

# **PUBLIC BANK (HONG KONG) LIMITED**

Interim Financial Statements  
for the six months ended 30 June 2024

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**PUBLIC BANK (HONG KONG) LIMITED**  
(Incorporated in Hong Kong with limited liability)

(Website: [www.publicbank.com.hk](http://www.publicbank.com.hk))

**INTERIM FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED 30 JUNE 2024**

The Board of Directors (the “Board”) of Public Bank (Hong Kong) Limited (the “Bank”) is pleased to announce the unaudited condensed consolidated results of the Bank and its subsidiaries (collectively, the “Group”) for the six months ended 30 June 2024 with comparative figures as follows:

**CONDENSED CONSOLIDATED INCOME STATEMENT**

	Notes	For the six months ended	
		2024 (Unaudited) HK\$'000	2023 (Unaudited) HK\$'000
Interest income	7	996,784	935,076
Interest expense	7	(500,006)	(409,328)
<b>NET INTEREST INCOME</b>		<b>496,778</b>	<b>525,748</b>
Fees and commission income	8	105,988	116,348
Fees and commission expenses	8	(916)	(1,013)
Net fees and commission income		105,072	115,335
Other operating income	9	12,089	14,677
<b>OPERATING INCOME</b>		<b>613,939</b>	<b>655,760</b>
Operating expenses	10	(436,492)	(430,821)
Changes in fair value of investment properties		(6,577)	1,874
<b>OPERATING PROFIT BEFORE CREDIT LOSS EXPENSES</b>		<b>170,870</b>	<b>226,813</b>
Credit loss expenses	11	(164,212)	(77,908)
<b>PROFIT BEFORE TAX</b>		<b>6,658</b>	<b>148,905</b>
Tax	12	(5,479)	(28,225)
<b>PROFIT FOR THE PERIOD</b>		<b>1,179</b>	<b>120,680</b>



## CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended  
30 June

2024  
(Unaudited)  
HK\$'000

2023  
(Unaudited)  
HK\$'000

<b>PROFIT FOR THE PERIOD</b>	<b>1,179</b>	120,680
<b>OTHER COMPREHENSIVE LOSS FOR THE PERIOD</b>		
Other comprehensive loss that may be reclassified to profit or loss in subsequent periods:		
Net losses on debt securities investment measured at fair value through other comprehensive income ("FVOCI"), net of tax	(217)	-
Exchange differences on translating foreign operations, net of tax	(26,351)	(46,431)
<b>TOTAL COMPREHENSIVE (LOSS)/INCOME FOR THE PERIOD</b>	<b>(25,389)</b>	74,249
<b>TOTAL COMPREHENSIVE (LOSS)/INCOME ATTRIBUTABLE TO:</b>		
Owners of the Bank	(25,389)	74,249

## CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

		30 June 2024 (Unaudited) HK\$'000	31 December 2023 (Audited) HK\$'000
	Notes		
<b>ASSETS</b>			
Cash and short term placements	14	<b>3,916,029</b>	3,717,914
Placements with banks and financial institutions maturing after one month but not more than twelve months	15	<b>2,027,516</b>	977,141
Derivative financial instruments		<b>86</b>	10,743
Loans and advances and receivables	16	<b>23,945,606</b>	23,543,135
Equity investments at fair value through other comprehensive income	17	<b>6,804</b>	6,804
Debt securities investment	18	<b>7,991,993</b>	7,639,528
Investment properties	23	<b>153,930</b>	160,507
Property and equipment	21	<b>176,309</b>	171,099
Land held under finance leases	22	<b>221,831</b>	225,254
Right-of-use assets		<b>128,828</b>	130,717
Deferred tax assets		<b>27,873</b>	48,868
Tax recoverable		<b>57,737</b>	40,116
Goodwill		<b>242,342</b>	242,342
Intangible assets	20	<b>232</b>	232
Other assets	19	<b>550,070</b>	341,167
<b>TOTAL ASSETS</b>		<b>39,447,186</b>	37,255,567
<b>EQUITY AND LIABILITIES</b>			
<b>LIABILITIES</b>			
Deposits and balances of banks and other financial institutions at amortised cost		<b>491,633</b>	467,547
Derivative financial instruments		<b>2,259</b>	40
Customer deposits at amortised cost	24	<b>31,755,953</b>	29,546,138
Lease liabilities		<b>139,076</b>	139,245
Current tax payable		<b>2,188</b>	1,728
Deferred tax liabilities		<b>27,711</b>	27,822
Other liabilities	19	<b>581,673</b>	500,957
<b>TOTAL LIABILITIES</b>		<b>33,000,493</b>	30,683,477

## CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

		<b>30 June 2024 (Unaudited) HK\$'000</b>	31 December 2023 (Audited) HK\$'000
	Note		
<b>EQUITY ATTRIBUTABLE TO OWNERS OF THE BANK</b>			
Share capital	25	<b>2,854,045</b>	2,854,045
Reserves		<b>3,592,648</b>	3,718,045
<b>TOTAL EQUITY</b>		<b>6,446,693</b>	6,572,090
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>39,447,186</b>	37,255,567

## CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Share capital HK\$'000	Group reconstruction reserve HK\$'000	Capital reserve HK\$'000	Debt securities revaluation reserve HK\$'000	Regulatory reserve <sup>#</sup> HK\$'000	Retained profits HK\$'000	Translation reserve HK\$'000	Total HK\$'000
As at 1 January 2024	2,854,045	3,065	17,660	-	34,316	3,682,613	(19,609)	6,572,090
Profit for the period	-	-	-	-	-	1,179	-	1,179
Other comprehensive loss	-	-	-	(217)	-	-	(26,351)	(26,568)
Transfer from regulatory reserve to retained profits	-	-	-	-	(14,053)	14,053	-	-
Dividends paid in respect of current year	-	-	-	-	-	(100,008)	-	(100,008)
As at 30 June 2024 (Unaudited)	<b>2,854,045</b>	<b>3,065</b>	<b>17,660</b>	<b>(217)</b>	<b>20,263</b>	<b>3,597,837</b>	<b>(45,960)</b>	<b>6,446,693</b>

	Share capital HK\$'000	Group reconstruction reserve HK\$'000	Capital reserve HK\$'000	Debt securities revaluation reserve HK\$'000	Regulatory reserve <sup>#</sup> HK\$'000	Retained profits HK\$'000	Translation reserve HK\$'000	Total HK\$'000
As at 1 January 2023	2,854,045	3,065	17,660	-	46,153	3,735,842	2,571	6,659,336
Profit for the period	-	-	-	-	-	120,680	-	120,680
Other comprehensive loss	-	-	-	-	-	-	(46,431)	(46,431)
Transfer from retained profits to regulatory reserve	-	-	-	-	882	(882)	-	-
Dividends paid in respect of current year	-	-	-	-	-	(75,665)	-	(75,665)
As at 30 June 2023 (Unaudited)	2,854,045	3,065	17,660	-	47,035	3,779,975	(43,860)	6,657,920
Loss for the period	-	-	-	-	-	(49,750)	-	(49,750)
Other comprehensive income	-	-	-	-	-	-	24,251	24,251
Transfer from regulatory reserve to retained profits	-	-	-	-	(12,719)	12,719	-	-
Dividends paid in respect of current year	-	-	-	-	-	(60,331)	-	(60,331)
As at 31 December 2023 (Audited)	<b>2,854,045</b>	<b>3,065</b>	<b>17,660</b>	<b>-</b>	<b>34,316</b>	<b>3,682,613</b>	<b>(19,609)</b>	<b>6,572,090</b>

