



FOR IMMEDIATE RELEASE

**China Construction Bank (Asia) Announces
Consolidated Net Profit after Tax of HKD1,589 Million for the First Half Year of 2022**

Hong Kong – September 30, 2022 – China Construction Bank (Asia) Corporation Limited (“CCB (Asia)”) today announced its consolidated net profit after tax to reach HKD1,589 million for the first six months ended June 30, 2022, an increase of HKD163 million or 11.4%, as compared with the same period in 2021. Set out below are the highlights:

- Total operating income of CCB (Asia) for the first half year of 2022 amounted to HKD3,714 million, a decrease of 6.7% as compared with the first half year of 2021. If taken into account the interest income of trading advances to customers and trade bills of HKD18 million and foreign currency swap amortisation income of HKD75 million, net interest income amounted to HKD2,630 million, a decrease of 4.7% as compared with the same period of 2021. Non-interest income after excluding the aforesaid interest income and swap amortisation income was HKD1,084 million, representing a decrease of 11.3% as compared with the same period of 2021, mainly attributable to the decrease in net fees and commission income by HKD 207 million but offset by the increase in net trading income (after exclusion of interest income of trading advances to customers and trade bills and foreign currency swap amortisation income) by HKD122 million.
- Total operating expenses decreased by 8.2% to HKD1,474 million as compared with the same period of 2021 and the cost-to-income ratio decreased by 0.6 percentage point to 39.7% year-on-year. In the first half year of 2022, the amount of impairment allowance charges decreased by 44.4% to HKD376 million. Collective impairment decreased by HKD445 million, of which those related to advances to customers and trade bills decreased by HKD393 million and those related to loan and other credit related commitments decreased by HKD36 million, but was partially offset by the increase in individual impairment by HKD145 million.
- As at end of June 2022, total consolidated assets stood at HKD475.0 billion, a decrease of 4.5% from HKD497.2 billion versus that at end of 2021. The gross advances to customers and trade bills decreased at the end of June 2022 by 0.3% to HKD302.3 billion, which was mainly caused by the decrease in bilateral loans, syndicated loans and consumer loans, but was partially offset by the increase in property mortgage loans. As at June 30, 2022, the impaired loan ratio was 0.9%, increased by 0.3 percentage point versus that at the end of 2021.
- The financial assets measured at fair value through other comprehensive income decreased by 5.0% to HKD87.2 billion and the financial assets at amortised costs decreased by 64.9% to HKD3.4 billion. As a whole, the net aggregate balances of these two types of financial assets decreased by 10.7% to HKD90.6 billion, mainly due to the adjustment of the scale of liquefiable debt securities according to needs and the decrease in fair value. On the other hand, the cash and balances with banks and central banks, placement with banks decreased by 16.4% to HKD66.4 billion, mainly driven by further enhancement to the efficiency on utilization of funds under the premise of safe and manageable liquidity risk. The financial assets measured at fair value through profit or loss decreased by 44.4% to HKD3.0 billion, mainly due to the decrease in debt securities for trading purpose. Other assets increased by 45.8% to HKD15.6 billion, mainly



due to the increase in the balance of inter-bank lending transactions which were entered into but not yet settled before the period end.

- The total liabilities decreased by 5.3% to HKD395.3 billion when compared to that at end of 2021, of which the deposits from customers decreased by 7.6% to HKD348.4 billion, mainly due to the compression of time deposits which bore relatively higher costs under the premise of robust liquidity management. Deposits and balances of banks increased by 22.4% to HKD38.8 billion, while the overall wholesales funding continued to account for only a small proportion to total liabilities.
- The Total Capital Ratio, Leverage Ratio and Net Stable Funding Ratio as at June 30, 2022 were 21.9%, 15.5% and 127.3% respectively. The Average Liquidity Coverage Ratio for the first half year of 2022 was 142.7%. All the aforementioned ratios were maintained at sound levels and well above regulatory requirements.

About China Construction Bank (Asia) Corporation Limited

China Construction Bank (Asia) Corporation Limited ("CCB (Asia)") is the comprehensive and integrated commercial banking platform of China Construction Bank Corporation ("CCB") in Hong Kong. CCB (Asia) offers a wide array of banking products and services to customers, including consumer banking services, commercial banking services, corporate banking services, private banking services, treasury business and cross-border financial services, etc.

For more information about CCB (Asia), please visit www.asia.ccb.com.

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CHINA CONSTRUCTION BANK (ASIA) CORPORATION LIMITED

CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION DISCLOSURE STATEMENTS (UNAUDITED)

FOR THE SIX MONTHS ENDED

JUNE 30, 2022

CHINA CONSTRUCTION BANK (ASIA) CORPORATION LIMITED

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CHINA CONSTRUCTION BANK (ASIA) CORPORATION LIMITED
UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION
FOR THE SIX MONTHS ENDED JUNE 30, 2022
(Expressed in thousands of Hong Kong dollars, unless otherwise stated)

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

	Note	6 months ended June 30, 2022	6 months ended June 30, 2021
Interest income		3,852,538	3,716,479
Interest expense		<u>(1,315,443)</u>	<u>(1,046,049)</u>
Net interest income	10	2,537,095	2,670,430
Fees and commission income		817,430	1,050,656
Fees and commission expense		<u>(64,256)</u>	<u>(90,566)</u>
Net fees and commission income	11	753,174	960,090
Net trading income	12	330,797	206,123
Net (losses)/ gains from financial instruments designated at fair value through profit or loss	13	(8,077)	31,128
Net gains from disposal of financial assets measured at fair value through other comprehensive income		77,343	82,719
Other operating income	14	<u>24,430</u>	<u>32,322</u>
Total operating income		3,714,762	3,982,812
Operating expenses	15	<u>(1,474,161)</u>	<u>(1,605,144)</u>
Operating profit before net charges of expected credit losses		2,240,601	2,377,668
Net charge of expected credit losses	16	<u>(376,364)</u>	<u>(676,250)</u>
Operating profit		1,864,237	1,701,418
Losses on disposal of fixed assets		(11)	(4)
Share of profit of joint venture		<u>31,824</u>	<u>32,719</u>
Profit before taxation		1,896,050	1,734,133
Taxation	17	<u>(307,088)</u>	<u>(308,224)</u>
Profit for the period		<u>1,588,962</u>	<u>1,425,909</u>

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CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	6 months ended June 30, 2022	6 months ended June 30, 2021
Profit for the period	<u>1,588,962</u>	<u>1,425,909</u>
Other comprehensive income		
Items that will be reclassified subsequently to profit or loss:		
Debt instruments measured at fair value through other comprehensive income:		
Changes in fair value recognised during the period	(1,616,868)	(64,220)
Reclassification adjustments for amounts transferred to profit or loss	(43,264)	(113,656)
Expected credit losses recognised in profit or loss	1,902	19,392
Tax effect	272,624	34,684
Item that will not be reclassified subsequently to profit or loss:		
Equity instruments designated at fair value through other comprehensive income	<u>38,348</u>	<u>(104,549)</u>
Other comprehensive income for the period, net of tax	<u>(1,347,258)</u>	<u>(228,349)</u>
Total comprehensive income for the period	<u>241,704</u>	<u>1,197,560</u>

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CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Note	June 30, 2022	December 31, 2021
Assets			
Cash and balances with banks and central banks	18	48,025,067	46,771,963
Placements with banks	19	18,409,634	32,615,687
Advances to customers and trade bills	20	299,433,766	300,234,658
Financial assets measured at fair value through profit or loss	21	3,000,128	5,426,820
Financial assets measured at fair value through other comprehensive income	22	87,173,465	91,812,256
Other assets measured at amortised cost	23	3,379,267	9,712,527
Derivative financial instruments	24	1,511,331	898,617
Interest in a joint venture		1,933,989	1,902,166
Deferred tax assets		786,093	612,011
Fixed assets	25	2,363,146	2,445,555
Right-of-use assets	26	1,409,358	1,753,365
Other assets		7,553,764	3,104,592
Total assets		474,979,008	497,290,217
Liabilities			
Deposits and balances of banks	28	31,891,456	24,930,501
Deposits from customers	29	348,439,563	377,196,845
Financial assets sold under repurchase agreements	30	6,877,508	6,769,447
Financial liabilities designated at fair value through profit or loss	31	375,112	515,253
Other debt securities issued	32	704,979	736,578
Derivative financial instruments	24	553,998	755,073
Lease liabilities	27	955,248	1,298,508
Current tax payable		417,236	385,068
Deferred tax liabilities		18,840	18,875
Other liabilities		5,095,514	4,944,987
Total liabilities		395,329,454	417,551,135
Equity			
Share capital		28,827,843	28,827,843
Other equity instruments	33	15,589,333	15,589,333
Reserves	34	35,232,378	35,321,906
Total equity		79,649,554	79,739,082
Total equity and liabilities		474,979,008	497,290,217

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CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

		6 months ended June 30, 2022								
		Share capital	Other equity instruments	General reserve	Investment revaluation reserve	Regulatory reserve	Other reserve	Merger reserve	Retained earnings	Total
Balance as at January 1, 2022		28,827,843	15,589,333	750,956	165,342	380,852	15,913	62,262	33,946,581	79,739,082
Changes in equity for 2022:										
Profit for the period		-	-	-	-	-	-	-	1,588,962	1,588,962
Other comprehensive income, net of tax		-	-	-	(1,347,258)	-	-	-	-	(1,347,258)
Total comprehensive income for the period		-	-	-	(1,347,258)	-	-	-	1,588,962	241,704
Coupon paid for other equity instruments		-	-	-	-	-	-	-	(331,232)	(331,232)
Regulatory reserve		-	-	-	-	126,721	-	-	(126,721)	-
Balance as at June 30, 2022		28,827,843	15,589,333	750,956	(1,181,916)	507,573	15,913	62,262	35,077,590	79,649,554
		6 months ended June 30, 2021								
	Note	Share capital	Other equity instruments	General reserve	Investment revaluation reserve	Regulatory reserve	Other reserve	Merger reserve	Retained earnings	Total
Balance as at January 1, 2021		28,827,843	15,589,333	750,956	423,621	656,248	15,913	62,262	30,998,389	77,324,565
Changes in equity for 2021:										
Profit for the period		-	-	-	-	-	-	-	1,425,909	1,425,909
Other comprehensive income, net of tax		-	-	-	(228,349)	-	-	-	-	(228,349)
Total comprehensive income for the period		-	-	-	(228,349)	-	-	-	1,425,909	1,197,560
Coupon paid for other equity instruments		-	-	-	-	-	-	-	(327,803)	(327,803)
Regulatory reserve		-	-	-	-	9,008	-	-	(9,008)	-
Balance as at June 30, 2021		28,827,843	15,589,333	750,956	195,272	665,256	15,913	62,262	32,087,487	78,194,322

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CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

