million) represents subordinated notes carrying a coupon rate of 4.875% p.a. qualifying as Tier 2 capital and meeting the loss-absorbing capacity requirements issued on 22 April 2022 by the Bank. The notes are listed on the Stock Exchange, will mature on 22 April 2032 and are callable on 22 April 2027. The notes are under fair value hedge accounting and insignificant hedge ineffectiveness was recorded in first half of 2024.
- (2) Loan capital with face value of US\$600 million (equivalent to HK\$4,685 million) and carrying amount of HK\$4,673 million (31/12/2023: HK\$4,727 million) represents subordinated notes carrying a coupon of 4% p.a. qualifying as Tier 2 capital and meeting the loss-absorbing capacity requirements issued on 29 May 2020 by the Bank. The notes are listed on the Stock Exchange, will mature on 29 May 2030 and are callable on 29 May 2025. The notes are under fair value hedge accounting and hedge ineffectiveness of HK\$19 million profit was recorded in first half of 2024.
- (3) Loan capital with face value of US\$650 million (equivalent to HK\$5,076 million) and carrying amount of HK\$5,029 million represents subordinated notes carrying a coupon of 6.75% p.a. qualifying as Tier 2 capital and meeting the loss-absorbing capacity requirements issued on 27 June 2024 by the Bank. The notes are listed on the Stock Exchange, will mature on 27 June 2034 and are callable on 27 June 2029. The notes are under fair value hedge accounting and hedge ineffectiveness of HK\$4 million profit was recorded in first half of 2024.
- (4) Loan capital with face value of US\$250 million (equivalent to HK\$1,952 million) and carrying amount of HK\$1,872 million (31/12/2023: HK\$1,899 million) represents non-preferred loss-absorbing capacity notes carrying a coupon rate of 5.125% p.a. and meeting the loss-absorbing capacity requirements issued on 7 July 2022 by the Bank. The notes are listed on the Stock Exchange, will mature on 7 July 2028 and are callable on 7 July 2027. The notes are under fair value hedge accounting and insignificant hedge ineffectiveness was recorded in first half of 2024.
- (5) Loan capital with face value of US\$500 million (equivalent to HK\$3,904 million) and carrying amount of HK\$3,889 million (31/12/2023: HK\$3,942 million) represents non-preferred loss-absorbing capacity notes carrying a coupon rate of 6.75% p.a. and meeting the loss-absorbing capacity requirements issued on 15 March 2023 by the Bank. The notes are listed on the Stock Exchange, will mature on 15 March 2027 and are callable on 15 March 2026. The notes are under fair value hedge accounting and hedge ineffectiveness of HK\$1 million profit was recorded in first half of 2024.
- (6) Loan capital with face value of US\$500 million (equivalent to HK\$3,904 million) and carrying amount of HK\$3,863 million represents non-preferred loss-absorbing capacity notes carrying a coupon rate of 6.625% p.a. and meeting the loss-absorbing capacity requirements issued on 13 March 2024 by the Bank. The notes are listed on the Stock Exchange, will mature on 13 March 2027 and are callable on 13 March 2026. The notes are under fair value hedge accounting and insignificant hedge ineffectiveness was recorded in first half of 2024.
- (7) Loan capital with face value of RMB1,500 million (equivalent to HK\$1,650 million) and carrying amount of HK\$1,649 million as at 31 December 2023 represented subordinated notes carrying a coupon of 4.94% p.a. issued on 25 April 2019 by the Bank's subsidiary, The Bank of East Asia (China) Limited. The notes were fully redeemed when they became callable on 25 April 2024.

Notes to the Interim Financial Statements (continued)

28. Segment Reporting

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

Hong Kong operations divided into the following five reportable segments.

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

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

Treasury markets include treasury operations and securities dealing.

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

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

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

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

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

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

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

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

Notes to the Interim Financial Statements (continued)

28. Segment Reporting (continued)

	Hong Kong operations						Chinese Mainland operations	Overseas, Macau and Taiwan operations	Corporate management	Inter-segment elimination	Total
	Personal banking	Wholesale banking	Treasury markets	Wealth management	Others	Total					
	HK\$ Mn	HK\$ Mn	HK\$ Mn	HK\$ Mn	HK\$ Mn	HK\$ Mn	HK\$ Mn	HK\$ Mn	HK\$ Mn	HK\$ Mn	HK\$ Mn
6 months ended 30 June 2024											
Net interest income/(expense)	2,794	1,395	684	186	(124)	4,935	1,922	1,326	45	-	8,228
Non-interest income	614	352	55	352	164	1,537	643	91	-	(15)	2,256
Operating income	3,408	1,747	739	538	40	6,472	2,565	1,417	45	(15)	10,484
Operating expenses	(848)	(227)	(95)	(196)	(1,336)	(2,702)	(1,711)	(415)	-	15	(4,813)
Operating profit/(loss) before impairment losses	2,560	1,520	644	342	(1,296)	3,770	854	1,002	45	-	5,671
(Charge for)/write back of impairment losses on financial instruments	(78)	(1,666)	5	(306)	2	(2,043)	(719)	(119)	-	-	(2,881)
Impairment losses on associate	-	-	-	-	-	-	(94)	-	-	-	(94)
Impairment losses on other assets	-	-	-	-	-	-	(2)	-	-	-	(2)
Operating profit/(loss) after impairment losses	2,482	(146)	649	36	(1,294)	1,727	39	883	45	-	2,694
Net profit on sale of asset held for sales	-	-	-	-	-	-	-	1	-	-	1
Net loss on disposal of fixed assets	(1)	-	-	-	-	(1)	(9)	-	-	-	(10)
Valuation losses on investment properties	-	-	-	-	(74)	(74)	-	(1)	-	-	(75)
Share of profits less losses of associates and joint ventures	-	-	-	-	(3)	(3)	28	95	-	-	120
Profit/(loss) before taxation	2,481	(146)	649	36	(1,371)	1,649	58	978	45	-	2,730
Depreciation for the period	(105)	(9)	(6)	(4)	(112)	(236)	(163)	(29)	-	-	(428)
At 30 June 2024											
Segment assets	123,994	149,094	247,319	15,393	11,337	547,137	235,061	124,710	-	(39,907)	867,001
Investments in associates and joint ventures	-	-	-	-	44	44	3,690	4,467	-	-	8,201
Other assets – Assets held for sale	-	-	-	-	15	15	-	-	-	-	15
Total assets	123,994	149,094	247,319	15,393	11,396	547,196	238,751	129,177	-	(39,907)	875,217
Total liabilities	360,720	40,678	46,511	31,683	2,975	482,567	210,784	111,923	-	(39,438)	765,836

