

## 2025 Interim Results Highlights

### Financial Performance

- **Operating income** recorded HK\$5.88 billion, a 13.0% year-on-year increase. Net interest income was HK\$3.59 billion, and net interest margin stood at 1.47%. Non-interest income was HK\$2.29 billion.
- **Operating expenses** was HK\$2.37 billion, and cost-to-income ratio was 40.3%.
- **Impairment losses** amounted to HK\$1.12 billion, dropped by 45.7% year-on-year. Impaired loan ratio as of end-June 2025 was 1.77%, a decrease of 36 basis points from year-end 2024.
- **Net profit after tax** reached HK\$2.09 billion, rising 97.8% year-on-year.
- **Total assets** amounted to HK\$550.84 billion, representing a 12.6% increase from year-end 2024. **Customer loans (including trade bills)** increased by 8.1% to HK\$247.70 billion. **Customer deposits (including certificates of deposit issued)** grew by 9.5% to HK\$408.57 billion.
- **Capital adequacy ratio** and **CET1 ratio** met regulatory requirements at 20.0% and 14.6% respectively.

### Core Businesses

**Wholesale banking business** operating income declined by 14.9% year-on-year due to narrowed loan interest margin, following the movement of the Hong Kong dollar interbank rate. As of end-June 2025, customer loans reached HK\$160.92 billion, an increase of 11.8% compared to year-end 2024. The proportion of loans to high-quality credit customers rose to 75.2%. Both impaired loan ratio and loan impairment losses were reduced. Based on statistics from the London Stock Exchange Group, the Group ranked second in both transaction volume and number of transactions in the Hong Kong and Macau Syndicated Loan MLAB League Table for the first half of 2025. Securities services business income increased by 29.0% year-on-year, with fee income rising by 78.4%. Total assets under custody and trustee services increased by 16.8% and 28.8% respectively from year-end 2024, reaching HK\$360.21 billion and HK\$233.63 billion as of end-June 2025.

**Treasury and global markets business** operating income increased significantly year-on-year. For trading business, total macro trading volume exceeded HK\$5.5 trillion in the first half of 2025. The Group received the “Top 5 Trading Volume (SPOT) 2024” award from the London Stock Exchange, and its RMB foreign exchange trading volume remained amongst the highest of all Chinese financial institutions in Hong Kong. By capitalising market opportunities, a year-on-year growth of 164.3% in related non-interest income was achieved, primarily through bond swing trading and foreign exchange swaps. For debt capital markets business, public bond issuance totalled approximately US\$29.31 billion. The number of projects in which serving as joint global coordinator grew by 12.1% year-on-year.

**Personal and business banking business** operating income increased by 35.5% year-on-year, while non-interest income rose by 46.7%. Leveraging deepened strategic cooperation with various parties, retail deposits grew by 11.1% from year-end 2024, with the balance of current and savings accounts rising by 53.2%. New mortgage loans rose by 170.0% year-on-year, and new personal loans climbed by 23.3%. The Group closely collaborated with CITIC Group and CNCB to flexibly seize opportunities in cross-border wealth management business, driving wealth management-related income to grow by over 40% year-on-year, and cross-border business-related income to grow by nearly 30% year-on-year. Focusing on high-net-worth customers, private banking business revenue increased by 57.4% year-on-year. In the first half of 2025, there were over 3,000 taxi drivers registered for the Group’s taxi mobile payment solution in Hong Kong.



# CHINA CITIC BANK INTERNATIONAL LIMITED

(Incorporated in Hong Kong with limited liability under the Companies Ordinance)

## ANNOUNCEMENT OF 2025 INTERIM RESULTS

The Board of Directors of China CITIC Bank International Limited (“the Bank”) is pleased to announce the unaudited consolidated results of the Bank and its subsidiaries (“the Group”) for the six months ended 30 June 2025. The interim financial report is unaudited, but has been reviewed by KPMG, in accordance with Hong Kong Standards on Review Engagements 2410, Review of interim financial information performed by the independent auditor of the entity, issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”).

### CONSOLIDATED INCOME STATEMENT

For the six months ended 30 June 2025 – unaudited

(Expressed in Hong Kong dollars)

		Six months ended 30 June	
		2025	2024
	Note	HK\$'000	HK\$'000
Interest income	3	9,827,900	10,554,131
Interest expense	4	(6,236,506)	(6,895,707)
<b>Net interest income</b>		<b>3,591,394</b>	<b>3,658,424</b>
Fee and commission income		1,405,233	999,075
Fee and commission expense		(122,402)	(91,662)
<b>Net fee and commission income</b>	5	<b>1,282,831</b>	<b>907,413</b>
Net trading income	6	848,808	499,381
Net (loss)/gain on financial instruments mandatorily classified at fair value through profit or loss		(3,852)	118,391
Net gain on disposal of financial investments at fair value through other comprehensive income	15(b)	155,609	17,659
Other operating income	7	8,216	5,470
<b>Operating income</b>		<b>5,883,006</b>	<b>5,206,738</b>
<b>Operating expenses</b>	8	<b>(2,369,445)</b>	<b>(1,895,156)</b>
<b>Operating profit before impairment</b>		<b>3,513,561</b>	<b>3,311,582</b>
Expected credit losses on financial instruments	9	(1,122,114)	(2,056,668)
Impairment losses on other assets		(2,500)	(13,950)
<b>Impairment losses</b>		<b>(1,124,614)</b>	<b>(2,070,618)</b>
<b>Operating profit</b>		<b>2,388,947</b>	<b>1,240,964</b>
Net gain/(loss) on disposal of property and equipment and intangible assets		882	(177)
Revaluation loss on investment properties	18	(37,417)	(35)
<b>Profit before taxation</b>		<b>2,352,412</b>	<b>1,240,752</b>
Income tax	10	(258,748)	(182,461)
<b>Profit for the period</b>		<b>2,093,664</b>	<b>1,058,291</b>

**CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME****For the six months ended 30 June 2025 – unaudited***(Expressed in Hong Kong dollars)*

	<b>Six months ended 30 June</b>	
	<b>2025</b>	<b>2024</b>
	<b><i>HK\$'000</i></b>	<b><i>HK\$'000</i></b>
<b>Profit for the period</b>	<b>2,093,664</b>	<b>1,058,291</b>
<b>Other comprehensive income for the period</b>		
<b>Items that will be reclassified subsequently to consolidated income statement when specific conditions are met</b>		
Exchange differences on translation of financial statements of foreign operations	<b>53,036</b>	(43,213)
Financial investments at fair value through other comprehensive income		
– change in the fair value of debt instruments	<b>789,426</b>	128,371
– transfer to income statement on disposal	<b>(155,609)</b>	(17,659)
– transfer to income statement on impairment	<b>10,332</b>	30,794
– deferred tax related to the above	<b>(99,897)</b>	(22,932)
	<b>544,252</b>	118,574
<b>Items that will not be reclassified subsequently to consolidated income statement</b>		
Financial investments at fair value through other comprehensive income		
– change in fair value of equity instruments	<b>11,597</b>	2,735
– deferred tax related to the above	<b>(1,913)</b>	(451)
	<b>9,684</b>	2,284
<b>Other comprehensive income for the period</b>	<b>606,972</b>	<b>77,645</b>
<b>Total comprehensive income for the period</b>	<b>2,700,636</b>	<b>1,135,936</b>

# **CONSOLIDATED STATEMENT OF FINANCIAL POSITION**

**At 30 June 2025 – unaudited**

*(Expressed in Hong Kong dollars)*

		At 30 June 2025 <i>HK\$'000</i>	At 31 December 2024 <i>HK\$'000</i>
	Note		
<b>ASSETS</b>			
Cash and balances with banks and central banks	12	15,636,099	10,537,339
Placements with and advances to banks	13	90,811,148	70,361,763
Financial assets held under resale agreements	14		
– at fair value through profit or loss		4,857,444	2,982,785
– at amortised cost		5,637,906	3,174,582
Derivative financial instruments	16(b)	13,331,379	19,365,077
Financial investments			
– at fair value through profit or loss	15(a)	3,966,708	2,040,808
– at fair value through other comprehensive income	15(b)	145,920,810	139,264,603
– at amortised cost	15(c)	–	90,179
Loans and advances to customers and other accounts			
– at fair value through profit or loss	17(a)	14,354,818	11,960,075
– at amortised cost	17(a)	254,026,628	227,140,524
Tax recoverable	25(a)	142	290
Right-of-use assets	19	723,917	820,633
Property and equipment	18		
– Investment properties		371,656	409,073
– Other premises and equipment		597,326	608,937
Intangible assets	20	462,604	537,835
Deferred tax assets	25(b)	137,314	874
<b>Total Assets</b>		<b>550,835,899</b>	<b>489,295,377</b>
<b>LIABILITIES AND EQUITY</b>			
<b>Liabilities</b>			
Deposits and balances of banks and other financial institutions		15,643,215	12,141,506
Deposits from customers	21	406,838,917	371,313,584
Financial liabilities at fair value through profit or loss	22	176,225	99,849
Financial assets sold under repurchase agreements	23		
– at fair value through profit or loss		882,337	2,294,942
– at amortised cost		22,842,819	7,652,423
Derivative financial instruments	16(b)	13,484,187	18,393,793
Certificates of deposit issued	24	1,728,427	1,760,216
Debt securities issued		1,111,121	–
Current tax liabilities	25(a)	641,142	283,315
Deferred tax liabilities	25(b)	106,948	1,648
Other liabilities	26	23,739,818	14,170,136
Lease liabilities		853,887	956,170
Loan capital	27	3,905,906	3,859,664
<b>Total Liabilities</b>		<b>491,954,949</b>	<b>432,927,246</b>
<b>Equity</b>			
Share capital	28(a)	18,404,013	18,404,013
Reserves		31,141,541	28,628,722
<b>Total shareholders' equity</b>		<b>49,545,554</b>	<b>47,032,735</b>
Other equity instruments	29	9,335,396	9,335,396
<b>Total Equity</b>		<b>58,880,950</b>	<b>56,368,131</b>
<b>Total Equity and Liabilities</b>		<b>550,835,899</b>	<b>489,295,377</b>

**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY**  
**For the six months ended 30 June 2025 – unaudited**  
*(Expressed in Hong Kong dollars)*

	Share capital <i>HK\$'000</i>	Capital reserve <i>HK\$'000</i>	General reserve <i>HK\$'000</i>	Exchange differences reserve <i>HK\$'000</i>	Property revaluation reserve <i>HK\$'000</i>	Investment revaluation reserve <i>HK\$'000</i>	Statutory reserve <i>HK\$'000</i>	Regulatory general reserve <i>HK\$'000</i>	Retained profits <i>HK\$'000</i>	Total reserves <i>HK\$'000</i>	Total shareholders' equity <i>HK\$'000</i>	Other equity instruments <i>HK\$'000</i>	Total equity <i>HK\$'000</i>
<b>At 1 January 2025</b>	18,404,013	3,771	100,000	(166,630)	368,371	61,721	74,433	311,067	27,875,989	28,628,722	47,032,735	9,335,396	56,368,131
Changes in equity for the six months ended 30 June 2025:													
– Profit for the period	-	-	-	-	-	-	-	-	2,093,664	2,093,664	2,093,664	-	2,093,664
– Other comprehensive income for the period	-	-	-	53,036	-	553,936	-	-	-	606,972	606,972	-	606,972
<b>Total comprehensive income for the period</b>	-	-	-	53,036	-	553,936	-	-	2,093,664	2,700,636	2,700,636	-	2,700,636
Transfer from/(to) retained profits	-	-	-	-	-	-	-	9,633	(9,633)	-	-	-	-
Distribution payment for Additional Tier 1 Capital Securities ("AT1 Capital Securities")	-	-	-	-	-	-	-	-	(187,817)	(187,817)	(187,817)	-	(187,817)
<b>At 30 June 2025</b>	<u>18,404,013</u>	<u>3,771</u>	<u>100,000</u>	<u>(113,594)</u>	<u>368,371</u>	<u>615,657</u>	<u>74,433</u>	<u>320,700</u>	<u>29,772,203</u>	<u>31,141,541</u>	<u>49,545,554</u>	<u>9,335,396</u>	<u>58,880,950</u>
<b>At 1 January 2024</b>	18,404,013	3,771	100,000	(110,462)	294,533	(407,964)	69,250	311,817	25,515,657	25,776,602	44,180,615	9,335,396	53,516,011
Changes in equity for the six months ended 30 June 2024:													
– Profit for the period	-	-	-	-	-	-	-	-	1,058,291	1,058,291	1,058,291	-	1,058,291
– Other comprehensive (loss)/income for the period	-	-	-	(43,213)	-	120,858	-	-	-	77,645	77,645	-	77,645
<b>Total comprehensive income for the period</b>	-	-	-	(43,213)	-	120,858	-	-	1,058,291	1,135,936	1,135,936	-	1,135,936
Transfer from/(to) retained profits	-	-	-	-	-	-	769	(750)	(19)	-	-	-	-
Distribution payment for AT1 Capital Securities	-	-	-	-	-	-	-	-	(189,027)	(189,027)	(189,027)	-	(189,027)
<b>At 30 June 2024</b>	<u>18,404,013</u>	<u>3,771</u>	<u>100,000</u>	<u>(153,675)</u>	<u>294,533</u>	<u>(287,106)</u>	<u>70,019</u>	<u>311,067</u>	<u>26,384,902</u>	<u>26,723,511</u>	<u>45,127,524</u>	<u>9,335,396</u>	<u>54,462,920</u>
<b>At 1 July 2024</b>	18,404,013	3,771	100,000	(153,675)	294,533	(287,106)	70,019	311,067	26,384,902	26,723,511	45,127,524	9,335,396	54,462,920
Changes in equity for the six months ended 31 December 2024:													
– Profit for the period	-	-	-	-	-	-	-	-	1,683,432	1,683,432	1,683,432	-	1,683,432
– Other comprehensive (loss)/income for the period	-	-	-	(12,955)	73,838	348,827	-	-	-	409,710	409,710	-	409,710
<b>Total comprehensive income for the period</b>	-	-	-	(12,955)	73,838	348,827	-	-	1,683,432	2,093,142	2,093,142	-	2,093,142
Transfer from/(to) retained profits	-	-	-	-	-	-	4,414	-	(4,414)	-	-	-	-
Distribution payment for AT1 Capital Securities	-	-	-	-	-	-	-	-	(187,931)	(187,931)	(187,931)	-	(187,931)
<b>At 31 December 2024</b>	<u>18,404,013</u>	<u>3,771</u>	<u>100,000</u>	<u>(166,630)</u>	<u>368,371</u>	<u>61,721</u>	<u>74,433</u>	<u>311,067</u>	<u>27,875,989</u>	<u>28,628,722</u>	<u>47,032,735</u>	<u>9,335,396</u>	<u>56,368,131</u>

**CONSOLIDATED STATEMENT OF CASH FLOWS**  
**For the six months ended 30 June 2025 – unaudited**  
*(Expressed in Hong Kong dollars)*

	<i>Note</i>	<b>Six months ended 30 June</b>	
		<b>2025</b>	<b>2024</b>
		<b><i>HK\$'000</i></b>	<b><i>HK\$'000</i></b>
<b>Net cash flows generated from/(used in) operating activities</b>	<b>30(a)</b>	<b>7,726,095</b>	<b>(11,711,242)</b>
<b>Cash flows generated from/(used in) investing activities</b>			
Dividends received from equity securities		1,500	1,952
Proceeds from disposal of property and equipment		83	8
Purchase of property and equipment and intangible assets		(124,154)	(200,987)
<b>Net cash flows used in investing activities</b>		<b>(122,571)</b>	<b>(199,027)</b>
<b>Cash flows used in financing activities</b>			
Payment for redemption of loan capital	30(c)(i)	–	(3,912,179)
Distribution paid on AT1 Capital Securities		(187,817)	(189,027)
Payment of lease liabilities	30(c)(ii)	(139,496)	(116,562)
Interest paid on loan capital		(117,757)	(207,653)
<b>Net cash flows used in financing activities</b>		<b>(445,070)</b>	<b>(4,425,421)</b>
<b>Net increase/(decrease) in cash and cash equivalents</b>		<b>7,158,454</b>	<b>(16,335,690)</b>
<b>Cash and cash equivalents at 1 January</b>		<b>66,966,266</b>	<b>60,327,388</b>
<b>Exchange differences in respect of cash and cash equivalents</b>		<b>922,341</b>	<b>(641,791)</b>
<b>Cash and cash equivalents at 30 June</b>	<b>30(b)</b>	<b>75,047,061</b>	<b>43,349,907</b>

## NOTES TO THE INTERIM FINANCIAL REPORT – UNAUDITED

(Expressed in Hong Kong dollars unless otherwise indicated)

### (1) BASIS OF PREPARATION

The interim financial report of China CITIC Bank International Limited (“the Bank”) and all its subsidiaries (“the Group”) has been prepared in accordance with Hong Kong Accounting Standard (“HKAS”) 34, Interim financial reporting, issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”). It also contains the disclosure information required under the Banking (Disclosure) Rules issued by the Hong Kong Monetary Authority (“HKMA”). The interim financial report should be read in conjunction with the annual financial statements for the year ended 31 December 2024 which have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards (“HKFRSs”).

The preparation of the interim financial report that conforms with HKAS 34 requires that management make judgments, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses on a year-to-date basis. Actual results may differ from these estimates. In preparing this interim financial report, the significant judgements made by management in applying the Group’s accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial statements for the year ended 31 December 2024.

The financial information relating to the year ended 31 December 2024 that is included in the interim financial report for the six months ended 30 June 2025 as comparative information does not constitute the Group’s statutory annual consolidated financial statements for that year but is derived from those financial statements. Further information relating to these statutory financial statements required to be disclosed in accordance with section 436 of the Hong Kong Companies Ordinance (Cap. 622) is as follows:

The Group has delivered the financial statements for the year ended 31 December 2024 to the Registrar of Companies as required by section 662(3) of, and Part 3 of Schedule 6 to, the Hong Kong Companies Ordinance (Cap. 622).

The Group’s auditor has reported on those financial statements. The auditor’s report was unqualified; did not include a reference to any matters to which the auditor drew attention by way of emphasis without qualifying its report; and did not contain a statement under sections 406(2), 407(2) or (3) of the Hong Kong Companies Ordinance (Cap. 622).

### (2) NEW AND AMENDED ACCOUNTING STANDARDS ADOPTED BY THE GROUP

This interim financial report has been prepared on a basis consistent with the accounting policies adopted in the 2024 annual financial statements, which have been prepared in accordance with HKFRSs.

Amendments to HKFRSs effective for the financial year ending 31 December 2025 do not have a material impact on the Group.

There are no other amended standards or interpretations that are effective for the first time for this interim period that could be expected to have a material impact on the Group.

### (3) INTEREST INCOME

	Six months ended 30 June	
	2025	2024
	HK\$'000	HK\$'000
Listed securities	1,385,969	885,640
Unlisted securities	1,548,918	1,678,982
Balances and placements with banks and advances to banks	1,692,980	1,630,174
Advances and other accounts	5,200,033	6,359,335
Interest income on financial assets	9,827,900	10,554,131
Of which:		
Interest income on financial assets measured at amortised cost	6,910,248	8,017,871
Interest income on financial assets measured at fair value through other comprehensive income	2,917,652	2,536,260
	9,827,900	10,554,131

**(4) INTEREST EXPENSE**

	Six months ended 30 June	
	2025 HK\$'000	2024 HK\$'000
Deposits from customers	5,393,936	5,955,248
Deposits from banks and other financial institutions	674,246	732,056
Certificates of deposit issued	33,477	39,860
Debt securities issued	738	–
Loan capital issued	117,252	149,379
Lease liabilities	16,857	19,164
Interest expense on financial liabilities measured at amortised cost	6,236,506	6,895,707

**(5) NET FEE AND COMMISSION INCOME**

	Six months ended 30 June	
	2025 HK\$'000	2024 HK\$'000
<b>Fee and commission income</b>		
Loans, overdrafts and facilities fees	180,592	201,500
Trade finance and bills commission	41,101	50,663
Custody services and investment fund	36,304	21,403
Debt capital markets	64,241	40,463
Card-related income	27,351	31,616
Investment and structured investment products	337,627	150,495
Insurance brokerage	629,347	438,668
Account services, remittance and others	88,670	64,267
	1,405,233	999,075
<b>Fee and commission expense</b>	(122,402)	(91,662)
	1,282,831	907,413
Of which:		
Net fee and commission income (other than the amounts included in determining the effective interest rate) relating to financial assets and liabilities not at fair value through profit or loss:		
– Fee and commission income	249,044	271,799
– Fee and commission expense	(13,666)	(18,439)
	235,378	253,360



**(6) NET TRADING INCOME**

	Six months ended 30 June	
	2025	2024
	HK\$'000	HK\$'000
Net gains from dealing in foreign currencies	605,118	241,774
Net gains from financial investments at fair value through profit or loss	70,810	42,941
Net gains from other dealing activities	38,444	44,128
Net hedging gain on fair value hedge	1,758	3,755
Net interest income on trading activities		
– Listed	30,887	12,696
– Unlisted	101,791	154,087
	<b>848,808</b>	<b>499,381</b>

**(7) OTHER OPERATING INCOME**

	Six months ended 30 June	
	2025	2024
	HK\$'000	HK\$'000
Dividend income		
– Unlisted investment	1,500	1,952
Rental income from investment properties	4,769	4,002
Other	1,947	(484)
	<b>8,216</b>	<b>5,470</b>

**(8) OPERATING EXPENSES**

	Six months ended 30 June	
	2025	2024
	HK\$'000	HK\$'000
<b>(a) Staff costs</b>		
Salaries and other staff costs	1,488,858	1,046,058
Retirement costs	86,120	85,316
	<b>1,574,978</b>	<b>1,131,374</b>
<b>(b) Depreciation and amortisation</b>		
Depreciation – property and equipment (note 18)	72,509	70,354
Depreciation – right-of-use assets (note 19)	118,662	116,528
Amortisation – intangible assets (note 20)	101,561	95,181
	<b>292,732</b>	<b>282,063</b>
<b>(c) Other operating expenses</b>		
Property and equipment expenses (excluding depreciation)	218,411	216,230
Auditor's remuneration		
– Audit fee	3,365	3,445
– Assurance related services fee	902	291
– Others	111	1,140
Advertising	24,789	26,885
Communication, printing and stationery	97,137	93,285
Electronic data processing	74,926	85,188
Legal and professional fees	18,223	16,467
Others	63,871	38,788
	<b>501,735</b>	<b>481,719</b>
<b>Total operating expenses</b>	<b>2,369,445</b>	<b>1,895,156</b>

**(9) EXPECTED CREDIT LOSSES ON FINANCIAL INSTRUMENTS**

**Expected credit losses (“ECL”) charged/(reversed) on financial instruments**

Six months ended 30 June 2025				
	Stage 1 <i>HK\$'000</i>	Stage 2 <i>HK\$'000</i>	Stage 3 <i>HK\$'000</i>	Total <i>HK\$'000</i>
Balances with banks and central banks	20	–	–	20
Placements with and advances to banks	5,715	–	–	5,715
Financial assets held under resale agreements at amortised cost	10	–	–	10
Financial investments at fair value through other comprehensive income	3,381	–	6,951	10,332
Financial investments at amortised cost	(3)	–	–	(3)
Loans and advances to customers and other accounts	36,541	(74,315)	1,232,795	1,195,021
Loan commitments and guarantees	(1,795)	(11,825)	208,350	194,730
	<u>43,869</u>	<u>(86,140)</u>	<u>1,448,096</u>	<u>1,405,825</u>
Recoveries				<u>(283,711)</u>
				<u>1,122,114</u>
Six months ended 30 June 2024				
	Stage 1 <i>HK\$'000</i>	Stage 2 <i>HK\$'000</i>	Stage 3 <i>HK\$'000</i>	Total <i>HK\$'000</i>
Balances with banks and central banks	3	–	–	3
Placements with and advances to banks	2,703	–	–	2,703
Financial assets held under resale agreements at amortised cost	3	–	–	3
Financial investments at fair value through other comprehensive income	9,603	–	21,191	30,794
Financial investments at amortised cost	–	–	–	–
Loans and advances to customers and other accounts	88,544	(419,582)	2,437,116	2,106,078
Loan commitments and guarantees	(2,554)	10,082	–	7,528
	<u>98,302</u>	<u>(409,500)</u>	<u>2,458,307</u>	<u>2,147,109</u>
Recoveries				<u>(90,441)</u>
				<u>2,056,668</u>

(10) INCOME TAX

(a) Income tax in the consolidated income statement

	Six months ended 30 June	
	2025	2024
	HK\$'000	HK\$'000
<b>Current tax – Hong Kong Profits Tax</b>		
Provision for the period	332,332	113,665
Under/(over)-provision in respect of prior periods	19,223	(27,326)
	<u>351,555</u>	<u>86,339</u>
<b>Current tax – Taxation outside Hong Kong</b>		
Provision for the period	59,185	62,660
Over-provision in respect of prior periods	(21,280)	(3,398)
	<u>37,905</u>	<u>59,262</u>
<b>Deferred tax</b>		
Origination of temporary differences (note 25(b))	(130,712)	36,860
	<u>258,748</u>	<u>182,461</u>

Taxes on income in the interim periods are accrued using the tax rate that would be applicable to expected total annual earnings.

The provision for Hong Kong Profits Tax is calculated at 16.5% (six months ended 30 June 2024: 16.5%) of the estimated assessable profits for six months ended 30 June 2025. Taxation for overseas branches and subsidiaries are charged at the appropriate current rates of taxation in the relevant countries.

(b) Pillar Two income tax

The Group is part of a multinational enterprise group (“MEG”) which is subject to the Global Anti-Base Erosion Model Rules (“Pillar Two model rules”) published by the Organisation for Economic Co-operation and Development.

From 1 January 2025, the MEG is also liable to Pillar Two income taxes under the Hong Kong Inland Revenue (Amendment) (Minimum Tax for Multinational Enterprise Groups) Ordinance 2025 for its earnings in the Hong Kong SAR and certain other jurisdictions where a domestic minimum top-up tax has not been implemented, including the Mainland China.

The MEG has applied the temporary mandatory exception from deferred tax accounting for the top-up tax and accounted for the tax as current tax when incurred. For the period ended 30 June 2025, the amount of Pillar Two income tax is considered immaterial.