	6 months ended June 30, 2022	6 months ended June 30, 2021
Operating activities		
Operating profit	1,864,237	1,701,418
Adjustments for:		
Dividend income	(1,237)	(2,782)
Depreciation	252,441	290,853
Net charges on expected credit losses	376,364	676,250
Written-off of loans and advances, net of recoveries	(612,205)	(128,209)
Amortisation of premium/discount on financial assets measured at fair value through other comprehensive income	(29,190)	54,760
Amortisation of premium/discount on other assets measured at amortised cost	(2,090)	(1,130)
Amortisation of discount on other debt securities issued	726	627
Fair value adjustments	2,084	(52,131)
Effect of foreign exchange rate changes	777,421	(181,863)
	<u>2,628,551</u>	<u>2,357,793</u>
Decrease/ (Increase) in operating assets		
Balances and placements with banks and central banks with original maturity beyond three months	4,929,747	1,128,661
Gross advances to customers and trade bills	996,701	(33,953,746)
Financial assets measured at fair value through profit or loss with original maturity beyond three months	2,181,916	5,333,550
Derivative financial instruments	(612,714)	936,671
Other assets	(4,449,172)	5,774,456
	<u>3,046,478</u>	<u>(20,780,408)</u>
(Decrease)/ Increase in operating liabilities		
Deposits and balances of banks	6,960,955	16,811,209
Financial assets sold under repurchase agreements	108,061	4,215,299
Deposits from customers	(28,757,282)	13,926,984
Derivative financial instruments	(201,075)	(1,286,961)
Other debt securities issued	(32,325)	15,547
Financial liabilities designated at fair value through profit or loss	(148,218)	176,369
Other liabilities	189,910	2,395,402
	<u>(21,879,974)</u>	<u>36,253,849</u>
Net cash (outflow)/ inflow from operations	<u>(16,204,945)</u>	<u>17,831,234</u>

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CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS (CONTINUED)

	6 months ended June 30, 2022	6 months ended June 30, 2021
Net cash (outflow)/ inflow from operations	(16,204,945)	17,831,234
Hong Kong Profits Tax paid	(171,517)	(63,346)
Withholding tax paid	-	(1,485)
Net cash (outflow)/ inflow from operating activities	(16,376,462)	17,766,403
Purchase of financial assets measured at fair value through other comprehensive income	(32,515,122)	(42,412,264)
Purchase of other assets measured at amortised cost	(6,878,450)	(1,209,856)
Proceeds received from redemption and disposal of financial assets measured at fair value through other comprehensive income	35,295,237	25,047,367
Proceeds received from redemption and disposal of other assets measured at amortised cost	9,345,120	9,426,862
Proceeds from disposal of fixed assets	-	(4)
Purchase of property and equipment	(57,887)	(82,345)
Dividend received from a joint venture	-	60,000
Dividends received from listed and unlisted investments	1,237	2,782
Net cash inflow/ (outflow) from investing activities	5,190,135	(9,167,458)
Coupon paid for other equity instruments	(331,232)	(327,803)
Principal portion of lease payments	(111,368)	(132,710)
Net cash outflow from financing activities	(442,600)	(460,513)
(Decrease)/ Increase in cash and cash equivalents	(11,628,927)	8,138,432
Cash and cash equivalents as at January 1	64,646,850	60,800,808
Effect of foreign exchange rate changes	(232,856)	67,385
Cash and cash equivalents as at June 30	52,785,067	69,006,625
Cash flows from operating activities include:		
Interest received	3,786,040	3,806,664
Interest paid	(1,279,487)	(1,152,691)
Interest paid – interest portion of lease payments	(7,341)	(25,726)

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NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION DISCLOSURE STATEMENTS

1 BASIS OF PREPARATION

These condensed consolidated interim financial information disclosure statements were authorised for issue on September 30, 2022 and have been prepared in accordance with the Banking (Disclosure) Rules issued by the Hong Kong Monetary Authority ("HKMA") and in accordance with Hong Kong Accounting Standard ("HKAS") 34, "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants.

2 BASIS OF CONSOLIDATION

The condensed consolidated interim financial information disclosure statements cover the consolidated position of the China Construction Bank (Asia) Corporation Limited ("the Bank") and its subsidiaries (together referred to as "the Group"), and the Group's interest in a joint venture up to June 30, 2022.

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

In preparing the capital adequacy ratios of the Group, they are prepared according to the basis of consolidation for regulatory purposes. The main difference between the consolidation basis for accounting and regulatory purposes is that the former includes the Bank and all its subsidiaries and a joint venture whereas the latter excludes CCB Securities Limited ("CCBS"), CCB Nominees Limited ("CCBN") and CCB (Asia) Trustee Company Limited ("CCBT") which conduct non-banking related business.

3 STATEMENT OF COMPLIANCE

In preparing the unaudited condensed consolidated interim financial information disclosure statements for the first six months ended June 30, 2022, the Bank has fully complied with the disclosure provisions of the Banking (Disclosure) Rules.

4 STATUTORY FINANCIAL STATEMENTS

The financial information relating to the year ended December 31, 2021 that is included in the condensed consolidated interim financial information for the six months ended June 30, 2022 as comparative information does not constitute the Group's statutory annual consolidated financial statements for that year but is extracted from those financial statements which have been delivered 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) and to the HKMA.

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).

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NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION DISCLOSURE STATEMENTS
(CONTINUED)

5 CHANGES IN ACCOUNTING POLICIES

The accounting policies applied, Hong Kong Financial Reporting Standards (“HKFRSs”), are consistent with those of the consolidated financial statements for the year ended December 31, 2021, except for the following revised HKFRSs for the first time for the current period’s financial information:

Amendments to HKAS 16	Property, Plant and Equipment: Proceeds before Intended Use, which effective for annual period beginning on or after January 1, 2022.
Amendments to HKAS 37	Onerous Contracts Cost of Fulfilling a Contract, which effective for annual period beginning on or after January 1, 2022.
Amendments to HKFRS 3	Reference to the Conceptual Framework, which effective for annual period beginning on or after January 1, 2022.
Annual Improvement to HKFRS 2018-2020	Amendments to HKFRS 1, HKFRS 9, illustrative Examples accompanying HKFRS 16 and HKAS 41, which effective for annual period beginning on or after January 1, 2022.

Amendments to HKAS 16 “Property, Plant and Equipment: Proceeds before Intended Use”

Amendments to HKAS 16 prohibit entities from deducting from the cost of an item of property, plant and equipment any proceeds from selling items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, an entity recognises the proceeds from selling such items, and the cost of producing those items, in profit or loss.

Amendments to HKAS 37 “Onerous Contracts – Costs of Fulfilling a Contract”

Amendments to HKAS 37 specify that the “cost of fulfilling” a contract comprises the “costs that relate directly to the contract”. The costs that relate directly to a contract include both incremental costs and an allocation of other costs that relate directly to fulfilling contracts.

Amendments to HKFRS 3 “Reference to the Conceptual Framework”

Amendments to HKFRS 3 are intended to replace a reference to the Framework for the Preparation and Presentation of Financial Statements issued in 1989 with a reference to the Conceptual Framework for Financial Reporting issued in March 2018, without significantly changing its requirements. The amendments add an exception to the recognition principle of HKFRS 3 to avoid the issue of potential “day 2” gains or losses arising for liabilities and contingent liabilities, and clarify that contingent assets do not qualify for recognition at the acquisition date.

Annual Improvements to HKFRSs 2018-2020 Cycle

Annual Improvements to HKFRSs 2018-2020 Cycle was issued in May 2020. Those amendments affect HKFRS 1 “First-time Adoption of International Financial Reporting Standards”, HKFRS 9 “Financial Instruments”, HKAS 41 “Agriculture” and HKFRS 16 “Leases”.

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NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION DISCLOSURE STATEMENTS
(CONTINUED)

5 CHANGES IN ACCOUNTING POLICIES (CONTINUED)

New HKFRSs not yet effective for the year ending December 31, 2022

The Group does not early adopt the following HKFRSs which were issued, but not yet effective for the financial year ending December 31, 2022:

Amendments to HKAS 1	Classification of Liabilities as Current or Non-current, which effective for annual period beginning on or after January 1, 2023.
Amendments to HKAS 1 and HKFRS Practice Statement 2	Disclosure of Accounting Policies, which effective for annual period beginning on or after January 1, 2023.
Amendments to HKAS 8	Definition of Accounting Estimates, which effective for annual period beginning on or after January 1, 2023.
Amendments to HKAS 12	Deferred tax related to Asset and Liabilities arising from a Single Transaction, which effective for annual period beginning on or after January 1, 2023.
Amendments to HKFRS 10 and HKAS 28 (2011)	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture, which effective date is to be determined.

6 ESTIMATES

The preparation of condensed consolidated interim financial information requires management to make judgment, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates.

In preparing this condensed consolidated interim financial information, the significant judgment 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 December 31, 2021.

7 FINANCIAL RISK MANAGEMENT

The Group continuously monitors and identifies risks. Our principal risks are credit risk, liquidity risk, market risk, operational risk, regulatory compliance risk, financial crime risk, reputational risk, pension risk and sustainability risk. There is no material change in the principal risks and uncertainties for the remaining six months of the financial year, the description of which can be found in the risk report of the consolidated financial statements for the year ended December 31, 2021. A summary of our current policies and practices regarding the management of risk is set out in the "Financial risk management" section of the Annual Report 2021.

(a) Credit risk

Credit risk is the risk of loss arising from a borrower's or counterparty's inability to meet its obligations. Credit risk exists in the Group's loans, leases, credit cards, trade finance and treasury transactions. There is also credit risk in off-balance sheet financial arrangements such as loan commitments, trade-related contingencies and transaction-related contingencies.