Notes to the Interim Financial Statements (continued)

28. Segment Reporting (continued)

	Hong Kong operations (Restated) ^{Note}						Chinese Mainland operations	Overseas, Macau and Taiwan operations	Corporate management	Inter-segment elimination	Total
	Personal banking	Wholesale banking	Treasury markets	Wealth management	Others	Total					
	HK\$ Mn	HK\$ Mn	HK\$ Mn	HK\$ Mn	HK\$ Mn	HK\$ Mn	HK\$ Mn	HK\$ Mn	HK\$ Mn	HK\$ Mn	HK\$ Mn
6 months ended 30 June 2023											
Net interest income/(expense)	2,652	1,420	456	194	(108)	4,614	2,061	1,303	67	-	8,045
Non-interest income	637	390	49	305	173	1,554	587	103	-	(13)	2,231
Operating income	3,289	1,810	505	499	65	6,168	2,648	1,406	67	(13)	10,276
Operating expenses	(854)	(226)	(102)	(183)	(1,171)	(2,536)	(1,672)	(393)	-	13	(4,588)
Operating profit/(loss) before impairment losses	2,435	1,584	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)
Impairment losses on other assets	-	-	-	-	-	-	(6)	-	-	-	(6)
Operating profit/(loss) after impairment losses	2,383	(45)	545	270	(1,110)	2,043	137	943	67	-	3,190
Net profit/(loss) on sale 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	2,380	(45)	545	270	(1,131)	2,019	177	1,060	67	-	3,323
Depreciation for the period	(104)	(9)	(6)	(4)	(103)	(226)	(144)	(29)	-	-	(399)
At 31 December 2023											
Segment assets	124,381	150,293	233,644	17,488	11,299	537,105	231,335	128,647	-	(45,125)	851,962
Investments in associates and joint ventures	-	-	-	-	48	48	3,843	4,493	-	-	8,384
Other assets – Assets held for sale	-	-	-	-	15	15	-	-	-	-	15
Total assets	124,381	150,293	233,644	17,488	11,362	537,168	235,178	133,140	-	(45,125)	860,361
Total liabilities	358,753	41,148	37,547	33,026	3,139	473,613	206,654	116,422	-	(44,654)	752,035

Note: The financials of Hong Kong operations have been restated to conform to the current period's presentation which reflected organisational restructure made in the second half of 2023. The restructure involves regrouping merchant acquiring business from "Personal banking" segment to "Wholesale banking" segment.

Notes to the Interim Financial Statements (continued)

29. Analysis of Assets and Liabilities by Remaining Maturity

	30/6/2024							
	Repayable on demand	Within 1 month	3 months or less but over 1 month	1 year or less but over 3 months	5 years or less but over 1 year	Over 5 years	Undated or overdue	Total
	HK\$ Mn	HK\$ Mn	HK\$ Mn	HK\$ Mn	HK\$ Mn	HK\$ Mn	HK\$ Mn	HK\$ Mn
Assets								
Cash and balances with banks	31,722	4	67	202	–	–	7,993	39,988
Placements with and advances to banks	–	35,973	7,251	864	–	–	–	44,088
Trade bills	1	1,139	249	280	–	–	–	1,669
Trading assets	–	–	–	286	108	196	329	919
Derivative assets	–	–	–	–	–	–	3,080	3,080
Loans and advances to customers	2,847	73,239	48,638	119,079	163,714	115,349	7,527	530,393
Investment securities	–	9,708	13,772	28,476	65,826	63,292	1,825	182,899
Investments in associates and joint ventures	–	–	–	–	–	–	8,201	8,201
Fixed assets	–	–	–	–	–	–	13,234	13,234
Goodwill and intangible assets	–	–	–	–	–	–	1,843	1,843
Deferred tax assets	–	–	–	–	–	–	1,690	1,690
Other assets	20	7,500	10,388	18,758	674	643	9,230	47,213
Total assets	34,590	127,563	80,365	167,945	230,322	179,480	54,952	875,217
Liabilities								
Deposits and balances of banks	1,169	18,879	9,349	5,702	–	–	–	35,099
Deposits from customers	186,024	112,622	184,282	126,654	20,527	–	–	630,109
– Demand deposits and current accounts	58,389	–	–	–	–	–	–	58,389
– Savings deposits	126,113	–	–	–	–	–	–	126,113
– Time, call and notice deposits	1,522	112,622	184,282	126,654	20,527	–	–	445,607
Trading liabilities	–	–	–	–	–	–	22	22
Derivative liabilities	–	–	–	–	–	–	3,037	3,037
Certificates of deposit issued	–	5,794	5,026	10,348	1,404	–	–	22,572
Current taxation	–	–	–	1,736	–	–	–	1,736
Debt securities issued	–	–	155	385	–	–	–	540
Deferred tax liabilities	–	–	–	–	–	–	678	678
Other liabilities	1,130	7,341	11,162	19,907	1,685	1,217	6,568	49,010
– Lease liabilities	1	21	41	155	363	196	–	777
– Other accounts	1,129	7,320	11,121	19,752	1,322	1,021	6,568	48,233
Loan capital	–	–	–	4,673	18,360	–	–	23,033
Total liabilities	188,323	144,636	209,974	169,405	41,976	1,217	10,305	765,836
Net gap	(153,733)	(17,073)	(129,609)	(1,460)	188,346	178,263		

Notes to the Interim Financial Statements (continued)