<sup>#</sup> *The regulatory reserve is maintained to satisfy the provisions of the Hong Kong Banking Ordinance for prudential supervision purpose. It is held as a buffer of capital to absorb potential financial losses in excess of the accounting standards' requirements pursuant to the guidelines issued by the Hong Kong Monetary Authority ("HKMA").*



## CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

		For the six months ended	
		30 June	
		2024	2023
		(Unaudited)	(Unaudited)
Notes		HK\$'000	HK\$'000
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
	Profit before tax	6,658	148,905
	Adjustments for:		
	Dividend income from listed investments	9 (118)	(102)
	Dividend income from unlisted investments	9 (150)	(35)
	Depreciation of property and equipment and land held under finance leases	10 21,130	19,716
	Depreciation of right-of-use assets	10 44,517	48,380
	Others interest expenses	7 2,610	1,510
	Gain on termination of leases	9 -	(58)
	Payment of dismantling costs	-	(176)
	Net losses on disposal of property and equipment	9 18	25
	(Decrease)/increase in credit loss expenses for loans and advances and receivables	(86,677)	12,350
	Increase/(decrease) in credit loss expenses for debt securities investment and bank placements	164	(164)
	Decrease/(increase) in fair value of investment properties	6,577	(1,874)
	Exchange differences	(24,932)	(44,345)
	Profit tax paid	(3,148)	(68,588)
	Operating (loss)/profit before changes in operating assets and liabilities	<u>(33,351)</u>	<u>115,544</u>
	Decrease in operating assets:		
	Decrease in placements with banks and financial institutions	267,028	22,967
	(Increase)/decrease in loans and advances and receivables	(315,794)	325,795
	Decrease/(increase) in debt securities investment	329,749	(26,668)
	Increase in other assets	(208,903)	(28,740)
	Decrease/(increase) in derivative financial instruments	10,657	(1,587)
		<u>82,737</u>	<u>291,767</u>
	Increase/(decrease) in operating liabilities:		
	Increase in deposits and balances of banks and other financial institutions at amortised cost	24,086	27,981
	Increase/(decrease) in customer deposits at amortised cost	2,209,815	(1,864,829)
	Increase in derivative financial instruments	2,219	5,864
	Increase/(decrease) in other liabilities	80,519	(61,135)
		<u>2,316,639</u>	<u>(1,892,119)</u>
	Net cash inflow/(outflow) from operating activities	<u>2,366,025</u>	<u>(1,484,808)</u>

## CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

	Notes	For the six months ended	
		2024 (Unaudited) HK\$'000	30 June 2023 (Unaudited) HK\$'000
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Purchases of property and equipment	21	(22,935)	(11,380)
Dividends received from listed investments	9	118	102
Dividends received from unlisted investments	9	150	35
Net cash outflow from investing activities		(22,667)	(11,243)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Repayment of lease liabilities		(45,194)	(45,877)
Dividends paid on shares		(100,008)	(75,665)
Net cash outflow from financing activities		(145,202)	(121,542)
<b>NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS</b>		<b>2,198,156</b>	<b>(1,617,593)</b>
<b>CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD</b>		<b>4,174,426</b>	<b>4,301,340</b>
<b>CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD</b>		<b>6,372,582</b>	<b>2,683,747</b>
<b>ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS</b>			
Cash and short term placements repayable on demand	29	563,572	753,329
Money at call and short notice with an original maturity within three months		3,224,327	1,157,006
Placements with banks and financial institutions with an original maturity within three months		1,464,908	680,133
Debt securities investment with an original maturity within three months		1,119,775	93,279
		6,372,582	2,683,747
<b>OPERATIONAL CASH FLOWS FROM INTEREST</b>			
Interest paid		(525,381)	(363,267)
Interest received		1,029,298	903,255

## NOTES TO INTERIM FINANCIAL STATEMENTS

### 1. CORPORATE AND GROUP INFORMATION

The Bank is a limited liability company and its registered office is located at 2/F, Public Bank Centre, 120 Des Voeux Road Central, Central, Hong Kong. During the period, the Group's principal activities were the provision of a comprehensive range of banking and financial services.

The Bank is a wholly-owned subsidiary of Public Financial Holdings Limited. In the opinion of the Directors, the ultimate holding company of the Bank is Public Bank Berhad ("Public Bank"), which is incorporated in Malaysia.

Particulars of the Bank's subsidiaries, which are incorporated and operate in Hong Kong, are as follows:

Name	Issued ordinary share capital HK\$	Percentage of equity attributable to the Bank		Principal activities
		Direct %	Indirect %	
Public Financial Securities Limited	148,000,000	100	-	Securities brokerage
Public Bank (Nominees) Limited	100,000	100	-	Provision of nominee services
Public Futures Limited	2	100	-	Dormant
Public Finance Limited	671,038,000	100	-	Deposit-taking and financing
Public Financial Limited	10,100,000	-	100	Investment holding
Public Securities Limited	10,000,000	-	100	Securities brokerage
Public Securities (Nominees) Limited	10,000	-	100	Provision of nominee services

Public Securities Limited notified the Securities and Futures Commission ("SFC") of the cessation of carrying on with its business of Type 1 (dealing in securities) regulated activity on 31 December 2023 under the licence granted by the SFC pursuant to section 116 of the Securities and Futures Ordinance. Public Securities Limited will apply for revocation of such licence after the clients' unclaimed assets are properly dealt with.

## NOTES TO INTERIM FINANCIAL STATEMENTS

### 2. BASIS OF PREPARATION

These unaudited interim condensed consolidated financial statements have been prepared in compliance with the Banking (Disclosure) Rules issued by the HKMA and in accordance with the same accounting policies adopted in the Group's 2023 Annual Report, except for the changes in accounting policies as set out in Note 5 below.

The interim financial statements do not include all the information and disclosures required in annual financial statements, and should be read in conjunction with the Group's 2023 Annual Report.