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NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION DISCLOSURE STATEMENTS (CONTINUED)

7 FINANCIAL RISK MANAGEMENT (CONTINUED)

(a) Credit risk (continued)

(i) Expected credit loss measurement

Distribution of financial instruments to which the impairment requirements in HKFRS 9 are applied, by credit quality and by staging:

As at June 30, 2022	Gross carrying/ notional amount					Total	ECL allowances	Net amount
	Normal	Special mentioned	Sub-standard	Doubtful	Loss			
On balance sheet:								
Placements with and advances to bank at amortised cost – stage 1	18,409,634	-	-	-	-	18,409,634	-	18,409,634
Advances to customers and trade bills at amortised cost:								
Stage 1	277,627,046	-	-	-	-	277,627,046	(1,243,513)	276,383,533
Stage 2	18,740,778	2,806,495	-	-	-	21,547,273	(777,903)	20,769,370
Stage 3	-	-	2,576,119	201,365	-	2,777,484	(845,369)	1,932,115
Advances to customers	296,367,824	2,806,495	2,576,119	201,365	-	301,951,803	(2,866,785)	299,085,018
Trade bills	348,848	-	-	-	-	348,848	(100)	348,748
Other financial assets measured at amortised cost:								
Cash and balances with banks and central banks – stage 1	48,025,753	-	-	-	-	48,025,753	(686)	48,025,067
Other assets measured at amortised cost – stage 1	3,386,147	-	-	-	-	3,386,147	(6,880)	3,379,267

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NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION DISCLOSURE STATEMENTS (CONTINUED)

7 FINANCIAL RISK MANAGEMENT (CONTINUED)

(a) Credit risk (continued)

(i) Expected credit loss measurement (continued)

Distribution of financial instruments to which the impairment requirements in HKFRS 9 are applied, by credit quality and by staging: (continued)

As at June 30, 2022 (continued)	Gross carrying/ notional amount						ECL allowances	Net amount
	Normal	Special mentioned	Sub-standard	Doubtful	Loss	Total		
On balance sheet: (continued)								
Other financial assets measured at amortised cost: (continued)								
Other assets – stage 1	7,554,074	-	-	-	-	7,554,074	(310)	7,553,764
Stage 1	86,656,370	-	-	-	-	86,656,370	(116,864)	86,539,506
Stage 2	517,095	-	-	-	-	517,095	(10,463)	506,632
Financial assets measured at fair value through other comprehensive income	87,173,465	-	-	-	-	87,173,465	(127,327)	87,046,138
Total gross carrying amount – on balance sheet	461,265,745	2,806,495	2,576,119	201,365	-	466,849,724	(3,002,088)	463,847,636
Off balance sheet:								
Stage 1	92,122,958	-	-	-	-	92,122,958	(238,072)	91,884,886
Stage 2	572,801	-	-	-	-	572,801	(74,242)	498,559
Financial guarantees, loan commitments and other credit related commitments	92,695,759	-	-	-	-	92,695,759	(312,314)	92,383,445
Total nominal amount – off balance sheet	92,695,759	-	-	-	-	92,695,759	(312,314)	92,383,445
Total at as June 30, 2022	553,961,504	2,806,495	2,576,119	201,365	-	559,545,483	(3,314,402)	556,231,081

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7 FINANCIAL RISK MANAGEMENT (CONTINUED)

(a) Credit risk (continued)

(i) Expected credit loss measurement (continued)

Distribution of financial instruments to which the impairment requirements in HKFRS 9 are applied, by credit quality and by staging: (continued)

As at December 31, 2021

	Gross carrying/notional amount						ECL	
	Normal	Special mentioned	Sub- standard	Doubtful	Loss	Total	allowances	Net amount
On balance sheet:								
Placements with banks at amortised cost – stage 1	32,615,687	-	-	-	-	32,615,687	-	32,615,687
Advances to customers and trade bills at amortised cost:								
Stage 1	281,369,510	-	-	-	-	281,369,510	(1,273,348)	280,096,162
Stage 2	17,250,950	2,581,348	-	-	-	19,832,298	(887,923)	18,944,375
Stage 3	-	-	1,153,036	467,537	320,151	1,940,724	(901,400)	1,039,324
Advances to customers	298,620,460	2,581,348	1,153,036	467,537	320,151	303,142,532	(3,062,671)	300,079,861
Stage 1	154,436	-	-	-	-	154,436	(16)	154,420
Stage 2	383	-	-	-	-	383	(6)	377
Trade bills	154,819	-	-	-	-	154,819	(22)	154,797
Other financial assets measured at amortised cost:								
Cash and balances with banks and central banks – stage 1	46,773,312	-	-	-	-	46,773,312	(1,349)	46,771,963
Stage 1	9,681,975	-	-	-	-	9,681,975	(8,685)	9,673,290
Stage 2	39,358	-	-	-	-	39,358	(121)	39,237
Other assets measured at amortised cost	9,721,333	-	-	-	-	9,721,333	(8,806)	9,712,527

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7 FINANCIAL RISK MANAGEMENT (CONTINUED)

(a) Credit risk (continued)

(i) Expected credit loss measurement (continued)

Distribution of financial instruments to which the impairment requirements in HKFRS 9 are applied, by credit quality and by staging: (continued)

As at December 31, 2021 (continued)	Gross carrying/notional amount						ECL allowances	Net amount
	Normal	Special mentioned	Sub-standard	Doubtful	Loss	Total		
On balance sheet: (continued)								
Other financial assets measured at amortised cost: (continued)								
Other assets – stage 1	3,104,902	-	-	-	-	3,104,902	(310)	3,104,592
Stage 1	91,249,361	-	-	-	-	91,249,361	(114,958)	91,134,403
Stage 2	562,895	-	-	-	-	562,895	(10,406)	552,489
Financial assets measured at fair value through other comprehensive income	91,812,256	-	-	-	-	91,812,256	(125,364)	91,686,892
Total gross carrying amount - on balance sheet	482,802,769	2,581,348	1,153,036	467,537	320,151	487,324,841	(3,198,522)	484,126,319
Off balance sheet:								
Stage 1	105,082,322	-	-	-	-	105,082,322	(278,314)	104,804,008
Stage 2	1,120,037	-	-	-	-	1,120,037	(73,412)	1,046,625
Financial guarantees, loan commitments and other credit related commitments	106,202,359	-	-	-	-	106,202,359	(351,726)	105,850,633
Total nominal amount - off balance sheet	106,202,359	-	-	-	-	106,202,359	(351,726)	105,850,633
Total at as December 31, 2021	589,005,128	2,581,348	1,153,036	467,537	320,151	593,527,200	(3,550,248)	589,976,952

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7 FINANCIAL RISK MANAGEMENT (CONTINUED)

(b) Liquidity risk

The table below sets out the maturity profile of assets and liabilities analysed by the remaining period to repayment as at the reporting date:

As at June 30, 2022

	Repayable on demand	1 month or less	3 months or less but over 1 month	1 year or less but over 3 months	5 years or less but over 1 year	Over 5 years	Undated	Total
Assets								
Cash and balances with banks and central banks	15,673,020	32,352,047	-	-	-	-	-	48,025,067
Placements with banks	-	-	4,347,740	3,747,254	10,314,640	-	-	18,409,634
Advances to customers and trade bills	503,841	76,334,663	34,869,660	40,941,412	72,038,047	74,746,143	-	299,433,766
Financial assets measured at fair value through profit or loss	-	790,397	16,162	868,358	307,145	975,216	42,850	3,000,128
Financial assets measured at fair value through other comprehensive income	-	3,514,330	14,374,212	16,921,995	44,597,863	7,598,079	166,986	87,173,465
Other assets measured at amortised cost	-	-	315,724	1,495,686	1,567,857	-	-	3,379,267
Derivative financial instruments	-	450,160	472,086	172,620	253,417	163,048	-	1,511,331
Interest in a joint venture	-	-	-	-	-	-	1,933,989	1,933,989
Deferred tax assets	-	-	-	-	-	-	786,093	786,093
Fixed assets	-	-	-	-	-	-	2,363,146	2,363,146
Right-of-use assets	-	403	2,614	9,144	183,711	688,957	524,529	1,409,358
Other assets	666,867	5,770,041	560,659	395,620	-	-	160,577	7,553,764
Total assets	16,843,728	119,212,041	54,958,857	64,552,089	129,262,680	84,171,443	5,978,170	474,979,008

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7 FINANCIAL RISK MANAGEMENT (CONTINUED)

(b) Liquidity risk (continued)

The table below sets out the maturity profile of assets and liabilities analysed by the remaining period to repayment as at the reporting date: (continued)

As at June 30, 2022 (continued)

	Repayable on demand	1 month or less	3 months or less but over 1 month	1 year or less but over 3 months	5 years or less but over 1 year	Over 5 years	Undated	Total
Liabilities								
Deposits and balances of banks	3,683,043	5,281,562	15,448,380	7,478,471	-	-	-	31,891,456
Deposits from customers	155,048,583	81,749,845	89,015,903	22,625,232	-	-	-	348,439,563
Financial assets sold under repurchase agreements	-	2,236,229	2,250,117	2,391,162	-	-	-	6,877,508
Financial liabilities designated at fair value through profit or loss	-	318,072	33,905	23,135	-	-	-	375,112
Other debt securities issued	-	-	-	3,456	701,523	-	-	704,979
Derivative financial instruments	-	182,851	156,823	174,982	19,259	20,083	-	553,998
Lease liabilities	-	22,645	35,024	144,405	648,016	105,158	-	955,248
Current tax payable	-	-	-	417,236	-	-	-	417,236
Deferred tax liabilities	-	-	-	-	-	-	18,840	18,840
Other liabilities	195,919	645,548	44,277	1,549,955	-	-	2,659,815	5,095,514
Total liabilities	158,927,545	90,436,752	106,984,429	34,808,034	1,368,798	125,241	2,678,655	395,329,454
Net assets/(liabilities) gap	(142,083,817)	28,775,289	(52,025,572)	29,744,055	127,893,882	84,046,202	3,299,515	79,649,554
Of which:								
Debt securities included in:								
- Financial assets measured at fair value through other comprehensive income	-	3,514,330	14,374,212	16,921,995	44,597,863	7,598,078	-	87,006,478
- Other assets measured at amortised cost	-	-	315,724	1,495,686	1,567,857	-	-	3,379,267

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7 FINANCIAL RISK MANAGEMENT (CONTINUED)

(b) Liquidity risk (continued)

The table below sets out the maturity profile of assets and liabilities analysed by the remaining period to repayment as at the reporting date: (continued)

As at December 31, 2021

	Repayable on demand	1 month or less	3 months or less but over 1 month	1 year or less but over 3 months	5 years or less but over 1 year	Over 5 years	Undated	Total
Assets								
Cash and balances with banks and central banks	13,167,116	33,604,847	-	-	-	-	-	46,771,963
Placements with banks	-	-	12,667,686	4,264,944	15,683,057	-	-	32,615,687
Advances to customers and trade bills	1,243,448	80,603,888	26,560,418	43,783,473	101,502,249	46,541,182	-	300,234,658
Financial assets measured at fair value through profit or loss	-	680,136	737	2,717,374	747,950	1,238,155	42,468	5,426,820
Financial assets measured at fair value through other comprehensive income	-	2,704,269	20,680,921	15,966,972	43,293,592	9,037,864	128,638	91,812,256
Other assets measured at amortised cost	-	3,904,135	2,373,035	393,979	3,041,378	-	-	9,712,527
Derivative financial instruments	-	372,705	320,299	170,490	20,291	14,832	-	898,617
Interest in a joint venture	-	-	-	-	-	-	1,902,166	1,902,166
Deferred tax assets	-	-	-	-	-	-	612,011	612,011
Fixed assets	-	-	-	-	-	-	2,445,555	2,445,555
Right-of-use assets	-	42	13	28,996	218,490	980,288	525,536	1,753,365
Other assets	68	2,609,104	113,407	291,673	-	-	90,340	3,104,592
Total assets	14,410,632	124,479,126	62,716,516	67,617,901	164,507,007	57,812,321	5,746,714	497,290,217

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7 FINANCIAL RISK MANAGEMENT (CONTINUED)

(b) Liquidity risk (continued)

The table below sets out the maturity profile of assets and liabilities analysed by the remaining period to repayment as at the reporting date: (continued)