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

	31/12/2023							
	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
Assets								
Cash and balances with banks	37,014	12	20	121	–	–	8,736	45,903
Placements with and advances to banks	–	40,883	2,687	121	–	–	–	43,691
Trade bills	94	62	133	84	–	–	–	373
Trading assets	–	–	66	1,925	773	–	285	3,049
Derivative assets	–	–	–	–	–	–	9,056	9,056
Loans and advances to customers	2,460	64,389	47,667	118,973	170,070	115,063	8,362	526,984
Investment securities	–	10,854	18,513	21,090	60,567	54,242	2,004	167,270
Investments in associates and joint ventures	–	–	–	–	–	–	8,384	8,384
Fixed assets	–	–	–	–	–	–	13,493	13,493
Goodwill and intangible assets	–	–	–	–	–	–	1,852	1,852
Deferred tax assets	–	–	–	–	–	–	1,836	1,836
Other assets	23	6,748	12,635	10,463	575	571	7,455	38,470
Total assets	<u>39,591</u>	<u>122,948</u>	<u>81,721</u>	<u>152,777</u>	<u>231,985</u>	<u>169,876</u>	<u>61,463</u>	<u>860,361</u>
Liabilities								
Deposits and balances of banks	633	9,318	8,777	6,891	–	–	–	25,619
Deposits from customers	185,225	125,787	188,736	113,622	15,228	–	–	628,598
– Demand deposits and current accounts	65,643	–	–	–	–	–	–	65,643
– Savings deposits	118,163	–	–	–	–	–	–	118,163
– Time, call and notice deposits	1,419	125,787	188,736	113,622	15,228	–	–	444,792
Derivative liabilities	–	–	–	–	–	–	4,007	4,007
Certificates of deposit issued	–	2,783	5,296	8,851	10,688	–	–	27,618
Current taxation	–	–	–	1,602	–	–	–	1,602
Debt securities issued	–	–	155	306	383	–	–	844
Deferred tax liabilities	–	–	–	–	–	–	468	468
Other liabilities	1,005	7,392	13,936	11,373	1,445	1,317	10,844	47,312
– Lease liabilities	–	27	43	167	389	226	–	852
– Other accounts	1,005	7,365	13,893	11,206	1,056	1,091	10,844	46,460
Loan capital	–	–	–	1,649	14,318	–	–	15,967
Total liabilities	<u>186,863</u>	<u>145,280</u>	<u>216,900</u>	<u>144,294</u>	<u>42,062</u>	<u>1,317</u>	<u>15,319</u>	<u>752,035</u>
Net gap	(147,272)	(22,332)	(135,179)	8,483	189,923	168,559		

Notes to the Interim Financial Statements (continued)

30. Deferred Tax Assets and Liabilities Recognised

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

Deferred tax arising from:	Depreciation allowances in excess of related depreciation	Revaluation of properties	Impairment losses on financial assets	Revaluation of financial assets at FVOCI	Tax losses	Others	Total
	HK\$ Mn	HK\$ Mn	HK\$ Mn	HK\$ Mn	HK\$ Mn	HK\$ Mn	HK\$ Mn
At 31 December 2023/ 1 January 2024	(381)	(111)	1,863	(119)	3	113	1,368
(Charged)/credited to income statement	(14)	-	(87)	-	4	(52)	(149)
Credited/(charged) to reserves	-	4	-	(172)	-	1	(167)
Exchange and other adjustments	-	-	(39)	-	-	(1)	(40)
At 30 June 2024	<u>(395)</u>	<u>(107)</u>	<u>1,737</u>	<u>(291)</u>	<u>7</u>	<u>61</u>	<u>1,012</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:

	30/6/2024	31/12/2023
	HK\$ Mn	HK\$ Mn
Net deferred tax assets recognised on the statement of financial position	1,690	1,836
Net deferred tax liabilities recognised on the statement of financial position	<u>(678)</u>	<u>(468)</u>
	<u>1,012</u>	<u>1,368</u>

Notes to the Interim Financial Statements (continued)

31. Reserves

	30/6/2024	31/12/2023
	HK\$ Mn	HK\$ Mn
General reserve	13,658	13,658
Revaluation reserve on bank premises	2,285	2,270
Capital reserve	895	895
Exchange revaluation reserve	(3,472)	(2,545)
Capital reserve – staff share options issued	113	139
Fair value reserve	2,078	1,338
Liability credit reserve	(2)	4
Other reserves	5,225	5,154
Retained profits (Note)	36,314	35,145
	<u>57,094</u>	<u>56,058</u>
Proposed dividends, not provided for	<u>817</u>	<u>477</u>

Note: A regulatory reserve is maintained to satisfy the provisions of the Hong Kong Banking Ordinance for prudential supervision purposes by earmarking amounts in respect of losses which the Bank will or may incur on loans and advances and investments in addition to impairment losses recognised. Movements in the reserve are earmarked directly through retained earnings and in consultation with the HKMA. As at 30 June 2024, the effect of this requirement is to restrict the amount of reserves which can be distributed by the Bank to shareholders by HK\$2,626 million (31/12/2023: HK\$2,138 million).

32. Additional Equity Instruments

		30/6/2024	31/12/2023
		HK\$ Mn	HK\$ Mn
USD650 million Additional Tier 1 capital securities	(1)	5,069	5,069
USD650 million Additional Tier 1 capital securities	(2)	5,021	5,021
		<u>10,090</u>	<u>10,090</u>

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

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

Notes to the Interim Financial Statements (continued)

33. Consolidated Cash Flow Statement

Cash and cash equivalents

	30/6/2024	30/6/2023
	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	31,723	33,974
Placements with and advances to banks with original maturity within three months	40,867	57,940
Treasury bills with original maturity within three months	10,620	4,930
Certificates of deposit held with original maturity within three months	–	1,444
Debt securities with original maturity within three months	554	578
	<u>83,764</u>	<u>98,866</u>
(ii) Reconciliation with the consolidated statement of financial position		
Cash and balances with banks	39,988	43,444
Placements with and advances to banks	44,088	58,308
Treasury bills, certificates of deposit held and debt securities		
– trading assets	590	3,476
– investment securities	181,268	156,163
	<u>181,858</u>	<u>159,639</u>
Amounts shown in the consolidated statement of financial position	265,934	261,391
Less: Amounts with an original maturity of beyond three months	(173,904)	(153,054)
Cash balance with central bank subject to regulatory restriction	<u>(8,266)</u>	<u>(9,471)</u>
Cash and cash equivalents in the consolidated cash flow statement	<u>83,764</u>	<u>98,866</u>