## **(11) SEGMENT REPORTING**

Segment information is prepared consistently with reportable segments. Information is regularly reported to the chief operating decision-maker, including management committee members, to allocate resources to the segments and to assess their performance. The Group has identified the following five reportable segments:

Wholesale banking mainly comprises corporate lending and syndicated loans, trade financing, deposit account services and cash management in Hong Kong and at overseas branches.

Personal and business banking mainly comprises retail deposit account services, residential mortgages, other consumer lending, credit card services, Small and Medium Enterprises (“SMEs”) banking business, wealth management services and private banking in Hong Kong and at overseas branches.

Treasury and markets covers the provision of foreign exchange services, money market activities, the management of investment securities and central funding management in Hong Kong and at overseas branches.

Mainland banking subsidiary is the Bank’s wholly owned banking subsidiary operating in Mainland China.

Others mainly comprises unallocated revenue and expenses as well as corporate expenses.

For the purpose of segment reporting, the allocation of operating income reflects the benefits of funding resources allocated to the business segments based on the internal funds transfer pricing mechanism. Cost allocation is based on the direct costs incurred by the respective business segments and the apportionment of overheads on a reasonable basis to the business segments. Rental charges at the market rate for the use of bank premises are reflected as inter-segment income for the ‘Others’ segment and inter-segment expenses for the respective business segments.

Income and cost allocation amongst reportable segments are reviewed from time to time as management deems fit and in the event of change, corresponding segment reporting information will be updated to conform with latest allocation basis.

(11) SEGMENT REPORTING (CONTINUED)

(a) Reportable segments

	Six months ended 30 June 2025							
	Wholesale banking <i>HK\$'000</i>	Personal and business banking <i>HK\$'000</i>	Treasury and markets <i>HK\$'000</i>	Mainland banking subsidiary <i>HK\$'000</i>	Others <i>HK\$'000</i>	Subtotal <i>HK\$'000</i>	Elimination and consolidation adjustments <i>HK\$'000</i>	Consolidated <i>HK\$'000</i>
Net interest income	1,475,123	1,439,166	(54,694)	139,038	592,761	3,591,394	-	3,591,394
Other operating income	355,845	1,127,856	483,791	25,484	150,797	2,143,773	(7,770)	2,136,003
Net gain on disposal of financial investments at fair value through other comprehensive income	-	-	128,517	27,092	-	155,609	-	155,609
<b>Operating income</b>	<b>1,830,968</b>	<b>2,567,022</b>	<b>557,614</b>	<b>191,614</b>	<b>743,558</b>	<b>5,890,776</b>	<b>(7,770)</b>	<b>5,883,006</b>
Operating expenses	(254,623)	(750,801)	(175,474)	(87,344)	(1,131,461)	(2,399,703)	30,258	(2,369,445)
Inter-segment (expenses)/income	(92,131)	(370,378)	(74,875)	-	537,384	-	-	-
<b>Operating profit before impairment</b>	<b>1,484,214</b>	<b>1,445,843</b>	<b>307,265</b>	<b>104,270</b>	<b>149,481</b>	<b>3,491,073</b>	<b>22,488</b>	<b>3,513,561</b>
Expected credit losses on financial instruments	(760,336)	(249,471)	(10,068)	(102,330)	91	(1,122,114)	-	(1,122,114)
Impairment losses on other assets	-	(2,500)	-	-	-	(2,500)	-	(2,500)
<b>Operating profit</b>	<b>723,878</b>	<b>1,193,872</b>	<b>297,197</b>	<b>1,940</b>	<b>149,572</b>	<b>2,366,459</b>	<b>22,488</b>	<b>2,388,947</b>
Net (loss)/gain on disposal of property and equipment and intangible assets	(18)	(47)	-	969	(22)	882	-	882
Revaluation loss on investment properties	-	-	-	-	(37,417)	(37,417)	-	(37,417)
<b>Profit before taxation</b>	<b>723,860</b>	<b>1,193,825</b>	<b>297,197</b>	<b>2,909</b>	<b>112,133</b>	<b>2,329,924</b>	<b>22,488</b>	<b>2,352,412</b>
Income tax								(258,748)
<b>Profit for the period</b>								<b>2,093,664</b>
<b>Other segment items:</b>								
Depreciation and amortisation	12,306	71,129	5,047	11,975	192,264	292,721	11	292,732
Capital expenditure incurred during the period	822	28,976	23	25,650	72,598	128,069	(3,915)	124,154
	At 30 June 2025							
<b>Other segment items:</b>								
Segment assets	163,980,072	73,792,591	323,257,310	22,121,779	6,222,650	589,374,402	(38,538,503)	550,835,899
Segment liabilities	126,872,208	276,598,830	99,831,279	20,376,973	8,194,865	531,874,155	(39,919,206)	491,954,949

**(11) SEGMENT REPORTING (CONTINUED)**

**(a) Reportable segments (continued)**

	Six months ended 30 June 2024 (restated)							
	Wholesale banking HK\$'000	Personal and business banking HK\$'000	Treasury and markets HK\$'000	Mainland banking subsidiary HK\$'000	Others HK\$'000	Subtotal HK\$'000	Elimination and consolidation adjustments HK\$'000	Consolidated HK\$'000
Net interest income	1,697,853	1,124,890	(111,098)	168,189	778,590	3,658,424	–	3,658,424
Other operating income	453,594	768,951	312,496	53,251	(7,225)	1,581,067	(50,412)	1,530,655
Net gain on disposal of financial investments at fair value through other comprehensive income	–	–	11,888	5,712	59	17,659	–	17,659
<b>Operating income</b>	<b>2,151,447</b>	<b>1,893,841</b>	<b>213,286</b>	<b>227,152</b>	<b>771,424</b>	<b>5,257,150</b>	<b>(50,412)</b>	<b>5,206,738</b>
Operating expenses	(203,555)	(619,885)	(136,001)	(101,669)	(875,198)	(1,936,308)	41,152	(1,895,156)
Inter-segment (expenses)/income	(76,216)	(352,041)	(60,153)	–	488,410	–	–	–
<b>Operating profit/(loss) before impairment</b>	<b>1,871,676</b>	<b>921,915</b>	<b>17,132</b>	<b>125,483</b>	<b>384,636</b>	<b>3,320,842</b>	<b>(9,260)</b>	<b>3,311,582</b>
Expected credit losses on financial instruments	(1,848,975)	(135,919)	(27,603)	(44,260)	89	(2,056,668)	–	(2,056,668)
Impairment losses on other assets	–	(13,950)	–	–	–	(13,950)	–	(13,950)
<b>Operating profit/(loss)</b>	<b>22,701</b>	<b>772,046</b>	<b>(10,471)</b>	<b>81,223</b>	<b>384,725</b>	<b>1,250,224</b>	<b>(9,260)</b>	<b>1,240,964</b>
Net gain/(loss) on disposal of property and equipment and intangible assets	–	–	–	1	(178)	(177)	–	(177)
Revaluation loss on investment properties	–	–	–	–	(35)	(35)	–	(35)
<b>Profit/(loss) before taxation</b>	<b>22,701</b>	<b>772,046</b>	<b>(10,471)</b>	<b>81,224</b>	<b>384,512</b>	<b>1,250,012</b>	<b>(9,260)</b>	<b>1,240,752</b>
Income tax								(182,461)
<b>Profit for the period</b>								<b>1,058,291</b>
<b>Other segment items:</b>								
Depreciation and amortisation	11,322	68,481	4,942	13,280	184,038	282,063	–	282,063
Capital expenditure incurred during the period	7,583	25,429	–	4,766	163,209	200,987	–	200,987
At 31 December 2024								
<b>Other segment items:</b>								
Segment assets	145,682,823	72,129,871	265,611,583	21,499,284	8,427,945	513,351,506	(24,056,129)	489,295,377
Segment liabilities	117,793,026	248,872,576	63,990,626	19,770,485	7,142,538	457,569,251	(24,642,005)	432,927,246

**(11) SEGMENT REPORTING (CONTINUED)****(b) Geographical information**

The geographical information analysis is based on the location of the principal operations of the subsidiaries, or in the case of the Bank itself, the location of the branches responsible for reporting the results or booking the assets and liabilities.

	<b>Six months ended 30 June</b>			
	<b>2025</b>	<b>2024</b>	<b>2025</b>	<b>2024</b>
	<b>Profit/(loss)</b>	<b>Profit/(loss)</b>	<b>Operating</b>	<b>Operating</b>
	<b>before taxation</b>	<b>before taxation</b>	<b>income/(expenses)</b>	<b>income/(expenses)</b>
	<b>HK\$'000</b>	<b>HK\$'000</b>	<b>HK\$'000</b>	<b>HK\$'000</b>
Hong Kong	2,342,717	1,487,589	5,440,878	4,739,947
Mainland China	(4,640)	81,606	212,087	227,222
United States	(36,016)	(211,443)	114,419	125,299
Singapore	72,175	(116,764)	149,948	139,474
Others	(21,824)	(286)	(4,615)	8,156
Inter-segment items	–	50	(29,711)	(33,360)
	<b>2,352,412</b>	<b>1,240,752</b>	<b>5,883,006</b>	<b>5,206,738</b>
	<b>At 30</b>	<b>At 31</b>	<b>At 30</b>	<b>At 31</b>
	<b>June 2025</b>	<b>December 2024</b>	<b>June 2025</b>	<b>December 2024</b>
	<b>Total assets</b>	<b>Total assets</b>	<b>Total liabilities</b>	<b>Total liabilities</b>
	<b>HK\$'000</b>	<b>HK\$'000</b>	<b>HK\$'000</b>	<b>HK\$'000</b>
Hong Kong	516,915,517	457,303,082	459,698,734	401,374,452
Mainland China	22,050,049	20,357,765	20,364,419	19,885,256
United States	21,201,869	15,180,440	21,242,523	15,411,201
Singapore	19,707,355	14,278,207	19,634,838	14,272,689
Others	2,889,753	3,001,289	2,879,475	2,974,228
Inter-segment items	(31,928,644)	(20,825,406)	(31,865,040)	(20,990,580)
	<b>550,835,899</b>	<b>489,295,377</b>	<b>491,954,949</b>	<b>432,927,246</b>

**(12) CASH AND BALANCES WITH BANKS AND CENTRAL BANKS**

	<b>At 30 June</b>	<b>At 31 December</b>
	<b>2025</b>	<b>2024</b>
	<b>HK\$'000</b>	<b>HK\$'000</b>
Cash in hand	206,155	247,720
Balances with central banks	5,671,426	5,186,077
Balances with banks	9,758,559	5,103,563
	<b>15,636,140</b>	<b>10,537,360</b>
Expected credit losses allowances – Stage 1	(41)	(21)
	<b>15,636,099</b>	<b>10,537,339</b>

Included in the balances with central banks are balances subject to exchange control or regulatory restrictions, amounting to HK\$674,881,000 as at 30 June 2025 (31 December 2024: HK\$595,339,000).

**(13) PLACEMENTS WITH AND ADVANCES TO BANKS**

	At 30 June 2025 <i>HK\$'000</i>	At 31 December 2024 <i>HK\$'000</i>
Placements with banks	86,416,419	67,307,420
Advances to banks	4,412,879	3,066,778
	<b>90,829,298</b>	70,374,198
Expected credit losses allowances – Stage 1	(18,150)	(12,435)
	<b>90,811,148</b>	70,361,763
Maturing:		
– within 1 month	27,667,325	38,291,202
– between 1 month and 1 year	62,515,600	31,682,413
– 5 years or less but over 1 year	628,223	388,148
	<b>90,811,148</b>	70,361,763

**(14) FINANCIAL ASSETS HELD UNDER RESALE AGREEMENTS**

	At 30 June 2025 <i>HK\$'000</i>	At 31 December 2024 <i>HK\$'000</i>
<b>By types of counterparty</b>		
Banks	2,470,015	1,034,443
Non-bank financial institutions	2,387,429	1,948,342
<b>Carry amount at fair value through profit or loss</b>	<b>4,857,444</b>	2,982,785
Banks	1,616,777	635,671
Non-bank financial institutions	4,021,139	2,538,911
Gross amount at amortised cost	5,637,916	3,174,582
Expected credit losses allowances – Stage 1	(10)	–
<b>Net amount at amortised cost</b>	<b>5,637,906</b>	3,174,582
	<b>10,495,350</b>	6,157,367

**By types of collateral**

As at 30 June 2025 and 31 December 2024, the Group's types of collateral for financial assets held under resale agreements are all bonds.



**(15) FINANCIAL INVESTMENTS****(a) At fair value through profit or loss**

	At 30 June 2025 HK\$'000	At 31 December 2024 HK\$'000
<b>Debt securities</b>		
Certificates of deposit held	94,442	–
Treasury bills	5,485	–
Other debt securities	2,353,923	696,786
	<b>2,453,850</b>	696,786
<b>Other investments</b>	1,472,152	1,303,782
<b>Equity securities</b>	40,706	40,240
	<b>3,966,708</b>	2,040,808
<b>Issued by:</b>		
Sovereigns	369,317	88,135
Banks and other financial institutions	1,552,900	411,080
Corporate entities	1,991,054	1,523,079
Public entities	53,437	18,514
	<b>3,966,708</b>	2,040,808
Listed	1,842,048	640,360
Unlisted	2,124,660	1,400,448
	<b>3,966,708</b>	2,040,808

**(b) At fair value through other comprehensive income**

	At 30 June 2025 HK\$'000	At 31 December 2024 HK\$'000
<b>Debt securities</b>		
Certificates of deposit held	14,673,014	12,119,811
Treasury bills	36,436,671	35,173,720
Other debt securities	94,725,708	91,897,329
	<b>145,835,393</b>	139,190,860
<b>Equity securities</b>	85,417	73,743
	<b>145,920,810</b>	139,264,603
<b>Issued by:</b>		
Sovereigns	45,546,675	49,796,694
Banks and other financial institutions	76,786,150	63,681,134
Corporate entities	14,355,152	13,557,912
Public entities	9,232,833	12,228,863
	<b>145,920,810</b>	139,264,603
Listed	62,241,689	59,214,684
Unlisted	83,679,121	80,049,919
	<b>145,920,810</b>	139,264,603

For the six months ended 30 June 2025, upon disposal of debt securities at FVOCI, the cumulative gains or loss previously recognised in other comprehensive income are reclassified from other comprehensive income to income statement amounted to net gain of HK\$155,609,000 (six months ended 30 June 2024: net gain of HK\$17,659,000).

**(15) FINANCIAL INVESTMENTS (CONTINUED)****(c) At amortised costs**

	At 30 June 2025 HK\$'000	At 31 December 2024 HK\$'000
<b>Debt securities</b>		
Treasury bills	–	90,182
Expected credit losses allowances – Stage 1	–	(3)
	–	90,179
<b>Issued by:</b>		
Sovereigns	–	90,179
Unlisted	–	90,179

**(16) DERIVATIVE FINANCIAL INSTRUMENTS****(a) Notional amounts of derivatives**

Derivatives refer to financial contracts whose value depends on the value of one or more underlying assets or index. The notional amounts of these instruments indicate the volume of outstanding transactions and do not represent amounts at risk.

The following is a summary of the notional amount of each significant type of derivatives entered into by the Group:

	At 30 June 2025 HK\$'000	At 31 December 2024 HK\$'000
<b>Currency derivatives</b>		
Forwards	114,161,190	72,890,484
Swaps	1,216,644,672	1,067,992,496
Options purchased	129,609,712	79,419,924
Options written	121,858,812	78,184,366
<b>Interest rate derivatives</b>		
Forwards/Futures	36,609,771	3,376,883
Swaps	1,234,989,243	1,128,669,080
Options purchased	1,953,080	4,152,630
Options written	4,179,588	4,340,410
	2,860,006,068	2,439,026,273

As at 30 June 2025, the notional amount of interest rate swaps held for hedging amounted to HK\$7,349,127,000 (31 December 2024: HK\$5,626,387,000).

Trading includes the Group's principal risk taking positions in financial instruments, positions which arise from the execution of trade orders from customers and market making, and positions taken in order to hedge other elements of the trading book.

**(16) DERIVATIVE FINANCIAL INSTRUMENTS (CONTINUED)**

**(b) Fair values of derivatives**

	At 30 June 2025		At 31 December 2024	
	Fair value assets HK\$'000	Fair value liabilities HK\$'000	Fair value assets HK\$'000	Fair value liabilities HK\$'000
Currency derivatives	7,061,971	7,153,666	11,631,471	10,738,994
Interest rate derivatives	6,269,408	6,330,521	7,733,606	7,654,799
	<u>13,331,379</u>	<u>13,484,187</u>	<u>19,365,077</u>	<u>18,393,793</u>

**(c) Fair value of derivatives designated as hedging instruments**

The following is a summary of the fair value of derivatives held for hedging purposes by product type entered into by the Group:

	At 30 June 2025		At 31 December 2024	
	Fair value assets HK\$'000	Fair value liabilities HK\$'000	Fair value assets HK\$'000	Fair value liabilities HK\$'000
Interest rate contracts				
– Fair value hedge	<u>35,584</u>	<u>74,223</u>	<u>129,035</u>	<u>30,785</u>

Fair value hedges principally consist of interest rate swaps that are used to protect against changes in the fair value of certain fixed rate assets or liabilities due to movements in the market interest rates.

**(d) Remaining life of derivatives**

The following tables provide an analysis of the notional amounts of the Group's derivatives by relevant maturity grouping, based on the remaining periods to settlement at the end of the reporting period:

	At 30 June 2025			
	Notional amounts with remaining life of			
	Total HK\$'000	1 year or less HK\$'000	Over 1 year to 5 years HK\$'000	Over 5 years HK\$'000
Currency derivatives	1,582,274,386	1,480,421,360	100,617,902	1,235,124
Interest rate derivatives	1,277,731,682	713,557,104	536,331,401	27,843,177
	<u>2,860,006,068</u>	<u>2,193,978,464</u>	<u>636,949,303</u>	<u>29,078,301</u>

	At 31 December 2024			
	Notional amounts with remaining life of			
	Total HK\$'000	1 year or less HK\$'000	Over 1 year to 5 years HK\$'000	Over 5 years HK\$'000
Currency derivatives	1,298,487,270	1,191,590,285	105,785,270	1,111,715
Interest rate derivatives	1,140,539,003	609,222,236	495,194,109	36,122,658
	<u>2,439,026,273</u>	<u>1,800,812,521</u>	<u>600,979,379</u>	<u>37,234,373</u>

**(17) LOANS AND ADVANCES TO CUSTOMERS AND OTHER ACCOUNTS**

**(a) Loans and advances to customers and other accounts less expected credit losses**

	<b>At 30 June 2025 <i>HK\$'000</i></b>	<b>At 31 December 2024 <i>HK\$'000</i></b>
Loans and advances to customers at amortised cost		
Gross loans and advances to customers	<b>233,346,189</b>	217,229,934
– Expected credit losses allowances	<b>(2,804,702)</b>	(2,494,528)
	<b>230,541,487</b>	214,735,406
Loans and advances to customers at fair value through profit and loss	<b>14,354,818</b>	11,960,075
	<b>244,896,305</b>	226,695,481
Other accounts	<b>24,797,635</b>	13,565,821
– Expected credit losses allowances	<b>(1,292,494)</b>	(1,143,203)
– Other impairment allowances	<b>(20,000)</b>	(17,500)
	<b>23,485,141</b>	12,405,118
	<b>268,381,446</b>	239,100,599

**(17) LOANS AND ADVANCES TO CUSTOMERS AND OTHER ACCOUNTS (CONTINUED)**

**(b) Loans and advances to customers analysed by industry sectors**

The following economic sector analysis is based on the categories and definitions used by the HKMA.

	<b>At 30 June 2025</b>		<b>At 31 December 2024</b>	
	<b>Gross loans and advances to customers HK\$'000</b>	<b>% of gross loans and advances to customers covered by collateral</b>	<b>Gross loans and advances to customers HK\$'000</b>	<b>% of gross loans and advances to customers covered by collateral</b>
Industrial, commercial and financial				
– Property development	7,115,753	54	6,566,953	61
– Property investment	21,503,622	94	22,837,176	93
– Financial concerns	31,239,764	12	25,982,832	6
– Stockbrokers	2,286,441	2	1,966,095	20
– Wholesale and retail trade	8,809,634	67	8,716,204	81
– Manufacturing	5,705,027	28	5,566,953	28
– Transport and transport equipment	3,512,757	17	3,298,519	20
– Recreational activities	204,125	–	205,698	–
– Information technology	624,147	6	600,865	7
– Others	15,837,739	40	12,638,358	55
Individuals				
– Loans for the purchase of flats under the Home Ownership Scheme, Private Sector Participation Scheme and Tenants Purchase Scheme	22,806	100	13,767	100
– Loans for the purchase of other residential properties	26,390,576	100	24,382,678	100
– Credit card advances	728,222	–	864,995	–
– Others	16,119,183	88	14,784,675	88
Gross loans and advances for use in Hong Kong	140,099,796	59	128,425,768	63
Trade finance	6,220,435	22	7,153,152	20
Gross loans and advances for use outside Hong Kong	101,380,776	24	93,611,089	24
<b>Gross loans and advances to customers</b>	<b>247,701,007</b>	<b>44</b>	<b>229,190,009</b>	<b>46</b>

(17) LOANS AND ADVANCES TO CUSTOMERS AND OTHER ACCOUNTS (CONTINUED)

(c) Reconciliation of ECL allowances and gross carrying amount for loans and advances to customers and other accounts

	Six months ended 30 June 2025			
	Stage 1 HK\$'000	Stage 2 HK\$'000	Stage 3 HK\$'000	Total HK\$'000
<b>ECL allowances</b>				
<b>At 1 January 2025</b>	<b>487,885</b>	<b>228,024</b>	<b>2,921,822</b>	<b>3,637,731</b>
Transfer:				
– Transfer to Stage 1	3,036	(3,036)	–	–
– Transfer to Stage 2	(1,716)	1,717	(1)	–
– Transfer to Stage 3	(488)	(110,457)	110,945	–
Changes arising from transfer of stage	(2,508)	43,537	271,746	312,775
Net charge/(reversal) for the period arising from net change in exposures	17,630	(6,103)	–	11,527
Changes in risk parameters and model inputs	20,587	27	850,105	870,719
Amount written-offs	–	–	(868,243)	(868,243)
Other movements	–	(1)	132,688	132,687
<b>At 30 June 2025</b>	<b>524,426</b>	<b>153,708</b>	<b>3,419,062</b>	<b>4,097,196</b>

	Six months ended 30 June 2025			
	Stage 1 HK\$'000	Stage 2 HK\$'000	Stage 3 HK\$'000	Total HK\$'000
<b>Gross carrying amount</b>				
<b>At 1 January 2025</b>	<b>216,728,496</b>	<b>7,262,041</b>	<b>6,343,200</b>	<b>230,333,737</b>
Transfer:				
– Transfer to Stage 1	207,943	(207,943)	–	–
– Transfer to Stage 2	(744,709)	752,524	(7,815)	–
– Transfer to Stage 3	(69,017)	(619,785)	688,802	–
Net change in exposures	30,032,616	(1,761,195)	(397,299)	27,874,122
Amount written-offs	–	–	(868,243)	(868,243)
Other movements	–	–	214,324	214,324
<b>At 30 June 2025</b>	<b>246,155,329</b>	<b>5,425,642</b>	<b>5,972,969</b>	<b>257,553,940</b>

Summary of financial assets to which subject to the impairment requirements in HKFRS 9 are applied:

	At 30 June 2025			
	Stage 1 HK\$'000	Stage 2 HK\$'000	Stage 3 HK\$'000	Total HK\$'000
<b>Gross carrying amount</b>				
Loans and advances to customers	223,555,372	5,415,124	4,375,693	233,346,189
Other accounts	22,599,957	10,518	1,597,276	24,207,751
	<b>246,155,329</b>	<b>5,425,642</b>	<b>5,972,969</b>	<b>257,553,940</b>

(17) LOANS AND ADVANCES TO CUSTOMERS AND OTHER ACCOUNTS (CONTINUED)

(c) Reconciliation of ECL allowances and gross carrying amount for loans and advances to customers and other accounts (continued)

	2024			
	Stage 1 HK\$'000	Stage 2 HK\$'000	Stage 3 HK\$'000	Total HK\$'000
ECL allowances				
At 1 January 2024	324,697	644,482	1,037,231	2,006,410
Transfer:				
– Transfer to Stage 1	6,046	(6,046)	–	–
– Transfer to Stage 2	(7,320)	7,320	–	–
– Transfer to Stage 3	(279)	(571,971)	572,250	–
Changes arising from transfer of stage	(4,993)	182,296	960,530	1,137,833
Net charge/(reversal) for the year arising from net change in exposures	80,597	(31,640)	(2,989)	45,968
Changes in risk parameters and model inputs	89,136	3,583	2,323,423	2,416,142
Amount written-offs	–	–	(2,061,566)	(2,061,566)
Other movements	1	–	92,943	92,944
At 31 December 2024	<u>487,885</u>	<u>228,024</u>	<u>2,921,822</u>	<u>3,637,731</u>

	2024			
	Stage 1 HK\$'000	Stage 2 HK\$'000	Stage 3 HK\$'000	Total HK\$'000
Gross carrying amount				
At 1 January 2024	220,355,148	7,332,795	5,979,978	233,667,921
Transfer:				
– Transfer to Stage 1	782,691	(778,794)	(3,897)	–
– Transfer to Stage 2	(2,971,083)	2,973,245	(2,162)	–
– Transfer to Stage 3	(372,753)	(2,102,145)	2,474,898	–
Net change in exposures	(1,065,507)	(163,060)	(465,332)	(1,693,899)
Amount written-offs	–	–	(2,061,566)	(2,061,566)
Other movements	–	–	421,281	421,281
At 31 December 2024	<u>216,728,496</u>	<u>7,262,041</u>	<u>6,343,200</u>	<u>230,333,737</u>

Summary of financial assets to which subject to the impairment requirements in HKFRS 9 are applied:

	At 31 December 2024			
	Stage 1 HK\$'000	Stage 2 HK\$'000	Stage 3 HK\$'000	Total HK\$'000
Gross carrying amount				
Loans and advances to customers	205,107,355	7,244,227	4,878,352	217,229,934
Other accounts	<u>11,621,141</u>	<u>17,814</u>	<u>1,464,848</u>	<u>13,103,803</u>
	<u>216,728,496</u>	<u>7,262,041</u>	<u>6,343,200</u>	<u>230,333,737</u>

Note:

For other accounts in stage 3, ECL allowances is made for the entire gross carrying amount of HK\$1,282,375,000 at 30 June 2025 (31 December 2024: HK\$1,143,043,000).