The financial information relating to the year ended 31 December 2023 that is included in the 2024 interim financial statements as comparative information does not constitute the Bank's statutory annual consolidated audited financial statements for that year but is derived from those financial statements. Further information relating to these statutory financial statements required to be disclosed in accordance with section 436 of the Companies Ordinance is as follows:

The Bank has delivered the statutory financial statements for the year ended 31 December 2023 to the Registrar of Companies as required by section 662(3) of, and Part 3 of Schedule 6 to, the Companies Ordinance. The Bank's external auditors have reported on those financial statements. The Independent Auditor's Report was unqualified; did not include a reference to any matters to which the auditors drew attention by way of emphasis without qualifying their report; and did not contain a statement under sections 406(2), 407(2) or (3) of the Companies Ordinance.

### 3. BASIS OF CONSOLIDATION

The unaudited interim condensed consolidated financial statements include the interim financial statements of the Bank and its subsidiaries for the period ended 30 June 2024.

A subsidiary is an entity (including a structured entity), directly or indirectly, controlled by the Bank. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee (i.e. existing rights that give the Group the current ability to direct the relevant activities of the investee).

When the Bank has, directly or indirectly, less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- (a) the contractual arrangement with the other vote holders of the investee;
- (b) rights arising from other contractual arrangements; and
- (c) the Group's voting rights and potential voting rights.

## NOTES TO INTERIM FINANCIAL STATEMENTS

### 3. BASIS OF CONSOLIDATION (Continued)

The interim financial statements of the subsidiaries are prepared for the same reporting period as the Bank, using consistent accounting policies. The results of subsidiaries are consolidated from the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases.

Profit or loss and each component of other comprehensive income (“OCI”) are attributed to the owners of the parent of the Group. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control described above. A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

If the Group loses control over a subsidiary, it derecognises the related assets (including goodwill), liabilities, any non-controlling interest and translation reserve; and recognises the fair value of any investment retained and any resulting surplus or deficit in profit or loss. The Group’s share of components previously recognised in OCI is reclassified to profit or loss or retained profits, as appropriate, on the same basis as would be required if the Group had directly disposed of the related assets or liabilities.

The subsidiaries consolidated for accounting purpose are as follows:

Name	30 June 2024		31 December 2023		Principal activities
	Total assets (Unaudited) HK\$	Total equity (Unaudited) HK\$	Total assets (Audited) HK\$	Total equity (Audited) HK\$	
Public Financial Securities Limited	396,591,294	153,022,062	230,095,342	149,123,875	Securities brokerage
Public Bank (Nominees) Limited	100,000	100,000	100,000	100,000	Provision of nominee services
Public Futures Limited	1	1	1	1	Dormant
Public Finance Limited*	5,878,599,770	1,453,479,106	6,029,182,165	1,455,721,712	Deposit-taking and financing
Public Financial Limited	10,101,232	10,101,232	10,101,242	10,101,242	Investment holding
Public Securities Limited	30,706,151	28,525,652	44,278,595	40,861,659	Securities brokerage
Public Securities (Nominees) Limited	1,123,475	1,123,475	1,120,264	1,120,264	Provision of nominee services

\* The financial entity specified by the HKMA to form the basis of consolidation for regulatory reporting purpose in respect of common equity tier 1 (“CET1”) capital ratio, tier 1 capital ratio, total capital ratio, capital conservation buffer (“CCB”) ratio, countercyclical capital buffer (“CCyB”) ratio, leverage ratio, liquidity maintenance ratio and core funding ratio.

## NOTES TO INTERIM FINANCIAL STATEMENTS

### 4. BASIS OF CAPITAL DISCLOSURES

The Group has complied with the capital requirements during the interim reporting period related to the capital base and capital adequacy ratios as stipulated by the HKMA, and has also complied with the Banking (Disclosure) Rules.

Should the Group have not complied with the externally imposed capital requirements of the HKMA, capital management plans should be submitted to the HKMA for restoration of capital to the minimum required level as soon as possible.

The computation of the consolidated total capital ratio and other regulatory capital ratios is based on the consolidation of the Bank and Public Finance Limited (“Public Finance”) for regulatory reporting purposes.

There are no major restrictions or impediments on the transfer of capital or funds among the members of the Bank’s consolidation group except that liquidity, capital and other performance indicators of Public Financial Securities Limited and Public Securities Limited should satisfy the minimum requirements of the Securities and Futures (Financial Resources) Rules issued by SFC.

A portion of retained profits, based on a percentage of gross loans and advances, is set aside as a non-distributable regulatory reserve as part of CET1 capital and is included in the capital base pursuant to the HKMA capital requirements.

The Group has adopted the provisions of the Banking Ordinance relating to the Basel III capital standards and the Banking (Capital) Rules (the “Capital Rules”). The Capital Rules outline the general requirements on regulatory capital ratios, the components of eligible regulatory capital as well as the levels of those ratios at which banking institutions are required to operate. The Capital Rules have been developed based on internationally-agreed standards on capital adequacy promulgated by the Basel Committee on Banking Supervision. Under the Capital Rules, the required CCB ratio for 2023 and 2024 is 2.5%, whilst the required CCyB ratio for 2023 and 2024 is 1.0%.

## NOTES TO INTERIM FINANCIAL STATEMENTS

### 5. ACCOUNTING POLICIES

#### **Changes in accounting policies and disclosures**

The accounting policies adopted in the preparation of the interim condensed consolidated financial information are consistent with those applied in the preparation of the Group's annual consolidated financial statements for the year ended 31 December 2023, except for the adoption of the following revised Hong Kong Financial Reporting Standards ("HKFRSs") for the first time for the current period's interim financial information.

- Amendments to HKFRS 16 *Lease Liability in a Sale and Leaseback*
- Amendments to HKAS 1 *Classification of Liabilities as Current or Non-current (the "2020 Amendments")*
- Amendments to HKAS 1 *Non-current Liabilities with Covenants (the "2022 Amendments")*
- Amendments to HKAS 7 and HKFRS 7 *Supplier Finance Arrangements*

The nature and impact of the revised HKFRSs that are applicable to the Group are described below.

#### **Amendments to HKFRS 16 – *Lease Liability in a Sale and Leaseback***

Amendments to HKFRS 16 specify the requirements that a seller-lessee uses in measuring the lease liability arising in a sale and leaseback transaction to ensure the seller-lessee does not recognise any amount of the gain or loss that relates to the right of use it retains. Since the Group has no sale and leaseback transactions with variable lease payments that do not depend on an index or a rate occurring from the date of initial application of HKFRS 16, the amendments did not have any impact on the financial position or performance of the Group.

#### **Amendments to HKAS 1 – *Classification of Liabilities as Current or Non-current (the "2020 Amendments")* and Amendments to HKAS 1 – *Non-current Liabilities with Covenants (the "2022 Amendments")***

The 2020 Amendments clarify the requirements for classifying liabilities as current or non-current, including what is meant by a right to defer settlement and that a right to defer must exist at the end of the reporting period. Classification of a liability is unaffected by the likelihood that the entity will exercise its right to defer settlement. The amendments also clarify that a liability can be settled in its own equity instruments, and that only if a conversion option in a convertible liability is itself accounted for as an equity instrument would the terms of a liability not impact its classification. The 2022 Amendments further clarify that, among covenants of a liability arising from a loan arrangement, only those with which an entity must comply on or before the reporting date affect the classification of that liability as current or non-current. Additional disclosures are required for non-current liabilities that are subject to the entity complying with future covenants within 12 months after the reporting period.