34. 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)

34. 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:

	30/6/2024				31/12/2023			
	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
<u>Recurring fair value measurement</u>								
Assets								
Trade bills – Measured at FVOCI	–	191	–	191	–	122	–	122
Trading assets	329	590	–	919	285	2,764	–	3,049
Derivative assets	3	3,077	–	3,080	12	9,044	–	9,056
Investment securities								
– Mandatorily measured at FVTPL	–	2,133	506	2,639	–	2,327	533	2,860
– Measured at FVOCI	35,192	121,278	871	157,341	35,922	116,339	959	153,220
	<u>35,524</u>	<u>127,269</u>	<u>1,377</u>	<u>164,170</u>	<u>36,219</u>	<u>130,596</u>	<u>1,492</u>	<u>168,307</u>
Liabilities								
Trading liabilities	22	–	–	22	–	–	–	–
Derivative liabilities	–	3,037	–	3,037	–	4,007	–	4,007
Financial liabilities designated at FVTPL	–	3,831	–	3,831	–	13,501	–	13,501
	<u>22</u>	<u>6,868</u>	<u>–</u>	<u>6,890</u>	<u>–</u>	<u>17,508</u>	<u>–</u>	<u>17,508</u>

During the period ended 30 June 2024 and year ended 31 December 2023, 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)

34. 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 equity securities and investment funds	Net asset value	N/A	N/A
	Discounted cash flow model	Discount rate	30/6/2024: 10.8% (31/12/2023: 13.4%)
		Marketability discount	30/6/2024: 20% (31/12/2023: 20%)
	Market-comparable approach	Earnings multiple	30/6/2024: 23.45–27.89 (31/12/2023: 14.38–36.36)
		EV/EBIT	30/6/2024: 19.32–21.16 (31/12/2023: 18.26–26.75)
		Marketability discount	30/6/2024: 50% (31/12/2023: 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)

34. 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:

	30/6/2024		31/12/2023	
	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
Assets				
At 1 January	533	959	732	839
Additions/Purchases	1	–	8	–
Disposals/Settlements	(18)	–	(208)	–
Changes in fair value recognised in the income statement	(10)	–	1	–
Changes in fair value recognised in the other comprehensive income	–	(88)	–	120
At 30 June/31 December	<u>506</u>	<u>871</u>	<u>533</u>	<u>959</u>
Total (losses)/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>(88)</u>	<u>–</u>	<u>120</u>
Total (losses)/gains for the period included in net result on financial instruments at FVTPL of the income statement for assets held at the end of the reporting period	<u>(9)</u>	<u>–</u>	<u>1</u>	<u>–</u>

Notes to the Interim Financial Statements (continued)

34. 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

		30/6/2024			
		Effect recorded in profit or loss		Effect recorded directly in equity	
		Favourable	(Unfavourable)	Favourable	(Unfavourable)
		HK\$ Mn	HK\$ Mn	HK\$ Mn	HK\$ Mn
Financial assets					
Investment securities					
mandatorily measured at					
FVTPL					
		42	(42)	–	–
Investment securities					
measured at FVOCI					
		–	–	73	(73)
		<u>42</u>	<u>(42)</u>	<u>73</u>	<u>(73)</u>
31/12/2023					
		Effect recorded in profit or loss		Effect recorded directly in equity	
		Favourable	(Unfavourable)	Favourable	(Unfavourable)
		HK\$ Mn	HK\$ Mn	HK\$ Mn	HK\$ Mn
Financial assets					
Investment securities					
mandatorily measured at					
FVTPL					
		45	(45)	–	–
Investment securities					
measured at FVOCI					
		–	–	80	(80)
		<u>45</u>	<u>(45)</u>	<u>80</u>	<u>(80)</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)

34. Fair Values of Financial Instruments (continued)

(b) Fair Values of Financial Instruments Carried at other than Fair Value

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

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

The carrying amounts of the Group's financial instruments carried at cost or amortised cost are not materially different from their fair values as at 30 June 2024 and 31 December 2023.

35. 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		

Notes to the Interim Financial Statements (continued)

35. Credit Risk (continued)

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.

(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.

30/6/2024								
12-month ECL		Lifetime ECL not credit-impaired		Lifetime ECL credit-impaired		Total		
Principal	Accrued interest	Principal	Accrued interest	Principal	Accrued interest	Principal	Accrued interest	
HK\$ Mn	HK\$ Mn	HK\$ Mn	HK\$ Mn	HK\$ Mn	HK\$ Mn	HK\$ Mn	HK\$ Mn	
Loans and advances to customers at amortised cost								
Grades 1-15: Pass	496,345	1,673	15,153	51	–	–	511,498	1,724
Grades 16-17: Special Mention	–	–	9,796	59	–	–	9,796	59
Grade 18: Substandard	–	–	–	–	4,391	99	4,391	99
Grade 19: Doubtful	–	–	–	–	4,914	257	4,914	257
Grade 20: Loss	–	–	–	–	4,711	295	4,711	295
Total gross carrying amount	496,345	1,673	24,949	110	14,016	651	535,310	2,434
Impairment allowances	(836)	(4)	(290)	(2)	(3,791)	(249)	(4,917)	(255)
Carrying amount	495,509	1,669	24,659	108	10,225	402	530,393	2,179
Market value of collateral held against impaired loans and advances to customers				6,259				

Notes to the Interim Financial Statements (continued)

35. Credit Risk (continued)

(a) Credit Quality Analysis (continued)

Credit quality of loans and advances (continued)

	31/12/2023							
	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
Loans and advances to customers at amortised cost								
Grades 1-15: Pass	493,730	1,748	14,060	50	–	–	507,790	1,798
Grades 16-17: Special Mention	–	–	9,987	55	–	–	9,987	55
Grade 18: Substandard	–	–	–	–	6,711	120	6,711	120
Grade 19: Doubtful	–	–	–	–	1,918	99	1,918	99
Grade 20: Loss	–	–	–	–	5,705	230	5,705	230
Total gross carrying amount	493,730	1,748	24,047	105	14,334	449	532,111	2,302
Impairment allowances	(900)	(4)	(691)	(7)	(3,536)	(163)	(5,127)	(174)
Carrying amount	492,830	1,744	23,356	98	10,798	286	526,984	2,128
Market value of collateral held against impaired loans and advances to customers					7,041			

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)

35. 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.