As at December 31, 2021 (continued)	Repayable on demand	1 month or less	3 months or less but over 1 month	1 year or less but over 3 months	5 years or less but over 1 year	Over 5 years	Undated	Total
Liabilities								
Deposits and balances with banks	3,912,429	1,563,553	17,114,594	2,339,925	-	-	-	24,930,501
Deposits from customers	134,778,760	100,972,730	120,278,360	21,142,077	24,918	-	-	377,196,845
Financial assets sold under repurchase agreements	-	612,447	2,350,076	3,806,924	-	-	-	6,769,447
Financial liabilities designated at fair value through profit or loss	-	434,868	61,031	19,354	-	-	-	515,253
Other debt securities issued	-	-	-	3,611	732,967	-	-	736,578
Derivative financial instruments	-	150,675	316,616	168,700	21,012	98,070	-	755,073
Lease liabilities	-	24,326	40,627	176,917	676,207	380,431	-	1,298,508
Current tax payable	-	-	-	385,068	-	-	-	385,068
Deferred tax liabilities	-	-	-	-	-	-	18,875	18,875
Other liabilities	-	652,926	106,216	1,550,657	-	-	2,635,188	4,944,987
Total liabilities	138,691,189	104,411,525	140,267,520	29,593,233	1,455,104	478,501	2,654,063	417,551,135
Net assets/(liabilities) gap	(124,280,557)	20,067,601	(77,551,004)	38,024,668	163,051,903	57,333,820	3,092,651	79,739,082
Of which:								
Debt securities included in:								
- Financial assets measured at fair value through other comprehensive income	-	2,704,269	20,680,921	15,966,972	43,293,592	9,037,864	-	91,683,618
- Other assets measured at amortised cost	-	3,904,135	2,373,035	393,979	3,041,378	-	-	9,712,527

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8 FAIR VALUE MEASUREMENT

(a) Financial assets and liabilities measured at fair value

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

- Level 1: fair values measured using quoted market prices (unadjusted) in active markets for identical financial instruments.
- Level 2: fair values measured using valuation techniques based on observable inputs, either directly (i.e. as prices) or indirectly (i.e. derived from prices). This category includes quoted prices in active markets for similar financial instruments, or quoted prices for identical or similar instruments in markets that are considered less than active, or other valuation techniques where all significant inputs are directly or indirectly observable from market data.
- Level 3: fair values measured using significant unobservable inputs. This category includes inputs to valuation techniques not based on observable data and the unobservable inputs have a significant effect on the instrument's valuation. This category includes instruments that are valued based on quoted prices for similar instruments where significant unobservable adjustments or assumptions are required to reflect differences between the instruments.

Where available, the most suitable measure for fair value is the quoted market prices in an active market. In the absence of active markets for most of the unlisted securities and over-the-counter derivatives, direct market prices of these financial instruments may not be available. The fair values of such instruments are therefore calculated based on established valuation techniques (i.e. Market Comparable Approach) by using observable and comparable market parameters or market prices provided by counterparties. Independent price verification or reasonableness check is performed if fair values are determined by reference to externally quoted prices.

Options and equity swaps traded over the counter are valued using broker quotes price. The fair value of foreign exchange contracts are valued by observable foreign exchange rates and forward points at the reporting date. Other derivative financial instruments, including interest rate swaps and currency swaps, are valued through estimated future cash flows and discounting with appropriate yield curves.

For structured deposits, this class of instruments includes certain deposits received from customers that are embedded with derivatives. The valuation of the underlying deposits is derived by using net present value of expected cash flow taking the Group's own credit risk into account. The valuation method of the embedded derivative is the same as other derivatives mentioned as above.

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8 FAIR VALUE MEASUREMENT (CONTINUED)

(a) Financial assets and liabilities measured at fair value (continued)

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

As at June 30, 2022	Level 1	Level 2	Level 3	Total
Assets				
Financial assets measured at fair value through profit or loss				
Fund investments	-	42,850	-	42,850
Certificates of deposit	-	58,540	-	58,540
Trading securities	55,122	147,012	-	202,134
Trading loans	-	2,480,483	-	2,480,483
Other debt securities	180,843	35,278	-	216,121
Financial assets measured at fair value through other comprehensive income				
Treasury bills/bonds	23,532,287	11,395,699	-	34,927,986
Certificates of deposit	524,715	1,538,332	-	2,063,047
Other debt securities	30,641,640	19,373,806	-	50,015,446
Equity securities	42,682	-	124,304	166,986
Derivative financial instruments				
Exchange rate contracts				
Forwards	-	797,192	-	797,192
Options purchased	-	-	-	-
Interest rate swaps	-	666,159	-	666,159
Currency swaps	-	47,688	-	47,688
Equity swaps	-	292	-	292
	<u>54,977,289</u>	<u>36,583,331</u>	<u>124,304</u>	<u>91,684,924</u>
Liabilities				
Financial liabilities designated at fair value through profit or loss	-	375,112	-	375,112
Derivative financial instruments				
Exchange rate contracts				
Forwards	-	412,955	-	412,955
Options written	-	934	-	934
Interest rate swaps	-	87,177	-	87,177
Currency swaps	-	50,711	-	50,711
Equity swaps	-	2,221	-	2,221
	<u>-</u>	<u>929,110</u>	<u>-</u>	<u>929,110</u>

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8 FAIR VALUE MEASUREMENT (CONTINUED)

(a) Financial assets and liabilities measured at fair value (continued)

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

As at December 31, 2021	Level 1	Level 2	Level 3	Total
Assets				
Financial assets measured at fair value through profit or loss				
Fund investments	-	42,468	-	42,468
Certificates of deposit	-	2,170,429	-	2,170,429
Trading loans	-	2,903,914	-	2,903,914
Other debt securities	161,574	148,435	-	310,009
Financial assets measured at fair value through other comprehensive income				
Treasury bills/bonds	21,040,074	19,897,777	-	40,937,851
Certificates of deposit	38,959	1,340,439	-	1,379,398
Other debt securities	34,740,582	14,625,787	-	49,366,369
Equity shares	46,686	-	81,952	128,638
Derivative financial instruments				
Exchange rate contracts				
Forwards	-	766,029	-	766,029
Options purchased	-	1	-	1
Interest rate swaps	-	115,086	-	115,086
Currency swaps	-	16,949	-	16,949
Equity swaps	-	552	-	552
	<u>56,027,875</u>	<u>42,027,866</u>	<u>81,952</u>	<u>98,137,693</u>
Liabilities				
Financial liabilities designated at fair value through profit or loss	-	515,253	-	515,253
Derivative financial instruments				
Exchange rate contracts				
Forwards	-	518,173	-	518,173
Options written	-	915	-	915
Interest rate swaps	-	202,772	-	202,772
Currency swaps	-	15,459	-	15,459
Equity swaps	-	17,754	-	17,754
	<u>-</u>	<u>1,270,326</u>	<u>-</u>	<u>1,270,326</u>

There were no significant transfers between instruments in Level 1 and Level 2 for the period ended June 30, 2022 and year ended December 31, 2021.

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8 FAIR VALUE MEASUREMENT (CONTINUED)

(a) Financial assets and liabilities measured at fair value (continued)

Reconciliation of Level 3 items

	2022	2021
<i>Financial assets measured at fair value through other comprehensive income ("FVOCI") - Unlisted equity securities</i>		
As at January 1	81,952	227,621
Change in fair value recognised in other comprehensive income	42,352	(107,943)
As at June 30	124,304	119,678

As at June 30, 2022 and June 30, 2021, financial assets categorised as Level 3 are unlisted equity securities. The fair values of unlisted equity securities are determined with reference to multiples of comparable listed companies in the market, such as price/earnings ratios of comparables, or enterprise value to the earnings before interest, taxes, depreciation and amortisation ("EV/EBITDA") ratios per Bloomberg. The fair value is positively correlated to these market comparable parameters. Had the earning of the underlying equity investments increased/decreased by 5%, the Group's other comprehensive income would have increased/decreased by \$5,625 (2021: \$5,303).

Information about Level 3 fair value measurements

As at June 30, 2022, the valuation method and significant unobservable inputs used in the fair value measurement of the Group's financial assets classified as Level 3 are as follows:

	Valuation model used	Significant unobservable valuation inputs parameters	Average	Relationship of unobservable inputs to fair value
Unlisted equities securities	Market-comparable approach	Earnings multiples (P/E ratio)	13.67 (2021: 23.34)	The higher the ratio, the higher the fair value
		EV/EBITDA multiples	7.83 (2021: 7.73)	The higher the multiple, the higher the fair value
		Marketability discount	40% (2021: 40%)	The higher the discount, the lower the fair value

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8 FAIR VALUE MEASUREMENT (CONTINUED)

(b) Financial assets and liabilities not measured at fair value

Financial assets and liabilities that are not presented at their fair value on the consolidated statement of financial position mainly represent cash and balances with banks and central banks, placements with banks, advances to customers and trade bills, and other assets measured at amortised cost. These financial assets are measured at amortised cost less expected credit losses. Financial liabilities not presented at their fair value on the consolidated statement of financial position mainly represent deposits and balances of banks, deposits from customers, financial assets sold under repurchase agreements, lease liabilities and other debt securities issued at amortised cost. These financial liabilities are measured at amortised cost.

i) Cash and balances with banks and central banks, and placements with banks

These balances are mainly priced at market interest rates and mature within one year. Accordingly, the carrying values approximate the fair values. The differences between fair values and carrying amounts of these financial assets not presented on the Group's consolidated statement of financial position.

ii) Advances to customers and trade bills

Majority of the advances to customers and trade bills are on floating rate terms, bear interest at prevailing market interest rate. Accordingly, their carrying values approximate the fair values. The differences between fair values and carrying amounts of advances to customers and trade bills not presented on the Group's consolidated statement of financial position.

iii) Other financial assets, other debt securities issued which measured at amortised cost and financial assets sold under repurchase agreements

The fair value of securities measured at amortised cost is determined using the same approach as those securities measured at fair value.

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(CONTINUED)

9 SEGMENTAL INFORMATION

(a) Reportable segments

The Group manages its businesses by divisions, which are organised by products services and customer types. In a manner consistent with the way in which information is reported internally to the executive management for the purposes of resource allocation and performance assessment, the Group has presented the following four reportable segments.

(i) Corporate, institutional and commercial banking

This segment mainly represents the provision of a range of financial products and services to corporations, financial institutions and small and medium sized enterprises. The products and services mainly include commercial loans, syndicated loans, commercial mortgages, trade financing, foreign exchange and deposit-taking activities.

(ii) Consumer banking

This segment mainly represents the provision of a range of financial products and services to individual customers. The products and services mainly comprise residential mortgages, personal loans, credit cards, auto-financing, deposit-taking activities, foreign exchange, wealth management, insurance and securities agency services.

(iii) Treasury & management pool

This segment covers the Bank's treasury operations and management of shareholders' funds. The Treasury Division enters into inter-bank money market transactions and invests in debt instruments. It also trades in debt instruments, derivatives and foreign currency for its own account and carries out customer driven derivatives such as foreign currency transactions. Its function also includes the management of the Group's overall liquidity position, including the issuance of certificates of deposit.