The gross carrying amounts and related ECL allowances have included the gross carrying amount of loans and advances to customers and other financial assets which are subject to ECL measurements under HKFRS 9. “Other accounts” as included with the “Loans and advances to customers and other accounts” presented within the consolidated balance sheet have also included other assets not subject to impairment requirements under HKFRS 9.

**(17) LOANS AND ADVANCES TO CUSTOMERS AND OTHER ACCOUNTS (CONTINUED)**

**(d) Impaired loans and advances to customers**

	<b>At 30 June 2025 HK\$'000</b>	<b>At 31 December 2024 HK\$'000</b>
Gross impaired loans and advances to customers	<b>4,375,693</b>	4,878,315
Expected credit losses allowances – Stage 3	<b>(2,136,687)</b>	(1,778,743)
	<b>2,239,006</b>	3,099,572
Gross impaired loans and advances as a % of total loans and advances to customers	<b>1.77%</b>	2.13%

As at 30 June 2025, the secured gross impaired loans and advances to customers amounts to HK\$2,540,670,000 (31 December 2024: HK\$3,110,251,000) are backed by collateral, collateral mainly comprises mortgages on residential or commercial properties and cash placed with the Group.

**(e) Further analysis on loan and advances to customers**

An analysis of the ECL allowances and gross amount of impaired loans and advances by industry sectors, which the sector's loans and advances to customers accounted for 10% or more of the total gross loans and advances to customers, are as follows:

	<b>At 30 June 2025</b>				
	<b>Overdue loans and advances to customers HK\$'000</b>	<b>Impaired loans and advances to customers HK\$'000</b>	<b>Stage 1 ECL allowances HK\$'000</b>	<b>Stage 2 ECL allowances HK\$'000</b>	<b>Stage 3 ECL allowances HK\$'000</b>
Financial concerns	–	–	<b>35,889</b>	–	–
Loans for the purchase of other residential properties	<b>72,204</b>	<b>87,251</b>	<b>1,505</b>	<b>1,907</b>	<b>12,300</b>
Gross loans and advances for use outside Hong Kong	<b>2,446,111</b>	<b>2,572,452</b>	<b>296,150</b>	<b>100,320</b>	<b>1,423,001</b>
	<b>At 31 December 2024</b>				
	<b>Overdue loans and advances to customers HK\$'000</b>	<b>Impaired loans and advances to customers HK\$'000</b>	<b>Stage 1 ECL allowances HK\$'000</b>	<b>Stage 2 ECL allowances HK\$'000</b>	<b>Stage 3 ECL allowances HK\$'000</b>
Financial concerns	51,382	51,382	33,966	–	35,977
Loans for the purchase of other residential properties	65,692	71,640	1,989	873	6,422
Gross loans and advances for use outside Hong Kong	2,856,458	3,084,777	302,472	103,350	1,259,706



**(18) PROPERTY AND EQUIPMENT**

	<b>Investment properties HK\$'000</b>	<b>Other premises HK\$'000</b>	<b>Furniture, fixtures and equipment HK\$'000</b>	<b>Total HK\$'000</b>
<b>Cost or valuation:</b>				
At 1 January 2025	<b>409,073</b>	<b>613,812</b>	<b>1,223,977</b>	<b>2,246,862</b>
Additions	–	–	<b>60,482</b>	<b>60,482</b>
Disposals	–	–	<b>(58,469)</b>	<b>(58,469)</b>
Deficit on revaluation	<b>(37,417)</b>	–	–	<b>(37,417)</b>
Exchange adjustments	–	–	<b>5,733</b>	<b>5,733</b>
<b>At 30 June 2025</b>	<b>371,656</b>	<b>613,812</b>	<b>1,231,723</b>	<b>2,217,191</b>
At 1 January 2024	401,335	616,996	1,137,439	2,155,770
Additions	–	–	124,883	124,883
Reclassification	20,500	(20,500)	–	–
Disposals	–	–	(34,400)	(34,400)
(Deficit)/surplus on revaluation	(12,762)	73,838	–	61,076
Elimination of accumulated depreciation on revaluation	–	(56,522)	–	(56,522)
Exchange adjustments	–	–	(3,945)	(3,945)
At 31 December 2024	409,073	613,812	1,223,977	2,246,862
<b>Accumulated depreciation:</b>				
At 1 January 2025	–	<b>356,581</b>	<b>872,271</b>	<b>1,228,852</b>
Charge for the period (note 8(b))	–	<b>9,392</b>	<b>63,117</b>	<b>72,509</b>
Written back on disposals	–	–	<b>(57,331)</b>	<b>(57,331)</b>
Exchange adjustments	–	–	<b>4,179</b>	<b>4,179</b>
<b>At 30 June 2025</b>	–	<b>365,973</b>	<b>882,236</b>	<b>1,248,209</b>
At 1 January 2024	–	398,174	784,916	1,183,090
Charge for the year	–	14,929	124,877	139,806
Elimination of accumulated depreciation on revaluation	–	(56,522)	–	(56,522)
Written back on disposals	–	–	(34,030)	(34,030)
Exchange adjustments	–	–	(3,492)	(3,492)
At 31 December 2024	–	356,581	872,271	1,228,852
<b>Net book value:</b>				
<b>At 30 June 2025</b>	<b>371,656</b>	<b>247,839</b>	<b>349,487</b>	<b>968,982</b>
At 31 December 2024	409,073	257,231	351,706	1,018,010

**Investment properties**

All investment properties of the Group were revalued and assessed by the management of the Group as at 30 June 2025 with reference to a property valuation report which was conducted by an independent firm of surveyors, who holds a recognised and relevant professional qualification and has recent experience in the location and category of the investment property being valued. The basis of the property valuation is market value, which is consistent with the definition of fair value under HKFRS 13, 'Fair value measurement'. The revaluation deficit of HK\$37,417,000 for the six month ended 30 June 2025 (year ended 31 December 2024: a revaluation deficit of HK\$12,762,000; and six month ended 30 June 2024: a revaluation deficit of HK\$35,000) was recognised by the Group and has been charged to the consolidated income statement.

**(19) RIGHT-OF-USE ASSETS**

	Leased premises <i>HK\$'000</i>	Equipment and others <i>HK\$'000</i>	Total <i>HK\$'000</i>
<b>Cost:</b>			
At 1 January 2025	1,327,959	1,979	1,329,938
Additions	17,442	–	17,442
Reductions	(46,194)	–	(46,194)
Adjustments	(1,470)	–	(1,470)
Exchange adjustments	10,565	32	10,597
<b>At 30 June 2025</b>	<b>1,308,302</b>	<b>2,011</b>	<b>1,310,313</b>
At 1 January 2024	1,280,889	1,926	1,282,815
Additions	84,781	1,947	86,728
Reductions	(17,894)	(1,919)	(19,813)
Adjustments	(13,116)	–	(13,116)
Exchange adjustments	(6,701)	25	(6,676)
At 31 December 2024	1,327,959	1,979	1,329,938
<b>Accumulated depreciation:</b>			
At 1 January 2025	508,808	497	509,305
Charge for the period (note 8(b))	118,377	285	118,662
Reductions	(48,149)	–	(48,149)
Adjustments	(158)	–	(158)
Exchange adjustments	6,715	21	6,736
<b>At 30 June 2025</b>	<b>585,593</b>	<b>803</b>	<b>586,396</b>
At 1 January 2024	301,348	1,896	303,244
Charge for the year	237,452	531	237,983
Reductions	(18,210)	(1,919)	(20,129)
Adjustments	(8,168)	–	(8,168)
Exchange adjustments	(3,614)	(11)	(3,625)
At 31 December 2024	508,808	497	509,305
<b>Net book value:</b>			
<b>At 30 June 2025</b>	<b>722,709</b>	<b>1,208</b>	<b>723,917</b>
At 31 December 2024	819,151	1,482	820,633

**(20) INTANGIBLE ASSETS**

	<b>Software</b> <b>HK\$'000</b>
<b>Cost:</b>	
At 1 January 2025	2,174,448
Additions	63,672
Disposals	(1,043)
Exchange adjustments	(35,551)
<b>At 30 June 2025</b>	<b>2,201,526</b>
At 1 January 2024	1,844,922
Additions	330,889
Disposals	(121)
Exchange adjustments	(1,242)
At 31 December 2024	2,174,448
<b>Accumulated amortisation:</b>	
At 1 January 2025	1,636,613
Charge for the period (note 8(b))	101,561
Disposals	(1,043)
Exchange adjustments	1,791
<b>At 30 June 2025</b>	<b>1,738,922</b>
At 1 January 2024	1,443,734
Charge for the year	194,117
Disposals	(121)
Exchange adjustments	(1,117)
At 31 December 2024	1,636,613
<b>Net book value:</b>	
<b>At 30 June 2025</b>	<b>462,604</b>
At 31 December 2024	537,835

**(21) DEPOSITS FROM CUSTOMERS**

	<b>At 30 June</b> <b>2025</b> <b>HK\$'000</b>	<b>At 31 December</b> <b>2024</b> <b>HK\$'000</b>
Demand deposits and current deposits	42,447,860	36,488,546
Savings deposits	93,586,593	63,197,894
Time, call and notice deposits	270,804,464	271,627,144
	<b>406,838,917</b>	<b>371,313,584</b>

**(22) FINANCIAL LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS**

	<b>At 30 June</b> <b>2025</b> <b>HK\$'000</b>	<b>At 31 December</b> <b>2024</b> <b>HK\$'000</b>
Short positions of debt securities	176,225	99,849

**(23) FINANCIAL ASSETS SOLD UNDER REPURCHASE AGREEMENTS**

	At 30 June 2025 <i>HK\$'000</i>	At 31 December 2024 <i>HK\$'000</i>
<b>By types of counterparty</b>		
Banks	882,337	2,294,942
<b>Carry amount at fair value through profit or loss</b>	882,337	2,294,942
Banks	22,842,819	7,652,423
<b>Carry amount at amortised cost</b>	22,842,819	7,652,423
	<b>23,725,156</b>	9,947,365
<b>By types of collateral</b>		
Debt securities	23,725,156	9,947,365

The Group did not derecognize financial assets used as collateral in connection with financial assets sold under repurchase agreements. As at 30 June 2025 and 31 December 2024, no legal title of the collateral has been transferred to counterparties.

**(24) CERTIFICATES OF DEPOSIT ISSUED**

	At 30 June 2025 <i>HK\$'000</i>	At 31 December 2024 <i>HK\$'000</i>
At amortised cost	1,728,427	1,760,216

**(25) INCOME TAX IN THE CONSOLIDATED STATEMENT OF FINANCIAL POSITION****(a) Current taxation in the consolidated statement of financial position represents:**

	At 30 June 2025 <i>HK\$'000</i>	At 31 December 2024 <i>HK\$'000</i>
Hong Kong Profits Tax	609,479	258,002
Taxation outside Hong Kong	31,521	25,023
	641,000	283,025
Of which:		
Tax recoverable	(142)	(290)
Current tax liabilities	641,142	283,315
	641,000	283,025

**(25) INCOME TAX IN THE CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)**

**(b) 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:

	Depreciation allowances in excess of related depreciation <i>HK\$'000</i>	Impairment allowances for loans and advances <i>HK\$'000</i>	Revaluation adjustments for properties <i>HK\$'000</i>	Revaluation adjustments for FVOCI <i>HK\$'000</i>	Tax losses <i>HK\$'000</i>	Others <i>HK\$'000</i>	Total <i>HK\$'000</i>
Deferred tax arising from:							
At 1 January 2025	120,734	(101,284)	401	8,746	(940)	(26,883)	774
(Credited)/charged to consolidated income statement (note 10)	(16,042)	(114,317)	14	–	(118)	(249)	(130,712)
Charged to reserves	–	–	–	101,810	–	–	101,810
Exchange and other adjustments	72	(1,899)	–	3	–	(414)	(2,238)
At 30 June 2025	<u>104,764</u>	<u>(217,500)</u>	<u>415</u>	<u>110,559</u>	<u>(1,058)</u>	<u>(27,546)</u>	<u>(30,366)</u>
At 1 January 2024	99,556	(151,962)	878	(114,998)	–	(19,425)	(185,951)
Charged/(credited) to consolidated income statement	21,190	48,884	(477)	–	(940)	(7,831)	60,826
Charged to reserves	–	–	–	123,744	–	–	123,744
Exchange and other adjustments	(12)	1,794	–	–	–	373	2,155
At 31 December 2024	<u>120,734</u>	<u>(101,284)</u>	<u>401</u>	<u>8,746</u>	<u>(940)</u>	<u>(26,883)</u>	<u>774</u>
					<b>At 30 June 2025 <i>HK\$'000</i></b>	<b>At 31 December 2024 <i>HK\$'000</i></b>	
Net deferred tax assets recognised on the consolidated statement of financial position					<b>(137,314)</b>		(874)
Net deferred tax liabilities recognised on the consolidated statement of financial position					<b>106,948</b>		1,648
					<b>(30,366)</b>		774

Among the deferred tax assets and liabilities, the whole amount is expected to be recovered or settled more than twelve months after the period/year ended.

**(c) Deferred tax assets not recognised**

For the period ended 30 June 2025 and year ended 31 December 2024, the amount of deferred tax assets recognised on tax losses are immaterial.

**(26) OTHER LIABILITIES**

	<b>At 30 June 2025 HK\$'000</b>	At 31 December 2024 HK\$'000
Accruals and other payables and provisions	<b>22,293,645</b>	12,777,167
Deposit from an immediate holding company	<b>1,446,173</b>	1,392,969
	<b>23,739,818</b>	14,170,136

At 30 June 2025, included above is the expected credit losses allowances on loan commitments and guarantees for Stage 1, Stage 2 and Stage 3 amounted to HK\$75,137,000, HK\$5,000,000 and HK\$208,350,000 respectively (31 December 2024: Stage 1: HK\$76,932,000, Stage 2: HK\$16,825,000 and Stage 3: Nil).

At 30 June 2025, the amount of interest payables from financial liabilities at amortised costs were HK\$1,846,078,000 (31 December 2024: HK\$2,213,197,000).

**(27) LOAN CAPITAL**

	<b>At 30 June 2025 HK\$'000</b>	At 31 December 2024 HK\$'000
Subordinated notes, at amortised cost:		
US\$500 million Subordinated Fixed Rate Notes at 6.00%, due 2033*	<b>3,905,906</b>	3,859,664
	<b>3,905,906</b>	3,859,664

\* Under the Programme and supplemental offering circulars released in December 2023, the Bank issued subordinated notes on 5 December 2023 with a face value of US\$500 million (equivalent to HK\$3,913.9 million) which is qualified as Basel III-compliant Tier-2 capital. The notes carry interest at a fixed rate of 6.00% per annum, payable semi-annually until the first call date on 5 December 2028, and thereafter fixed at the interest rate of the prevailing five-year US Treasury bonds yield plus 1.65% per annum if the notes are not redeemed on the call date. The notes are listed on The Stock Exchange of Hong Kong Limited and mature on 5 December 2033 with an optional redemption date falling on 5 December 2028.

**(28) CAPITAL AND RESERVES****(a) Share capital**

	2025		2024	
	<i>No. of shares</i>	Share Capital HK\$'000	<i>No. of shares</i>	Share Capital HK\$'000
<i>Ordinary shares, issued and fully paid:</i>				
At 1 January/30 June/31 December	<b>12,111,121,568</b>	<b>18,404,013</b>	12,111,121,568	18,404,013

In accordance with section 135 of the Hong Kong Companies Ordinance, the ordinary shares of the Company do not have a par value.

**(28) CAPITAL AND RESERVES (CONTINUED)**

**(b) Dividend**

The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at shareholders' meetings of the Bank. All ordinary shares rank equally with regard to the Bank's residual assets.

**(c) Nature and purpose of components of reserves**

**(i) Capital reserve**

The capital reserve was created upon acquisition and is not available for distribution to shareholders.

**(ii) General reserve**

The general reserve was set up from the transfer of retained earnings, and it is available for distribution to shareholders.

**(iii) Exchange differences reserve**

The exchange differences reserve comprises all foreign exchange differences arising from the translation of the financial statement of foreign operations.

**(iv) Property revaluation reserve**

The property revaluation reserve is not available for distribution to shareholders because it does not constitute realised profits within the meaning of Part 6 of the new Hong Kong Companies Ordinance (Cap. 622).

**(v) Investment revaluation reserve**

The investment revaluation reserve comprises the cumulative net change in the fair value of financial investments at fair value through other comprehensive income held at the end of the reporting period.

**(vi) Statutory reserve**

Under the relevant legislation of Mainland China, the Bank's wholly-owned PRC subsidiary bank, CITIC Bank International (China) Limited ("CBI (China)") is required to transfer 10% of its profit after taxation to a non-distributable statutory reserve until such reserve has reached 50% of its registered share capital.

**(vii) Regulatory general reserve**

The regulatory general reserve comprises the regulatory general reserves of CBI (China) and the Macau branch of the Bank. Pursuant to the banking regulations of Mainland China, CBI (China) is required to set up a regulatory general reserve through a direct appropriation from the current year profit, as determined based on the 1.5% of the total risk assets at the end of the reporting period to cover its unidentified potential loss exposures. Pursuant to the banking regulations of Macau, Macau branch of the Bank is required to set up a regulatory general reserve in case accounting provision calculated from Macau Financial Reporting Standards is less than the regulatory provision as determined based on 1% of total credit exposure at the end of reporting period through a direct appropriation from the retained earnings to cover its unidentified potential loss exposures. The regulatory general reserve forms part of the equity of the Group.

**(viii) Retained profits**

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 impairment losses which the Bank will or may incur on loans and advances. Movements in the reserve are earmarked directly through retained profits and in consultation with the HKMA. As at 30 June 2025, HK\$2,821,424,000 (31 December 2024: HK\$2,512,256,000) was included in retained profits in this respect, which is distributable to equity holders of the Bank subject to consultation with the HKMA.

**(29) OTHER EQUITY INSTRUMENTS**

	<b>At 30 June 2025 HK\$'000</b>	At 31 December 2024 HK\$'000
Undated non-cumulative subordinated capital securities with US\$600 million*	<b>4,647,489</b>	4,647,489
Undated non-cumulative subordinated capital securities with US\$600 million**	<b>4,687,907</b>	4,687,907
	<b>9,335,396</b>	9,335,396

\* Under the Programme and the original and supplemental offering circulars released in June and July 2021, the Bank issued the US\$600 million Basel III compliant Undated Non-Cumulative Subordinated Additional Tier 1 Capital Securities on 29 July 2021. The AT1 Capital Securities with a face value and principal amount of US\$600 million (equivalent to HK\$4,663.24 million) are perpetual and listed on the Stock Exchange of Hong Kong Limited, and bear a coupon of 3.25% per annum distribution rate until the first call date on 29 July 2026. The distribution rate will be reset every five years if the AT1 Capital Securities are not called by the Bank to a fixed rate equivalent to the then-prevailing five-year US Treasury rate plus 2.53% per annum.

According to the terms and conditions, the AT1 Capital Securities confer a right to the holders to receive non-cumulative distributions on the principal amount from, and including, the issue date at the applicable distribution rate, payable semi-annually in arrear on 29 January and 29 July in each year. The Bank may at its sole discretion, elect to cancel the distribution payment. The Bank may also at its sole discretion, elect to redeem the AT1 Capital Securities subject to prior written consent of the HKMA. The outstanding amount of AT1 Capital Securities can be written down by the Bank following the occurrence of a non-viability event as defined and set out in the terms and conditions. At the sole discretion of the relevant Hong Kong Resolution Authority following a non-viability event, the outstanding amount of AT1 Capital Securities can be adjusted upon the exercise of Hong Kong Resolution Authority Power in accordance with the Hong Kong Financial Institutions (Resolution) Ordinance (Cap.628). A distribution payment of US\$9,750,000 (equivalent to HK\$75,945,000) was paid during six months ended 30 June 2025 (for the year ended 31 December 2024: US\$19,500,000, equivalent to HK\$152,375,000).

\*\* Under the Programme and the original and supplemental offering circulars released in June 2021 and April 2022, the Bank issued the US\$600 million Basel III compliant Undated Non-Cumulative Subordinated Additional Tier 1 Capital Securities on 22 April 2022. The AT1 Capital Securities with a face value and principal amount of US\$600 million (equivalent to HK\$4,703.34 million) are perpetual and listed on the Stock Exchange of Hong Kong Limited, and bear a coupon of 4.80% per annum distribution rate until the first call date on 22 April 2027. The distribution rate will be reset every five years if the AT1 Capital Securities are not called by the Bank to a fixed rate equivalent to the then-prevailing five-year US Treasury rate plus 2.104% per annum.

According to the terms and conditions, the AT1 Capital Securities confer a right to the holders to receive non-cumulative distributions on the principal amount from, and including, the issue date at the applicable distribution rate, payable semi-annually in arrear on 22 April and 22 October in each year. The Bank may at its sole discretion, elect to cancel the distribution payment. The Bank may also at its sole discretion, elect to redeem the AT1 Capital Securities subject to prior written consent of the HKMA. The outstanding amount of AT1 Capital Securities can be written down by the Bank following the occurrence of a non-viability event as defined and set out in the terms and conditions. At the sole discretion of the relevant Hong Kong Resolution Authority following a non-viability event, the outstanding amount of AT1 Capital Securities can be adjusted upon the exercise of Hong Kong Resolution Authority Power in accordance with the Hong Kong Financial Institutions (Resolution) Ordinance (Cap.628). A distribution payment of US\$14,400,000 (equivalent to HK\$111,872,000) was paid during six months ended 30 June 2025 (for the year ended 31 December 2024: US\$28,800,000, equivalent to HK\$224,583,000).



**(30) NOTES TO CONSOLIDATED STATEMENT OF CASH FLOWS****(a) Reconciliation of operating profit to net cash flows from operating activities**

	<b>Six months ended 30 June</b>	
	<b>2025</b>	<b>2024</b>
	<b>HK\$'000</b>	<b>HK\$'000</b>
<b>Operating activities</b>		
Profit before taxation	2,352,412	1,240,752
Adjustments for:		
Expected credit losses on financial instruments	1,122,114	2,056,668
Impairment losses on other assets	2,500	13,950
Net gain on disposal of financial instruments at fair value through other comprehensive income	(155,609)	(17,659)
Net loss/(gain) on financial instruments mandatorily classified at fair value through profit or loss	3,852	(118,391)
Net (gain)/loss on disposal of property and equipment and intangible assets	(882)	177
Revaluation loss on investment properties	37,417	35
Amortisation of deferred expenses	191,495	170,710
Amortisation of intangible assets	101,561	95,181
Depreciation on property and equipment	72,509	70,354
Depreciation on right-of-use assets	118,662	116,528
Dividend income from equity securities	(1,500)	(1,952)
Interest expense on loan capital	117,252	149,379
Foreign exchange differences	(879,639)	620,519
<b>Operating profit before changes in working capital</b>	<b>3,082,144</b>	<b>4,396,251</b>
<b>Net (increase)/decrease in operating assets</b>		
Placements with and advances to banks with original maturity beyond 3 months	(32,110,443)	7,655,804
Financial assets held under resale agreements	(4,337,993)	(604,108)
Treasury bills with original maturity beyond 3 months	19,403,138	13,743,603
Certificates of deposit held with original maturity beyond 3 months	(1,081,064)	(4,620,802)
Financial investments at fair value through profit or loss	(1,825,118)	76,087
Financial investments at fair value through other comprehensive income	(9,563,043)	(17,488,167)
Derivative financial instruments	6,033,697	1,274,351
Loans and advances to customers and other accounts	(30,276,322)	(8,451,330)
	<b>(53,757,148)</b>	<b>(8,414,562)</b>
<b>Net increase/(decrease) in operating liabilities</b>		
Deposits and balances of banks and other financial institutions	3,501,709	(1,640,982)
Deposits from customers	35,525,333	(6,152,290)
Financial liabilities at fair value through profit or loss	76,377	223,523
Financial assets sold under resale agreements	13,777,790	632,360
Derivative financial instruments	(4,909,605)	(2,237,061)
Certificates of deposit issued	(38,893)	(478,834)
Debt securities issued	1,108,517	—
Other liabilities	9,392,149	2,067,908
	<b>58,433,377</b>	<b>(7,585,376)</b>
<b>Cash generated from/(used in) operating activities</b>	<b>7,758,373</b>	<b>(11,603,687)</b>
<b>Income tax paid</b>		
Hong Kong Profits Tax paid	(467)	(46,857)
Taxation outside Hong Kong paid	(31,811)	(60,698)
<b>Net cash flows generated from/(used in) operating activities</b>	<b>7,726,095</b>	<b>(11,711,242)</b>
<b>Cash flows from operating activities include:</b>		
Interest received	9,648,116	10,382,526
Interest paid	(6,467,701)	(7,193,827)

**(30) NOTES TO CONSOLIDATED STATEMENT OF CASH FLOWS (CONTINUED)****(b) Analysis of the balances of cash and cash equivalents**

	At 30 June 2025 <i>HK\$'000</i>	At 30 June 2024 <i>HK\$'000</i>
Cash and balances with banks and central banks	14,961,259	14,544,384
Placements with and advances to banks with original maturity within 3 months	36,833,718	22,353,284
Treasury bills and certificates of deposit held with original maturity within 3 months		
– at fair value through profit or loss	76,061	74,774
– at fair value through other comprehensive income	23,176,023	6,377,465
	<u>75,047,061</u>	<u>43,349,907</u>

**(c) Changes in liabilities arising from financing activities**

	2025 <i>HK\$'000</i>	2024 <i>HK\$'000</i>
(i) Loan capital		
<b>At 1 January</b>	3,859,664	7,806,176
Redemption	–	(3,912,179)
Foreign exchange differences	45,209	7,598
Other non-cash adjustments	1,033	(6,364)
<b>At 30 June</b>	<u>3,905,906</u>	<u>3,895,231</u>
(ii) Lease Liabilities		
<b>At 1 January</b>	956,170	1,075,740
Payment of lease liabilities	(139,496)	(116,562)
Other non-cash items:		
– Additions	17,442	12,328
– Adjustments	(1,163)	–
– Other changes	20,934	17,034
<b>At 30 June</b>	<u>853,887</u>	<u>988,540</u>

**(31) ASSETS PLEDGED AS SECURITY**

	At 30 June 2025 <i>HK\$'000</i>	At 31 December 2024 <i>HK\$'000</i>
Financial investments at fair value through other comprehensive income pledged as:		
– Statutory deposits ( <i>note</i> )	235,583	240,574
– Collateral under sale and repurchase transactions	23,970,104	7,856,909
	<u>24,205,687</u>	<u>8,097,483</u>
Financial investments at fair value through profit or loss pledged as:		
– Collateral under sale and repurchase transactions	670,514	1,414,786
Other assets pledged as collateral under sale and repurchase transaction	232,526	926,132
	<u>25,108,727</u>	<u>10,438,401</u>

*Note:*

The assets were pledged by the overseas branches of the Bank to the Office of the Comptroller of the Currency in the United States.