		30/6/2024							
		12-month ECL		Lifetime ECL not credit-impaired		Lifetime ECL credit-impaired		Total	
		Principal	Accrued interest	Principal	Accrued interest	Principal	Accrued interest	Principal	Accrued interest
		HK\$ Mn	HK\$ Mn	HK\$ Mn	HK\$ Mn	HK\$ Mn	HK\$ Mn	HK\$ Mn	HK\$ Mn
Trade bills measured at amortised cost									
Grades 1-15: Pass		1,478	-	-	-	-	-	1,478	-
Total gross carrying amount		1,478	-	-	-	-	-	1,478	-
Impairment allowances		-	-	-	-	-	-	-	-
Carrying amount		1,478	-	-	-	-	-	1,478	-
		31/12/2023							
		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
Trade bills measured at amortised cost									
Grades 1-15: Pass		250	-	1	-	-	-	251	-
Total gross carrying amount		250	-	1	-	-	-	251	-
Impairment allowances		-	-	-	-	-	-	-	-
Carrying amount		250	-	1	-	-	-	251	-

Notes to the Interim Financial Statements (continued)

35. Credit Risk (continued)

(a) Credit Quality Analysis (continued)

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

		30/6/2024							
		12-month ECL		Lifetime ECL not credit-impaired		Lifetime ECL credit-impaired		Total	
		Principal	Accrued interest	Principal	Accrued interest	Principal	Accrued interest	Principal	Accrued interest
		HK\$ Mn	HK\$ Mn	HK\$ Mn	HK\$ Mn	HK\$ Mn	HK\$ Mn	HK\$ Mn	HK\$ Mn
Trade bills measured at FVOCI									
Grades 1-15: Pass		191	-	-	-	-	-	191	-
Total carrying amount at fair value		191	-	-	-	-	-	191	-
Impairment allowances		-	-	-	-	-	-	-	-
		31/12/2023							
		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
Trade bills measured at FVOCI									
Grades 1-15: Pass		122	-	-	-	-	-	122	-
Total carrying amount at fair value		122	-	-	-	-	-	122	-
Impairment allowances		-	-	-	-	-	-	-	-

Notes to the Interim Financial Statements (continued)

35. Credit Risk (continued)

(a) Credit Quality Analysis (continued)

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

		30/6/2024							
		12-month ECL		Lifetime ECL not credit-impaired		Lifetime ECL credit-impaired		Total	
		Principal	Accrued interest	Principal	Accrued interest	Principal	Accrued interest	Principal	Accrued interest
		HK\$ Mn	HK\$ Mn	HK\$ Mn	HK\$ Mn	HK\$ Mn	HK\$ Mn	HK\$ Mn	HK\$ Mn
Placements with and advances to banks									
Grades 1-15: Pass		44,090	115	-	-	-	-	44,090	115
Total gross carrying amount		44,090	115	-	-	-	-	44,090	115
Impairment allowances		(2)	-	-	-	-	-	(2)	-
Carrying amount		44,088	115	-	-	-	-	44,088	115
		31/12/2023							
		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
Placements with and advances to banks									
Grades 1-15: Pass		43,693	164	-	-	-	-	43,693	164
Total gross carrying amount		43,693	164	-	-	-	-	43,693	164
Impairment allowances		(2)	-	-	-	-	-	(2)	-
Carrying amount		43,691	164	-	-	-	-	43,691	164

Notes to the Interim Financial Statements (continued)

35. Credit Risk (continued)

(a) Credit Quality Analysis (continued)

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

	30/6/2024		
	12-month ECL	Lifetime ECL not credit-impaired	Lifetime ECL credit-impaired
	HK\$ Mn	HK\$ Mn	HK\$ Mn
Total	HK\$ Mn	HK\$ Mn	HK\$ Mn
Loan commitments			
Grades 1-15: Pass	276,907	6,677	–
Grades 16-17: Special Mention	–	243	–
Total	276,907	6,920	–
Impairment allowances	(93)	(15)	–
Financial guarantee contracts			
Grades 1-15: Pass	12,918	542	–
Grades 16-17: Special Mention	–	1	–
Grade 18: Substandard	–	–	182
Total	12,918	543	182
Impairment allowances	(17)	(10)	–
	31/12/2023		
	12-month ECL	Lifetime ECL not credit-impaired	Lifetime ECL credit-impaired
	HK\$ Mn	HK\$ Mn	HK\$ Mn
Total	HK\$ Mn	HK\$ Mn	HK\$ Mn
Loan commitments			
Grades 1-15: Pass	355,118	4,843	–
Grades 16-17: Special Mention	–	522	–
Total	355,118	5,365	–
Impairment allowances	(90)	(11)	–
Financial guarantee contracts			
Grades 1-15: Pass	13,110	8	–
Grades 16-17: Special Mention	–	136	–
Grade 18: Substandard	–	–	630
Total	13,110	144	630
Impairment allowances	(22)	(11)	(281)

Notes to the Interim Financial Statements (continued)

35. 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:

30/6/2024								
12-month ECL		Lifetime ECL not credit-impaired		Lifetime ECL credit-impaired		Total		
Principal	Accrued interest	Principal	Accrued interest	Principal	Accrued interest	Principal	Accrued interest	
HK\$ Mn	HK\$ Mn	HK\$ Mn	HK\$ Mn	HK\$ Mn	HK\$ Mn	HK\$ Mn	HK\$ Mn	
Debt investment securities measured at amortised cost								
Aaa	–	–	–	–	–	–	–	–
Aa1 to Aa3	17,345	126	–	–	–	–	17,345	126
A1 to A3	1,301	14	–	–	–	–	1,301	14
Baa1 to Baa3	1,131	6	–	–	–	–	1,131	6
Below Baa3	544	4	–	–	181	7	725	11
Unrated	2,060	30	299	4	882	46	3,241	80
Total gross carrying amount	22,381	180	299	4	1,063	53	23,743	237
Impairment allowances	(14)	–	(5)	–	(805)	(53)	(824)	(53)
Carrying amount	<u>22,367</u>	<u>180</u>	<u>294</u>	<u>4</u>	<u>258</u>	<u>–</u>	<u>22,919</u>	<u>184</u>
31/12/2023								
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	
Debt investment securities measured at amortised cost								
Aaa	–	–	–	–	–	–	–	–
Aa1 to Aa3	3,252	2	–	–	–	–	3,252	2
A1 to A3	2,244	49	–	–	–	–	2,244	49
Baa1 to Baa3	1,886	8	–	–	–	–	1,886	8
Below Baa3	650	6	172	1	682	29	1,504	36
Unrated	2,395	27	207	6	374	16	2,976	49
Total gross carrying amount	10,427	92	379	7	1,056	45	11,862	144
Impairment allowances	(19)	–	(8)	–	(645)	(45)	(672)	(45)
Carrying amount	<u>10,408</u>	<u>92</u>	<u>371</u>	<u>7</u>	<u>411</u>	<u>–</u>	<u>11,190</u>	<u>99</u>