The Group has reassessed the terms and conditions of its liabilities as at 1 January 2023 and 1 January 2024 and concluded that the classification of its liabilities as current or non-current remained unchanged upon initial application of the amendments. Accordingly, the amendments did not have any impact on the financial position or performance of the Group.

## NOTES TO INTERIM FINANCIAL STATEMENTS

### 5. ACCOUNTING POLICIES (Continued)

#### Changes in accounting policies and disclosures (Continued)

##### Amendments to HKAS 7 and HKFRS 7 – *Supplier Finance Arrangements*

Amendments to HKAS 7 and HKFRS 7 clarify the characteristics of supplier finance arrangements and require additional disclosure of such arrangements. The disclosure requirements in the amendments are intended to assist users of financial statements in understanding the effects of supplier finance arrangements on an entity's liabilities, cash flows and exposure to liquidity risk. The disclosure of relevant information for supplier finance arrangements is not required for any interim reporting period during the first annual reporting period in which an entity applies the amendments. As the Group does not have supplier finance arrangements, the amendments did not have any impact on the interim condensed consolidated financial information of the Group.

##### Issued but not yet effective HKFRSs

The Group has not applied the following new and revised HKFRSs, that are expected to be relevant to the Group and have been issued but are not yet effective, in these interim financial statements:

- HKFRS 18 *Presentation and Disclosure in Financial Statements<sup>4</sup>*
- HKFRS 19 *Subsidiaries without Public Accountability: Disclosures<sup>4</sup>*
- Amendments to HKFRS 9 and HKFRS 7 *Amendments to the Classification and Measurement of Financial Instruments<sup>3</sup>*
- Amendments to HKFRS 10 and HKAS 28 *Sale or Contribution of Assets between an Investor and its Associate or Joint Venture<sup>1</sup>*
- Amendments to HKAS 21 *Lack of Exchangeability<sup>2</sup>*

<sup>1</sup> No mandatory effective date yet determined but available for adoption

<sup>2</sup> Effective for annual periods beginning on or after 1 January 2025

<sup>3</sup> Effective for annual periods beginning on or after 1 January 2026

<sup>4</sup> Effective for annual periods beginning on or after 1 January 2027

Amendments to HKFRS 10 and HKAS 28 address an inconsistency between the requirements in HKFRS 10 and in HKAS 28 in dealing with the sale or contribution of assets between an investor and its associate or joint venture. The amendments require a full recognition of a gain or loss resulting from a downstream transaction when the sale or contribution of assets constitutes a business. For a transaction involving assets that do not constitute a business, a gain or loss resulting from the transaction is recognised in the investor's profit or loss only to the extent of the unrelated investor's interest in that associate or joint venture. The amendments are to be applied prospectively. The previous mandatory effective date of amendments to HKFRS 10 and HKAS 28 was removed by the Hong Kong Institute of Certified Public Accountants. However, the amendments are available for adoption now. The amendments are not expected to have any significant impact on the Group's financial statements.



## NOTES TO INTERIM FINANCIAL STATEMENTS

### 5. ACCOUNTING POLICIES (Continued)

#### Issued but not yet effective HKFRSs (Continued)

Amendments to HKAS 21 specify how an entity shall assess whether a currency is exchangeable into another currency and how it shall estimate a spot exchange rate at a measurement date when exchangeability is lacking. The amendments require disclosures of information that enable users of financial statements to understand the impact of a currency not being exchangeable. Earlier application is permitted. When applying the amendments, an entity cannot restate comparative information. Any cumulative effect of initially applying the amendments shall be recognised as an adjustment to the opening balance of retained profits or to the cumulative amount of translation differences accumulated in a separate component of equity, where appropriate, at the date of initial application. The amendments are not expected to have any significant impact on the Group's financial statements.

### 6. SEGMENT INFORMATION

#### Operating segment information

In accordance with the Group's internal financial reporting, the Group has identified operating segments based on similar economic characteristics, products and services and delivery methods. The operating segments are identified by Senior Management who is designated as the "Chief Operating Decision Maker" to make decisions about resources allocation to the segments and assess their performance that is measured net of associated direct expenses. A summary of the operating segments is as follows:

- retail and commercial banking businesses segment mainly comprises the provision of deposit account services, the extension of mortgages and consumer lending, hire purchase and leasing, provision of financing to purchasers of licensed public vehicles such as taxis and public light buses, provision of services and financing activities for customers in trading, manufacturing and various business sectors, foreign exchange activities, centralised cash management for deposit-taking and lending, interest rate risk management and the overall funding management of the Group;
- wealth management services, stockbroking and securities management segment comprises management of investments in debt securities and equities, securities dealing and receipt of commission income and the provision of authorised wealth management products and services; and
- other businesses segment comprises mainly the letting of investment properties.

## NOTES TO INTERIM FINANCIAL STATEMENTS

### 6. SEGMENT INFORMATION (Continued) Operating segment information (Continued)

The following table discloses the revenue and profit information for operating segments for the six months ended 30 June 2024 and 30 June 2023.

	Retail and commercial banking businesses For the six months ended 30 June		Wealth management services, stockbroking and securities management For the six months ended 30 June		Other businesses For the six months ended 30 June		Total For the six months ended 30 June	
	2024 (Unaudited) HK\$'000	2023 (Unaudited) HK\$'000	2024 (Unaudited) HK\$'000	2023 (Unaudited) HK\$'000	2024 (Unaudited) HK\$'000	2023 (Unaudited) HK\$'000	2024 (Unaudited) HK\$'000	2023 (Unaudited) HK\$'000
<b>Segment revenue</b>								
External:								
Net interest income/(expense)	496,700	527,365	78	(1,617)	-	-	496,778	525,748
Net fees and commission income	58,507	58,921	46,565	56,414	-	-	105,072	115,335
Other operating income/(expenses)	6,866	9,381	-	(23)	5,223	5,319	12,089	14,677
Operating income	562,073	595,667	46,643	54,774	5,223	5,319	613,939	655,760
Operating (loss)/profit after credit loss expenses before tax	(11,636)	129,219	22,326	15,055	(4,032)	4,631	6,658	148,905
Tax							(5,479)	(28,225)
<b>Profit for the period</b>							1,179	120,680
<b>Other segment information</b>								
Depreciation of property and equipment and land held under finance leases	(21,130)	(19,716)	-	-	-	-	(21,130)	(19,716)
Depreciation of right-of-use assets	(44,517)	(48,380)	-	-	-	-	(44,517)	(48,380)
Changes in fair value of investment properties	-	-	-	-	(6,577)	1,874	(6,577)	1,874
Credit loss expenses	(164,212)	(77,908)	-	-	-	-	(164,212)	(77,908)
Net losses on disposal of property and equipment	(18)	(25)	-	-	-	-	(18)	(25)

## NOTES TO INTERIM FINANCIAL STATEMENTS

### 6. SEGMENT INFORMATION (Continued) Operating segment information (Continued)

The following table discloses certain assets and liabilities information regarding operating segments as at 30 June 2024 and 31 December 2023.