## (32) MATERIAL RELATED-PARTY TRANSACTIONS

In addition to the transactions and balances disclosed elsewhere in these financial report, the Group entered into the following material related-party transactions:

### (a) Transactions with group companies

During the period, the Group entered into a number of transactions with related parties in the normal course of its banking business including, inter alia, lending, acceptance and placement of inter-bank deposits, and participation in loan syndicates, correspondent banking transactions and foreign exchange transactions. The transactions were priced based on relevant market rates at the time of each transaction, and were under the same terms as those available to other counterparties and customers of the Group. In the opinion of the Directors, these transactions were conducted under normal commercial terms.

The amount of related-party transactions during the periods and gross carrying balances at the end of the period/year are set out below:

	Ultimate holding and intermediate parents		Immediate parent		Fellow subsidiaries		Associates & joint venture (note (i))		Related companies (note (ii))	
	2025	2024	2025	2024	2025	2024	2025	2024	2025	2024
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Interest income	18,762	10,665	-	-	250,385	158,884	59,222	91,357	-	-
Interest expense	(8,479)	(7,643)	(25,004)	(29,003)	(79,618)	(57,373)	(41,304)	(31,810)	(4)	-
Fee and commission income	38,305	7,697	-	-	1,910	1,203	285	1,265	-	-
Net trading (loss)/income	(12,889)	190,619	-	-	10,118	23,771	234	94	-	-
Operating expenses	(15,388)	(5,637)	-	-	(32,358)	(31,794)	(1,681)	(2,044)	-	-
At 30 June 2025/31 December 2024										
<b>Assets</b>										
Financial investments at fair value through other comprehensive income	372,958	359,009	-	-	311,395	648,805	-	-	-	-
Financial investments at fair value through profit or loss	-	-	-	-	2,125	-	138,895	66,745	-	-
Financial assets held under resale agreements	-	-	-	-	254,590	506,089	-	-	-	-
Derivative financial instruments	301,785	251,314	-	-	70,831	51,254	-	-	-	-
Other receivables	31,520	28,274	-	-	66,991	42,221	4,692	3,981	-	-
<b>Liabilities</b>										
Derivative financial instruments	60,019	76,923	-	-	3,818	2,829	-	-	-	-
Other payables	7,477	106,808	7,157	7,264	80,150	59,724	20,066	10,997	-	-
Lease liabilities	-	-	-	-	333	1,313	-	1,568	-	-
<b>Lending activities:</b>										
At 30 June/31 December	5,408,497	447,786	-	-	13,173,307	8,462,289	2,348,560	1,223,896	-	-
Average for the period/year	1,663,632	1,409,479	-	-	6,720,100	6,084,199	933,810	2,485,144	-	-
<b>Acceptance of deposits:</b>										
At 30 June/31 December	3,026,081	1,740,736	1,403,367	1,364,023	6,646,904	7,858,196	1,576,867	1,262,137	7,354	4,652
Average for the period/year	1,314,950	2,571,727	828,411	903,970	4,645,244	6,631,939	815,324	2,284,666	2,654	1,785
At 30 June 2025/31 December 2024										
<b>Off-statement of financial position items</b>										
Acceptances, guarantees and letters of credit										
- contract amounts payable	-	-	-	-	1,064,239	834,000	-	-	-	-
Other commitments	-	-	-	-	6,097,176	4,236,250	455,463	450,251	-	-
Derivative financial instruments										
- notional amounts	48,106,842	27,573,798	-	-	13,728,984	10,053,507	-	-	-	-

Note:

- Associates & joint venture of the Group include the associates and joint venture of the ultimate controlling party and immediate parent.
- Related companies refers to companies which are common shareholders with significant influence over the Group, and subsidiaries of shareholders with significant influence over the intermediate parent.

### (b) Transactions with key management personnel

All transactions with key management personnel that took place in the first half of 2025 were similar in nature to those disclosed in the 2024 Annual Report. There were no changes in the relevant transactions described in the 2024 Annual Report that have had a material effect on the financial position or performance of the Group in the first half of 2025.

**(33) FAIR VALUE MEASUREMENT OF FINANCIAL INSTRUMENTS**

**(a) Financial instruments measured at fair value**

**(i) Fair value hierarchy**

Fair value estimates are generally subjective in nature, and are made at a specific point in time based on the characteristics of the financial instruments and relevant market information. Fair values are determined according to the following fair value hierarchy:

	Fair value measurements as at 30 June 2025 using			
	Fair value (Total) <i>HK\$'000</i>	Quoted prices in active market for identical assets (Level 1) <i>HK\$'000</i>	Significant other observable inputs (Level 2) <i>HK\$'000</i>	Significant unobservable inputs (Level 3) <i>HK\$'000</i>
<b>Recurring fair value measurements</b>				
<b>Assets</b>				
Financial assets held under resale agreements				
– At fair value through profit or loss	<u>4,857,444</u>	<u>–</u>	<u>4,857,444</u>	<u>–</u>
Derivative financial instruments				
– Positive fair value of derivatives	<u>13,331,379</u>	<u>5,980</u>	<u>13,325,399</u>	<u>–</u>
Financial investments				
– At fair value through profit or loss				
– Certificates of deposit held	94,442	–	94,442	–
– Treasury bills	5,485	5,485	–	–
– Other debt securities	2,353,923	2,284,492	69,431	–
– Other investments	1,472,152	–	–	1,472,152
– Equity securities	<u>40,706</u>	<u>–</u>	<u>–</u>	<u>40,706</u>
	<u>3,966,708</u>	<u>2,289,977</u>	<u>163,873</u>	<u>1,512,858</u>
– At fair value through other comprehensive income				
– Certificates of deposit held	14,673,014	2,703,167	11,969,847	–
– Treasury bills	36,436,671	36,436,671	–	–
– Other debt securities	94,725,708	83,748,411	10,964,353	12,944
– Equity securities	<u>85,417</u>	<u>–</u>	<u>–</u>	<u>85,417</u>
	<u>145,920,810</u>	<u>122,888,249</u>	<u>22,934,200</u>	<u>98,361</u>
Loan and advance to customers and other account	<u>14,354,818</u>	<u>–</u>	<u>–</u>	<u>14,354,818</u>
	<u>182,431,159</u>	<u>125,184,206</u>	<u>41,280,916</u>	<u>15,966,037</u>
<b>Liabilities</b>				
Financial liabilities at fair value through profit or loss				
– Short sales of debt securities	<u>176,225</u>	<u>176,225</u>	<u>–</u>	<u>–</u>
Financial assets sold under repurchase agreements				
– At fair value through profit or loss	<u>882,337</u>	<u>–</u>	<u>882,337</u>	<u>–</u>
Derivative financial instruments				
– Negative fair value of derivatives	<u>13,484,187</u>	<u>6,573</u>	<u>13,477,614</u>	<u>–</u>
	<u>14,542,749</u>	<u>182,798</u>	<u>14,359,951</u>	<u>–</u>

(33) FAIR VALUE MEASUREMENT OF FINANCIAL INSTRUMENTS (CONTINUED)

(a) Financial instruments measured at fair value (continued)

(i) Fair value hierarchy (continued)

	Fair value measurements as at 31 December 2024 using			
	Fair value (Total) HK\$'000	Quoted prices in active market for identical assets (Level 1) HK\$'000	Significant other observable inputs (Level 2) HK\$'000	Significant unobservable inputs (Level 3) HK\$'000
<b>Recurring fair value measurements</b>				
<b>Assets</b>				
Financial assets held under resale agreements				
– At fair value through profit or loss	2,982,785	–	2,982,785	–
Derivative financial instruments				
– Positive fair value of derivatives	19,365,077	584	19,364,493	–
Financial investments				
– At fair value through profit or loss				
– Debt securities	696,786	643,040	53,746	–
– Equity securities	40,240	–	–	40,240
– Other investments	1,303,782	–	–	1,303,782
	2,040,808	643,040	53,746	1,344,022
– At fair value through other comprehensive income				
– Certificates of deposit held	12,119,811	1,713,510	10,406,301	–
– Treasury bills	35,173,720	35,173,720	–	–
– Other debt securities	91,897,329	77,915,313	13,967,932	14,084
– Equity securities	73,743	–	–	73,743
	139,264,603	114,802,543	24,374,233	87,827
Loan and advance to customers and other account	11,960,075	–	–	11,960,075
	<u>175,613,348</u>	<u>115,446,167</u>	<u>46,775,257</u>	<u>13,391,924</u>
<b>Liabilities</b>				
Financial liabilities at fair value through profit or loss				
– Short sales of debt securities	99,849	99,849	–	–
Financial assets sold under repurchase agreements				
– At fair value through profit or loss	2,294,942	–	2,294,942	–
Derivative financial instruments				
– Negative fair value of derivatives	18,393,793	3,079	18,390,714	–
	<u>20,788,584</u>	<u>102,928</u>	<u>20,685,656</u>	<u>–</u>

During six months ended 30 June 2025 and year ended 31 December 2024, there were no significant transfers of financial instruments between Level 1 and Level 2 of the fair value hierarchy. For transfer in and out of Level 3 measurements see the note 33(a) (iii) below.

**(33) FAIR VALUE MEASUREMENT OF FINANCIAL INSTRUMENTS (CONTINUED)**

**(a) Financial instruments measured at fair value (continued)**

**(ii) Determination of fair value**

The Group measures fair values using the following fair value hierarchy that reflects the significance of the inputs used in making the measurements:

Level 1

Quoted (unadjusted) market price in active markets for identical instruments at the measurement date.

Level 2

- (i) Quoted market price for identical or similar instruments that are not active;
- (ii) Valuation techniques based on observable inputs, either directly or indirectly, where all significant inputs are observable from market data. This category includes financial instruments with quoted prices in active markets for similar instruments; or quoted prices in markets that are considered less than active for identical or similar instruments.

Level 3

Valuation techniques using significant unobservable inputs where the valuation techniques include one or more significant inputs that are unobservable. This category includes financial instruments that are valued based on quoted prices for similar instruments where significant unobservable adjustments or assumptions are required to reflect the 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 dealer price quotations. For all other financial instruments, the Group determines fair values using valuation techniques. Valuation techniques include net present value, discounted cash flow models and other valuation models. Assumptions and inputs used in valuation techniques include risk-free and benchmark interest rates, credit spreads and other parameters used in estimating discount rates, bond price and foreign currency exchange rates.

The most common valuation techniques applied by the Group to determine the fair value of financial instruments are from interest rates and currency swaps, which are observable market data with high reliability and do not require the significant involvement of management's 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 ("OTC") derivatives like interest rate swaps. However, the 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.

Certain financial instruments need to be employed with valuation techniques where one or more significant market inputs involved are not observable. Examples of these financial instruments are structured investments, OTC structured derivatives and certain securities for which there is no active market. For valuation models involving significant unobservable inputs, a high degree of management judgement or estimation is required to select the appropriate valuation model, determine the expected future cash flows on the financial instruments being valued, determine the probability of counterparty default and prepayments, and select the appropriate discount rates.

**(33) FAIR VALUE MEASUREMENT OF FINANCIAL INSTRUMENTS (CONTINUED)**

**(a) Financial instruments measured at fair value (continued)**

**(iii) Information about Level 3 fair value measurements**

	<u>Valuation techniques</u>	<u>Significant unobservable inputs</u>
<u>Financial assets at fair value through profit or loss</u>		
Loans and advances to customers and other accounts	Discounted cash flow model	Loan obligor's credit spread level
Equity securities	Independent broker's quote	Value of the property held by the subject company
Other investments	Discounted cash flow model	i) Value of the invested property ii) The discount rate
<u>Financial investments at fair value through other comprehensive income</u>		
Other debt securities	Discounted cash flow model	i) Forecasted cash flows ii) The discount rate
Equity securities	Dividend growth model	i) Forecasted dividend ii) The discount rate

*Note:*

Debt securities, equity securities, loans and advances to customers and other accounts and other investment under Level 3 fair value measurements are generally classified as financial assets at fair value through profit or loss or financial investments at fair value through other comprehensive income and are not traded in the active market, accordingly, the fair value is estimated by reference to common market valuation models.

The following table shows a reconciliation between the opening and the closing balance of fair value measurements in level 3 of the fair value hierarchy:

	<u>Financial assets at fair value through profit or loss</u>			<u>Financial investments at fair value through other comprehensive income</u>		<u>Total</u>
Assets	<u>Loan and advance to customers HK\$'000</u>	<u>Equity securities HK\$'000</u>	<u>Other investments HK\$'000</u>	<u>Other debt securities HK\$'000</u>	<u>Equity securities HK\$'000</u>	<u>HK\$'000</u>
At 1 January 2025	11,960,075	40,240	1,303,782	14,084	73,743	13,391,924
Net purchases	2,318,897	-	-	-	-	2,318,897
Gains recognised in the consolidated income statement	75,846	466	168,370	117	77	244,876
(Losses)/gains recognised in other comprehensive income	-	-	-	(1,257)	11,597	10,340
At 30 June 2025	<u>14,354,818</u>	<u>40,706</u>	<u>1,472,152</u>	<u>12,944</u>	<u>85,417</u>	<u>15,966,037</u>
Total gains for the period included in the consolidated income statement for assets held at the end of the reporting period recorded in:						
- Gains less losses from dealing in foreign currencies	<u>67,157</u>	<u>466</u>	<u>180,889</u>	<u>117</u>	<u>77</u>	<u>248,706</u>
- Gains less losses from financial assets at fair value through profit or loss	<u>8,689</u>	<u>-</u>	<u>(12,519)</u>	<u>-</u>	<u>-</u>	<u>(3,830)</u>
Total (losses)/gains recognised in other comprehensive income	<u>-</u>	<u>-</u>	<u>-</u>	<u>(1,257)</u>	<u>11,597</u>	<u>10,340</u>

**(33) FAIR VALUE MEASUREMENT OF FINANCIAL INSTRUMENTS (CONTINUED)****(a) Financial instruments measured at fair value (continued)****(iii) Information about Level 3 fair value measurements (continued)**

Assets	Financial assets at fair value through profit or loss			Financial investments at fair value through other comprehensive income		Total
	Loan and advance to customers <i>HK\$'000</i>	Equity securities <i>HK\$'000</i>	Other investments <i>HK\$'000</i>	Other debt securities <i>HK\$'000</i>	Equity securities <i>HK\$'000</i>	<i>HK\$'000</i>
At 1 January 2024	5,435,290	–	1,388,932	28,330	75,817	6,928,369
Net purchases	6,461,726	–	–	(2,050)	(252)	6,459,424
Reclassification	–	40,240	–	1,925	–	42,165
Gains/(losses) recognised in the consolidated income statement	63,059	–	(85,150)	(144)	(43)	(22,278)
Losses recognised in other comprehensive income	–	–	–	(13,977)	(1,779)	(15,756)
At 31 December 2024	<u>11,960,075</u>	<u>40,240</u>	<u>1,303,782</u>	<u>14,084</u>	<u>73,743</u>	<u>13,391,924</u>
Total gains/(losses) for the year included in the consolidated income statement for assets held at the end of the reporting period recorded in:						
– Gains less losses from dealing in foreign currencies	<u>(30,859)</u>	<u>–</u>	<u>(94,091)</u>	<u>(144)</u>	<u>(43)</u>	<u>(125,137)</u>
– Gains less losses from financial assets at fair value through profit or loss	<u>93,918</u>	<u>–</u>	<u>8,941</u>	<u>–</u>	<u>–</u>	<u>102,859</u>
Total losses recognised in other comprehensive income	<u>–</u>	<u>–</u>	<u>–</u>	<u>(13,977)</u>	<u>(1,779)</u>	<u>(15,756)</u>



(33) FAIR VALUE MEASUREMENT OF FINANCIAL INSTRUMENTS (CONTINUED)

(b) Fair values of financial instruments not measured at fair value

All financial instruments are stated at fair value or carried at amounts not materially different from their fair value as at 30 June 2025 and 31 December 2024 unless otherwise stated.

(i) Financial assets

The Group's financial assets mainly include cash and balances with banks and central bank; placements with and advances to banks; financial assets held under resale agreement; loans and advances to customers; derivative financial instruments; financial investments at fair value through profit or loss; financial investments at fair value through other comprehensive income and financial investments at amortised cost.

The fair values of balances with banks and central bank and placements with and advances to banks and financial assets held under resale agreements at amortised cost are mainly priced at market interest rates, and mature within one year. Accordingly, the carrying values approximate the fair value.

The fair values of loans and advances to customers at amortised cost, taking into account the relevant market interest rates and being mostly priced at floating rates close to the market interest rate which are mainly repriced within 3 months, approximately equals their carrying amount.

(ii) Financial liabilities

All financial liabilities are stated at fair value or carried at amounts not materially different from their fair values as at 30 June 2025 and 31 December 2024, except the following:

At 30 June 2025				
Carrying amount HK\$'000	Fair value HK\$'000	Level 1 HK\$'000	Level 2 HK\$'000	Level 3 HK\$'000
<b>Financial liabilities</b>				
Loan capital	<b>3,905,906</b>	<b>4,091,434</b>	<b>4,091,434</b>	<b>–</b>
At 31 December 2024				
Carrying amount HK\$'000	Fair value HK\$'000	Level 1 HK\$'000	Level 2 HK\$'000	Level 3 HK\$'000
<b>Financial liabilities</b>				
Loan capital	<b>3,859,664</b>	<b>3,988,671</b>	<b>3,988,671</b>	<b>–</b>

### (34) MATURITY PROFILE

The following maturity profile is based on the remaining period at the end of the reporting period date and the contractual maturity date.

As the trading portfolio may be sold before maturity or deposits from customers mature without being withdrawn, the contractual maturity dates do not represent expected dates of future cash flows.

	At 30 June 2025							
	Total	Repayable on	Within	3 months or	1 year or	5 years or		
		demand	1 month	less but over	less but over	less but over	Over 5 years	Undated <sup>(note)</sup>
	HK\$'000	HK\$'000	HK\$'000	1 month	3 months	1 year	HK\$'000	HK\$'000
				HK\$'000	HK\$'000	HK\$'000		
Assets								
Cash and balances with banks and central banks	15,636,099	14,961,218	-	-	-	-	-	674,881
Placements with and advances to banks	90,811,148	-	27,667,325	28,273,789	34,241,811	628,223	-	-
Financial assets held under resale agreements								
– at fair value through profit or loss	4,857,444	-	4,857,444	-	-	-	-	-
– at amortised cost	5,637,906	-	5,637,906	-	-	-	-	-
Derivative financial instruments	13,331,379	-	1,645,309	2,038,655	3,297,957	5,349,876	999,582	-
Financial investments								
– at fair value through profit or loss	3,966,708	-	27,469	69,403	289,293	1,626,920	440,765	1,512,858
– at fair value through other comprehensive income	145,920,810	-	7,233,535	30,938,290	33,680,154	73,440,500	533,970	94,361
– at amortised cost	-	-	-	-	-	-	-	-
Loans and advances to customers and other accounts								
– at fair value through profit or loss	14,354,818	-	883,833	540,591	2,876,863	9,922,086	-	131,445
– at amortised cost	254,026,628	1,670,505	34,962,063	29,644,540	80,374,463	62,733,921	35,741,820	8,899,316
Tax recoverable	142	-	-	-	142	-	-	-
Right-of-use assets	723,917	-	-	-	-	-	-	723,917
Property and equipment	968,982	-	-	-	-	-	-	968,982
Intangible assets	462,604	-	-	-	-	-	-	462,604
Deferred tax assets	137,314	-	-	-	-	-	-	137,314
Total assets	550,835,899	16,631,723	82,914,884	91,505,268	154,760,683	153,701,526	37,716,137	13,605,678
Liabilities								
Deposits and balances of banks and other financial institutions	15,643,215	3,758,004	9,312,822	1,202,299	1,370,090	-	-	-
Deposits from customers	406,838,917	136,034,453	81,077,150	105,735,417	80,123,591	3,868,306	-	-
Financial liabilities at fair value through profit or loss	176,225	-	-	-	4	141,053	35,168	-
Financial assets sold under repurchase agreements								
– at fair value through profit or loss	882,337	-	882,337	-	-	-	-	-
– at amortised cost	22,842,819	-	2,761,651	20,081,168	-	-	-	-
Derivative financial instruments	13,484,187	-	1,740,291	2,252,902	3,272,771	5,205,500	1,012,723	-
Certificates of deposit issued	1,728,427	-	-	785,280	943,147	-	-	-
Debt securities issued	1,111,121	-	-	157,538	953,583	-	-	-
Current taxation	641,142	-	-	-	641,142	-	-	-
Deferred tax liabilities	106,948	-	-	-	-	-	-	106,948
Other liabilities	23,739,818	1,044,059	15,031,546	2,615,599	3,197,255	320,069	5,322	1,525,968
Lease liabilities	853,887	-	20,101	37,635	149,104	415,114	231,933	-
Loan capital	3,905,906	-	-	-	-	3,905,906	-	-
Total liabilities	491,954,949	140,836,516	110,825,898	132,867,838	90,650,687	13,855,948	1,285,146	1,632,916
Asset-liability gap		(124,204,793)	(27,911,014)	(41,362,570)	64,109,996	139,845,578	36,430,991	

**(34) MATURITY PROFILE (CONTINUED)**

	At 31 December 2024							
	Total	Repayable on	Within	3 months or	1 year or	5 years or		
		demand	1 month	less but over	less but over	less but over	Over 5 years	Undated <sup>(note)</sup>
	HK\$'000	HK\$'000	HK\$'000	1 month	3 months	1 year	HK\$'000	HK\$'000
				HK\$'000	HK\$'000	HK\$'000		HK\$'000
<b>Assets</b>								
Cash and balances with banks and central banks	10,537,339	9,942,000	–	–	–	–	–	595,339
Placements with and advances to banks	70,361,763	–	38,291,202	17,270,836	14,411,577	388,148	–	–
Financial assets held under resale agreements								
– at fair value through profit or loss	2,982,785	–	2,238,880	743,905	–	–	–	–
– at amortised cost	3,174,582	–	3,174,582	–	–	–	–	–
Derivative financial instruments	19,365,077	–	2,990,563	3,330,551	4,866,666	6,487,196	1,690,101	–
Financial investments								
– at fair value through profit or loss	2,040,808	–	66,736	77,934	119,998	310,130	121,988	1,344,022
– at fair value through other comprehensive income	139,264,603	–	12,272,051	17,121,935	37,390,090	69,200,868	3,195,831	83,828
– at amortised cost	90,179	–	87,286	2,893	–	–	–	–
Loans and advances to customers and other accounts								
– at fair value through profit or loss	11,960,075	–	774,315	163,002	2,200,056	8,700,848	–	121,854
– at amortised cost	227,140,524	1,378,633	34,079,513	18,196,740	68,562,725	63,364,296	31,976,131	9,582,486
Tax recoverable	290	–	–	–	290	–	–	–
Right-of-use assets	820,633	–	–	–	–	–	–	820,633
Property and equipment	1,018,010	–	–	–	–	–	–	1,018,010
Intangible assets	537,835	–	–	–	–	–	–	537,835
Deferred tax assets	874	–	–	–	–	–	–	874
<b>Total assets</b>	<b>489,295,377</b>	<b>11,320,633</b>	<b>93,975,128</b>	<b>56,907,796</b>	<b>127,551,402</b>	<b>148,451,486</b>	<b>36,984,051</b>	<b>14,104,881</b>
<b>Liabilities</b>								
Deposits and balances of banks and other financial institutions	12,141,506	3,263,932	5,970,469	2,652,683	254,422	–	–	–
Deposits from customers	371,313,584	99,686,440	93,693,807	140,182,118	35,697,858	2,053,361	–	–
Financial liabilities at fair value through profit or loss	99,849	–	–	–	15,445	29,640	54,764	–
Financial assets sold under repurchase agreements								
– at fair value through profit or loss	2,294,942	–	1,550,986	743,956	–	–	–	–
– at amortised cost	7,652,423	–	6,121,081	1,531,342	–	–	–	–
Derivative financial instruments	18,393,793	–	2,602,676	2,868,770	4,936,589	6,348,558	1,637,200	–
Certificates of deposit issued	1,760,216	–	388,148	1,164,442	207,626	–	–	–
Debt securities issued	–	–	–	–	–	–	–	–
Current taxation	283,315	–	–	–	283,315	–	–	–
Deferred tax liabilities	1,648	–	–	–	–	–	–	1,648
Other liabilities	14,170,136	551,797	5,715,971	2,771,648	3,029,758	310,990	5,694	1,784,278
Lease liabilities	956,170	–	16,932	41,358	162,725	459,840	275,315	–
Loan capital	3,859,664	–	–	–	–	3,859,664	–	–
<b>Total liabilities</b>	<b>432,927,246</b>	<b>103,502,169</b>	<b>116,060,070</b>	<b>151,956,317</b>	<b>44,587,738</b>	<b>13,062,053</b>	<b>1,972,973</b>	<b>1,785,926</b>
<b>Asset-liability gap</b>		<b>(92,181,536)</b>	<b>(22,084,942)</b>	<b>(95,048,521)</b>	<b>82,963,664</b>	<b>135,389,433</b>	<b>35,011,078</b>	

*Note:*

“Undated” assets included in “loans and advances to customers and other accounts – at amortised cost” were overdue and credit-impaired loans.