Notes to the Interim Financial Statements (continued)

35. Credit Risk (continued)

(a) Credit Quality Analysis (continued)

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

30/6/2024								
	12-month ECL		Lifetime ECL not credit-impaired		Lifetime ECL credit-impaired		Total	
	Principal	Accrued interest	Principal	Accrued interest	Principal	Accrued interest	Principal	Accrued interest
	HK\$ Mn	HK\$ Mn	HK\$ Mn	HK\$ Mn	HK\$ Mn	HK\$ Mn	HK\$ Mn	HK\$ Mn
Debt investment securities measured at FVOCI								
Aaa	6,045	2	–	–	–	–	6,045	2
Aa1 to Aa3	34,242	135	–	–	–	–	34,242	135
A1 to A3	69,321	868	–	–	–	–	69,321	868
Baa1 to Baa3	44,142	504	–	–	–	–	44,142	504
Below Baa3	217	1	–	–	13	6	230	7
Unrated	2,245	25	245	2	–	–	2,490	27
Total carrying amount at fair value	156,212	1,535	245	2	13	6	156,470	1,543
where impairment allowances included	(74)	(1)	(2)	–	(77)	(6)	(153)	(7)
31/12/2023								
	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
Debt investment securities measured at FVOCI								
Aaa	9,057	3	–	–	–	–	9,057	3
Aa1 to Aa3	30,720	131	–	–	–	–	30,720	131
A1 to A3	66,383	848	–	–	–	–	66,383	848
Baa1 to Baa3	42,922	473	–	–	–	–	42,922	473
Below Baa3	76	–	315	3	14	4	405	7
Unrated	2,243	43	531	9	–	–	2,774	52
Total carrying amount at fair value	151,401	1,498	846	12	14	4	152,261	1,514
where impairment allowances included	(98)	(1)	(14)	–	(48)	(4)	(160)	(5)

Notes to the Interim Financial Statements (continued)

35. Credit Risk (continued)

(a) Credit Quality Analysis (continued)

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

The following table sets out the credit analysis for non-trading debt investment securities measured at FVTPL.

	30/6/2024	31/12/2023
	HK\$ Mn	HK\$ Mn
Non-trading debt investment securities measured at FVTPL		
Aaa	–	–
Aa1 to Aa3	–	–
A1 to A3	1,239	–
Baa1 to Baa3	633	2,076
Below Baa3	–	–
Unrated	7	–
	<hr/>	<hr/>
Total carrying amount at fair value	1,879	2,076
	<hr/>	<hr/>

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

	30/6/2024	31/12/2023
	HK\$ Mn	HK\$ Mn
Trading debt investment securities measured at FVTPL		
Aaa	–	–
Aa1 to Aa3	64	–
A1 to A3	526	2,764
Baa1 to Baa3	–	–
Below Baa3	–	–
Unrated	–	–
	<hr/>	<hr/>
Total carrying amount at fair value	590	2,764
	<hr/>	<hr/>

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

	30/6/2024	31/12/2023
	HK\$ Mn	HK\$ Mn
Derivative assets		
Aa1 to Aa3	107	6,438
A1 to A3	1,119	989
Baa1 to Baa3	982	698
Below Baa3	–	–
Unrated	872	931
	<hr/>	<hr/>
Total carrying amount at fair value	3,080	9,056
	<hr/>	<hr/>

Notes to the Interim Financial Statements (continued)

35. Credit Risk (continued)

(a) Credit Quality Analysis (continued)

Cash and balances with banks

At 30 June 2024, the Group held cash and balances with banks of HK\$39,989 million (31 December 2023: HK\$45,904 million), of which 97% (31 December 2023: 96%) 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 1 January and 30 June/31 December at transaction level. Transfers between different stages of ECL are deemed to occur at the beginning of the year and therefore amounts transferred net to zero. The re-measurement of ECL resulting from a change in ECL stage is reported under the ECL stage in which they are transferred to.

	30/6/2024			
	12-month ECL	Lifetime ECL not credit- impaired	Lifetime ECL credit- impaired	Total
	HK\$ Mn	HK\$ Mn	HK\$ Mn	HK\$ Mn
Loans and advances to customers				
Balance at 1 January	904	698	3,699	5,301
Transfer to 12-month ECL	35	(35)	–	–
Transfer to lifetime ECL not credit-impaired	(8)	8	–	–
Transfer to lifetime ECL credit-impaired	(4)	(408)	412	–
New financial assets originated or purchased, assets derecognised, repayments and further lending	170	6	100	276
Write-offs	–	–	(2,892)	(2,892)
Changes in models	(124)	(45)	–	(169)
Net remeasurement of impairment allowances (including exchange adjustments)	(133)	68	2,721	2,656
Balance at 30 June	840	292	4,040	5,172
Of which:				
For loans and advances to customers at amortised cost (Note 19(a))	836	290	3,791	4,917
For related accrued interest receivable (Note 23)	4	2	249	255
	840	292	4,040	5,172

Notes to the Interim Financial Statements (continued)

35. Credit Risk (continued)

(b) Impairment Allowances Reconciliation (continued)