	Retail and commercial banking businesses		Wealth management services, stockbroking and securities management		Other businesses		Total	
	30 June 2024 (Unaudited) HK\$'000	31 December 2023 (Audited) HK\$'000	30 June 2024 (Unaudited) HK\$'000	31 December 2023 (Audited) HK\$'000	30 June 2024 (Unaudited) HK\$'000	31 December 2023 (Audited) HK\$'000	30 June 2024 (Unaudited) HK\$'000	31 December 2023 (Audited) HK\$'000
Segment assets other than intangible assets and goodwill	38,534,711	36,487,072	430,361	276,430	153,930	160,507	39,119,002	36,924,009
Intangible assets	-	-	232	232	-	-	232	232
Goodwill	242,342	242,342	-	-	-	-	242,342	242,342
Segment assets	38,777,053	36,729,414	430,593	276,662	153,930	160,507	39,361,576	37,166,583
Unallocated assets: Deferred tax assets and tax recoverable							85,610	88,984
<b>Total assets</b>							<b>39,447,186</b>	<b>37,255,567</b>
Segment liabilities	32,720,947	30,565,735	245,091	83,624	4,556	4,568	32,970,594	30,653,927
Unallocated liabilities: Deferred tax liabilities and tax payable							29,899	29,550
<b>Total liabilities</b>							<b>33,000,493</b>	<b>30,683,477</b>
<b>Other segment information</b>								
Additions to non-current assets – capital expenditure	22,935	54,207	-	-	-	-	22,935	54,207

## NOTES TO INTERIM FINANCIAL STATEMENTS

### 6. SEGMENT INFORMATION (Continued)

#### Geographical information

Geographical information is analysed by the Group based on the locations of the principal operations of the branches and subsidiaries which are responsible for reporting the results or booking the assets.

The following table discloses the segment revenue information for geographical segments for the six months ended 30 June 2024 and 30 June 2023.

	For the six months ended	
	30 June	
	2024	2023
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Segment revenue from external customers:		
Hong Kong	562,616	596,050
Mainland China	51,323	59,710
	<u>613,939</u>	<u>655,760</u>

Segment revenue is allocated to the reportable segments with reference to interest, fees and commission income generated by these segments.

The following table discloses the non-current assets information for geographical segments as at 30 June 2024 and 31 December 2023.

	30 June	31 December
	2024	2023
	(Unaudited)	(Audited)
	HK\$'000	HK\$'000
Non-current assets:		
Hong Kong	906,449	910,204
Mainland China	17,023	19,947
	<u>923,472</u>	<u>930,151</u>

Non-current assets consist of investment properties, property and equipment, land held under finance leases, goodwill, right-of-use assets and intangible assets.

#### Operating income or revenue from major customers

Operating income or revenue from transactions with each external customer amounted to less than 10% (2023: less than 10%) of the Group's total operating income or revenue.

## NOTES TO INTERIM FINANCIAL STATEMENTS

### 7. INTEREST INCOME AND EXPENSE

	For the six months ended	
	30 June	
	2024	2023
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Interest income from:		
Loans and advances and receivables	737,313	726,354
Short term placements and placements with banks	85,413	76,713
Debt securities investment	174,058	132,009
	<b>996,784</b>	<b>935,076</b>
Interest expense on:		
Deposits from banks and financial institutions	12,042	12,784
Deposits from customers	485,293	393,138
Bank loans	61	1,896
Others	2,610	1,510
	<b>500,006</b>	<b>409,328</b>

Interest income and interest expense for the six months ended 30 June 2024, calculated using the effective interest method for financial assets and financial liabilities which are not designated at fair value through profit or loss ("FVPL"), amounted to HK\$996,784,000 and HK\$500,006,000 (2023: HK\$935,076,000 and HK\$409,328,000) respectively.

## NOTES TO INTERIM FINANCIAL STATEMENTS

### 8. NET FEES AND COMMISSION INCOME

	For the six months ended	
	30 June	
	2024	2023
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Fees and commission income:		
Retail and commercial banking	59,423	59,934
Wealth management services, stockbroking and securities management	46,565	56,414
	105,988	116,348
Less: Fees and commission expenses	(916)	(1,013)
	105,072	115,335

All fees and commission income and expenses are related to financial assets or financial liabilities which are not designated at FVPL. No fees and commission income and expenses are related to trust and other fiduciary activities.

## NOTES TO INTERIM FINANCIAL STATEMENTS

### 9. OTHER OPERATING INCOME

	<b>For the six months ended</b>	
	<b>30 June</b>	
	<b>2024</b>	2023
	<b>(Unaudited)</b>	(Unaudited)
	<b>HK\$'000</b>	HK\$'000
Gross rental income	<b>5,241</b>	5,337
Less: Direct operating expenses	<b>(18)</b>	(18)
Net rental income	<b>5,223</b>	5,319
Gains less losses arising from dealing in foreign currencies	<b>8,515</b>	14,774
Net losses on derivative financial instruments	<b>(2,173)</b>	(5,936)
	<b>6,342</b>	8,838
Net losses on disposal of property and equipment	<b>(18)</b>	(25)
Gain on termination of leases	<b>-</b>	58
Dividend income from listed investments	<b>118</b>	102
Dividend income from unlisted investments	<b>150</b>	35
Others	<b>274</b>	350
	<b>12,089</b>	14,677

Direct operating expenses included repairs and maintenance expenses arising from investment properties.

There were no net gains or losses arising from equity/debt securities investments FVOCI, loans and advances and receivables, financial assets and financial liabilities measured at amortised cost and financial assets and financial liabilities designated at FVPL for the six months ended 30 June 2024 and 30 June 2023.

## NOTES TO INTERIM FINANCIAL STATEMENTS

### 10. OPERATING EXPENSES

	For the six months ended 30 June	
	2024	2023
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Staff costs:		
Salaries and other staff costs	258,123	247,283
Pension contributions	13,032	12,172
Less: Forfeited contributions	(76)	(111)
Net contribution to retirement benefit schemes	12,956	12,061
	<b>271,079</b>	259,344
Other operating expenses:		
Depreciation of right-of-use assets	44,517	48,380
Depreciation of property and equipment and land held under finance leases	21,130	19,716
Administrative and general expenses	33,835	34,227
Others	65,931	69,154
Operating expenses before changes in fair value of investment properties	<b>436,492</b>	430,821

As at 30 June 2024 and 30 June 2023, the Group had no material forfeited contributions available to reduce its contributions to the pension schemes in future years. The credits for the periods ended 30 June 2024 and 30 June 2023 arose in respect of staff who left the schemes during the periods.