**(35) CREDIT RELATED COMMITMENTS AND FINANCIAL GUARANTEES, OTHER COMMITMENTS AND CONTINGENT LIABILITIES**

**(a) Credit related commitments and financial guarantees, other commitments and contingent liabilities**

The following is a summary of the contractual amounts of each significant class of credit related commitments and financial guarantees, other commitments and contingent liabilities and is prepared with reference to the completion instructions for the HKMA return of capital adequacy ratio.

	<b>At 30 June 2025 HK\$'000</b>	<b>At 31 December 2024 HK\$'000</b>
Direct credit substitutes	1,599,097	1,560,250
Transaction-related contingencies	869,281	1,011,734
Trade-related contingencies	4,076,769	7,187,213
Forward forward deposits placed	–	2,000,000
Other commitments:		
– which are unconditionally cancellable or automatically cancellable due to deterioration in the creditworthiness of the borrower	139,748,948	132,255,646
– with an original maturity of not more than 1 year	759,559	5,815,156
– with an original maturity of more than 1 year	18,954,526	11,346,399
	<b>166,008,180</b>	<b>161,176,398</b>
Credit risk-weighted amounts	<b>24,458,491</b>	<b>10,110,006</b>

Credit-related instruments include forward forward deposits placed, letters of credit, guarantees and commitments to extend credit. The risk involved is essentially the same as the credit risk involved in extending loan facilities to customers. The contractual amounts represent the amounts at risk should the contract be fully drawn upon and the client default. As the facilities may expire without being drawn upon, the contract amounts do not represent expected future cash flows.

The risk weights used in the computation of credit risk-weighted amounts range from 0% to 150% (31 December 2024: 0% to 150%).

**(b) Capital commitments**

Capital commitments represent commitments authorized and contracted for projects, the purchase of equipment and lease commitments outstanding as at 30 June 2025 and 31 December 2024 not provided for in the financial statements.

	<b>At 30 June 2025 HK\$'000</b>	<b>At 31 December 2024 HK\$'000</b>
Authorised and contracted for	211,444	106,875

**(c) Contingent liability in respect of legal claim**

The Group receives legal claims against it arising in the normal courses of business. 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.

## UNAUDITED SUPPLEMENTARY FINANCIAL INFORMATION

(Expressed in Hong Kong dollars unless otherwise indicated)

The unaudited supplementary financial information set out in note (C) to (J) below mainly covered additional detailed financial information on customers loans and advances and risk management. Information was largely prepared in accordance with the basis and requirements for regulatory reporting purpose, and compiled based on the books and records of the Bank and banking returns submitted to the HKMA.

### (A) SUMMARY OF FINANCIAL POSITION

<u>At period-ended/year-ended</u>	<b>At 30 June 2025 HK\$'000</b>	<b>At 31 December 2024 HK\$'000</b>
Loans and advances to customers	<b>247,701,007</b>	229,190,009
Expected credit losses on loans and advances to customers	<b>2,804,702</b>	2,494,528
Total assets	<b>550,835,899</b>	489,295,377
Total customers deposits (including certificates of deposit issued)	<b>408,567,344</b>	373,073,800
Total equity	<b>58,880,950</b>	56,368,131
<u>Financial ratios</u>		
Common Equity Tier 1 ("CET1") capital ratio	<b>14.6%</b>	13.7%
Tier 1 capital ratio	<b>17.6%</b>	16.6%
Total capital ratio	<b>20.0%</b>	18.9%
Loans to deposits	<b>60.6%</b>	61.4%
Loans to total assets	<b>45.0%</b>	46.8%
Cost to income (for the half-year ended)	<b>40.3%</b>	36.4%

### (B) REGULATORY DISCLOSURE STATEMENTS AVAILABLE ON THE BANK'S CORPORATE WEBSITE

The Group's regulatory disclosure information is published by using standard disclosure templates as specified by the HKMA ('Regulatory Disclosure Statement') and that can be viewed in the Regulatory Disclosures section of the Bank's corporate website [www.cncbinternational.com](http://www.cncbinternational.com). The Bank's Regulatory Disclosure Statement, together with the disclosures in the interim report, contained all the disclosures required by the Banking (Disclosure) Rules issued by the HKMA.

## UNAUDITED SUPPLEMENTARY FINANCIAL INFORMATION

### (C) CAPITAL ADEQUACY

#### (i) Capital base

Capital adequacy ratios (“CARs”) are complied in accordance with the Banking (Capital) Rules issued by the HKMA. The CARs are computed on a consolidated basis covering the Bank and some of its subsidiaries as required by the HKMA. The Bank has adopted the “standardised approach” for calculating the risk-weighted amount for credit risk and market risk and the “basic indicator approach” for calculating operational risk.

	At 30 June 2025 HK\$'000	At 31 December 2024 HK\$'000
<b>Common Equity Tier 1 (“CET1”) capital instruments and reserves</b>		
Directly issued qualifying CET1 capital instruments plus any related share premium	18,058,853	18,058,853
Retained earnings	29,774,862	27,885,636
Disclosed reserves	1,368,665	748,319
<b>CET1 capital before regulatory deductions</b>	<b>49,202,380</b>	46,692,808
<b>CET1 capital: regulatory deductions</b>		
Deferred tax assets in excess of deferred tax liabilities	137,314	874
Other intangible assets (net of related deferred tax liability)	461,388	537,835
Cumulative fair value gains arising from the revaluation of land and buildings (own use and investment properties)	278,289	315,706
Regulatory reserve for general banking risks	2,821,424	2,512,256
Valuation adjustments	17,449	20,951
Debit valuation adjustments in respect of derivative contracts	3,237	3,178
<b>Total regulatory deductions to CET1 capital</b>	<b>3,719,101</b>	3,390,800
<b>CET1 capital</b>	<b>45,483,279</b>	43,302,008
<b>Additional Tier 1 (“AT1”) capital</b>		
AT1 capital	9,335,396	9,335,396
<b>Tier 1 capital</b>	<b>54,818,675</b>	52,637,404
<b>Tier 2 capital instruments and provisions</b>		
Qualifying Tier 2 capital instruments plus any related share premium	3,926,403	3,881,475
Reserve attributable to fair value gains on revaluation of holdings of land and buildings	125,230	142,068
Collective impairment allowances and regulatory reserve for general banking risks eligible for inclusion in Tier 2 capital	3,597,898	3,334,382
<b>Tier 2 capital base before deductions</b>	<b>7,649,531</b>	7,357,925
<b>Tier 2 capital: regulatory deductions</b>		
Regulatory deductions to Tier 2 capital	–	–
<b>Tier 2 capital</b>	<b>7,649,531</b>	7,357,925
<b>Total capital</b>	<b>62,468,206</b>	59,995,329
<b>(ii) Risk-weighted assets</b>		
– Credit risk	288,288,687	280,831,227
– Market risk	5,515,650	16,246,300
– CVA risk	1,950,525	1,439,913
– Operational risk	15,928,575	18,155,213
	<b>311,683,437</b>	316,672,653

## UNAUDITED SUPPLEMENTARY FINANCIAL INFORMATION

### (C) CAPITAL ADEQUACY (CONTINUED)

#### (iii) Capital adequacy ratios

	At 30 June 2025	At 31 December 2024
– CET1 capital ratio	14.6%	13.7%
– Tier 1 capital ratio	17.6%	16.6%
– Total capital ratio	20.0%	18.9%

#### (iv) Capital instruments

The following is a summary of the Group's CET1, AT1 capital securities and Tier 2 capital instruments.

	At 30 June 2025 <i>HK\$'000</i>	At 31 December 2024 <i>HK\$'000</i>
<b>CET1 capital instruments issued by the Bank</b>		
Ordinary shares:		
12,111,121,568 issued and fully paid ordinary shares	18,404,013	18,404,013
	At 30 June 2025 <i>HK\$'000</i>	At 31 December 2024 <i>HK\$'000</i>
<b>Additional Tier 1 Capital Securities</b>		
Undated non-cumulative subordinated capital securities with US\$600 million (issued in 2021)	4,647,489	4,647,489
Undated non-cumulative subordinated capital securities with US\$600 million (issued in 2022)	4,687,907	4,687,907
	9,335,396	9,335,396
	At 30 June 2025 <i>HK\$'000</i>	At 31 December 2024 <i>HK\$'000</i>
<b>Tier 2 capital instruments</b>		
Issued by the Bank		
– US\$500 million Subordinated Fixed Rate Notes at 6.00% (due in 2033)	3,905,906	3,859,664

## UNAUDITED SUPPLEMENTARY FINANCIAL INFORMATION

### (C) CAPITAL ADEQUACY (CONTINUED)

#### (v) Basis of consolidation

Unless otherwise stated, all financial information contained in the interim financial report is prepared according to the consolidation basis for accounting purposes. The main difference between the consolidation basis for accounting and regulatory purposes is that the former includes the Bank and all its subsidiaries whereas the latter includes the Bank and only some of the Group's subsidiaries, which are discussed as follows:

The Bank is required under section 3C(1) of the Banking (Capital) Rules to calculate its total capital on a consolidated basis in respect of the following subsidiaries:

		At 30 June 2025	
Names of subsidiaries	Principal activities	Total assets HK\$'000	Total equity HK\$'000
Carford International Limited	Property holding	21,824	10,423
CITIC Bank International (China) Limited	Banking	22,068,415	1,689,424
CITIC Insurance Brokers Limited	Insurance broker	1,084,978	1,007,077
HKCB Finance Limited	Consumer financing	311,288	310,776
The Ka Wah Bank (Trustee) Limited	Trustee services	2,447	2,432

Subsidiaries not included in consolidation for regulatory purposes are mainly nominee services companies that are authorised and supervised by a regulator and are subject to supervisory arrangements regarding the maintenance of adequate capital to support business activities comparable to those prescribed for authorised institutions under the Banking (Capital) Rules and the Banking Ordinance. The following subsidiaries are deducted from the Bank's capital base under Part 3 of the Banking (Capital) Rules:

		At 30 June 2025	
Names of subsidiaries	Principal activities	Total assets HK\$'000	Total equity HK\$'000
The Hongkong Chinese Bank (Nominees) Limited	Nominee services	4	4
The Ka Wah Bank (Nominees) Limited	Nominee services	113	–
Security Nominees Limited	Nominee services	–	–
CNCBI Asset Management Limited	Inactive	8,899	8,802
CNCBI Trustee Limited	Trustee services	13,220	11,103
CNCBI Digital Intelligence (Shenzhen) Information Technology Limited	Information technology services	89,146	32,943

For all subsidiaries included in both the accounting and regulatory scope of consolidation, the same consolidation methodology is applied at 30 June 2025 and 31 December 2024.

There are also no subsidiaries which are included within the regulatory scope of consolidation but not included within the accounting scope of consolidation.



# UNAUDITED SUPPLEMENTARY FINANCIAL INFORMATION

## (D) SEGMENTAL INFORMATION ON LOANS AND ADVANCES TO CUSTOMERS – BY GEOGRAPHICAL AREAS

At 30 June 2025						
	Loans and advances to customers <i>HK\$'000</i>	Overdue loans and advances to customers <i>HK\$'000</i>	Impaired loans and advances to customers <i>HK\$'000</i>	Stage 1 ECL allowances <i>HK\$'000</i>	Stage 2 ECL allowances <i>HK\$'000</i>	Stage 3 ECL allowances <i>HK\$'000</i>
Hong Kong	168,879,271	3,050,900	3,145,515	285,214	54,900	1,408,533
Mainland China	40,245,183	343,559	469,678	111,628	13,619	188,861
United States	14,495,988	225,704	225,703	54,226	66,689	110,000
Singapore	9,533,288	265,202	265,202	35,510	–	204,955
Others	14,547,277	269,595	269,595	27,729	18,500	224,338
	<u>247,701,007</u>	<u>4,154,960</u>	<u>4,375,693</u>	<u>514,307</u>	<u>153,708</u>	<u>2,136,687</u>
At 31 December 2024						
	Loans and advances to customers <i>HK\$'000</i>	Overdue loans and advances to customers <i>HK\$'000</i>	Impaired loans and advances to customers <i>HK\$'000</i>	Stage 1 ECL allowances <i>HK\$'000</i>	Stage 2 ECL allowances <i>HK\$'000</i>	Stage 3 ECL allowances <i>HK\$'000</i>
Hong Kong	158,824,591	3,553,529	3,659,871	248,056	88,722	1,427,603
Mainland China	37,919,904	534,170	627,141	147,019	7,880	105,157
United States	11,648,946	127,191	262,417	43,814	50,910	85,270
Singapore	7,673,249	247,723	247,723	25,448	–	120,369
Others	13,123,319	81,163	81,163	23,388	80,512	40,380
	<u>229,190,009</u>	<u>4,543,776</u>	<u>4,878,315</u>	<u>487,725</u>	<u>228,024</u>	<u>1,778,779</u>

The above geographical analysis is classified by the location of the counterparties after taking into account the transfer of risk. For a claim guaranteed by a party situated in a country different from the counterparty, risk will be transferred to the country of the guarantor.

Overdue loans and advances are loans that have been overdue for more than three months.

Impaired loans and advances are individually assessed loans which exhibit objective evidence of impairment on an individual basis.

## UNAUDITED SUPPLEMENTARY FINANCIAL INFORMATION

### (E) OVERDUE ASSETS

	At 30 June 2025		At 31 December 2024	
	<i>HK\$'000</i>	% of total loans and advances to customers	<i>HK\$'000</i>	% of total loans and advances to customers
The gross amount of loans and advances has been overdue for periods of:				
– 6 months or less but over 3 months	480,967	0.20	146,793	0.06
– 1 year or less but over 6 months	199,232	0.08	574,044	0.25
– over 1 year	3,474,761	1.40	3,822,939	1.67
	<b>4,154,960</b>	<b>1.68</b>	<b>4,543,776</b>	<b>1.98</b>
Secured overdue loans and advances	2,394,462		2,873,547	
Unsecured overdue loans and advances	1,760,498		1,670,229	
	<b>4,154,960</b>		<b>4,543,776</b>	
Market value of collateral held against the secured overdue loans and advances	4,322,783		5,662,075	
Expected credit losses allowances	2,059,752		1,666,275	

Loans and advances with a specific repayment dates are classified as overdue when the principal or interest is overdue and remains unpaid at the period end. Loans repayable on demand are classified as overdue either when a demand for repayment has been served on the borrower but repayment has not been made in accordance with the demand notice, and/or when the loans have remained continuously outside the approved limit advised to the borrower for more than the overdue period in question.

Eligible collateral, which is held in respect of the overdue loans and advances, is “Eligible Physical Collateral” which mainly comprises real estate properties. The eligible collateral should generally satisfy the following:

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

There were no advances to banks and other financial institutions and trade bills which were overdue for over three months at 30 June 2025 and 31 December 2024.

#### Other overdue assets

There was financial investments at fair value through other comprehensive income amounted HK\$14,542,000, which were overdue for over three months as at 30 June 2025 (31 December 2024: HK\$15,619,000).

## UNAUDITED SUPPLEMENTARY FINANCIAL INFORMATION

### (F) RESCHEDULED LOANS

	At 30 June 2025		At 31 December 2024	
	<i>HK\$'000</i>	% of total loans and advances to customers	<i>HK\$'000</i>	% of total loans and advances to customers
Rescheduled loans	<b>47,285</b>	<b>0.019</b>	12,973	0.006

Rescheduled loans are those advances which have been restructured or renegotiated because of a deterioration in the financial position of the borrower, or the inability of the borrower to meet the original repayment schedule and for which the revised repayment terms are non-commercial to the Group. Rescheduled loans to customers are stated net of any advances that have subsequently become overdue for over three months and are reported as overdue advances in note (E).

There were no advances to banks and other financial institutions which were rescheduled at 30 June 2025 and 31 December 2024.

### (G) REPOSSESSED ASSETS

	At 30 June 2025 <i>HK\$'000</i>	At 31 December 2024 <i>HK\$'000</i>
Included in loans and advances to customers and other accounts	<b>315,525</b>	291,517

The amounts represent the estimated market value of the repossessed assets at 30 June 2025 and 31 December 2024.

## UNAUDITED SUPPLEMENTARY FINANCIAL INFORMATION

### (H) INTERNATIONAL CLAIMS

International claim refers to the sum of cross-border claims in all currencies and local claims in foreign currencies determined as based on the calculation methodology specified in the HKMA's Return of International Banking Statistics. International claims are on-balance sheet exposures of counterparties which attributable to the country or segment, after taking into account risk recognised transfer, constitute to not less than 10% of the aggregate claims are disclosed as follows:

	At 30 June 2025				
			Non-bank private sector		
	Banks	Official	Non-bank	Non-financial	Total
	<i>HK\$'000</i>	<i>Sector</i>	<i>financial</i>	<i>private sector</i>	
		<i>HK\$'000</i>	<i>institutions</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Developed countries	78,731,716	16,583,693	4,932,093	9,003,071	109,250,573
Offshore centres	20,785,072	129,226	32,516,562	56,787,522	110,218,382
of which Hong Kong	3,553,587	128,221	28,652,270	46,472,923	78,807,001
Developing Asia-Pacific	62,935,018	2,117,562	4,744,143	36,818,018	106,614,741
of which Mainland China	55,165,493	2,117,149	3,025,667	30,812,755	91,121,064

## UNAUDITED SUPPLEMENTARY FINANCIAL INFORMATION

### (I) MAINLAND ACTIVITIES

Mainland Activities are Mainland China exposures to non-bank counterparties and their categories and the type of direct exposures defined by the HKMA's Return of Mainland Activities.

		At 30 June 2025		
		On-statement of financial position exposure HK\$'000	Off-statement of financial position exposure HK\$'000	Total HK\$'000
(1)	Central government, central government-owned entities and their subsidiaries and joint ventures (JVs)	50,918,838	5,450,989	56,369,827
(2)	Local governments, local government-owned entities and their subsidiaries and JVs	22,645,655	1,727,462	24,373,117
(3)	PRC nationals residing in Mainland China or other entities incorporated in Mainland China and their subsidiaries and JVs	37,935,019	4,005,366	41,940,385
(4)	Other entities of central government not reported in item 1 above	4,779,175	480,749	5,259,924
(5)	Other entities of local governments not reported in item 2 above	112,984	–	112,984
(6)	PRC nationals residing outside Mainland China or entities incorporated outside Mainland China where the credit is granted for use in Mainland China	17,289,334	2,109,353	19,398,687
(7)	Other counterparties where the exposures are considered by the reporting institution to be non-bank Mainland China exposures	6,678,274	631,823	7,310,097
<b>Total</b>		<b>140,359,279</b>	<b>14,405,742</b>	<b>154,765,021</b>
<b>Total assets after provision</b>		<b>533,249,481</b>		
<b>On-balance sheet exposures as percentage of total assets</b>		<b>26.3%</b>		
		At 31 December 2024		
		On-statement of financial position exposure HK\$'000	Off-statement of financial position exposure HK\$'000	Total HK\$'000
(1)	Central government, central government-owned entities and their subsidiaries and joint ventures (JVs)	50,735,511	6,710,950	57,446,461
(2)	Local governments, local government-owned entities and their subsidiaries and JVs	21,331,316	2,858,839	24,190,155
(3)	PRC nationals residing in Mainland China or other entities incorporated in Mainland China and their subsidiaries and JVs	32,639,689	3,554,406	36,194,095
(4)	Other entities of central government not reported in item 1 above	4,074,784	595,242	4,670,026
(5)	Other entities of local governments not reported in item 2 above	158,659	–	158,659
(6)	PRC nationals residing outside Mainland China or entities incorporated outside Mainland China where the credit is granted for use in Mainland China	20,083,114	1,234,816	21,317,930
(7)	Other counterparties where the exposures are considered by the reporting institution to be non-bank Mainland China exposures	6,118,373	22,529	6,140,902
<b>Total</b>		<b>135,141,446</b>	<b>14,976,782</b>	<b>150,118,228</b>
<b>Total assets after provision</b>		<b>469,413,321</b>		
<b>On-balance sheet exposures as percentage of total assets</b>		<b>28.8%</b>		

## UNAUDITED SUPPLEMENTARY FINANCIAL INFORMATION

### (J) RISK MANAGEMENT

The Group manages its risks under the oversight of the Board of Directors and its delegated committees. The Risk Management Group (“RMG”) has been entrusted with the ongoing responsibilities of driving and implementing the Group’s risk management framework and governance encompassing the identification, quantification, monitoring, reporting, and mitigation of the risks to which the Group is exposed.

The Group adopts the Standardised Approach for credit and market risk measurement, and the Basic Indicator Approach for operational risk measurement. The Group has established policies, procedures and processes to identify and set appropriate risk limits, as well as to analyse, control and monitor these risks. The Group continually strives to enhance its risk management framework and infrastructure in keeping with the market, product offerings and international best practices. The Group’s internal auditor performs regular independent audits to ensure due compliance with internal policies and regulatory requirements.

The Group manages the following main types of risk:

#### (a) Credit risk management

Credit risk is the risk of financial loss due to the failure of a customer or counterparty to fulfill its contractual obligations. Credit exposure principally arises in loans and advances, debt securities, treasury bills and trading derivatives, as well as in the credit risk from financial arrangements in off-balance sheet financial positions such as loan commitments and guarantees. The Group has developed standards, policies and procedures to measure, monitor and mitigate the risk of its lending business activities. The policies and procedures are reviewed as required, to respond quickly to the changing market environment and to better reflect the risk factors for the Group’s credit considerations.

Throughout the first half of 2025, the Group continues to enhance its risk management framework and internal control practices by solidifying its three lines of defense, promoting risk culture and reviewing its risk appetite and policies to ensure its compliance with regulatory requirements. Various risk management enhancement projects and initiatives including Basel III Reform Package has been well implemented to comply with the evolving regulatory landscape and increasingly stringent regulatory requirements. Furthermore, the Group has been actively fortifying the resilience against climate-related risks, promoting the risk culture of green and sustainable banking, and embedding climate risk into the risk management framework.

Credit risk is controlled and managed by the Risk Management Group (“RMG”) under the oversight of the Credit Committee, and is reported to the Credit & Risk Management Committee (“CRMC”) at the board level on a quarterly basis. These committees provide appropriate oversight of the Group’s risk management practices by defining the Group’s policies and risk appetite, and providing the RMG with the means to implement measures to mitigate credit risk arising from the Group’s adopted strategy.

Credit risk embedded in products is identified and measured in product programmes and on-going review and assessment process. Credit risk pertaining to individual customers is identified and measured by credit officers utilising internal risk rating models. Credit applications are approved by credit officers under delegated authorities or by the Credit Committee.

The Group mitigates credit risk by taking collateral and entering into offsetting or netting agreements with borrowers and counterparties, as the case may be, should such clauses and agreements be legally established and enforceable.

Concentration of credit risk exists when changes in geographic, economic or industry factors similarly affect groups of counterparties whose aggregate credit exposure is material in relation to the Group’s total exposures. The Group’s portfolio of financial instruments is diversified among industry and product sectors.

Credit risk for treasury transactions is managed in the same way as the Group manages its corporate risk. Risk grading is applied to the debt issuers and the counterparties, with individual credit limits set.

Credit and counterparty risks related to countries and financial institutions are assessed and monitored regularly according to the Group’s Country Risks and Financial Institution Risks policies. The policies are implemented together to effectively assess and control credit limits and tenors made available to the respective financial institutions under an umbrella country risk limit for each country.

The Group applies the same credit policy in respect of contingent liabilities as in respect of financial instruments recorded on the statement of financial position, based on loan approval procedures, use of limits to reduce risk and monitoring. Credit risk is also mitigated by obtaining collateral in the form of pledged assets and guarantees from borrowers and third parties.

## UNAUDITED SUPPLEMENTARY FINANCIAL INFORMATION

### (J) RISK MANAGEMENT (CONTINUED)

#### (a) Credit risk management (continued)

##### (i) Credit quality

The Group has adopted a granular 24-grade internal risk rating system (Grades G01-G21 for performing financial assets and Grades G22-G24 for non-performing financial assets) that maps to external credit rating agencies' rating scales. The integration of this framework into the Group's reporting structure has enabled more granular credit risk reporting, thus enhancing the internal management. The risk rating are assigned according to differing customer segments (manufacturing, trading, property development/investment, etc.) which enables the ranking of the credit quality of each customer and the governing of the credit exposure for individual customers or counterparties.

Customers' risk ratings are reviewed regularly and amendments, where necessary, are implemented promptly, particularly in times of fluctuating market conditions. The Group also maintains a committee to regularly oversee weaker credits (which have lower risk ratings of G19-G21) to preserve the Group's quality portfolio. The table below outlines the Group's rating scale benchmarked against external credit agencies:

Obligor Grade	Reference ECAI Rating			Rating Description
	Moody's	S&P	Fitch	
G01	Aaa	AAA	AAA	Obligations are judged to have the highest intrinsic, or standalone, financial strength, and thus subject to the lowest level of credit risk absent any possibility of extraordinary support from an affiliate or government.
G02 – G04	Aa1/Aa2/Aa3	AA+/AA/AA-	AA+/AA/AA-	Obligations are judged to have high intrinsic, or standalone, financial strength, and thus subject to very low credit risk absent any possibility of extraordinary support from an affiliate or government.
G05 – G07	A1/A2/A3	A+/A/A-	A+/A/A-	Obligations are judged to have upper-medium-grade intrinsic, or standalone, financial strength, and thus subject to low credit risk absent any possibility of extraordinary support from an affiliate or government.
G08 – G10	Baa1/Baa2/Baa3	BBB+/BBB/BBB-	BBB+/BBB/BBB-	Obligations are judged to have medium-grade intrinsic, or standalone, financial strength, and thus subject to moderate credit risk and, as such, may possess certain speculative credit elements absent any possibility of extraordinary support from an affiliate or government.
G11 – G13	Ba1/Ba2/Ba3	BB+/BB/BB-	BB+/BB/BB-	Obligations are judged to have speculative intrinsic, or standalone, financial strength, and are subject to substantial credit risk absent any possibility of extraordinary support from an affiliate or government.
G14 – G16	B1/B2/B3	B+/B/B-	B+/B/B-	Obligations are judged to have speculative intrinsic, or standalone, financial strength, and are subject to high credit risk absent any possibility of extraordinary support from an affiliate or government.
G17 – G18	Caa1/Caa2	CCC+/CCC	CCC+/CCC	Obligations are judged to have speculative intrinsic, or standalone, financial strength, and are subject to very high credit risk absent any possibility of extraordinary support from an affiliate or government.
G19 Special Mention	Caa3	CCC-	CCC-	Obligations are judged to have highly speculative intrinsic, and are likely in, or near, default, with some prospect of recovery of principal and interest.
G20 Special Mention	Ca	CC	CC	Obligations are judged to have highly speculative intrinsic, and are likely in, or very near, default, with some prospect of recovery of principal and interest.
G21 Special Mention	C	C	C	Obligations are the lowest rated and are typically in default, with little prospect for recovery of principal or interest.
G22 Substandard	D	D	D	Substandard. In accordance with the Asset Quality Classification Policy.
G23 Doubtful	D	D	D	Doubtful. In accordance with the Asset Quality Classification Policy.
G24 Loss	D	D	D	Loss. In accordance with the Asset Quality Classification Policy.