	31/12/2023			
	12-month ECL	Lifetime ECL not credit- impaired	Lifetime ECL credit- impaired	Total
	HK\$ Mn	HK\$ Mn	HK\$ Mn	HK\$ Mn
Loans and advances to customers				
Balance at 1 January	1,089	1,026	4,641	6,756
Transfer to 12-month ECL	117	(117)	–	–
Transfer to lifetime ECL not credit-impaired	(24)	24	–	–
Transfer to lifetime ECL credit-impaired	(37)	(493)	530	–
New financial assets originated or purchased, assets derecognised, repayments and further lending	106	232	344	682
Write-offs	–	–	(6,819)	(6,819)
Changes in models	(175)	(34)	–	(209)
Net remeasurement of impairment allowances (including exchange adjustments)	(172)	60	5,003	4,891
Balance at 31 December	904	698	3,699	5,301
Of which:				
For loans and advances to customers at amortised cost (Note 19(a))	900	691	3,536	5,127
For related accrued interest receivable (Note 23)	4	7	163	174
	904	698	3,699	5,301

Notes to the Interim Financial Statements (continued)

35. Credit Risk (continued)

(b) Impairment Allowances Reconciliation (continued)

	30/6/2024			
	12-month ECL	Lifetime ECL not credit-impaired	Lifetime ECL credit-impaired	Total
	HK\$ Mn	HK\$ Mn	HK\$ Mn	HK\$ Mn
Debt investment securities				
Balance at 1 January	118	22	742	882
Transfer to 12-month ECL	4	(4)	–	–
Transfer to lifetime ECL not credit-impaired	–	–	–	–
Transfer to lifetime ECL credit-impaired	–	–	–	–
New financial assets originated or purchased, assets derecognised, repayments and further investment	3	(8)	–	(5)
Write-offs	–	–	–	–
Net remeasurement of impairment allowances (including exchange adjustments)	(36)	(3)	199	160
Balance at 30 June	89	7	941	1,037
Of which:				
For debt investment securities measured at amortised cost (Note 20)	14	5	805	824
For related accrued interest receivable (Note 23)	–	–	53	53
	14	5	858	877
For debt investment securities measured at FVOCI	74	2	77	153
For related accrued interest receivable	1	–	6	7
	75	2	83	160

Notes to the Interim Financial Statements (continued)

35. Credit Risk (continued)

(b) Impairment Allowances Reconciliation (continued)

	31/12/2023			
	12-month ECL	Lifetime ECL not credit- impaired	Lifetime ECL credit- impaired	Total
	HK\$ Mn	HK\$ Mn	HK\$ Mn	HK\$ Mn
Debt investment securities				
Balance at 1 January	283	141	248	672
Transfer to 12-month ECL	12	(12)	–	–
Transfer to lifetime ECL not credit-impaired	(7)	7	–	–
Transfer to lifetime ECL credit-impaired	–	(99)	99	–
New financial assets originated or purchased, assets derecognised, repayments and further investment	(16)	(10)	–	(26)
Write-offs	–	–	–	–
Net remeasurement of impairment allowances (including exchange adjustments)	(154)	(5)	395	236
Balance at 31 December	<u>118</u>	<u>22</u>	<u>742</u>	<u>882</u>
Of which:				
For debt investment securities measured at amortised cost (<i>Note 20</i>)	19	8	645	672
For related accrued interest receivable (<i>Note 23</i>)	–	–	45	45
	<u>19</u>	<u>8</u>	<u>690</u>	<u>717</u>
For debt investment securities measured at FVOCI	98	14	48	160
For related accrued interest receivable	1	–	4	5
	<u>99</u>	<u>14</u>	<u>52</u>	<u>165</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)

35. Credit Risk (continued)

(b) Impairment Allowances Reconciliation (continued)

	30/6/2024			
	12-month ECL	Lifetime ECL not credit-impaired	Lifetime ECL credit-impaired	Total
	HK\$ Mn	HK\$ Mn	HK\$ Mn	HK\$ Mn
Others				
Balance at 1 January	122	22	347	491
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	12	(2)	(2)	8
Write-offs	–	–	(282)	(282)
Net remeasurement of impairment allowances (including exchange adjustments)	(6)	6	(1)	(1)
Balance at 30 June	129	25	62	216
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 26)	110	25	–	135
For account receivables and other accounts other than accrued interest receivable (Note 23)	16	–	62	78

Notes to the Interim Financial Statements (continued)

35. Credit Risk (continued)

(b) Impairment Allowances Reconciliation (continued)

	31/12/2023			
	12-month ECL	Lifetime ECL not credit-impaired	Lifetime ECL credit-impaired	Total
	HK\$ Mn	HK\$ Mn	HK\$ Mn	HK\$ Mn
Others				
Balance at 1 January	133	23	238	394
Transfer to 12-month ECL	12	(12)	–	–
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)	2	(11)	(27)
Write-offs	–	–	(2)	(2)
Net remeasurement of impairment allowances (including exchange adjustments)	(4)	8	122	126
Balance at 31 December	122	22	347	491
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 26)	112	22	281	415
For account receivables and other accounts other than accrued interest receivable (Note 23)	7	–	66	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)

36. 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.

	30/6/2024	31/12/2023
	HK\$ Mn	HK\$ Mn
Contingent liabilities		
Direct credit substitutes	3,064	3,522
Transaction-related contingencies	5,058	3,927
Trade-related contingencies	6,965	7,741
	<u>15,087</u>	<u>15,190</u>
Commitments		
Commitments that are unconditionally cancellable without prior notice	256,028	332,203
Other commitments with an original maturity		
– up to 1 year	4,797	2,531
– over 1 year	22,390	25,168
	<u>283,215</u>	<u>359,902</u>
Total	<u>298,302</u>	<u>375,092</u>
Credit risk-weighted amounts	<u>17,103</u>	<u>17,458</u>

Notes to the Interim Financial Statements (continued)

36. Off-Balance Sheet Exposures (continued)

(b) Derivatives

	30/6/2024	31/12/2023
	HK\$ Mn	HK\$ Mn
Fair value of derivatives		
Assets		
Exchange rate contracts	1,981	1,650
Interest rate contracts	914	7,307
Equity contracts	185	99
	<u>3,080</u>	<u>9,056</u>
Liabilities		
Exchange rate contracts	1,730	1,733
Interest rate contracts	1,099	2,169
Equity contracts	208	105
	<u>3,037</u>	<u>4,007</u>
Notional amount of derivatives		
Exchange rate contracts	380,048	314,909
Interest rate contracts	327,913	318,824
Equity contracts	9,793	6,245
	<u>717,754</u>	<u>639,978</u>

(c) Capital Commitments

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

	30/6/2024	31/12/2023
	HK\$ Mn	HK\$ Mn
Expenditure authorised and contracted for	353	484
Expenditure authorised but not contracted for	<u>130</u>	<u>90</u>
	<u>483</u>	<u>574</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.