(iv) Others

This segment mainly represents investments in premises, subsidiaries and others.

Segment assets and liabilities are mainly composed of placement with banks, advances to banks and customers, investment securities, derivatives financial instruments, deposits and certificates of deposit and other debt securities issued.

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

The primary revenue stream of the Group is derived from net interest income and net fees and commission income. The executive management relies to a large extent on net interest income and net fees and commission income in managing its business. Hence, net interest income and net fees and commission income for all reportable segments are presented under segmental information.

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9 SEGMENTAL INFORMATION (CONTINUED)

(a) Reportable segments (continued)

	Corporate, institutional and commercial Banking	Consumer Banking	Treasury & management pool	Others	Inter- segment elimination	Total
<u>Six months ended June 30, 2022</u>						
Net interest income	1,476,287	818,232	242,189	387	-	2,537,095
Net fees and commission income	252,765	264,242	(11,778)	247,945	-	753,174
Total operating income						
— External	2,427,559	161,452	854,011	271,740	-	3,714,762
— Inter-segment	(601,889)	963,033	(359,266)	(1,878)	-	-
Total operating income	1,825,670	1,124,485	494,745	269,862	-	3,714,762
Depreciation	(54,507)	(155,658)	(10,782)	(31,494)	-	(252,441)
Operating expenses	(425,540)	(742,070)	(73,482)	(233,069)	-	(1,474,161)
Operating profit before net charges of expected credit losses	1,400,130	382,415	421,263	36,793	-	2,240,601
Net (charge)/release of expected credit losses	(316,598)	(68,198)	8,432	-	-	(376,364)
Non-operating income	-	(10)	-	31,823	-	31,813
Profit before taxation	1,083,532	314,207	429,695	68,616	-	1,896,050
<u>As at June 30, 2022</u>						
Total assets	273,292,014	59,415,262	134,414,021	8,779,174	(921,463)	474,979,008
Total liabilities	174,721,401	180,167,407	36,678,468	4,683,641	(921,463)	395,329,454

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9 SEGMENTAL INFORMATION (CONTINUED)

(a) Reportable segments (continued)

	Corporate, institutional and commercial Banking	Consumer Banking	Treasury & management pool	Others	Inter- segment elimination	Total
<u>Six months ended June 30, 2021</u>						
Net interest income	1,238,068	765,368	669,510	(2,516)	-	2,670,430
Net fees and commission income	327,524	375,180	(6,581)	263,967	-	960,090
Total operating income						
— External	2,441,460	285,891	962,090	293,371	-	3,982,812
— Inter-segment	(746,186)	906,312	(160,110)	(16)	-	-
Total operating income	1,695,274	1,192,203	801,980	293,355	-	3,982,812
Depreciation	(64,479)	(177,335)	(14,541)	(34,498)	-	(290,853)
Operating expenses	(383,215)	(778,861)	(92,394)	(350,674)	-	(1,605,144)
Operating profit before net charges of expected credit losses	1,312,059	413,342	709,586	(57,319)	-	2,377,668
Net (charge)/release of expected credit losses	(451,045)	(229,527)	4,312	10	-	(676,250)
Non-operating (losses)/income	-	-	-	32,715	-	32,715
Profit before taxation	861,014	183,815	713,898	(24,594)	-	1,734,133
<u>As at December 31, 2021</u>						
Total assets	275,485,726	58,825,099	154,748,345	9,122,483	(891,436)	497,290,217
Total liabilities	176,540,895	208,883,414	29,186,961	3,831,301	(891,436)	417,551,135

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9 SEGMENTAL INFORMATION (CONTINUED)

(b) Geographical information

The following table sets out information about the geographical location of the Group's revenue from external customers, profit before taxation, total assets, total liabilities, specified non-current assets, contingent liabilities and commitments. The geographical location of customers is based on the location at which the services were provided. Segment assets or liabilities are based on the geographical location of the asset or liabilities. Specified non-current assets comprise fixed assets, right-of-use assets and interest in a joint venture. The geographical location is based on the physical location of the asset for fixed assets, and the location of the operation to which they are allocated for intangible assets and interest in a joint venture.

	6 months ended June 30, 2022		As at June 30, 2022			
	Revenue from external customers	Profit before taxation	Total assets	Total liabilities	Specified non-current assets	Contingent liabilities and commitments
Hong Kong (place of domicile)	<u>3,714,762</u>	<u>1,896,050</u>	<u>474,979,008</u>	<u>395,329,454</u>	<u>5,706,493</u>	<u>92,695,760</u>

	6 months ended June 30, 2021		As at December 31, 2021			
	Revenue from external customers	Profit before taxation	Total assets	Total liabilities	Specified non- current assets	Contingent liabilities and commitments
Hong Kong (place of domicile)	<u>3,982,812</u>	<u>1,734,133</u>	<u>497,290,217</u>	<u>417,551,135</u>	<u>6,101,086</u>	<u>106,202,359</u>

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10 NET INTEREST INCOME

	6 months ended June 30, 2022	6 months ended June 30, 2021
Interest income		
<i>Interest income calculated using the effective interest rate</i>		
Placements and advances to banks	296,453	396,797
Advances to customers and trade bills	2,809,000	2,621,304
Financial assets measured at fair value through other comprehensive income	701,941	625,375
Other assets measured at amortised cost	45,144	73,003
Total interest income	<u>3,852,538</u>	<u>3,716,479</u>
Interest expense		
<i>Interest expense arising from financial liabilities that are not measured at fair value through profit or loss</i>		
Deposits and balances of banks	(105,535)	(22,950)
Deposits from customers	(1,187,690)	(958,689)
Other debt securities issued	(14,877)	(38,684)
	<u>(1,308,102)</u>	<u>(1,020,323)</u>
<i>Interest expense arising from lease liabilities</i>	<u>(7,341)</u>	<u>(25,726)</u>
Total interest expense	<u>(1,315,443)</u>	<u>(1,046,049)</u>
Net interest income	<u>2,537,095</u>	<u>2,670,430</u>

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11 NET FEES AND COMMISSION INCOME

	6 months ended June 30, 2022	6 months ended June 30, 2021
Fees and commission income		
Investment services	97,013	144,298
Securities broking and related services	76,189	103,581
Insurance services	126,011	146,621
Remittance, settlement and account management fees	70,868	72,916
Fee received from intermediate holding company and a fellow subsidiary (Note 36)	227,573	243,302
Trade finance	15,542	17,822
Cards	53,401	86,602
Credit facilities arrangement	150,030	234,874
Others	803	640
Total fees and commission income	817,430	1,050,656
Fees and commission expense		
Cards	(30,053)	(51,536)
Brokerage	(2,559)	(2,775)
Fee paid to intermediate holding company (Note 36)	(1,680)	(4,497)
Settlement accounts	(6,077)	(7,679)
Others	(23,887)	(24,079)
Total fees and commission expense	(64,256)	(90,566)
Net fees and commission income	753,174	960,090

12 NET TRADING INCOME

	6 months ended June 30, 2022	6 months ended June 30, 2021
Gains/(losses) from trading activities		
Foreign exchange	313,550	285,161
Interest rate derivatives	(24,300)	(108,235)
Other debt instruments	44,380	32,952
Other trading	(20)	(1,294)
	333,610	208,584
Other trading income		
Hedge ineffectiveness on fair value hedge	(2,813)	(2,461)
	330,797	206,123

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13 NET (LOSSES)/ GAINS FROM FINANCIAL INSTRUMENTS DESIGNATED AT FAIR VALUE THROUGH PROFIT OR LOSS

	6 months ended June 30, 2022	6 months ended June 30, 2021
Net (losses)/ gains from structured deposits	(8,077)	31,128

14 OTHER OPERATING INCOME

	6 months ended June 30, 2022	6 months ended June 30, 2021
Dividend income		
Unlisted	1,180	2,782
Listed	57	-
	1,237	2,782
Others	23,193	29,540
	24,430	32,322

15 OPERATING EXPENSES

	6 months ended June 30, 2022	6 months ended June 30, 2021
Staff costs		
Salaries and other benefits	904,195	943,256
Pension and provident fund costs	37,737	45,070
	941,932	988,326
General and administrative expenses		
Rental expense	42,802	47,133
Other premises and equipment	58,333	59,425
Marketing expenses	54,816	78,036
Auditors' remuneration	3,220	3,220
Professional fees	18,494	30,170
Other operating expenses	102,123	107,981
	279,788	325,965
Depreciation		
Fixed assets	140,296	144,841
Right-of-use assets	112,145	146,012
	252,441	290,853
	1,474,161	1,605,144

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16 NET CHARGE OF EXPECTED CREDIT LOSSES

	6 months ended June 30, 2022	6 months ended June 30, 2021
New allowances charged, net of allowance releases	397,014	690,552
Recoveries of amounts previously written off	(20,650)	(14,302)
Net charge of expected credit losses	376,364	676,250
Attributable to:		
Balances with banks and central banks and placements with banks	(663)	(846)
Advances to customers and trade bills	416,398	665,018
Financial assets measured at fair value through other comprehensive income	1,965	19,454
Other assets measured at amortised cost	(1,925)	(4,215)
Loan and other credit related commitments	(39,411)	(3,161)
Net charge of expected credit losses	376,364	676,250

17 TAXATION

(a) Taxation in the consolidated statement of profit or loss represents:

	6 months ended June 30, 2022	6 months ended June 30, 2021
Current tax – Hong Kong Profits Tax		
Provision for the period	284,847	320,920
Over-provision in respect of prior years	(50)	(471)
	284,797	320,449
Current tax – Overseas		
Provision for the period	12	30
Withholding tax for the period	279	1,443
	291	1,473
Deferred tax		
Origination and reversal of temporary differences	22,000	(13,698)
	307,088	308,224

The provision for Hong Kong Profits Tax is calculated at 16.5% (2021: 16.5%) of the estimated assessable profits for the period. Taxation for overseas transactions are charged at the appropriate current rates of taxation in the countries in which the transactions took place.