## UNAUDITED SUPPLEMENTARY FINANCIAL INFORMATION

### (J) RISK MANAGEMENT (CONTINUED)

#### (a) Credit risk management (continued)

##### (ii) Exposure of credit risk

The maximum exposure to credit risk at the end of the reporting period, without considering any collateral held or other credit enhancements, is represented by the carrying amount of each financial asset in the consolidated statement of financial position after deducting any impairment allowances. A summary of the maximum exposure is as follows:

	At 30 June 2025 HK\$'000	At 31 December 2024 HK\$'000
Cash and balances with banks and central banks	15,429,944	10,289,619
Placements with and advances to banks	90,811,148	70,361,763
Financial assets held under resale agreements	10,495,350	6,157,367
Derivative financial instruments	13,331,379	19,365,077
Financial investments		
– at fair value through profit or loss	3,926,002	2,040,808
– at fair value through other comprehensive income	145,835,393	139,190,860
– at amortised cost	–	90,179
Loans and advances to customers and other accounts	267,811,562	238,656,081
Financial guarantees and other credit-related contingent liabilities	6,545,147	11,759,197
Loan commitments and other credit-related commitments	159,463,033	149,417,201
	<b>713,648,958</b>	<b>647,328,152</b>

Further detailed analyses of financial assets by credit quality and stage distribution are provided in the note J(a)(vii) of the interim financial report.

##### (iii) Master netting arrangement

The Group enters into enforceable master netting arrangements with counterparties. If an event of default occurs, all outstanding transactions with the counterparty are terminated and all amounts outstanding are settled on a net basis. Except for the event of default, all outstanding transactions with the counterparty are settled on a gross basis and generally do not result in offsetting the assets and liabilities in the statement of financial position. The Group discloses information for financial statement users to evaluate the effect or potential effect of netting arrangements, including the rights of set-off associated with the Group's recognised financial assets and recognised financial liabilities, on the Group's financial position.

	At 30 June 2025		
	Derivative financial instruments presented in the consolidated statement of financial position HK\$'000	Related amounts that are not offset in the consolidated statement of financial position	
		Financial instruments HK\$'000	Cash collateral received HK\$'000
			Net amount HK\$'000
<b>Financial assets</b>			
– Derivative financial instruments	13,331,379	(4,269,922)	(1,440,007)
	<b>13,331,379</b>	<b>(4,269,922)</b>	<b>7,621,450</b>
<b>Financial liabilities</b>			
– Derivative financial instruments	13,484,187	(4,269,922)	–
	<b>13,484,187</b>	<b>(4,269,922)</b>	<b>9,214,265</b>



## UNAUDITED SUPPLEMENTARY FINANCIAL INFORMATION

### (J) RISK MANAGEMENT (CONTINUED)

#### (a) Credit risk management (continued)

##### (iii) Master netting arrangement (continued)

	At 31 December 2024		
	Derivative financial instruments presented in the consolidated statement of financial position <i>HK\$'000</i>	Related amounts that are not offset in the consolidated statement of financial position	
		Financial instruments <i>HK\$'000</i>	Cash collateral received <i>HK\$'000</i>
			Net amount <i>HK\$'000</i>
Financial assets			
– Derivative financial instruments	19,365,077	(7,410,924)	(2,212,608)
			9,741,545
Financial liabilities			
– Derivative financial instruments	18,393,793	(7,410,924)	–
			10,982,869

##### (iv) Mitigation of credit risk – Collateral and other credit enhancements

The Group is dedicated to mitigating credit risk, and this takes many forms. In general, risk to the Group's ultimate credit exposure is mitigated by recognised collateral and credit risk enhancement. The Group continuously seeks to enhance its level of credit risk mitigation.

The principal collateral received to secure loans and advances includes mortgages, cash collateral, equities listed on a main index/recognised exchanges, accounts receivable assignments, standby letters of credit and listed debt securities acceptable to the Group. In some cases, depending on the customer's position and the types of credit products, some loans may be granted and backed by corporate or personal guarantees only.

The Group has guidelines on the acceptability of specific classes of collateral or credit risk enhancements accompanied by the determination of valuation parameters. Such parameters are expected to be conservative and reviewed regularly. Security structures and covenants (financial and non-financial) are subject to regular review to ensure they comply with the stipulated conditions. The collateral is important to mitigate credit risk, but it is the Group's policy to assess the repayment ability of individual customers or counterparties rather than just solely relying on securities.

The Group's collateralised credit risk as at 30 June 2025 and 31 December 2024, excluding impaired exposure, is broken down as follows:

	At 30 June 2025 <i>HK\$'000</i>	At 31 December 2024 <i>HK\$'000</i>
Lower of gross loans and advances and fair value of collateral and other credit enhancements held against financial assets that are:		
– neither past due nor impaired	102,237,715	98,287,001
– past due but not impaired	3,018,331	2,980,405
	105,256,046	101,267,406

## UNAUDITED SUPPLEMENTARY FINANCIAL INFORMATION

### (J) RISK MANAGEMENT (CONTINUED)

#### (a) Credit risk management (continued)

##### (v) *Portfolio management and risk concentration*

###### *Portfolio management*

As part of the Group's portfolio management practices, a Risk-based Pricing Model has been adopted with the aim of improving the overall return for the Group, after taking into account the risks of the customers and facilities, and thus the capital required to support the loan exposure and other costs. Stress tests on the Group's credit risk are conducted regularly. The result is approved by the relevant committees and is endorsed by the Board through the CRMC.

###### *Risk concentration*

The Group sets various risk limits to control and monitor its exposure to individual counterparties, countries, industries, intragroup exposures and loan portfolios to avoid excessive risk concentration.

Concentration of credit risk exists when changes in geographic, economic or industry factors affect groups of linked counterparties whose aggregate credit exposure is material in relation to the Group's total exposures. The Group's portfolio of financial instrument is diversified along industry and product sectors.

##### (vi) *Expected credit losses measurement*

ECL allowances are recognised on all financial assets that are debt instruments classified either as amortised or fair value through other comprehensive income and for loan commitments and financial guarantees that are not measured at fair value through profit and loss. The ECL allowances represent an unbiased scenario that is determined by evaluating a range of possible outcomes, the time value of money and reasonable and supportable information about past events, current conditions and future economic conditions. Forward-looking information is explicitly incorporated into the estimation of ECL allowances and expert judgement on economic forecasts becomes one of the important factors to the ECL.

###### *Measurement of ECL*

ECL allowances are measured at amounts equal to either: (i) 12-month ECL; or (ii) lifetime ECL for those financial instruments which have experienced a significant increase in credit risk ('SICR') since initial recognition. The calculation of ECL allowances is based on the expected value of probability-weighted scenarios with a combination of upside, base and downside scenario(s) to measure the expected cash shortfalls, discounted at the effective interest rate. A cash shortfall is the difference between the contractual cash flows that are due and the cash flows that the Group expects to receive. The calculation of ECL allowances for Stage 3 is based on probability-weighted recovery amount from an impaired financial asset and is determined by evaluating a range of possible outcomes and time value of money.

The key inputs in the measurement of ECL allowances for Stage 1 and Stage 2 are as follows:

- The probability of default ("PD") is an estimate of the likelihood of default over a given time horizon;
- The loss given default ("LGD") is an estimate of the loss arising in the case where a default occurs at a given time; and
- The exposure at default ("EAD") is an estimate of the exposure at a future default date.

## UNAUDITED SUPPLEMENTARY FINANCIAL INFORMATION

### (J) RISK MANAGEMENT (CONTINUED)

#### (a) Credit risk management (continued)

##### (vi) *Expected credit losses measurement (continued)*

###### *Stage transfer*

Stage 1 is comprised of all non-impaired financial assets which have not triggered a SICR since initial recognition. Their credit risk continuously monitored by the Group and in assessing whether credit risk has increased significantly, the Group compares the risk of a default occurring on the financial instruments as at the reporting date, with the risk of a default occurring on the financial instrument as at the date of its initial recognition.

Stage 2 is comprised of all non-impaired financial assets which have triggered a SICR since initial recognition. The Group recognises lifetime ECL for Stage 2 financial assets. In subsequent reporting periods, if the credit risk of the financial assets improves such that there is no longer a SICR since initial recognition, then the Group reverts to recognising 12 months of ECL as the financial assets have transferred back Stage 1.

Stage 3 financial assets are those that the Group has classified as credit-impaired. The Group recognises lifetime ECL for all Stage 3 financial assets. The Group classifies financial assets as impaired when one or more events that have a detrimental impact on the estimated future cash flows of the financial assets have occurred after its initial recognition. Evidence of impairment includes indications that the borrower is experiencing significant financial difficulties, or a default or delinquency has occurred.

For purchased or originated credit-impaired financial assets that are credit-impaired on initial recognition, their ECL allowances are always measured on a lifetime basis. The amount recognized as ECL allowance for these assets is the change in lifetime ECL since initial recognition of the assets.

As described above, and subject to using a maximum of a 12-month PD for financial assets for which credit risk has not significantly increased, the Group measures ECL considering the risk of default over the remaining life of the financial instrument, even if, for risk management purposes, the Group has the right to consider a longer period.

## UNAUDITED SUPPLEMENTARY FINANCIAL INFORMATION

### (J) RISK MANAGEMENT (CONTINUED)

#### (a) Credit risk management (continued)

##### (vi) *Expected credit losses measurement (continued)*

###### *Significant increase in credit risk*

An assessment of whether the financial instruments have experienced SICR since initial recognition is performed at each reporting period by considering the change in the risk of default occurring over the remaining life of the financial instrument. The assessment is rule-based, unbiased and forward-looking, and considers all reasonable and supportable information, including information about past events, current conditions and future economic conditions.

The financial instruments will be considered to have significant increase in credit risk when:

- (a) The contractual payments of the instruments are with more than 30 days past due; or
- (b) The credit rating of the financial instrument has gone down by 5 notches since initial recognition (not applicable to retail lending portfolio); or
- (c) The financial instruments have been classified as special mention.

###### *Management overlay and judgements*

The Group will consider the need to implement and apply management overlay over the ECL modelled outcome to cater for model constraints, data limitation and exceptional events. The management overlay methodologies involve management judgement and the amounts are subjected to regular robust review and governance processes to assess the adequacy and relevancy of such overlay. There was no management overlay of ECL at the reporting date.

###### *Forward-looking information incorporated in the ECL models*

The assessment of SICR and the calculation of ECL both incorporate forward-looking information. The Group has performed historical analysis and identified the key economic variables impacting credit risk and expected credit losses for financial assets.

These economic variables and their associated impact on the PD, EAD and LGD vary by financial instrument. Expert judgement has also been applied in this process. Forecasts of these economic variables (the 'base economic scenario') are provided by the Group's economists and include consideration of a variety of actual and forecast information from internal and external sources. The Group formulates a "base case" view of the future direction of relevant economic variables as well as a representative range of other possible forecast scenarios including 1 upside and 3 downside forecast scenarios.

In particular, the base scenario represents the most likely scenario of continuing the current economic situation; carrying a weight of 55% (2024: 55%); the upside scenario, namely benign, represents likelihood of improvements to the current economic situation; carrying a weight of 10% (2024: 10%); and the downside scenarios, namely, mild, medium and severe represents the likelihood of economic downturn of different severities, carrying a weight of 10%, 15% and 10% (2024: 10%, 15%, and 10%) respectively. The economic forecasts are reviewed regularly to reflect the latest economic conditions. The ECL recognised in the financial statements reflect the probability weighted outcomes of a range of possible scenarios above and management continuously assess the appropriateness of the provision made against the borrowers concerned taking these information into consideration. If any adjustment in provision is deemed necessary, management overlay(s) would be applied to ensure conservativeness.

## UNAUDITED SUPPLEMENTARY FINANCIAL INFORMATION

### (J) RISK MANAGEMENT (CONTINUED)

#### (a) Credit risk management (continued)

##### (vi) *Expected credit losses measurement (continued)*

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

###### The Base scenario

The Group's Base Scenario is characterized by moderate global economic growth over the reference forecast period of 2025-2029. Considering the uncertainties of US tariff policy and geopolitics, global economic growth in 2025 is expected to be slowdown. Inflation in major developed economies is stabilizing around target rate, monetary policy by their central banks could cling to easing. During the forecast period, as international trading order is reshaping, the economy would be moderately slowdown, until the uncertain factors fade out.

Mainland China is projected to meet its economic growth target at around 5% in 2025, with certain growth in the subsequent years during reference period. As US tariff policy keeps disrupting international trade, exports in mainland China would play less role on its economic growth. Trade-in policies encouraging replacing consumer goods and upgrading production facilities are manifesting their sustained effects, supporting growth of consumption and investment. Current prices level could justify a more loosen monetary policy, leaving rooms for more cuts on policy rates and reserve requirement ratio ("RRR"). During the forecast period, mainland China will promote optimizing its external trade system with exports competitiveness further strengthened. Along with multiple macro stimulus policies, consumer confidence continues to pick up.

Forecast on Hong Kong's economic growth shows a slower pace, to around 2% to 2.5%. The growth is expected to gradually converge to its long-run potential rate in the years during reference period. In the first half of 2025, volatile US dollar generated capital inflow to Hong Kong. Domestic financial market was benefited from abundant capital supply, financial trading was therefore active. In the second half, Fed is projected to cut rates, which may somewhat provide banking industry a refiner financial condition. However, exports are distracted by uncertain trade policy. Meanwhile, retail sales and performance of commercial properties are intertwining suppressed, with unemployment rates in related industries recording a slightly uptick. Hong Kong economic growth is projected to be moderate in 2025.

###### The Benign Scenario

The Benign Scenario is a slight deviation from the Base Scenario in the positive direction, with the global economy expanding at a slightly faster-than-expected pace and other key economic indicators displaying slightly better-than-expected improvements.

###### The Mild Scenario

The Mild Scenario is a slight deviation from the Base Scenario in the negative direction, with the global economy expanding at a slightly slower-than-expected pace and other key economic indicators displaying slightly worse-than-expected improvements.

###### The Medium Scenario

The Medium Scenario is in between the Base Scenario and the Severe Scenario, with the global GDP growth rate and other key economic indicators standing at the medium points between those of the two scenarios.

###### The Severe Scenario

Under the Severe scenario, the global economy suffers a considerable slowdown and is teetering on the brink of recession with surging unemployment rate. Major developed economies recess deeply, and GDP growth for Mainland China and Hong Kong declines considerably. Simultaneously, assets in properties and financial markets experience a significant selloff with intensifying geopolitical conflicts.

## UNAUDITED SUPPLEMENTARY FINANCIAL INFORMATION

### (J) RISK MANAGEMENT (CONTINUED)

#### (a) Credit risk management (continued)

##### (vi) *Expected credit losses measurement (continued)*

###### *Definition of default and credit-impaired assets*

The Group defines a financial asset as in default when contractual repayment of principal or payment of interest is past due more than 90 days or fulfill certain assessment criteria as defined in the Asset Quality Classification Policy.

In assessing whether a borrower is in default, the Group considers various indicators comprising: (i) qualitative – such as in breach of financial covenant(s), deceased, insolvent or in long-term forbearance; (ii) quantitative – such as overdue status and non-payment on another obligation of the same issuer to the Group. These criteria have been applied to all financial assets held by the Group and are consistent with the definition of default used for internal credit risk management purposes. The default definition has been applied consistently to model the PD, EAD and LGD throughout the Group's expected loss calculations.

A financial asset is no longer considered in default when all past due amounts, including interest, have been recovered, and it is determined that the principal and interest are fully collectible in accordance with the original or revised contractual terms of the financial assets with all criteria for the impaired classification having been remedied.

###### *Write-off*

The Group writes off a financial asset in whole or in part, when it has no reasonable expectations of recovering the financial asset in its entirety or a portion thereof. Indicators that there is no reasonable expectation of recovery include:

- (i) ceasing enforcement activity;
- (ii) where the Group's recovery method is enforcing collateral and the value of the collateral is such that there is no reasonable expectation of recovering in full; and
- (iii) debtors in state of insolvency.

During the reporting period, the Group has written off certain financial assets that have no reasonable expectation of full recovery. The Group will continue to objectively and timely assess the ECL allowances according to HKFRS 9 to ensure its sufficiency.

## UNAUDITED SUPPLEMENTARY FINANCIAL INFORMATION

### (J) RISK MANAGEMENT (CONTINUED)

#### (a) Credit risk management (continued)

##### (vii) Credit quality of financial assets

The Group manages and monitors its risks, and has an Asset Quality Classification Policy and Impairment Assessment Policy in place to govern this aspect. The Group has a professional team dedicated to handling recovery of non-performing loans, which includes loan restructuring, taking legal action, repossession and disposal of collateral, etc.

Distribution of financial instruments to which the impairment requirements in HKFRS 9 are applied, by credit quality and stage distribution.

	At 30 June 2025						
	Gross carrying/notional amount						
	Strong HK\$'000	Satisfactory HK\$'000	Higher risk HK\$'000	Credit impaired HK\$'000	Total HK\$'000	ECL allowances HK\$'000	Net carrying amount HK\$'000
Balances with banks and central banks at amortised cost (Note iv)							
– Stage 1	15,429,985	–	–	–	15,429,985	(41)	15,429,944
Placements with and advances to banks at amortised cost (Note iv)							
– Stage 1	90,056,190	773,108	–	–	90,829,298	(18,150)	90,811,148
Financial assets held under resale agreements at amortised cost (Note iv)							
– Stage 1	5,637,916	–	–	–	5,637,916	(10)	5,637,906
Loans and advances to customers and other accounts at amortised cost	185,192,576	59,056,234	7,332,161	5,972,969	257,553,940	(4,097,196)	253,456,744
– Stage 1	185,192,576	57,851,625	3,111,128	–	246,155,329	(524,426)	245,630,903
– Stage 2	–	1,204,609	4,221,033	–	5,425,642	(153,708)	5,271,934
– Stage 3	–	–	–	5,972,969	5,972,969	(3,419,062)	2,553,907
Loan commitments and financial guarantee contracts (Note i)	14,184,191	150,789,211	87,831	208,350	165,269,583	(288,487)	164,981,096
– Stage 1	14,184,191	150,789,211	–	–	164,973,402	(75,137)	164,898,265
– Stage 2	–	–	87,831	–	87,831	(5,000)	82,831
– Stage 3	–	–	–	208,350	208,350	(208,350)	–
Total	310,500,858	210,618,553	7,419,992	6,181,319	534,720,722	(4,403,884)	530,316,838
Financial investments at fair value through other comprehensive income – Debt securities (Note ii)	145,771,801	4,000	59,592	–	145,835,393	(47,881)	
– Stage 1	145,771,801	4,000	–	–	145,775,801	(31,159)	
– Stage 2	–	–	–	–	–	–	
– Stage 3	–	–	8,944	–	8,944	(11,244)	
– POCI	–	–	50,648	–	50,648	(5,478)	
Total	145,771,801	4,000	59,592	–	145,835,393	(47,881)	

# UNAUDITED SUPPLEMENTARY FINANCIAL INFORMATION

## (J) RISK MANAGEMENT (CONTINUED)

### (a) Credit risk management (continued)

#### (vii) Credit quality of financial assets (continued)

	At 31 December 2024						
	Gross carrying/notional amount					ECL allowances	Net carrying amount
	Strong HK\$'000	Satisfactory HK\$'000	Higher risk HK\$'000	Credit impaired HK\$'000	Total HK\$'000	HK\$'000	HK\$'000
Balances with banks and central banks at amortised cost ( <i>Note iv</i> )							
– Stage 1	10,289,640	–	–	–	10,289,640	(21)	10,289,619
Placements with and advances to banks at amortised cost ( <i>Note iv</i> )							
– Stage 1	69,624,198	750,000	–	–	70,374,198	(12,435)	70,361,763
Financial assets held under resale agreements at amortised cost ( <i>Note iv</i> )							
– Stage 1	3,174,582	–	–	–	3,174,582	–	3,174,582
Loans and advances to customers and other accounts at amortised cost	150,296,694	65,196,592	8,497,251	6,343,200	230,333,737	(3,637,731)	226,696,006
– Stage 1	150,296,205	62,529,307	3,902,984	–	216,728,496	(487,885)	216,240,611
– Stage 2	489	2,667,285	4,594,267	–	7,262,041	(228,024)	7,034,017
– Stage 3	–	–	–	6,343,200	6,343,200	(2,921,822)	3,421,378
Financial investments at amortised cost ( <i>Note iv</i> )							
– Stage 1	90,182	–	–	–	90,182	(3)	90,179
Loan commitments and financial guarantee contracts ( <i>Note i</i> )	15,379,242	145,072,587	233,486	–	160,685,315	(93,757)	160,591,558
– Stage 1	15,379,242	145,072,587	–	–	160,451,829	(76,932)	160,374,897
– Stage 2	–	–	233,486	–	233,486	(16,825)	216,661
– Stage 3	–	–	–	–	–	–	–
<b>Total</b>	<b>248,854,538</b>	<b>211,019,179</b>	<b>8,730,737</b>	<b>6,343,200</b>	<b>474,947,654</b>	<b>(3,743,947)</b>	<b>471,203,707</b>
Financial investments at fair value through other comprehensive income – Debt securities ( <i>Note ii</i> )	138,969,660	157,937	–	63,263	139,190,860	(37,853)	
– Stage 1	138,969,660	157,937	–	–	139,127,597	(27,778)	
– Stage 2	–	–	–	–	–	–	
– Stage 3	–	–	–	10,084	10,084	(10,075)	
– POCI	–	–	–	53,179	53,179	–	
<b>Total</b>	<b>138,969,660</b>	<b>157,937</b>	<b>–</b>	<b>63,263</b>	<b>139,190,860</b>	<b>(37,853)</b>	



## UNAUDITED SUPPLEMENTARY FINANCIAL INFORMATION

### (J) RISK MANAGEMENT (CONTINUED)

#### (a) Credit risk management (continued)

##### (vii) Credit quality of financial assets (continued)

Note:

- i The notional amount of commitments and financial guarantee contracts refer to those commitments and financial guarantees which subject to impairment requirements under HKFRS 9. Therefore, figures disclosed in the above do not agree with the figures disclosed in note 35 of the interim financial report.
- ii Debt securities measured at FVOCI are held at fair value. The expected credit losses allowances in respect of debt securities measured at FVOCI are held within reserves.
- iii Classification of credit quality

The Group adopts the following internal risk ratings to determine the credit quality for financial assets.

Credit quality description	Internal ratings
Strong	G01-G12
Satisfactory	G13-G16
Higher risk	G17-G21
Credit impaired	G22-G24

- iv There are no exposures in stage 2 & stage 3 as at 30 June 2025 and 31 December 2024.

##### (viii) Credit quality of debt securities measured at FVPL and FVOCI

For the application of credit rating to debt securities, primarily the issue specific rating would be taken as reference for credit risk rating assignment. Where this is not available, the issuer rating would be adopted. When the issuer rating is not available, the rating of the guarantor of that debt securities (if applicable) would be adopted, otherwise it would be treated as unrated. The following table presents an analysis of the credit quality of investments in debt securities at the end of the reporting period.

	At 30 June 2025			
	Debt securities measured at FVPL HK\$'000	Debt securities measured at FVOCI HK\$'000	Debt securities measured at amortised cost HK\$'000	Total HK\$'000
Aaa	–	11,101,657	–	11,101,657
Aa3 to Aa1	529,566	63,699,293	–	64,228,859
A3 to A1	1,015,196	64,751,075	–	65,766,271
Lower than A3	680,281	4,190,023	–	4,870,304
	2,225,043	143,742,048	–	145,967,091
Unrated	228,807	2,093,345	–	2,322,152
Total	2,453,850	145,835,393	–	148,289,243

## UNAUDITED SUPPLEMENTARY FINANCIAL INFORMATION

### (J) RISK MANAGEMENT (CONTINUED)

#### (a) Credit risk management (continued)

##### (viii) Credit quality of debt securities measured at FVPL and FVOCI (continued)

	At 31 December 2024			
	Debt securities measured at FVPL HK\$'000	Debt securities measured at FVOCI HK\$'000	Debt securities measured at amortised cost HK\$'000	Total HK\$'000
Aaa	–	4,833,913	–	4,833,913
Aa3 to Aa1	106,649	71,612,044	90,179	71,808,872
A3 to A1	149,359	56,932,114	–	57,081,473
Lower than A3	395,989	3,261,587	–	3,657,576
	651,997	136,639,658	90,179	137,381,834
Unrated	44,789	2,551,202	–	2,595,991
Total	696,786	139,190,860	90,179	139,977,825

#### (b) Market risk management

Market risk is the risk of loss caused by an adverse change in valuation associated with holding either long or short market positions. The risk arises as a result of market making, underwriting, principal position taking and asset/liability management in interest rate, foreign exchange, equity, credit and commodity markets and their associated derivative instruments. The Group manages its market risk exposures mainly through its trading and treasury business. The trading business is to facilitate customer activities, but as a result, takes on principal positions. The treasury business performs asset/liability management function including liquidity risk management, with securities positions intended for liquidity management and investment purposes under non-trading portfolio (debt securities measured at fair value through other comprehensive income).

The objective of market risk management is to consistently measure and monitor market risk on a timely and unbiased basis in order to better manage the portfolios and, by doing so, optimise financial performance. The business is responsible for managing market risks to meet corporate performance objectives within the market risk limit parameters. The Risk Management Group (“RMG”) is responsible to independently monitor and report all market risks.