## NOTES TO INTERIM FINANCIAL STATEMENTS

### 11. CREDIT LOSS EXPENSES

The following tables show the changes in expected credit loss (“ECL”) on financial instruments for the periods recorded in the consolidated income statement.

	For the six months ended 30 June 2024			
	(Unaudited)			
	12-month expected credit loss (Stage 1) HK\$'000	Lifetime expected credit loss not credit impaired (Stage 2) HK\$'000	Lifetime expected credit loss credit impaired (Stage 3) HK\$'000	Total HK\$'000
Net charge for/(write-back of) credit loss expenses:				
- loans and advances	9,771	6,474	123,502	139,747
- trade bills, accrued interest and other receivables	(41)	89	24,254	24,302
- cash and short term placements	25	-	-	25
- placements with banks and financial institutions	105	-	-	105
- debt securities investment	34	-	-	34
- loan commitments	(1)	-	-	(1)
	<b>9,893</b>	<b>6,563</b>	<b>147,756</b>	<b>164,212</b>

## NOTES TO INTERIM FINANCIAL STATEMENTS

### 11. CREDIT LOSS EXPENSES (Continued)

	For the six months ended 30 June 2023			
	(Unaudited)			
	12-month expected credit loss (Stage 1) HK\$'000	Lifetime expected credit loss not credit impaired (Stage 2) HK\$'000	Lifetime expected credit loss credit impaired (Stage 3) HK\$'000	Total HK\$'000
Net charge for/(write-back of) credit loss expenses:				
- loans and advances	(1,790)	(1,258)	80,635	77,587
- trade bills, accrued interest and other receivables	(63)	(10)	558	485
- cash and short term placements	(148)	-	-	(148)
- placements with banks and financial institutions	(11)	-	-	(11)
- debt securities investment	(5)	-	-	(5)
- loan commitments	-	-	-	-
	<u>(2,017)</u>	<u>(1,268)</u>	<u>81,193</u>	<u>77,908</u>

## NOTES TO INTERIM FINANCIAL STATEMENTS

### 12. TAX

	For the six months ended	
	30 June	
	2024	2023
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Current tax (credit)/charge:		
Hong Kong	(16,005)	20,363
Overseas	1,315	11,985
Deferred tax charge/(credit), net	20,169	(4,123)
	<b>5,479</b>	<b>28,225</b>

Hong Kong profits tax has been provided at the rate of 16.5% (2023: 16.5%) on the estimated assessable profits arising in Hong Kong during the period. Taxes on profits assessable overseas have been calculated at the rates of tax prevailing in the jurisdictions in which the Group operates, based on existing legislation, interpretations and practices in respect thereof.

A reconciliation of the tax expense applicable to (loss)/profit before tax using the statutory tax rates for the jurisdictions in which the Bank and its subsidiaries are domiciled to the tax expense at the effective tax rates, and a reconciliation of the applicable rates (i.e. statutory tax rates) to the effective tax rates, are as follows:

	For the six months ended 30 June 2024					
	(Unaudited)					
	Hong Kong		Mainland China		Total	
	HK\$'000	%	HK\$'000	%	HK\$'000	%
(Loss)/profit before tax	<u>(22,577)</u>		<u>29,235</u>		<u>6,658</u>	
Tax at the applicable tax rate	(3,725)	16.5	7,309	25.0	3,584	53.8
Estimated tax effect of net expenses that are not deductible	<u>1,885</u>	(8.3)	<u>10</u>	-	<u>1,895</u>	28.5
Tax (credit)/charge at the Group's effective rate	<u>(1,840)</u>	8.2	<u>7,319</u>	25.0	<u>5,479</u>	82.3

## NOTES TO INTERIM FINANCIAL STATEMENTS

### 12. TAX (Continued)

	For the six months ended 30 June 2023 (Unaudited)					
	Hong Kong		Mainland China		Total	
	HK\$'000	%	HK\$'000	%	HK\$'000	%
Profit before tax	<u>105,594</u>		<u>43,311</u>		<u>148,905</u>	
Tax at the applicable tax rate	17,423	16.5	10,828	25.0	28,251	19.0
Estimated tax effect of net income that is not taxable	(26)	-	-	-	(26)	-
Tax charge at the Group's effective rate	<u>17,397</u>	16.5	<u>10,828</u>	25.0	<u>28,225</u>	19.0

### 13. DIVIDENDS

#### (a) Dividends attributable to the interim period

	For the six months ended 30 June			
	2024 (Unaudited) HK\$ per ordinary share	2023 (Unaudited) HK\$ per ordinary share	2024 (Unaudited) HK\$'000	2023 (Unaudited) HK\$'000
Special dividend	<b>6.750</b>	-	<b>100,008</b>	-
Interim dividend	<b>0.261</b>	4.072	<b>3,867</b>	60,331
	<b>7.011</b>	4.072	<b>103,875</b>	60,331

The interim dividend was declared after the interim period and had not been recognised as a liability at the end of the interim period.

## NOTES TO INTERIM FINANCIAL STATEMENTS

### 13. DIVIDENDS (Continued)

#### (b) Dividends approved and paid during the interim period

	For the six months ended 30 June			
	2024 (Unaudited) HK\$ per ordinary share	2023 (Unaudited) HK\$ per ordinary share	2024 (Unaudited) HK\$'000	2023 (Unaudited) HK\$'000
Special dividend	6.750	-	100,008	-
Final dividend in respect of the previous year	-	5.107	-	75,665
	<b>6.750</b>	5.107	<b>100,008</b>	75,665

### 14. CASH AND SHORT TERM PLACEMENTS

	30 June 2024 (Unaudited) HK\$'000	31 December 2023 (Audited) HK\$'000
Cash on hand	151,281	200,380
Placements with banks and financial institutions	412,291	601,250
Money at call and short notice	3,352,835	2,916,637
Gross cash and short term placements	3,916,407	3,718,267
Less: Impairment allowances collectively assessed		
As at 1 January 2024 and 2023	(353)	(324)
Credit loss expenses charged to the consolidated income statement during the period/year	(25)	(29)
	<b>(378)</b>	<b>(353)</b>
Cash and short term placements	<b>3,916,029</b>	3,717,914

Over 90% (31 December 2023: over 90%) of the placements were deposited with banks and financial institutions rated with a grading of Baa2 or above based on the credit rating of Moody's Investors Service ("Moody's"), an external credit agency.

There were no overdue or rescheduled placements with banks and financial institutions and no impairment allowances specifically assessed for such placements accordingly.