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17 TAXATION (CONTINUED)

(b) Reconciliation between tax expense and accounting profit at applicable tax rates:

	6 months ended June 30, 2022	6 months ended June 30, 2021
Profit before taxation	<u>1,896,050</u>	<u>1,734,133</u>
Notional tax on profit before tax, calculated at the rates applicable to profits in the countries concerned	312,848	286,132
Income not subject to taxation	(16,768)	(6,085)
Expenses not deductible for taxation purposes	41,642	6,803
Tax effect of utilization of temporary difference recognised	(34,704)	-
Over-provision in prior years	(50)	(471)
Overseas withholding tax	279	1,443
Others	<u>3,841</u>	<u>20,402</u>
Actual tax expense	<u>307,088</u>	<u>308,224</u>

18 CASH AND BALANCES WITH BANKS AND CENTRAL BANKS

	June 30, 2022	December 31, 2021
Cash in hand	166,683	247,195
Balances with banks	8,652,012	2,566,858
Balances with central banks	6,854,344	10,353,090
Placement with banks maturing within one month	<u>32,352,714</u>	<u>33,606,169</u>
Gross cash and balances with banks and central banks	48,025,753	46,773,312
Less: Expected credit loss allowances Stage 1: 12-month ECL	<u>(686)</u>	<u>(1,349)</u>
Net cash and balances with banks and central banks	<u>48,025,067</u>	<u>46,771,963</u>

19 PLACEMENTS WITH BANKS

	June 30, 2022	December 31, 2021
Maturing between one and twelve months	8,094,994	16,932,630
Maturing more than twelve months	<u>10,314,640</u>	<u>15,683,057</u>
Gross placements with banks	18,409,634	32,615,687
Less: Expected credit loss allowances Stage 1: 12-month ECL	<u>-</u>	<u>-</u>
Net placements with banks	<u>18,409,634</u>	<u>32,615,687</u>

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20 ADVANCES TO CUSTOMERS AND TRADE BILLS

(a) Advances to customers and trade bills

	June 30, 2022	December 31, 2021
Advances to customers		
Gross advances to corporate customers	240,974,281	242,837,588
Gross advances to personal customers	60,977,522	60,304,944
	<u>301,951,803</u>	<u>303,142,532</u>
Less: Expected credit loss allowances		
Stage 1: 12-month ECL	(1,243,513)	(1,273,348)
Stage 2: Lifetime ECL but not credit-impaired	(777,903)	(887,923)
Stage 3: Lifetime ECL and credit-impaired	(845,369)	(901,400)
	<u>299,085,018</u>	<u>300,079,861</u>
Trade bills		
Gross trade bills	348,848	154,819
Less: Expected credit loss allowances		
Stage 1: 12-month ECL	(79)	(16)
Stage 2: Lifetime ECL but not credit-impaired	(21)	(6)
	<u>348,748</u>	<u>154,797</u>
Net advances to customers and trade bills	<u>299,433,766</u>	<u>300,234,658</u>

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20 ADVANCES TO CUSTOMERS AND TRADE BILLS (CONTINUED)

(b) Movement in gross amount and ECL allowances of advances to customers and trade bills

The following table shows the reconciliation from the opening balance to the closing balance of gross advances to customers and trade bills.

	Stage 1	Stage 2	Stage 3	
	12-month ECL	Lifetime ECL not credit-impaired	Lifetime ECL credit-impaired	Total
Balance as at January 1, 2022	281,523,946	19,832,681	1,940,724	303,297,351
Transfer to stage 1: 12-month ECL	154,737	(150,151)	(4,586)	-
Transfer to stage 2: lifetime ECL not credit-impaired	(4,402,988)	5,243,952	(840,964)	-
Transfer to stage 3: lifetime ECL credit-impaired	(267,160)	(2,016,990)	2,284,150	-
Net change in exposures	965,718	(1,360,578)	31,015	(363,845)
Write-offs	-	-	(632,855)	(632,855)
Balance as at June 30, 2022	277,974,253	21,548,914	2,777,484	302,300,651

	Stage 1	Stage 2	Stage 3	
	12-month ECL	Lifetime ECL not credit-impaired	Lifetime ECL credit-impaired	Total
Balance as at January 1, 2021	259,271,091	21,859,008	3,282,998	284,413,097
Transfer to stage 1: 12-month ECL	662,408	(662,336)	(72)	-
Transfer to stage 2: lifetime ECL not credit-impaired	(1,480,769)	1,482,344	(1,575)	-
Transfer to stage 3: lifetime ECL credit-impaired	(6,163)	(74,874)	81,037	-
Net change in exposures	34,537,141	(318,024)	(122,860)	34,096,257
Write-offs	-	-	(142,511)	(142,511)
Balance as at June 30, 2021	292,983,708	22,286,118	3,097,017	318,366,843

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20 ADVANCES TO CUSTOMERS AND TRADE BILLS (CONTINUED)

(b) Movement in gross amount and ECL allowances of advances to customers and trade bills (continued)

The following tables show reconciliations from the opening balance to the closing balance of the ECL allowances on advances to customers and trade bills.

	Stage 1	Stage 2	Stage 3	
	12-month ECL	Lifetime ECL not credit- impaired	Lifetime ECL credit- impaired	Total
Balance as at January 1, 2022	1,273,364	887,929	901,400	3,062,693
Transfer to stage 1: 12-month ECL	29,790	(25,339)	(4,451)	-
Transfer to stage 2: lifetime ECL not credit-impaired	(8,335)	61,429	(53,094)	-
Transfer to stage 3: lifetime ECL credit-impaired	(4,781)	(107,237)	112,018	-
New financial assets originated or purchased*	116,674	157,955	3,858	278,487
Financial assets that have been derecognised	(64,852)	(167,233)	(3,483)	(235,568)
Write-offs	-	-	(632,855)	(632,855)
Recoveries of amounts previously written-offs	-	-	20,650	20,650
Net remeasurements (Including changes in risk parameters)	(93,947)	(28,024)	498,194	376,223
Foreign exchange and other movements	(4,321)	(1,556)	3,132	(2,745)
Balance as at June 30, 2022	1,243,592	777,924	845,369	2,866,885

* During the period, all advances to customers and trade bills were initially classified in Stage 1 and were not considered as credit-impaired at the time of origination or purchase. Some were subsequently transferred into Stage 2 or Stage 3 based on the result of credit assessments.

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20 ADVANCES TO CUSTOMERS AND TRADE BILLS (CONTINUED)

(b) Movement in gross amount and ECL allowances of advances to customers and trade bills (continued)

The following tables show reconciliations from the opening balance to the closing balance of the ECL allowances on advances to customers and trade bills. (continued)

	Stage 1	Stage 2	Stage 3	
	12-month ECL	Lifetime ECL not credit- impaired	Lifetime ECL credit- impaired	Total
Balance as at January 1, 2021	1,063,288	713,775	1,171,579	2,948,642
Transfer to stage 1:				
12-month ECL	119,656	(119,619)	(37)	-
Transfer to stage 2:				
lifetime ECL not credit-impaired	(28,368)	28,853	(485)	-
Transfer to stage 3:				
lifetime ECL credit-impaired	(3,566)	(33,797)	37,363	-
New financial assets originated or purchased*	181,335	121,904	4,790	308,029
Financial assets that have been derecognised	(62,273)	(82,958)	(44,084)	(189,315)
Write-offs	-	-	(142,511)	(142,511)
Recoveries of amounts previously written-offs	-	-	14,302	14,302
Net remeasurements (Including changes in risk parameters)	(24,214)	157,188	413,735	546,709
Foreign exchange and other movements	(614)	172	37	(405)
Balance as at June 30, 2021	1,245,244	785,518	1,454,689	3,485,451

* During the period, all advances to customers and trade bills were initially classified in Stage 1 and were not considered as credit-impaired at the time of origination or purchase. Some were subsequently transferred into Stage 2 or Stage 3 based on the result of credit assessments.

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20 ADVANCES TO CUSTOMERS AND TRADE BILLS (CONTINUED)

(c) Impaired advances to customers and trade bills and impairment allowances

Impaired advances to customers and allowances are analysed as follows:

	June 30, 2022		December 31, 2021	
		% of gross advances		% of gross advances
Gross impaired advances	2,777,484	0.92	1,940,724	0.64
Less: Expected credit loss allowances	(845,369)		(901,400)	
	1,932,115		1,039,324	
Gross individually assessed impaired advances	2,716,647	0.90	1,876,923	0.62
Less: Expected credit loss allowances	(802,939)		(856,828)	
	1,913,708		1,020,095	
Net realisable value of collateral held against the impaired advances	165,066		991,676	

As at June 30, 2022 and December 31, 2021, there were no impaired trade bills.

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21 FINANCIAL ASSETS MEASURED AT FAIR VALUE THROUGH PROFIT OR LOSS

	June 30, 2022	December 31, 2021
Fund investments issued by non-bank financial institutions	42,850	42,468
Certificates of deposit issued by banks	58,540	2,170,429
Other debt securities issued by banks and other financial institutions	160,223	276,142
Other debt securities issued by corporates	55,898	33,867
Trading securities issued by central bank	202,134	-
Trading loans	2,480,483	2,903,914
	3,000,128	5,426,820
<u>Analysed by place of listing:</u>		
Listed in Hong Kong		
Certificates of deposit	58,540	2,170,429
Other debt securities	180,843	151,805
	239,383	2,322,234
Listed outside Hong Kong		
Other debt securities	35,278	158,204
Unlisted		
Fund investments	42,850	42,468
Trading securities issued by central bank	202,134	-
Trading loans	2,480,483	2,903,914
	2,725,467	2,946,382
	3,000,128	5,426,820

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22 FINANCIAL ASSETS MEASURED AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

	June 30, 2022	December 31, 2021
<i>Financial assets measured at fair value through other comprehensive income</i>		
Debt investments		
Treasury bills/ bonds issued by central banks/governments	34,927,986	40,937,851
Certificates of deposit issued by banks	2,063,046	1,379,398
Other debt securities issued by		
Banks and non-bank financial institutions	34,218,842	32,759,857
Corporates	15,796,605	16,606,512
	<u>87,006,479</u>	<u>91,683,618</u>
<i>Financial assets designated at fair value through other comprehensive income</i>		
Equity investments		
Equity shares issued by corporates	166,986	128,638
	<u>87,173,465</u>	<u>91,812,256</u>
<u>Analysed by place of listing</u>		
Listed in Hong Kong		
Debt investments	45,044,557	50,060,248
Listed outside Hong Kong		
Debt investments	9,148,080	10,505,848
Equity investments	42,682	46,686
	<u>9,190,762</u>	<u>10,552,534</u>
Unlisted		
Debt investments	32,813,842	31,117,522
Equity investments	124,304	81,952
	<u>32,938,146</u>	<u>31,199,474</u>
	<u>87,173,465</u>	<u>91,812,256</u>

Under the Group's business strategy, the equity investments are made for being members of the electronic payment system in Hong Kong and are held for long term purpose. These investments are designated at FVOCI. Management has no intention to dispose of these investments as at June 30, 2022.

For the period ended June 30, 2022 and December 31, 2021, there were no significant movements in the gross balances of financial assets measured at FVOCI that resulted in significant changes to the ECL allowances.