##### **Market risk framework**

The Board of the Group allocates capital or risk appetite through the limit process. The Board delegates Credit & Risk Management Committee (“CRMC”) to establish limits for the different businesses. CRMC further delegates market risk limit establishment to the Market Risk Committee (“MRC”) and then to RMG. RMG is responsible for designing and drafting the market risk limits and framework and reviewing and updating the limits on a regular basis. The market risk limits and framework are to be approved by MRC and ratified by CRMC. In addition, the Board also establishes a set of risk indicators under the risk appetite statement (“RAS”) in measuring different types of risks including market risk.

RMG is an independent function reporting to the Chief Risk Officer (“CRO”). RMG uses both quantitative and qualitative measures in analysing market risk. The analysis includes, but not limited to, Value-at-Risk (“VaR”), stress testing, risk sensitivities, market events, product liquidity and volatility, underlying quality, hedging strategy, performance including profit and loss, accuracy of valuations and capital impact from market fluctuations. The results are regularly reported to senior management and to MRC and CRMC.

## UNAUDITED SUPPLEMENTARY FINANCIAL INFORMATION

### (J) RISK MANAGEMENT (CONTINUED)

#### (b) Market risk management (continued)

##### *Methodology and characteristics of market risk model*

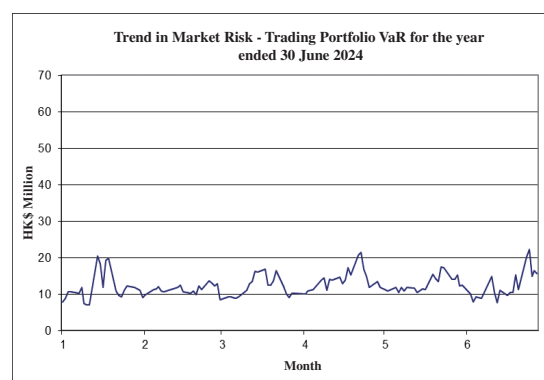
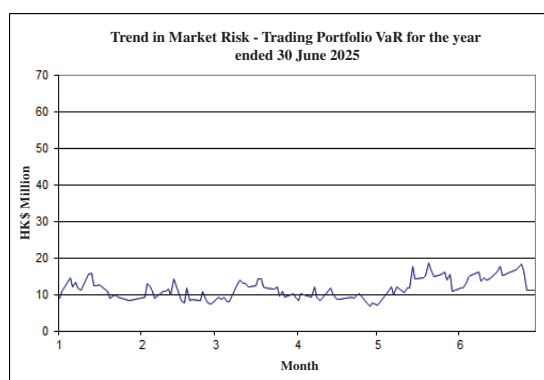
##### *Value-at-risk ("VaR")*

VaR is a technique in estimating the potential losses that could occur on market risk-taking positions due to market rates and prices movement under normal market conditions over a specified time horizon. The model is designed to capture different types of risk including interest rate risk, foreign exchange risk, credit spread risk, equity risk, commodity risk and volatility risk.

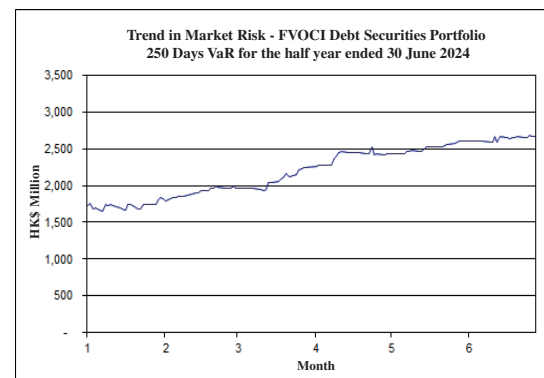
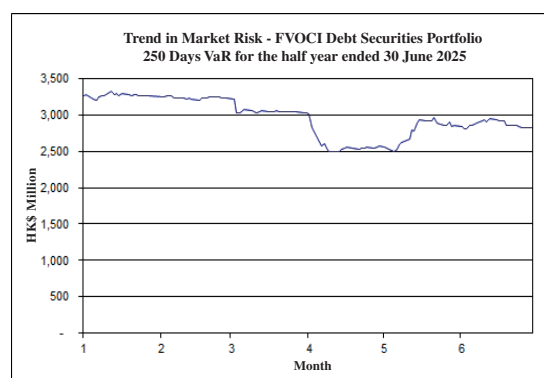
The VaR model used by the Group is based on the historical simulation technique. The technique predicts the value at risk by simulating or constructing position returns over time arise from the historical changes in rates and prices in the interest rate, foreign exchange, equity, credit and commodity markets.

For the calculation of VaR, the Group uses the most recent two years of historical market rates, prices and volatilities.

- For the trading positions, the VaR is calculated for one-day holding period.



- For the FVOCI debt securities and related positions, VaR is calculated for 250-day holding period.



## UNAUDITED SUPPLEMENTARY FINANCIAL INFORMATION

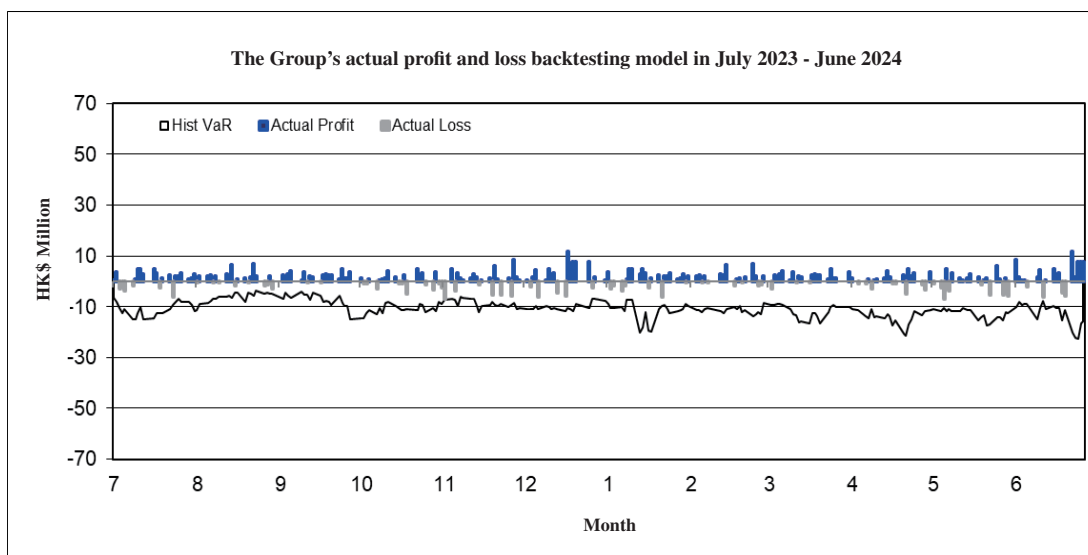
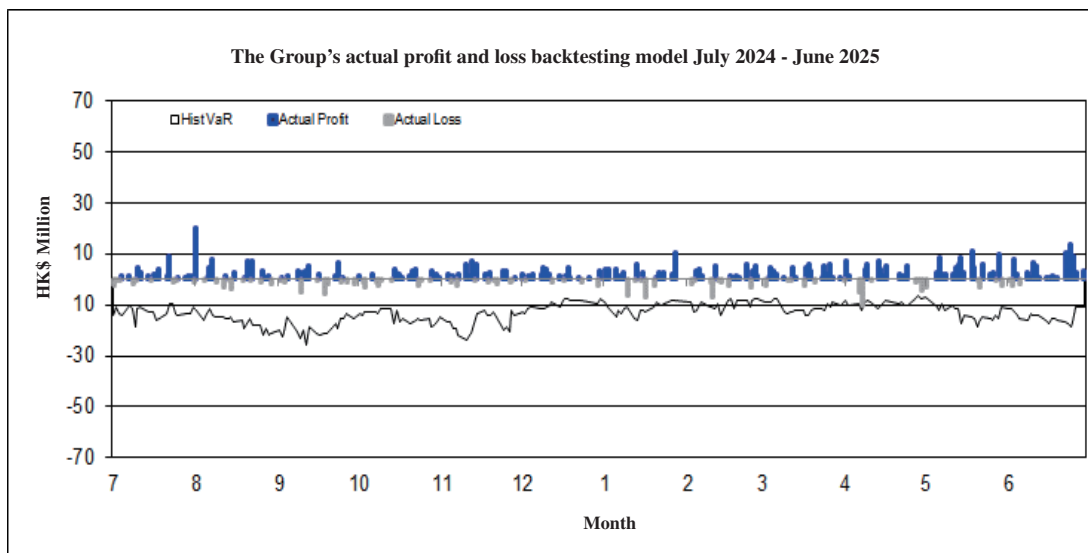
### (J) RISK MANAGEMENT (CONTINUED)

#### (b) Market risk management (continued)

##### *Methodology and characteristics of market risk model (continued)*

##### *Value-at-risk (“VaR”) (continued)*

- The Group back-tests the accuracy of its VaR model by comparing the actual and hypothetical daily profit and loss, adjusted for items including fees and commissions, against the corresponding VaR figures. For the period from 1 July 2024 to 30 June 2025, there was no exception in the back-testing results (for the period of 1 July 2023 to 30 June 2024, there was no exception), which corresponds to the green zone specified by the HKMA and the international Basel principles.



## UNAUDITED SUPPLEMENTARY FINANCIAL INFORMATION

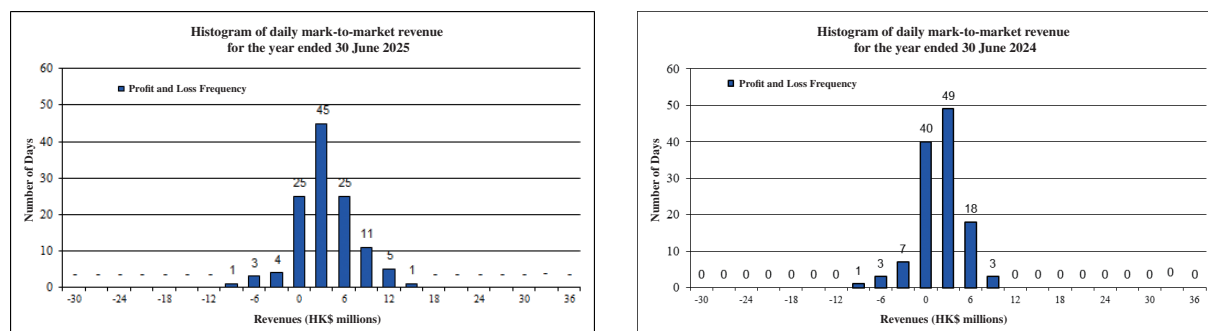
### (J) RISK MANAGEMENT (CONTINUED)

#### (b) Market risk management (continued)

##### *Methodology and characteristics of market risk model (continued)*

##### *Value-at-risk (“VaR”) (continued)*

For the six months ended 30 June 2025, the average daily mark-to-market revenue from the Group’s trading portfolio was a gain of HK\$2,050,000 (30 June 2024: gain of HK\$427,000). The standard deviation of the daily revenue was HK\$3,878,000 (30 June 2024: HK\$3,013,000). The graphs below show the histograms of the Group’s daily mark-to-market revenue for the period ended 30 June 2025 and 2024, respectively.



The tables below decomposes VaR by risk factors for the trading positions and the FVOCI debt securities-related positions.

#### 1-day VaR for the trading positions

	Six months ended 30 June 2025				Six months ended 30 June 2024			
	Approximate			At 30	Approximate			At 30
	Maximum HK\$'000	Minimum HK\$'000	Mean HK\$'000	June 2025 HK\$'000	Maximum HK\$'000	Minimum HK\$'000	Mean HK\$'000	June 2024 HK\$'000
Foreign exchange risk	11,095	3,484	6,090	6,674	16,030	3,439	6,964	11,109
Interest rate risk and credit spread risk	18,095	(1,207)	9,809	9,843	18,983	4,974	9,748	9,280
Total VaR	18,651	6,637	11,689	10,948	22,247	7,118	12,399	15,729

#### 250-day VaR for the debt securities measured at FVOCI related positions

	Six months ended 30 June 2025				Six months ended 30 June 2024			
	Approximate			At 30	Approximate			At 30
	Maximum HK\$'000	Minimum HK\$'000	Mean HK\$'000	June 2025 HK\$'000	Maximum HK\$'000	Minimum HK\$'000	Mean HK\$'000	June 2024 HK\$'000
Interest rate risk	3,933,285	2,751,152	3,408,743	2,751,152	3,164,413	2,026,472	2,746,038	3,131,550
Credit spread risk	3,024,782	1,610,734	2,498,963	1,610,734	2,710,583	1,613,874	2,185,908	2,708,681
Total 250-day VaR	3,321,052	2,489,968	2,968,627	2,818,477	2,677,627	1,654,331	2,199,413	2,670,447

## UNAUDITED SUPPLEMENTARY FINANCIAL INFORMATION

### (J) RISK MANAGEMENT (CONTINUED)

#### (b) Market risk management (continued)

##### *Stress testing*

Stress testing is implemented as a compliment of the VaR model in order to capture remote, but plausible events. The Group uses both sensitivity-based and historical-based scenarios for market risk stress testing. The results are reported to senior management, MRC and CRMC.

##### *Currency risk*

The Group's foreign exchange risk stems from taking foreign exchange positions from commercial dealings, investments in foreign currency securities, and operations of the Group and its overseas branches and subsidiaries. The Group's foreign exchange positions are subject to exposure limits approved by the MRC. Methods adopted to measure foreign currency risk exposure against corresponding limits include individual currency positions, overall foreign exchange positions and sensitivities such as Greeks (for foreign exchange options). For the period ended 30 June 2025, the Group's average daily trading profit and loss from foreign exchange positions was a profit of HK\$1,579,000 (six months ended 30 June 2024: a loss of HK\$917,000) with a standard deviation of HK\$6,894,000 (six months ended 30 June 2024: HK\$9,023,000).

Significant foreign currency exposures at the end of the reporting period were as follows:

Equivalent in HK\$'000	At 30 June 2025				At 31 December 2024			
	USD	RMB	Others	Total	USD	RMB	Others	Total
Spot assets	180,311,581	52,949,834	43,834,258	277,095,673	170,889,603	44,942,428	34,224,418	250,056,449
Spot liabilities	(184,320,764)	(44,522,530)	(21,400,583)	(250,243,877)	(158,744,716)	(34,614,920)	(14,823,524)	(208,183,160)
Forward purchases	667,361,102	370,807,263	60,243,360	1,098,411,725	566,094,879	361,108,987	45,061,281	972,265,147
Forward sales	(655,059,567)	(377,873,805)	(82,561,773)	(1,115,495,145)	(572,979,872)	(369,138,473)	(65,365,374)	(1,007,483,719)
Net options position	(3,919,618)	(1,126,071)	(162,457)	(5,208,146)	(2,629,235)	(1,546,167)	1,077,900	(3,097,502)
Net long/(short) position	<u>4,372,734</u>	<u>234,691</u>	<u>(47,195)</u>	<u>4,560,230</u>	<u>2,630,659</u>	<u>751,855</u>	<u>174,701</u>	<u>3,557,215</u>
Net structural position	<u>-</u>	<u>690,525</u>	<u>145,548</u>	<u>836,073</u>	<u>-</u>	<u>636,053</u>	<u>145,526</u>	<u>781,579</u>

The net option position is calculated using the Model User Approach, which has been approved by the HKMA.

##### *Interest rate risk*

The Group's interest rate risk arise from its banking and trading book. For the banking book, ALCO and RMG are responsible in overseeing the interest rate exposure arising from its assets and liabilities management. The function of central treasury units is responsible in managing the interest rate risk using different financial products including interest rate derivatives, under which hedge accounting treatment is adopted. The interest rate risk includes gap risks, basis risks and embedded option risks, and are governed by the Interest Rate Risk Management Policy for the Banking Book.

For the trading book, MRC and RMG are responsible in overseeing the interest rate exposure from its trading portfolio. Global Markets is responsible in managing the interest rate risk using different financial products including derivatives, under which mark-to-market treatment is adopted. The interest rate risk includes basis risks, yield curve risks and embedded option risks, and are governed by the Market Risk Policy.

For the six months ended 30 June 2025, the Group's average daily trading profit and loss related to interest rate and fixed income trading strategy was a gain of HK\$471,000 (30 June 2024: a gain of HK\$1,344,000), with a standard deviation of HK\$6,723,000 (30 June 2024: HK\$8,487,000).

## UNAUDITED SUPPLEMENTARY FINANCIAL INFORMATION

### (J) RISK MANAGEMENT (CONTINUED)

#### (c) Liquidity risk management

Liquidity risk is the risk that the Group may not be able to fund an increase in assets or meet obligations as they fall due without incurring unacceptable losses. Such funding liquidity risk arises from the maturity mismatch of the assets and liabilities that the Group manages.

The liquidity risk management framework is as follows:

- The Board of Directors is ultimately responsible for the liquidity risk assumed by the Group and the manner in which the risk is managed. The Board has delegated to the Credit and Risk Management Committee (“CRMC”) to oversee the Group’s liquidity risk management, which further delegates to the Asset and Liability Committee (“ALCO”) to formulate policies and strategies related to Asset and Liability Management, including liquidity policies.
- The ALCO is established by the Chief Executive Officer and ratified by the CRMC as the governing body responsible for formulating and implementing policies, strategies, guidelines and limit structures. It also identifies, measures and monitors the Group’s liquidity risk profile to ensure current and future funding requirements are met. In addition, the ALCO monitors a set of risk indicators for liquidity risk. Daily liquidity stress testing, which includes market general, bank-specific and combined (market general and bank-specific) stress scenarios, is conducted by the Risk Management Group, and the stress results are regularly reviewed by the ALCO to assess the current risk tolerance level and the level of the liquidity cushion. A Contingency Funding Plan is established which sets out the strategies for addressing liquidity stress situations. The plan contains a set of policies, procedures and action plans, with clearly established lines of responsibility, as well as invocation and escalation procedures. This plan is reviewed and approved by the Board on a regular basis.
- Daily liquidity management is managed by the Central Treasury Unit to monitor funding requirements. This unit is supported by other functional departments including the Financial Management Group and Risk Management Group, which monitor the liquidity risk and provide regular reports to the management, committees and local regulatory bodies. Limits for net cash flow per different time bucket under stress scenarios have been set to ensure that adequate funding and liquid assets are available to meet liquidity needs. Moreover, limits, alerts or desirable levels are set for other liquidity risk indicators such as the statutory liquidity ratios, the loan-to-deposit ratio, the currency mismatch ratio and the maturity mismatch position. Both quantitative and qualitative measures are employed to identify and measure liquidity risk. Limits, alerts or desirable levels related to liquidity risk are monitored and reported by the Financial Management Group or Risk Management Group to the ALCO to review and approve on a regular basis. The Internal Audit Group performs periodic reviews to ensure liquidity risk management functions are carried out effectively.

Liquidity management is conducted at the Group and the Bank levels, and at individual overseas branches and subsidiaries. Financial subsidiaries and overseas branches are responsible for implementing their own liquidity management policies under the framework established by the ALCO and local regulatory requirements, taking into account their different liquidity risk characteristics. The liquidity situation of overseas branches and subsidiaries falls under the overall supervision of the ALCO. Policy and respective counterparty limits are set for overseas branches and subsidiaries in respect of the funding support extended from the head office. The Group expects all business units to contribute to the success of managing liquidity under normal and contingency situations by maintaining a rapport with depositors, customers, interbank counterparties, related companies and the HKMA.

## UNAUDITED SUPPLEMENTARY FINANCIAL INFORMATION

### (J) RISK MANAGEMENT (CONTINUED)

#### (c) Liquidity risk management (continued)

The objective of liquidity management is to meet obligations payable under normal and emergency circumstances, to fund asset growth and to comply with the statutory liquidity requirements. To achieve this, the following liquidity management processes are in place:

- Projecting cash flows in normal and various stress scenarios, using the net mismatch gap between assets and liabilities to estimate the prospective net funding requirement;
- Factoring potential drawdown on irrevocable committed facilities into our normal and stress scenarios to cater for contingent liquidity risk;
- Monitoring the statutory liquidity ratios, the loan-to-deposit ratio, the currency mismatch ratio and the maturity mismatch position against internal and/or regulatory requirements;
- Ensuring a sound and diversified range of funding sources, through monitoring the structure and the stability of the deposit portfolio;
- Projecting the statutory liquidity ratios regularly for the short to medium term to permit early detection of liquidity issues and to ensure the ratios are within statutory requirements and internal triggers;
- Projecting a high-level funding requirement and funding structure during the annual budget process to ensure sufficient funding and an appropriate funding mix;
- Conducting liquidity risk assessment before launching a new product;
- Maintaining High Quality Liquid Assets (“HQLA”) comprising cash and investment grade securities as a cushion against unexpected funding needs. The amount of HQLA that the Group maintains is determined with reference to the statutory requirement and the results of the liquidity stress tests;
- Maintaining access to the interbank money market;
- Maintaining funding programmes to tap debt funding on a regular basis;
- Monitoring the Group’s collateral requirement. Periodically assess and review the additional collateral required under derivative contracts and credit downgrade events. Based on the positions at 30 June 2025, in the event of a 2-notch downgrade, the impact on the Group’s additional collateral requirement is minimal; and
- Maintaining a Contingency Funding Plan, which integrates with the results of the scenarios and assumptions used in the stress test, including setting early warning indicators (including internal and market indicators), and describing actions to be taken in the event of a stress crisis, so as to minimise adverse long-term implications for business.

The Group funds its operations through a diversified funding source, primarily from the retail and corporate customer deposits. At the same time, it also participates in the wholesale funding market through the issuance of certificates of deposit (“CDs”) to secure another source of term funding and to enable diversification of funding sources. Deposit tenor mix and debt maturities are regularly monitored to ensure there is an appropriate funding maturity mix.



## UNAUDITED SUPPLEMENTARY FINANCIAL INFORMATION

### (J) RISK MANAGEMENT (CONTINUED)

#### (c) Liquidity risk management (continued)

Under the Banking (Liquidity) Rules, the Group being a Category 1 institution is required to maintain a Liquidity Coverage Ratio (“LCR”) and Net Stable Funding Ratio (“NSFR”) above the statutory minimum requirements.

An appropriate level and currency mix of HQLA has been maintained to ensure that the Group could handle sudden drains in market liquidity due to adverse or unexpected economic events under the HKMA’s regulatory framework. Besides, the Group also monitors and reports the LCR for each individual significant currency to ALCO regularly to control the currency mismatch in the LCR. The decrease in average LCR for the first half of 2025 compare to the second half of 2024 was mainly due to the increase in deposit outflow, partly offset by the increase in the size of HQLA holdings.

	Weighted amount (average value)				
	For quarter ended 30 June 2025	For quarter ended 31 March 2025	For quarter ended 31 December 2024	For quarter ended 30 September 2024	For quarter ended 30 June 2024
Average LCR	211%	200%	227%	198%	217%

The Group always maintains sufficient cash and liquid positions as well as a pool of HQLA as a liquidity cushion that can be liquidated in stress scenarios. The majority of HQLA included in the LCR is Level 1 assets as defined in Banking (Liquidity) Rules. The below table shows the composition of the Group’s HQLA in the LCR framework:

	Weighted amount (average value)				
	For quarter ended 30 June 2025 HK\$’000	For quarter ended 31 March 2025 HK\$’000	For quarter ended 31 December 2024 HK\$’000	For quarter ended 30 September 2024 HK\$’000	For quarter ended 30 June 2024 HK\$’000
Level 1 assets	64,665,695	57,780,098	57,103,811	55,924,629	56,293,315
Level 2 assets	24,571,096	26,359,135	23,206,340	19,543,585	18,513,384
Total	89,236,791	84,139,233	80,310,151	75,468,214	74,806,699

The Group also maintains sufficient available stable funding in support of its longer-term assets to meet the statutory NSFR requirements. The decrease in the NSFR in the first half of 2025 was mainly driven by the increase in customer loans and interbank placements, partly offset by the increase in customer deposits. There is no interdependent asset and liability as defined in the Banking (Liquidity) Rules in the Group.

	Quarter ended 30 June 2025	Quarter ended 31 March 2025	Quarter ended 31 December 2024	Quarter ended 30 September 2024	Quarter ended 30 June 2024
NSFR	147%	147%	149%	142%	142%

For the purposes of compliance with Banking (Disclosure) Rules, information relating to the Group’s liquidity are published by using standard disclosure templates as specified by the HKMA and they can be viewed in the Regulatory Disclosures section of our Bank’s corporate website at [www.cncbinternational.com](http://www.cncbinternational.com).

## UNAUDITED SUPPLEMENTARY FINANCIAL INFORMATION

### (J) RISK MANAGEMENT (CONTINUED)

#### (d) Capital management

The Group's primary objectives when managing capital are:

- to comply with the capital requirements set by the banking regulators in the markets where the entities within the Group operate;
- to maintain a strong capital base to support the development of its business; and
- to safeguard the Group's ability to continue as a going concern, so that it can continue to provide returns for shareholders and benefits for other stakeholders.

The HKMA sets and monitors capital requirements for the Group as a whole. An individual banking subsidiary is directly regulated by its local banking supervisor. The HKMA requires that the Group maintains three prescribed minimum risk-weighted capital ratios: Common Equity Tier 1 ("CET1") capital ratio, Tier 1 capital ratio and total capital ratio. At 30 June 2025, the capital buffers applicable to the Group include (i) the capital conservation buffer ("CCB") which is designed to ensure that banks build up capital outside periods of stress of 2.5% of risk-weighted amounts and (ii) countercyclical capital buffer ("CCyB"), which is designed to provide protection against the built-up of system-wide risks, is set on an individual country basis ranging from 0% to 2.5% of risk-weighted amounts. On 18 October 2024, the HKMA reduced the CCyB ratio for Hong Kong from 1.0% to 0.5% of risk-weighted amounts. Basel III framework also introduced a leverage ratio as a non-risk-based backstop limit, to supplement risk-based capital requirements. The statutory minimum leverage ratio is 3%.