## NOTES TO INTERIM FINANCIAL STATEMENTS

### 15. PLACEMENTS WITH BANKS AND FINANCIAL INSTITUTIONS MATURING AFTER ONE MONTH BUT NOT MORE THAN TWELVE MONTHS

	<b>30 June 2024 (Unaudited) HK\$'000</b>	31 December 2023 (Audited) HK\$'000
Gross placements with banks and financial institutions	<b>2,027,719</b>	977,239
Less: Impairment allowances collectively assessed		
As at 1 January 2024 and 2023	<b>(98)</b>	(189)
Credit loss expenses (charged)/released to the consolidated income statement during the period/year	<b>(105)</b>	91
	<b>(203)</b>	(98)
Placements with banks and financial institutions	<b>2,027,516</b>	977,141

Over 90% (31 December 2023: over 90%) of the placements maturing after one month but not more than twelve months were deposited with banks and financial institutions rated with a grading of Baa2 or above based on the credit rating of Moody's.

There were no overdue or rescheduled placements with banks and financial institutions maturing after one month but not more than twelve months and no impairment allowances specifically assessed for such placements accordingly.

## NOTES TO INTERIM FINANCIAL STATEMENTS

### 16. LOANS AND ADVANCES AND RECEIVABLES

	<b>30 June 2024 (Unaudited) HK\$'000</b>	31 December 2023 (Audited) HK\$'000
Loans and advances to customers	<b>24,100,246</b>	23,765,725
Trade bills	<b>7,869</b>	525
Loans and advances, and trade bills	<b>24,108,115</b>	23,766,250
Accrued interest	<b>86,053</b>	112,661
Other receivables	<b>24,194,168</b>	23,878,911
	<b>3,709</b>	3,172
Gross loans and advances and receivables	<b>24,197,877</b>	23,882,083
Less: Impairment allowances		
- specifically assessed	<b>(111,063)</b>	(214,033)
- collectively assessed	<b>(141,208)</b>	(124,915)
	<b>(252,271)</b>	(338,948)
Loans and advances and receivables	<b>23,945,606</b>	23,543,135

Over 90% (31 December 2023: over 90%) of the loans and advances and receivables were unrated exposures. Over 90% (31 December 2023: over 90%) of the collateral for the secured loans and advances and receivables were customer deposits, properties, listed shares, taxi licences, public light bus licences and vehicles.

## NOTES TO INTERIM FINANCIAL STATEMENTS

### 16. LOANS AND ADVANCES AND RECEIVABLES (Continued)

Loans and advances and receivables are summarised as follows:

	<b>30 June 2024 (Unaudited) HK\$'000</b>	31 December 2023 (Audited) HK\$'000
Neither past due nor impaired loans and advances and receivables	<b>22,470,863</b>	22,095,545
Past due but not impaired loans and advances and receivables	<b>845,279</b>	866,391
Credit impaired loans and advances	<b>864,015</b>	874,306
Credit impaired receivables	<b>17,720</b>	45,841
Gross loans and advances and receivables	<b>24,197,877</b>	23,882,083

About 69% (31 December 2023: about 70%) of “Neither past due nor impaired loans and advances and receivables” were property mortgage loans and hire purchase loans secured by properties, taxi licences, public light bus licences and vehicles.



NOTES TO INTERIM FINANCIAL STATEMENTS

16. LOANS AND ADVANCES AND RECEIVABLES (Continued)

(a) (i) Ageing analysis of overdue and impaired loans and advances

	30 June 2024 (Unaudited)		31 December 2023 (Audited)	
	Gross amount HK\$'000	Percentage of total loans and advances %	Gross amount HK\$'000	Percentage of total loans and advances %
Loans and advances overdue for:				
Six months or less but over three months	136,411	0.57	88,714	0.37
One year or less but over six months	83,943	0.35	629,076	2.65
Over one year	557,565	2.31	115,743	0.49
Loans and advances overdue for more than three months	777,919	3.23	833,533	3.51
Rescheduled loans and advances overdue for three months or less	25,910	0.11	24,811	0.10
Impaired loans and advances overdue for three months or less	60,186	0.25	15,962	0.07
Total overdue and impaired loans and advances	864,015	3.59	874,306	3.68

## NOTES TO INTERIM FINANCIAL STATEMENTS

### 16. LOANS AND ADVANCES AND RECEIVABLES (Continued)

#### (a) (ii) Ageing analysis of overdue and impaired trade bills, accrued interest and other receivables

	<b>30 June 2024 (Unaudited) HK\$'000</b>	31 December 2023 (Audited) HK\$'000
Trade bills, accrued interest and other receivables overdue for:		
Six months or less but over three months	<b>1,869</b>	1,006
One year or less but over six months	<b>3,724</b>	30,291
Over one year	<b>11,383</b>	14,429
Trade bills, accrued interest and other receivables overdue for more than three months	<b>16,976</b>	45,726
Impaired trade bills, accrued interest and other receivables overdue for three months or less	<b>744</b>	115
Total overdue and impaired trade bills, accrued interest and other receivables	<b>17,720</b>	45,841

Impaired loans and advances and receivables are individually determined to be impaired after considering the overdue ageing analysis and other qualitative factors such as bankruptcy proceedings and individual voluntary arrangements.

## NOTES TO INTERIM FINANCIAL STATEMENTS

### 16. LOANS AND ADVANCES AND RECEIVABLES (Continued)

#### (b) Geographical analysis of overdue and impaired loans and advances and receivables, and impairment allowances

	30 June 2024			31 December 2023		
	(Unaudited)			(Audited)		
	Mainland			Mainland		
	Hong Kong	China	Total	Hong Kong	China	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
<b>(i) Analysis of overdue loans and advances and receivables</b>						
Loans and advances and receivables overdue for more than three months	<b>706,839</b>	<b>88,056</b>	<b>794,895</b>	806,366	72,893	879,259
Impairment allowances specifically assessed	<b>83,017</b>	<b>622</b>	<b>83,639</b>	192,447	10,115	202,562
Current market value and fair value of collateral			<b>820,382</b>			<b>793,014</b>
<b>(ii) Analysis of impaired loans and advances and receivables</b>						
Impaired loans and advances and receivables	<b>792,515</b>	<b>89,220</b>	<b>881,735</b>	847,141	73,006	920,147
Impairment allowances specifically assessed	<b>110,441</b>	<b>622</b>	<b>111,063</b>	203,805	10,228	214,033
Current market value and fair value of collateral			<b>895,587</b>			<b>850,323</b>

Over 90% (31 December 2023: over 90%) of the Group's gross loans and advances and receivables were derived from operations carried out in Hong Kong. Accordingly, no geographical segment information of gross loans and advances and receivables is presented herein.

## NOTES TO INTERIM FINANCIAL STATEMENTS

### 16. LOANS AND ADVANCES AND RECEIVABLES (Continued)

(c) The value of collateral held in respect of the overdue loans and advances and the split between the portion of the overdue loans and advances covered by credit protection (covered portion) and the remaining portion (uncovered portion) are as follows:

	30 June 2024 (Unaudited) HK\$'000	31 December 2023 (Audited) HK\$'000
Current market value and fair value of collateral held against the covered portion of overdue loans and advances	<u>820,382</u>	793,014
Covered portion of overdue loans and advances	<u>703,855</u>	682,501
Uncovered portion of overdue loans and advances	<u>74,064</u>	151,032

The assets taken as collateral should satisfy the following criteria:

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

The main types of guarantors for credit risk mitigation are as follows:

- Central governments with a grading of Aa3 or above
- Unrated public sector enterprises
- Banks with a grading of Baa2 or above
- Unrated corporations
- Individual shareholders and directors of corporate customers

#### (d) Repossessed assets

As at 30 June 2024, the total value of repossessed assets of the Group amounted to HK\$562,718,000 (31 December 2023: HK\$692,435,000).