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23 OTHER ASSETS MEASURED AT AMORTISED COST

	June 30, 2022	December 31, 2021
Treasury bills issued by central banks	299,933	5,882,095
Other debt securities issued by		
Banks and non-bank financial institutions	2,764,418	3,480,091
Corporates	321,796	359,147
	<u>3,386,147</u>	<u>9,721,333</u>
Less: Expected credit loss allowances		
Stage 1: 12-month ECL	(6,880)	(8,685)
Stage 2: Lifetime ECL but not credit-impaired	-	(121)
	<u>3,379,267</u>	<u>9,712,527</u>
<u>Analysed by place of listing</u>		
Listed in Hong Kong	2,770,761	3,525,747
Unlisted	615,386	6,195,586
	<u>3,386,147</u>	<u>9,721,333</u>
<u>Market value</u>		
Listed	2,716,619	3,540,384
Unlisted	611,321	6,194,577
	<u>3,327,940</u>	<u>9,734,961</u>

The fair value of other assets measured at amortised cost is based on quoted market bid prices. The following tables show the fair value hierarchy for other assets measured at amortised cost with fair values, which measured using fair value hierarchy method as disclosed in Note 8(a):

As at June 30, 2022	Level 1	Level 2	Level 3	Total
Other assets measured at amortised cost	<u>2,716,619</u>	<u>611,321</u>	<u>-</u>	<u>3,327,940</u>
As at December 31, 2021				
Other assets measured at amortised cost	<u>6,696,713</u>	<u>3,038,248</u>	<u>-</u>	<u>9,734,961</u>

There were no overdue financial investments as at June 30, 2022 and December 31, 2021 for the Group. The Group did not hold any asset-backed securities, mortgage-backed securities and collateralised debt obligations.

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24 DERIVATIVE FINANCIAL INSTRUMENTS

Derivatives include forward, swap and option transactions undertaken by the Group in the foreign exchange and interest rate markets. The Group uses derivatives for trading activities and sale to customers as risk management products. These positions are actively managed through entering into offsetting deals with external parties to ensure the Group's net exposures are within acceptable risk levels. No significant proprietary positions were maintained by the Group as at the reporting date. The Group also uses these derivatives in the management of its own asset and liability portfolios and structural positions.

The following table provides an analysis of the notional amounts, carrying amounts and credit risk weighted amounts of derivatives of the Group at the reporting date:

	June 30, 2022				December 31, 2021			
	Notional amount	Fair value assets	Fair value liabilities	Credit risk weighted amount	Notional amount	Fair value assets	Fair value liabilities	Credit risk weighted amount
Exchange rate contracts								
Forwards	113,257,990	797,192	412,955	818,719	153,481,644	766,029	518,173	1,016,831
Options purchased	-	-	-	-	1,176	1	-	-
Options written	380,738	-	934	174	385,771	-	915	234
Interest rate swaps	15,928,037	666,159	87,177	601,590	17,908,209	115,086	202,772	188,419
Currency swaps	2,975,749	47,688	50,711	61,188	3,681,483	16,949	15,459	83,449
Equity swaps	50,000	292	2,221	3,575	166,200	552	17,754	7,417
	<u>132,592,514</u>	<u>1,511,331</u>	<u>553,998</u>	<u>1,485,246</u>	<u>175,624,483</u>	<u>898,617</u>	<u>755,073</u>	<u>1,296,350</u>

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25 FIXED ASSETS

	Buildings	Leasehold improvements	Furniture and equipment	Total
Cost:				
As at January 1, 2022	2,818,069	609,068	1,472,504	4,899,641
Additions	-	6,647	51,240	57,887
Disposals	-	-	(2,423)	(2,423)
As at June 30, 2022	2,818,069	615,715	1,521,321	4,955,105
Accumulated depreciation:				
As at January 1, 2022	758,649	484,183	1,211,254	2,454,086
Charge for the period	38,877	18,702	82,717	140,296
Disposals	-	-	(2,423)	(2,423)
As at June 30, 2022	797,526	502,885	1,291,548	2,591,959
Net book value:				
As at June 30, 2022	2,020,543	112,830	229,773	2,363,146
	Buildings	Leasehold improvements	Furniture and equipment	Total
Cost:				
As at January 1, 2021	2,818,069	607,343	1,376,594	4,802,006
Additions	-	65,601	145,828	211,429
Disposals	-	(63,876)	(49,918)	(113,794)
As at December 31, 2021	2,818,069	609,068	1,472,504	4,899,641
Accumulated depreciation:				
As at January 1, 2021	680,895	512,565	1,080,729	2,274,189
Charge for the year	77,754	34,627	180,432	292,813
Disposals	-	(63,009)	(49,907)	(112,916)
As at December 31, 2021	758,649	484,183	1,211,254	2,454,086
Net book value:				
As at December 31, 2021	2,059,420	124,885	261,250	2,445,555

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26 RIGHT-OF-USE ASSETS

The carrying amounts of the Group's right-of-use assets and the movements during the period are as follows:

	Right-of-use assets			
	Leasehold land	Buildings	Equipment	Total
As at January 1, 2022	525,536	1,211,551	16,278	1,753,365
Additions	-	13,203	1,155	14,358
Remeasurement	-	(246,220)	-	(246,220)
Depreciation charge for the period	(1,007)	(106,859)	(4,279)	(112,145)
As at June 30, 2022	524,529	871,675	13,154	1,409,358

	Right-of-use assets			
	Leasehold land	Buildings	Equipment	Total
As at January 1, 2021	527,551	1,462,191	25,110	2,014,852
Additions	-	111,183	-	111,183
Remeasurement	-	(89,525)	(70)	(89,595)
Depreciation charge for the year	(2,015)	(272,298)	(8,762)	(283,075)
As at December 31, 2021	525,536	1,211,551	16,278	1,753,365

27 LEASE LIABILITIES

The carrying amounts of lease liabilities (included under interest-bearing bank and other borrowings) and the movements during the period are as follows:

	Lease liabilities
As at January 1, 2022	1,298,508
Additions	-
Remeasurement	(231,891)
Interest expense	7,341
Payments	(118,710)
As at June 30, 2022	955,248
Total lease liabilities	
Current	202,073
Non-current	753,175
	955,248

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27 LEASE LIABILITIES (CONTINUED)

The carrying amounts of lease liabilities (included under interest-bearing bank and other borrowings) and the movements during the period are as follows: (continued)

	Lease liabilities
As at January 1, 2021	1,552,237
Additions	103,221
Remeasurement	(96,029)
Interest expense	42,658
Payments	<u>(303,579)</u>
As at December 31, 2021	<u>1,298,508</u>
 Total lease liabilities	
Current	241,870
Non-current	<u>1,056,638</u>
	<u>1,298,508</u>

The Group recognised rental expenses from short-term leases and leases of low-value assets of \$664 for the six months ended June 30, 2022 (June 30, 2021: \$352).

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28 DEPOSITS AND BALANCES OF BANKS

	June 30, 2022	December 31, 2021
Deposits from banks	3,683,042	3,912,429
Takings from banks	28,208,414	21,018,072
	31,891,456	24,930,501

29 DEPOSITS FROM CUSTOMERS

	June 30, 2022	December 31, 2021
Demand deposits and current accounts	38,736,955	32,945,883
Savings deposits	115,182,307	101,312,218
Time and call deposits	193,970,277	242,420,180
Other deposits	550,024	518,564
	348,439,563	377,196,845

30 FINANCIAL ASSETS SOLD UNDER REPURCHASE AGREEMENTS

Financial assets sold under repurchase agreements by underlying assets are shown as follows:

	June 30, 2022	December 31, 2021
Other debt securities issued by		
Banks and non-bank financial institutions	3,852,541	3,642,193
Corporates	3,024,967	3,127,254
	6,877,508	6,769,447

31 FINANCIAL LIABILITIES DESIGNATED AT FAIR VALUE THROUGH PROFIT OR LOSS

	June 30, 2022	December 31, 2021
Structured deposits	375,112	515,253

32 OTHER DEBT SECURITIES ISSUED

	June 30, 2022	December 31, 2021
Other debt securities issued at amortised cost	704,979	736,578

As at June 30, 2022, the fair values of other debt securities issued at amortised cost were at \$717,799 (December 31, 2021: \$757,427).

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33 OTHER EQUITY INSTRUMENTS

		June 30, 2022	December 31, 2021
Nominal value	Description		
USD1 billion	Fixed rate perpetual capital instrument callable from December 29, 2022	7,811,732	7,811,732
USD0.5 billion	Fixed rate perpetual capital instrument callable from December 13, 2024	3,901,108	3,901,108
USD0.5 billion	Fixed rate perpetual capital instrument callable from March 26, 2025	3,876,493	3,876,493
		<u>15,589,333</u>	<u>15,589,333</u>

The additional tier 1 capital instruments are perpetual and subordinated, and the coupon payments may be cancelled at the sole discretion of the Group. The capital instruments will be written down at the point of non-viability on the occurrence of a trigger event as defined in the Banking (Capital) Rule. They rank higher than ordinary shares in the event of a winding-up.

34 RESERVES

(a) General reserve

General reserve is appropriated from the retained earnings for future use.

(b) Investment revaluation reserve

The investment revaluation reserve comprises the cumulative net change in the fair value of financial assets measured at fair value through other comprehensive income until the financial assets are derecognised and is dealt with in accordance with the accounting policies adopted for the measurement of these financial assets at fair value.

(c) Regulatory reserve

Regulatory reserve comprises reserves maintained in accordance with Hong Kong regulations. At Group level, it includes a regulatory reserve of \$507,573 (December 31, 2021: \$380,852) to satisfy the provisions of the Hong Kong Banking Ordinance for prudential supervision purposes. Movement in this reserve is made directly through retained earnings and in consultation with HKMA.

(d) Other reserve

Other reserve is used to record the corresponding amount of the share options and bonus rewards granted by the former parent company to the Bank's employees. The options and rewards granted are classified as equity-settled share-based payments and the amount recognised in other reserve represents capital contribution from its former parent company and is not distributable.

(e) Merger reserve

Merger reserve arises as a result of the acquisition of a majority of the corporate banking business ("Acquired Business") of CCB Hong Kong Branch. This amount represented the difference between the net book value of the Acquired Business and the consideration paid.

(f) Retained earnings

The Bank and its financial subsidiaries are required to maintain minimum capital adequacy ratios under their respective regulatory jurisdictions. The minimum capital requirements could therefore potentially restrict the amount of retained earnings available for distribution to the shareholders.

All reserves, except for general reserve and retained earnings, are not available for distribution.

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35 CONTINGENT LIABILITIES AND COMMITMENTS

The following is a summary of the contractual amounts of each significant class of contingent liabilities and commitments to extend credit:

	June 30, 2022	December 31, 2021
Direct credit substitutes	102,911	101,818
Transaction-related contingencies	2,994,922	4,531,319
Trade-related contingencies	1,693,447	1,251,725
Other commitments:		
which are unconditionally cancellable or automatically cancellable due		
to the deterioration in the credit worthiness of the borrower	56,309,736	56,675,692
with an original maturity up to one year	1,942,846	1,741,383
with an original maturity over one year	29,651,897	41,900,422
	92,695,759	106,202,359

Contingent liabilities and commitments are credit-related instruments which include letter of credits, guarantees and commitments to extend credit. The risk involved is essentially the same as the credit risk involved in extending loan facilities to customers. These transactions are, therefore, subject to the same credit application, portfolio maintenance and collateral requirements as for customers applying for the loans. The contractual amounts represent the amounts at risk should the contract be fully drawn upon and the client defaults. As the facilities may expire without being drawn upon, the contractual amounts do not represent expected future cash flows.