The Basel III final reform package was implemented by the HKMA in Hong Kong on 1 January 2025, covering credit risk, market risk, operational risk and credit valuation adjustment ("CVA"). The Group adopts the standardised approach to calculate risk-weighted amounts for credit risk, market risk and operational risk. For CVA, the Group uses reduced basic CVA approach to calculate CVA risk capital charge. Banking operations are categorised as either trading or banking book, and risk-weighted amounts are determined according to specified requirements that seek to reflect the varying levels of risk attached to assets and off-balance sheet exposures.

The Group actively and regularly reviews and manages its capital structure to maintain a balance between the higher shareholder returns that might otherwise be possible with greater gearing, and the advantages and security afforded by a sound capital position, and makes adjustments to the capital structure in light of changes in economic conditions. In order to comply with the risk-based supervisory framework of capital adequacy stipulated by the HKMA, the Group conducts the Internal Capital Adequacy Assessment Process, which assesses the capital requirement for Pillar 2 risks and hence the capital requirement for Pillar 1 and 2 is derived. Moreover, as part of the capital management policy and to ensure capital adequacy, the Group conducts capital planning annually, which takes into account the strategic focus, future business growth, risk appetite and regulatory requirement. The plan covers the issuance of capital instruments, if required, to ensure the Group's capital ratios are well above their respective internal monitoring levels and regulatory requirement. Regular stress testing is performed to ensure that the impact of extreme but plausible scenarios on the risk profile and capital position is considered. Stress testing also gives an insight into the potential impact of significant adverse events and how these could be mitigated.

Consistent with industry practice, the Group monitors its capital structure on the basis of the capital adequacy ratio. There have been no material changes in the Group's policy on the management of capital during the period.

The capital adequacy ratios at 30 June 2025 were computed on the consolidated basis of the Group and some subsidiaries as specified by the HKMA for its regulatory purposes, and are in accordance with the Banking (Capital) Rules of the Hong Kong Banking Ordinance.

The Group and its individually regulated operations have complied with all externally imposed capital requirements throughout the period ended 30 June 2025 and year ended 31 December 2024, and the Group's capital ratios are well above the minimum required ratios set by the HKMA.

## UNAUDITED SUPPLEMENTARY FINANCIAL INFORMATION

### (J) RISK MANAGEMENT (CONTINUED)

#### (e) New Product Risk Governance

##### ***Definition of New Product Risk***

New Product Risk comprise the risks associated with launch of new products and services (including significant changes to existing products and services), encompassing credit, market, interest rate, liquidity, operational, reputation, strategic, legal and compliance risks.

##### ***Governance Framework***

The Group has established a robust new product governance framework to ensure all new products and services are subject to proper assessment and approval prior to launch. The framework is governed by the New Product Approval Policy, which is approved by the Board and under the oversight of the New Product Committee (“NPC”) and the CRMC. The effective implementation of the controls and monitoring measures is driven by the dedicated unit under the Risk Management Group, with the support from other risk management functions and subject matter experts on specific risk areas, including the Controls & Compliance Group, Financial Management Group, Operations Management Group, Information Technology Group and CEO Office.

#### (f) Operational risk management

##### ***Definition of operational risk***

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

##### ***Governance framework***

The Group has established an Operational Risk Governance Framework (“ORGF”) to identify, assess, mitigate, control, monitor and report operational risk. The ORGF encompasses every member within the Group and is governed by policies and guidelines which define the minimum requirements to ensure a consistent approach to manage operational risks. The Operational Risk Management Committee (“ORMC”) is established by the Chief Executive Officer (“CEO”) and ratified by CRMC, which is a Board delegated Committee to oversee Operational Risk Management (“ORM”) and relevant matters including but not limited to operational risk management performance, and review and approval of relevant policies, risk appetite and limits. Implementation of ORM plans and tools is driven by a Group-level ORM department with the support from other key participants and subject matter experts in ORM.

##### ***Management of operational risk***

To ensure effective management of operational risk across the Group, the Operational Risk Governance Framework presents three lines of defense as depicted below:

**First Line of Defence** – Day-to-day operational risk management lies with our business units, support units and the Business Operational Risk Officer (“BORO”) of each unit assists the respective unit heads in this regard. Business and support units are responsible for identifying, assessing, managing and monitoring operational risks.

**Second Line of Defence** – ORM department assists senior management in meeting their responsibility of understanding and managing operational risk and ensures the development and consistent application of operational risk policies, processes and procedures throughout the Group. The ORM department works closely with the first Line of Defence (1LOD) to strengthen the Group’s operational risk management by offering guidance and functional oversight support, monitors the Group’s overall operational risk exposures and ensures that all material risks are promptly and appropriately escalated to the ORMC, CRMC and senior management of the Group for their attention.

**Third Line of Defence** – The Internal Audit Group examines and evaluates the adequacy and control effectiveness of the ORGF on an ongoing basis.

Risk assessments are conducted on all existing or new material products, processes, systems, outsourced activities and projects with key changes to operations.

## UNAUDITED SUPPLEMENTARY FINANCIAL INFORMATION

### (J) RISK MANAGEMENT (CONTINUED)

#### (f) Operational risk management (continued)

##### *Key tools and methodologies*

The Group identifies, assesses, monitors and reports on operational risk through the ORM tools and systems as set out below:

- Operational Risk & Control Self-Assessment (“RCSA”) is a tool to identify and assess the level of operational risk and effectiveness of control. RCSA has been rolled out across the business and support units under the guidance of the ORM department. RCSA leaders are nominated by the management of each business and support unit to conduct self-assessments and identify key risk factors in their daily business and support functions. Each key risk factor is assessed and quantified for financial impact, in terms of the estimated loss impact of each occurrence and estimated number of occurrences. In addition to the financial impact assessment, non-financial impacts including customer, regulatory and reputation impacts are also assessed taking into considerations of both likelihood of risk materializing and severity of impact.
- Key Risk Indicators (“KRIs”) are statistical metrics that take various risk factors into consideration and serve to provide early warning signals for management’s monitoring and action. Through regular monitoring of these KRIs, areas of potential operational control weaknesses can be identified at an early stage and addressed promptly. KRIs are developed at two levels, namely the group and the unit level. Unit level KRIs are developed by the respective units, and are monitored and tracked for progress towards completion of applicable mitigation plans. Thresholds are established for each business unit and support unit with reference to the risk appetite of the Group or the acceptable risk level for the unit under each risk factor.
- Operational risk incidents are reported into a centralized operational loss database. The ORM department ensures all material operational risk incidents are registered in the database, and are properly investigated, with corrective and preventive actions promptly executed according to agreed timelines. The loss data collected in the database can facilitate the calculation of operational risk capital requirements after the necessary validation is completed. It also supports the production of regular reports for senior management, ORMC and CRMC to review the impact of significant incidents and monitor operational risk loss trends. An escalation protocol is in place to ensure that operational risk incidents with significant impact are properly reported to the regulatory authorities, if deemed necessary. Lower impact operational risk events are also collected to assist trend analysis and provide a more forward looking perspective of potential risk issues that warrant for closer attention.
- Operational Risk Dashboard (“ORD”) provides senior management with an overview of the key operational risk issues including but not limited to the progress of the RCSA reviews and KRI evaluation results. This information is submitted to the ORMC and relevant summarized information is submitted to the CRMC quarterly as part of the Group-wide Risk Status Update Report. The Group-wide Risk Status Update Report captures the implementation status of ORM initiatives, contains analysis on the trend of operational losses, highlights operational risk incidents that have a material impact on the Group.

The Group will continuously fine-tune and enhance its Operational Risk Governance Framework to align with industrial developments and good practices. A web-based learning programme on operational risk is required for all new joiners and an annual refresher training on ORGF is compulsory for all staff. Training workshops led by the ORM department are offered to business and support units with the objectives to raise operational risk awareness among staff, familiarize them with the ORM tools and enhance understanding of the ORGF along with their roles, responsibilities and accountabilities. This is further reinforced by strong management support which encourages staff to embrace and pursue operational excellence.

##### *Operational resilience*

The Group has established an operational resilience framework to prepare for and manage risks to critical operations delivery. The Group will regularly review the operational resilience parameters (including the coverage of critical operations), identify what risks or events may affect or disrupt critical operations delivery, and assess whether it is able to continue delivering critical operations through disruption (including under severe but plausible scenarios). The review results will be reported to the CRMC. The Group will also conduct scenario testing to regularly assess whether it is able to continue delivering critical operations through disruption.

The Group’s long-term goal is to cultivate a proactive, responsible and accountable culture on ORM, and achieve operational excellence through robust and continuous operational risk management.

## UNAUDITED SUPPLEMENTARY FINANCIAL INFORMATION

### (J) RISK MANAGEMENT (CONTINUED)

#### (g) Legal risk management

The Group remains abreast of all legal and regulatory requirements applicable to its governance and operations, and continuously seeks to develop its people, enhance its systems and processes, and implement changes as necessary to meet the demands and create awareness of such requirements. Regular reviews are conducted with respect to the Group's policies and procedures to ensure the same reflect the latest legal and regulatory requirements. Issuance of new or substantially revised policies and procedures are often accompanied by relevant training. There is a strong process in place to ensure legal and regulatory risks are identified, monitored and mitigated. Any significant matters that arise relating to such risks are reported as appropriate by the Legal and Compliance function to the Group's CRMC or senior management.

The Legal and Compliance Department has been one of the key partners in the business, providing legal and compliance advice and support to all parts of the Group and working with business and support units to ensure relevant controls are in place. In the first half of 2025, the Legal and Compliance Department had actively involved in new product launches and new business initiatives, strategically important transactions and commercial agreements, outsourcing arrangements as well as day-to-day matters arising from the Group's business. The Legal and Compliance Department will remain heavily involved in monitoring and ensuring compliance with changing regulatory requirements in various areas impacting the Group, and will continue to advise and support the Group in meeting the legal and regulatory challenges that lay ahead.

#### (h) Strategic and reputation risk management

Strategic risk management refers to the Group's efforts to develop, uphold and implement strategic decisions related to its long-term growth and development. Reputation risk management refers to the Group's efforts to protect its brand name and business franchise from any potential damages arising from negative publicity and information about its business practices, conduct or financial condition.

The CRMC of the Group meets regularly to monitor and oversee the Group's strategic and reputation risks. Senior management places high priority on ensuring that the Group's business and operational strategies are appropriately defined and are executed professionally and promptly. Such strategies are reviewed regularly to enable the Group to respond efficiently to changes in its operating and regulatory environment. Business priorities, set on a bank-wide basis, as well as for individual business and support units, are aligned to support the Group's strategies, and measurable targets are assigned to ensure execution excellence. Great care is also taken to protect the Group's reputation and to maximise its brand equity. This includes ongoing efforts to monitor and ensure high standards of customer satisfaction, operational efficiency, legal and regulatory compliance, public communication and issues management.

## REPORT OF THE CHIEF EXECUTIVE OFFICER

In the first half of 2025, Hong Kong's banking industry faced a complex and challenging operating environment, clouded by escalating geopolitical conflicts and intensifying global trade frictions amid the tariff war. Market interest rates fluctuated sharply, and commercial real estate sector remained under pressure, posing heightened challenges to banks' asset-liability management and asset quality control. Meanwhile, Mainland China's economy demonstrated resilience. Hong Kong accelerated its integration into the national economy, and multilateral financial cooperation expanded. Effective credit demand warmed, and deeper interconnection between the Mainland China's and Hong Kong's financial markets injected new vitality into Hong Kong's financial market. China CITIC Bank International Limited ("CNCBI" or "the Bank") and its subsidiaries (together "the Group") further leveraged the synergies within CITIC Group and its parent bank, China CITIC Bank Corporation Limited ("CNCB"). Based on CNCB's positioning as a major platform for offshore business and channel for cross-border collaboration, the Group fully aligned with CITIC Group's internationalisation and Hong Kong-Macau development strategies to accelerate business transformation and pursue sustainable high-quality development. All major operating indicators achieved satisfactory results, and its income composition, customer base and asset-liability structure were further optimised. In the first half of 2025, the Group's profit attributable to shareholders amounted to HK\$2.09 billion, rising 97.8% year-on-year.

## FINANCIAL REVIEW

In the first half of 2025, the Group recorded an operating income of HK\$5.88 billion, representing a 13.0% year-on-year increase. Due to fluctuations in market interest rates, net interest income declined by 1.8% to HK\$3.59 billion, and net interest margin narrowed by 28 basis points to 1.47%. The income structure was optimised with non-interest income rising by 48.0% to HK\$2.29 billion, mainly driven by higher net fee and commission income from investment and insurance products and services, as well as notable growth in treasury-related income and gains from the disposal of financial investments.

The Group continued to enhance resource utilisation efficiency and strengthen cost management. Through proactive and refined financial resource management, the Group focused investments on strategic priority areas. Operating expenses amounted to HK\$2.37 billion. Cost-to-income ratio was 40.3%.

The Group also improved asset quality control and credit risk management. As of end-June 2025, impairment losses dropped by 45.7% year-on-year to HK\$1.12 billion. Impaired loan ratio was 1.77%, a decrease of 36 basis points from year-end 2024.

Amid a complex and evolving external environment, the Group dynamically managed its assets and liabilities to enhance capital efficiency, and continuously optimised funding costs and structure. As of end-June 2025, total assets reached HK\$550.84 billion, marking a 12.6% increase compared to year-end 2024. Customer loans (including trade bills) rose by 8.1% to HK\$247.70 billion. Customer deposits (including certificates of deposit issued) grew by 9.5% to HK\$408.57 billion. The loan-to-deposit ratio remained at a healthy level of 60.6%.

The Group maintained adequate capital and met all regulatory requirements with regard to total capital ratio, Tier 1 capital ratio, Common Equity Tier 1 capital ratio and liquidity.

## BUSINESS REVIEW

### Wholesale Banking Business

Wholesale banking business adhered to the development strategy of "stability" and "innovation", resulting in stable operations and several innovative breakthroughs. However, operating income declined by 14.9% year-on-year due to narrowed loan interest margin, following the movement of the Hong Kong dollar interbank rate.

Loan business achieved both quantitative and qualitative growth. Through increased volume to offset the price drop and accelerated expansion of high-quality customers, customer loans reached HK\$160.92 billion as of end-June 2025, representing an 11.8% increase from year-end 2024. The proportion of loans to high-quality credit customers rose to 75.2%. Credit quality continued to improve, with reductions in both the impaired loan ratio and loan impairment losses.



Structured finance business maintained strong performance. Based on statistics from the London Stock Exchange Group, the Group ranked second in both transaction volume and number of transactions in the Hong Kong and Macau Syndicated Loan MLAB League Table for the first half of 2025. Transaction volume rose by nearly US\$1.8 billion year-on-year to US\$2.99 billion.

Transaction banking business developed rapidly, underpinned by the effective implementation of key business initiatives. In the first half of 2025, the Group completed the first H-share Dividend Payment project for CNCB, transferred the settlement bank service of a Chinese brokerage's offshore subsidiary for the Hong Kong Stock Exchange to the Group, and provided bundled solutions of Central Clearing and Settlement System and overdraft facilities for brokerage customers, further strengthening its one-stop comprehensive service capabilities.

Securities services business maintained its rapid growth momentum. Total income increased by 29.0% year-on-year in the first half of 2025, with fee income rising by 78.4%. Through efficient cross-border custody solutions that flexibly connected Mainland China and Hong Kong, the Group's total assets under custody and trustee services increased by 16.8% and 28.8% respectively from year-end 2024, reaching HK\$360.21 billion and HK\$233.63 billion as of end-June 2025.

### **Treasury and Markets Business**

Treasury and global markets business achieved rapid growth, with business scale and market competitiveness, particularly in areas such as bond issuance and trading, continuing to improve, resulting in a significant year-on-year increase in operating income.

For trading business, total macro trading volume exceeded HK\$5.5 trillion in the first half of 2025. The Group received the "Top 5 Trading Volume (SPOT) 2024" award from the London Stock Exchange, and its RMB foreign exchange trading volume remained amongst the highest of all Chinese financial institutions in Hong Kong. Product line continued to expand, offering customers a range of risk management products such as foreign exchange and interest rate hedging, alongside wealth management products such as structured deposits and certificates of deposit. These helped customers preserve and grow their assets amidst fluctuations in offshore interest rates. By capitalising market opportunities, a year-on-year growth of 164.3% in related non-interest income was achieved, primarily through bond swing trading and foreign exchange swaps.

Debt capital markets business maintained its leading position in the industry. In the first half of 2025, public bond issuance totalled approximately US\$29.31 billion. The number of projects in which serving as joint global coordinator grew by 12.1% year-on-year. By fully leveraging advantages in business areas such as "Southbound Connect" and offshore RMB to support the internationalisation of RMB, offshore RMB certificates of deposit continued to lead the market. The first sovereign bond issuance project in Central Asia was completed for the first time, and RMB bonds were underwritten for the Hong Kong Special Administrative Region Government.

### **Personal and Business Banking Business**

Personal and business banking business showed good momentum with accelerated growth and an optimised structure. Operating income increased by 35.5% year-on-year, while non-interest income rose by 46.7%.

The Group deepened its strategic cooperation with chambers of commerce, innovation and technology industries, commodity exchanges, local conglomerates, and institutions. This cooperation yielded achievements in customer acquisitions, small and medium-sized enterprise ("SME") loans, employee payroll services, payments and settlements solutions, and co-branded credit cards. Inclusive finance effectiveness continued to expand. During the first half of 2025, over 3,000 taxi drivers registered for the Group's taxi mobile payment solution in Hong Kong. These initiatives led to an 11.1% rise in retail deposits compared to year-end 2024, with the balance of current and savings accounts increasing by 53.2%, further optimising the liability structure. By capitalising on the changes in market interest rates, mortgage loan and personal loan portfolios were expanded strategically. As a result, new mortgage loans and new personal loans rose by 170.0% and 23.3% year-on-year, respectively.

The Group closely collaborated with CITIC Group and CNCB to flexibly seize opportunities in cross-border wealth management business, and fully met customers' asset allocation needs with differentiated and diversified wealth management solutions, driving wealth management-related income to grow by over 40% year-on-year, and cross-border business-related income to grow by nearly 30%. Focusing on high-net-worth customers, the integrated service efficiency of the "dual private banking centres" in Hong Kong and Singapore was further enhanced, resulting in an increase in private banking business revenue by 57.4%.

## **FINTECH TRANSFORMATION**

The Group accelerated its Fintech transformation, strengthened the use of technology to improve operations and risk-control capabilities, and continuously empowered business development.

For wholesale banking business, customer channels were improved, the "Corporate e-Token" mobile service was launched, "Cross-border Wealth Management Connect" was optimised for cross-border transaction settlement, and key projects such as the online corporate account application (eForm) and regional channel development were implemented in an orderly manner. The number of E-channel corporate customers increased by 11.1% compared to year-end 2024. For treasury and markets business, the electronic trading platform was optimised to provide more competitive foreign exchange quotes in a timely manner, driving E-channel customer numbers and digital sales transactions up by 22.2% and 66.6% year-on-year respectively. For personal and business banking business, online product offerings were enriched to enhance the overall digital customer experience. Multi-currency structured deposits, Multi-currency Monopoly deposits, and Hong Kong's first online cheque overdraft service, "Payroll Cash", were launched on inMotion Mobile Banking. New features such as customised user interface and cross-border dedicated service zone were also rolled out and received customer recognition. The number of inMotion Mobile Banking customers rose by 8.4% from year-end 2024, and digital sales transactions grew by more than 40% year-on-year. Service efficiency for SMEs was improved with the launch of "Small Business Banking Loan", an online channel offering pre-approval in as fast as five minutes. Within the first two months of its launch, 11.7% of SME loans were applied for through this channel.

For Regtech, an assessment and implementation plan for using artificial intelligence in anti-money laundering was submitted to the Hong Kong Monetary Authority, covering three use cases. The Group continued to strengthen its data governance capabilities, explore data value, and promote its Fintech transformation. As of end-June 2025, the data coverage rate increased to 54.3%.

## **RISK MANAGEMENT AND INTERNAL CONTROL**

The Group attaches great importance to risk governance and continues to invest resources to ensure a sound and complete mechanism. With early warning, prevention, control and disposal mechanisms becoming more comprehensive, the risk management framework and internal control system are robust and efficient. In response to increasingly stringent regulatory requirements, the Group has launched a series of risk management enhancement measures and achieved results. This includes the implementation of the Basel III Reform Package, operational resilience, and cyber resilience. Climate-related risk resilience has been strengthened through the effective implementation of a climate risk management framework. On the credit risk front, the Group adheres to stringent credit policies, conducts credit risk assessments and post-lending monitoring, and proactively performs loan portfolio reviews and stress tests. The impact and potential risks of the external environment on the Group's asset quality and financial condition are assessed continuously to formulate appropriate risk mitigation measures on a timely basis.

The Group continuously promotes compliance culture and strengthens compliance education for all employees, with a focus on reinforcing codes of conduct and business ethics to enhance risk awareness and response capabilities. Collaborative synergies are reinforced and responsibilities across the three lines of defence are clearly implemented to ensure lawful and compliant operations. By maintaining close communication with regulatory authorities, the abreast of industry developments and regulatory trends are kept tracked. Resources are also invested in promoting the application of Regtech to optimise monitoring mechanisms and effectively prevent money laundering and sanctions risks.



## ESG AND SUSTAINABLE DEVELOPMENT

In alignment with the ESG development goals outlined in the overall bank strategic plan, the Group promoted sustainable development across business development, green operations, and social responsibility, and made good progress.

For business development, the Group accelerated innovation in green and sustainable financial products and services. As of end-June 2025, the balance of green and sustainable related loans reached a record high at HK\$17.22 billion, reflecting a 14.1% increase from year-end 2024. Wealth management also advanced its “greening”. By end-June 2025, the cumulative number of ESG-related funds, bonds, and insurance products offered totalled 85. Building on its outstanding performance in green finance, the Group received multiple green and sustainable finance awards from the Asia Pacific Loan Market Association, “The Asset” magazine and others in the first half of the year.

For green operations, sustainability and environmental protection principles were fully embraced. As of end-June 2025, the Group has established 4 ESG branches, covering Hong Kong, Kowloon, and the New Territories. These branches adopted eForm digital workflow, energy-saving equipments, including LED lights and energy-saving air conditioners, and intelligent systems that automatically adjust lighting and temperature, to reduce energy consumption during non-working hours. The Group also systematically replaced old fuel-powered vehicles with new electric vehicles, significantly cutting traditional energy consumption and emissions.

For social responsibility, the Group deepened partnerships with local charitable organisations through “Tomorrow Together” programme. In the first half of 2025, two external donation projects were completed, benefiting approximately 15,000 grassroots and continuing to deliver the “CITIC Warmth”. Employees played a key role in fulfilling the corporate mission of “perform responsibility for the society”. In the first half of the year, CNCBI Volunteer Team organised over 400 employees for 40 volunteer activities, contributing nearly 2,000 hours of service and benefiting over 10,000 individuals.

The Group placed great importance on employee development and team building. A sufficient and diverse talent pool was ensured through various initiatives, including trainings in artificial intelligence and blockchain, to continuously enhance employees’ financial technology knowledge. Training exchanges and cultural integration with CNCB were strengthened, laying a solid foundation for integration and collaboration. In addition, the Group remained attentive to employees’ physical and mental health. A variety of initiatives were organised, such as family-oriented activities, wellness seminars, and festive celebrations, demonstrating its commitment to being a family-friendly employer.

## OUTLOOK

In the second half of the year, the global economy and financial markets are expected to remain complex. Influenced by factors such as uncertainties surrounding external tariff policies, the Federal Reserve is anticipated to maintain a cautious approach to interest rate cuts. However, market opinions remain divided regarding the direction of rates. As for Mainland China’s economy, exports are projected to contribute less to annual growth. Nevertheless, with continued policy support and further optimisation of the foreign trade structure, these favourable factors can effectively buffer external shocks, helping achieve a growth target of around 5%. In Hong Kong, sectors such as retail sales and commercial real estate are likely to remain under pressure, pushing up unemployment rates in certain industries and slowing annual economic growth to between 2% and 2.5%.

Meanwhile, as a “super connector” between China and the world, Hong Kong will continue to demonstrate its unique advantages and strong appeal to global investors and cross-border capital. The capital market is expected to maintain the momentum seen in the first half of the year. The Group, with roots in Hong Kong for over a century, is well-positioned to seize opportunities arising from the ongoing enhancement of Hong Kong’s financial innovation infrastructure, the deepening financial connectivity between the Mainland and Hong Kong, and Hong Kong’s accelerated integration into the overall national development. The Group will endeavour to open new avenues for business growth, continue serving Hong Kong’s economic and social development, actively integrate into CITIC Group’s Hong Kong-Macau strategy, and contribute to the development of Hong Kong’s Northern Metropolis.

With the support and guidance of CITIC Group and CNCB, the Group will continue to pursue sustainable and high-quality development. Strategic focus will remain on deeper integration, enhanced collaboration, improved quality and better efficiency. The adoption of Fintech will be accelerated and the transition toward a light-capital business model will be advanced, with clear accountability to ensure strategic intent translates into operating results. For assets, growth will be sustained through prioritisation of high-quality credit offerings and improved pricing management. For liabilities, efforts will be focused on expanding low-cost current and saving deposits, strengthening control over interest margin, and reducing funding costs. Income generation will be supported by the Group's comprehensive financial capabilities, with light-capital intermediary business actively developed to increase non-interest income. Cost management will be further refined through proactive and precise resource allocation to reduce costs and increase efficiency. Compliance and risk management will remain central to operations. The disposal of non-performing loans will be accelerated, and predictive capabilities will be developed to mitigate potential risks. IT systems will undergo continuous enhancement in terms of stability, autonomy and controllability, contributing to operational resilience improvement. Corporate social responsibility will continue to be fulfilled, while business processes and personnel structure will be optimised to enhance brand awareness. By reinforcing management and coordination across both domestic and overseas subsidiaries, additional momentum will be injected into profit growth.

We believe that, under the leadership of CITIC Group and CNCB, with continued trust and strong support from our customers, and through the joint efforts and dedication of all employees, the Group remains committed to delivering exceptional value to customers, shareholders, employees, the community and other stakeholders. Our unwavering focus is to make meaningful contributions to the sustained prosperity and stability of Hong Kong's economy and society.

**SHEN Qiang**

*Executive Director & Chief Executive Officer*

25 August 2025