Notes to the Interim Financial Statements (continued)

37. 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:

	30/6/2024	30/6/2023
	HK\$ Mn	HK\$ Mn
Short-term employee benefits	79	80
Post-employment benefits	4	4
Equity compensation benefits	11	11
	<u>94</u>	<u>95</u>

- (b) The Group maintains certain retirement benefit schemes for its staff. In the six months ended 30 June 2024, the total amount of contributions the Group made to the schemes was HK\$122 million (six months ended 30 June 2023: HK\$108 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.

The interest received from and interest paid to the Group's related parties for the six months ended 30 June 2024, outstanding balances of amounts due from and due to them at 30 June 2024, and maximum outstanding balance of amounts due from and due to them for the six months ended 30 June 2024 are aggregated as follows:

	Key management personnel		Associates		Shareholders with significant influence	
	30/6/2024	30/6/2023	30/6/2024	30/6/2023	30/6/2024	30/6/2023
	HK\$ Mn	HK\$ Mn	HK\$ Mn	HK\$ Mn	HK\$ Mn	HK\$ Mn
Interest income	22	21	32	31	10	5
Interest expense	56	51	–	–	–	–
Amounts due from	665	880	678	1,717	489	1,446
Amounts due to	2,523	2,421	118	216	61	5
Maximum amounts due from	910	1,623	1,626	1,717	888	1,766
Maximum amounts due to	4,030	4,646	363	571	164	103
Committed facilities to	1,186	1,308	2,293	1,642	113	59

Notes to the Interim Financial Statements (continued)

38. 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 HK\$ Mn	Total equity HK\$ Mn
Ample Delight Limited	Investment holding	300	300
* Bank of East Asia (Trustees) Limited	Trustee service	202	189
BEA Consortium GS Investors L.P.	Acting as a limited partner for the purpose of making investment in private equity fund	5	5
BEA Insurance Agency Limited	Insurance agency services	–	–
BEA Union Investment Management Limited	Asset management	494	464
BEA Union Investment Management (Shenzhen) Limited	Asset management/ Investment management	4	3
Central Town Limited	Property investment	712	624
Century Able Limited	Investment holding	74	74
Citiview Capital Limited	Acting as the general partner and limited partner of a limited partnership	–	–
Corona Light Limited	Investment holding	930	930
* Credit Gain Finance Company Limited	Money lenders	699	698
Crystal Gleaming Limited	Investment holding	930	930
Dragon Jade Holdings Company Limited	Investment holding	1,128	1,128
EA Securities Limited	Investment holding	–	(62)
* East Asia Digital Information Services (Guangdong) Limited	Servicing	167	132

Notes to the Interim Financial Statements (continued)

38. Basis of Consolidation (continued)

	Name of company	Nature of business	Total assets	Total equity
			HK\$ Mn	HK\$ Mn
*	East Asia Facility Management Limited	Facility management	9	1
	East Asia Financial Services (BVI) Ltd.	Investment holding	–	–
	East Asia Futures Limited	Futures and options trading	59	58
*	East Asia Holding Company, Inc.	Investment holding	630	613
	East Asia Indonesian Holdings Limited	Investment holding	1	1
	East Asia International Trustees Holdings (BVI) Limited	Investment holding	10	10
	East Asia International Trustees Limited	Trustee service	21	18
*	East Asia Properties (US), Inc.	Property holding	14	12
	East Asia Properties Holding Company Limited	Investment holding	–	(22)
	East Asia Property Agency Company Limited	Property agency	8	8
	East Asia Qianhai Holdings Company Limited	Investment holding	197	196
	East Asia Secretaries Limited	Secretarial services	–	–
	East Asia Securities Company Limited	Securities broking	1,199	1,052
*	East Asia Services (Holdings) Limited	Holding company	28	28
	Golden Empire International Inc.	Investment holding	1	–
	Leader One Limited	Investment holding	1	1
	Manchester Property Holdings Ltd.	Property holding	22	9
	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	55	55

Notes to the Interim Financial Statements (continued)

38. Basis of Consolidation (continued)

Name of company	Nature of business	Total assets	Total equity
		HK\$ Mn	HK\$ Mn
Shaftesbury Property Investments Limited	Investment holding	35	35
Shanghai Lingxie Business Consulting Co., Ltd.	Business information consulting and corporate management consulting	194	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
Sunrise Legend Limited	Not yet commenced business	–	–
*/# The Bank of East Asia (China) Limited	Banking and related financial services	233,893	23,447
The Bank of East Asia (Nominees) Limited	Nominee services	–	–
The Bank of East Asia (Nominees) Private Limited	Trustee, fiduciary and custody services	–	–
* Subsidiaries engaging in "relevant financial activities" as defined by the Banking (Capital) Rules and included in the basis of consolidation for regulatory reporting purpose.			
# "associated entities" as defined by the Banking (Liquidity) Rules and included in the basis of consolidation for regulatory reporting purpose.			

39. Comparative Figures

Certain 2023 comparative figures have been restated to conform to current period's presentation. Please refer to Note 28 for the effect of the restatement.

40. Statement of Compliance

The Interim Report has been prepared in accordance with the applicable disclosure provisions of the Listing Rules and in compliance with HKAS 34, "Interim Financial Reporting", issued by the HKICPA. It was authorised for issue on 22 August 2024.

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 2023 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.

PARTIES

OUR OFFICE

The Bank of East Asia, Limited
10 Des Voeux Road Central
Hong Kong

LEGAL ADVISOR AS TO HONG KONG LAW

King & Wood Mallesons
13th Floor, Gloucester Tower
The Landmark
15 Queen's Road Central
Central
Hong Kong