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36 MATERIAL RELATED PARTY TRANSACTIONS

During the period, the Group entered into transactions with related parties in the normal course of its banking business including lending, acceptance and placement of inter-bank deposits, correspondent banking transactions, securities brokerage and derivative transactions. The transactions were priced at the relevant market rates at the time of each transaction.

The amount of material related party transactions during the period and outstanding balances at the reporting date are set out below:

	Intermediate holding company		Fellow subsidiary		Joint venture	
	June 30, 2022	June 30, 2021	June 30, 2022	June 30, 2021	June 30, 2022	June 30, 2021
For the period ended						
Interest income	180,613	351,478	34,241	35,412	-	-
Interest expense	68,866	16,182	1,901	640	23,182	14,944
Fee and commission income	227,573	243,244	-	58	-	-
Fee and commission expense	1,680	4,497	-	-	-	-
Other operating income	15,597	15,951	1,784	7,129	-	-
Operating expenses	1,236	1,185	-	-	107,669	53,352
<hr/>						
As at	June 30, 2022	December 31, 2021	June 30, 2022	December 31, 2021	June 30, 2022	December 31, 2021
Amounts due from:						
Cash and balances with banks and central banks	23,819,398	6,313,023	-	-	-	-
Placements with banks	18,409,634	32,615,687	-	-	-	-
Advance to customers and trade bills	-	148,279	1,869,821	1,934,907	-	-
Financial assets measured at fair value through other comprehensive income	-	-	235,641	234,187	-	-
Other assets measured at amortised cost	-	246,799	-	-	-	-
Derivative financial instruments	-	135,029	-	-	-	-
Right-of-use assets	-	-	-	-	526,515	674,379
Other assets	4,974,258	517,562	9,666	4,410	-	-
Amounts due to:						
Deposits and balances of banks	23,938,531	19,693,136	697	3,297	-	-
Financial assets sold under repurchase agreements	1,896,802	-	-	-	-	-
Deposits from customers	-	-	4,315,673	5,414,818	-	-
Derivative financial instruments	-	112,139	-	-	-	-
Lease liabilities	-	-	-	-	709,213	733,482
Other liabilities	2,673,782	2,652,794	60	-	19,494	19,494

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36 MATERIAL RELATED PARTY TRANSACTIONS (CONTINUED)

The amount of material related party transactions during the period and outstanding balances at the reporting date are set out below: (continued)

As at	<u>Intermediate holding company</u>		<u>Fellow subsidiary</u>		<u>Joint venture</u>	
	June 30, 2022	December 31, 2021	June 30, 2022	December 31, 2021	June 30, 2022	December 31, 2021
Contingencies and commitments:						
Transaction-related contingencies	7,039	7,039	-	-	-	-
Other commitments	-	-	2,012,154	2,081,335	-	-
Derivative financial instrument: (notional amount)						
Exchange rate contracts	22,117,390	68,481,507	-	-	-	-
Interest rate swaps	926,355	966,559	-	-	-	-
Currency swaps	331,179	621,437	-	-	-	-

37 Assets pledged as collaterals

Transferred financial assets not qualifying for full derecognition and their associated financial liabilities

	June 30, 2022	
	Carrying amount of transferred assets	Carrying amount of associated liabilities (Note 30)
Repurchase agreements	<u>7,415,729</u>	<u>6,877,508</u>

The financial assets shown above include amounts transferred to third parties that do not qualify for derecognition are mainly debt securities held by counterparties as collateral under repurchase agreements. As the substance of these transactions is secured borrowings, the collateral assets continue to be recognised in full as financial assets measured at fair value through comprehensive income and the related liabilities, reflecting the Group's obligation to repurchase the transferred assets for a fixed price at a future date, are also recognised on the statement of financial position. As a result of these transactions, the Group is unable to use, sell or repledge the transferred assets for the duration of the transactions. The Group remains exposed to interest rate risk, credit risk and market risk on these pledged instruments. The counterparty's recourse is not limited to the transferred assets.

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38 INTEREST RATE BENCHMARK REFORM

Interest Rate Benchmark Reform Phase 2 Amendments to HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16 ("the Phase 2 Amendments") was issued in August 2020. The Phase 2 Amendments provide the following changes in respect of financial instruments that are directly required by the Reform:

- A practical expedient when accounting for changes in the basis for determining the contractual cash flows of financial assets and liabilities, to require the effective interest rate to be adjusted;
- Reliefs from discontinuing hedge relationships;
- Temporary relief from having to meet the separately identifiable requirement when a risk-free rates ("RFR") instrument is designated as a hedge of a risk component; and
- Additional HKFRS 7 disclosures.

IBOR transition

Despite the wide application of Interbank Offered Rate ("IBOR") in the financial contracts, the current mechanism of determining interbank offered rates has long been criticized as inadequate and inherently subject to subjectivity due to its heavy reliance on "expert judgement" during the submission of the quotes by the panel banks.

Over the past few years, the Financial Stability Board ("FSB") has been working with authorities and standard-setting bodies to develop reform proposals to enhance the robustness of interest rate benchmarks. In July 2017, the UK's Financial Conduct Authority ("FCA") preliminarily announced that it will no longer persuade or require panel banks to submit rates for the London interbank offered rate ("LIBOR") after 2021. In March 2021, FCA decided to postpone the dates that panel bank submissions for some of USD LIBOR settings will cease, and finally announced that all LIBOR settings will either cease to be provided by any administrator or no longer be representative as below:

- December 31, 2021 – for all Sterling ("GBP"), Euro ("EUR"), Swiss Franc ("CHF") and Japanese Yen ("JPY") settings, and the 1-week and 2-month US Dollar ("USD") settings; and
- June 30, 2023 – for the remaining USD settings (i.e. USD overnight, 1-month, 3-month, 6-month and 12-month)

To ensure smooth transition from IBORs, the Group has established a working group to oversee and drive the IBOR transition to alternative reference rates ("ARRs"). The working group is led by Deputy Chief Executive and is comprised of representatives from the business divisions, Treasury Division, Finance Division, Risk Management Division and other related divisions. The Group has outlined a transition strategy planning with well specified timeline. By schedule, the Group has completed IBOR transition impact assessment and backbook migration plan, and made a good progress in many areas, including but not limited to system enhancement, client outreach and contract remediation.

Risks arising from IBOR transition

The transition from IBORs to ARRs creates uncertainty in terms of changes in fair value of financial instruments. The asymmetric adoption of ARRs across assets and liabilities also creates basis risk that needs to be managed proactively. In response, the Group has established effective risk control and management frameworks in order to monitor and manage the risks arising out of the IBOR transition.

In addition to the financial risks resulting from the transition to ARRs, the Group has also been actively managing the legal and conduct risks that arise from the selling activities of new ARR benchmark products and amendments of existing LIBOR contracts that are potentially subject to cessation risks.

The Group has organized an extensive series of trainings covering up-to-date IBOR transition information, new product selling, client communication, backbook exposure and contract remediation management tactics to frontline staff, and has a range of tools and playbooks in place to facilitate the smooth engagement, communication with clients, and to help increase clients' awareness on transition actions and risks. Substantial efforts have also been put into the negotiation and modification of the outstanding LIBOR contracts with the clients to include adequate, effective provisions to protect against the cessation of the LIBOR benchmark rate.

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38 INTEREST RATE BENCHMARK REFORM (CONTINUED)

Risks arising from IBOR transition (continued)

The Group is dedicated to facilitate the orderly transition from IBOR to the new ARRs and to uphold our clients, market counterparties' interests throughout the transition process. The Group will continue to press ahead on the remediation of in-scope contracts and exposures in the Group's portfolio, proactively manage and mitigate the associated risk of the transition in 2021 and onwards.

Financial instruments impacted by IBOR reform

Amendments to HKFRSs issued in October 2020 (Interest Rate Benchmark Reform Phase 2) represents the second phase of the project on the effects of interest rate benchmark reform, addressing issues affecting financial statements when changes are made to contractual cash flows and hedging relationships as a result of reform.

Under these amendments, changes made to a financial instrument that are economically equivalent and required by interest rate benchmark reform do not result in the derecognition or a change in the carrying amount of the financial instrument, but instead require the effective interest rate to be updated to reflect the change in the interest rate benchmark. In addition, hedge accounting will not be discontinued solely because of the replacement of the interest rate benchmark if the hedge meets other hedge accounting criteria.

The table below presents the impact on financial instruments that are required but have yet to transition to alternative benchmark rates before their maturity, disaggregated by significant interest rate benchmark subject to interest rate benchmark reform.

	June 30, 2022	
	Non derivative financial assets – carrying amount	Derivatives nominal amount
USDLIBOR (1 month)	10,392,620	-
USDLIBOR (3 month)	15,095,732	5,365,401
USDLIBOR (6 month)	2,842,765	1,486,449
	28,331,117	6,851,850

The above table represents non derivative financial assets on the basis of their gross carrying amount excluding the allowances of ECL. There were no outstanding non derivative financial liabilities that are required but have yet to transition to alternative benchmark rates as at June 30, 2022.

39 EVENTS AFTER THE REPORTING PERIOD

There are no significant events after the reporting period.

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SUPPLEMENTARY FINANCIAL INFORMATION

1 OVERDUE AND RESCHEDULED ASSETS

(a) Gross advances to customers overdue for more than three months

	June 30, 2022		December 31, 2021	
		% on total advances to customers		% on total advances to customers
Six months or less but over three months	19,912	0.01	9,766	0.00
One year or less but over six months	7,497	0.00	264,226	0.09
Over one year	142,555	0.05	469,139	0.15
Total gross amount of advances overdue for more than three months	169,964	0.06	743,131	0.24
Expected credit losses allowances made in respect of the above overdue advances	122,838		702,654	
Net realisable value of collateral held against the overdue advances	74,885		118,678	
Covered portion of overdue advances	74,885		118,678	
Uncovered portion of overdue advances	95,079		624,453	
	169,964		743,131	

As at June 30, 2022 and December 31, 2021, collaterals held with respect of overdue advances to customers were mainly commercial properties and residential properties.

As at June 30, 2022 and December 31, 2021, there were no trade bills and advances to banks overdue for more than three months.

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SUPPLEMENTARY FINANCIAL INFORMATION (CONTINUED)

1 OVERDUE AND RESCHEDULED ASSETS (CONTINUED)

(b) Rescheduled advances to customers

	<u>June 30, 2022</u>		<u>December 31, 2021</u>	
		% on total advances to customers		% on total advances to customers
Rescheduled advances to customers	61,184	0.02	60,912	0.02

Rescheduled advances are those advances which have been restructured or renegotiated because of 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 payment terms are non-commercial to the Bank. The rescheduled advances are stated net of any advances that have subsequently become overdue for over three months and reported as overdue advances as above.

As at June 30, 2022 and December 31, 2021, there were no rescheduled advances to banks and trade bills.

(c) Other overdue and rescheduled assets

As at June 30, 2022 and December 31, 2021, there were no other overdue and rescheduled assets.

Hong Kong, September 30, 2022