**NOTES TO INTERIM FINANCIAL STATEMENTS**

**16. LOANS AND ADVANCES AND RECEIVABLES (Continued)**

**(e) Past due but not impaired loans and advances and receivables**

	<b>30 June 2024</b>		<b>31 December 2023</b>	
	<b>(Unaudited)</b>		<b>(Audited)</b>	
	<b>Gross</b>	<b>Percentage</b>	<b>Gross</b>	<b>Percentage</b>
	<b>amount</b>	<b>of total</b>	<b>amount</b>	<b>of total</b>
	<b>HK\$'000</b>	<b>loans and</b>	<b>amount</b>	<b>loans and</b>
		<b>advances</b>		<b>advances</b>
		<b>%</b>		<b>%</b>
Loans and advances overdue for three months or less	<b>840,519</b>	<b>3.49</b>	860,926	3.62
Trade bills, accrued interest and other receivables overdue for three months or less	<b>4,760</b>		5,465	

## NOTES TO INTERIM FINANCIAL STATEMENTS

### 16. LOANS AND ADVANCES AND RECEIVABLES (Continued)

#### (f) Impairment allowances on loans and advances and receivables

An analysis of changes in the gross amount of loans and advances and receivables is as follows:

	30 June 2024 (Unaudited)			Total HK\$'000
	Stage 1 HK\$'000	Stage 2 HK\$'000	Stage 3 HK\$'000	
Gross loans and advances and receivables as at 1 January 2024	22,631,842	330,094	920,147	23,882,083
New loans/financing originated	3,949,634	1,082	2,417	3,953,133
Loans/financing derecognised or repaid during the period (other than write-offs)	(3,246,432)	(34,542)	(62,943)	(3,343,917)
Transfer to 12-month expected credit loss (Stage 1)	97,807	(88,689)	(9,118)	-
Transfer to lifetime expected credit loss not credit impaired (Stage 2)	(183,891)	184,032	(141)	-
Transfer to lifetime expected credit loss credit impaired (Stage 3)	(226,414)	(98,381)	324,795	-
Total transfer between stages	(312,498)	(3,038)	315,536	-
Write-offs	-	-	(293,422)	(293,422)
As at 30 June 2024	23,022,546	293,596	881,735	24,197,877
Arising from:				
Loans and advances	22,945,106	291,125	864,015	24,100,246
Trade bills, accrued interest and other receivables	77,440	2,471	17,720	97,631
	23,022,546	293,596	881,735	24,197,877

The amount outstanding on financial assets that were written off during the period and are still subject to enforcement action amounted to HK\$259,847,000.

## NOTES TO INTERIM FINANCIAL STATEMENTS

### 16. LOANS AND ADVANCES AND RECEIVABLES (Continued)

#### (f) Impairment allowances on loans and advances and receivables (Continued)

	31 December 2023 (Audited)			Total HK\$'000
	Stage 1 HK\$'000	Stage 2 HK\$'000	Stage 3 HK\$'000	
Gross loans and advances and receivables as at 1 January 2023	23,410,133	772,750	308,888	24,491,771
New loans/financing originated	5,380,398	23,706	3,249	5,407,353
Loans/financing derecognised or repaid during the year (other than write-offs)	(5,647,960)	(29,207)	(57,479)	(5,734,646)
Transfer to 12-month expected credit loss (Stage 1)	59,403	(48,522)	(10,881)	-
Transfer to lifetime expected credit loss not credit impaired (Stage 2)	(237,443)	238,366	(923)	-
Transfer to lifetime expected credit loss credit impaired (Stage 3)	(332,689)	(626,999)	959,688	-
Total transfer between stages	(510,729)	(437,155)	947,884	-
Write-offs	-	-	(282,395)	(282,395)
As at 31 December 2023	<u>22,631,842</u>	<u>330,094</u>	<u>920,147</u>	<u>23,882,083</u>
Arising from:				
Loans and advances	22,564,646	326,773	874,306	23,765,725
Trade bills, accrued interest and other receivables	67,196	3,321	45,841	116,358
	<u>22,631,842</u>	<u>330,094</u>	<u>920,147</u>	<u>23,882,083</u>

The amount outstanding on financial assets that were written off during the year and are still subject to enforcement action amounted to HK\$188,954,000.

## NOTES TO INTERIM FINANCIAL STATEMENTS

### 16. LOANS AND ADVANCES AND RECEIVABLES (Continued)

#### (f) Impairment allowances on loans and advances and receivables (Continued)

An analysis of credit risk exposure by the Group's internal credit rating system is as follows:

	30 June 2024 (Unaudited)			Total HK\$'000
	Stage 1 HK\$'000	Stage 2 HK\$'000	Stage 3 HK\$'000	
<b>Internal rating grades:</b>				
<b>Performing</b>				
Pass	22,682,621	-	-	22,682,621
Special Mention	339,925	293,596	-	633,521
<b>Non-performing</b>				
Substandard	-	-	191,216	191,216
Doubtful	-	-	639,540	639,540
Loss	-	-	50,979	50,979
<b>Total</b>	<b>23,022,546</b>	<b>293,596</b>	<b>881,735</b>	<b>24,197,877</b>

	31 December 2023 (Audited)			Total HK\$'000
	Stage 1 HK\$'000	Stage 2 HK\$'000	Stage 3 HK\$'000	
<b>Internal rating grades:</b>				
<b>Performing</b>				
Pass	22,490,131	-	-	22,490,131
Special Mention	141,711	330,094	-	471,805
<b>Non-performing</b>				
Substandard	-	-	110,779	110,779
Doubtful	-	-	781,755	781,755
Loss	-	-	27,613	27,613
<b>Total</b>	<b>22,631,842</b>	<b>330,094</b>	<b>920,147</b>	<b>23,882,083</b>



## NOTES TO INTERIM FINANCIAL STATEMENTS

### 16. LOANS AND ADVANCES AND RECEIVABLES (Continued)

#### (f) Impairment allowances on loans and advances and receivables (Continued)

An analysis of changes in the corresponding ECL allowances is as follows:

	<b>30 June 2024</b>			
	<b>(Unaudited)</b>			
	<b>Stage 1</b>	<b>Stage 2</b>	<b>Stage 3</b>	<b>Total</b>
	<b>HK\$'000</b>	<b>HK\$'000</b>	<b>HK\$'000</b>	<b>HK\$'000</b>
As at 1 January 2024	86,007	38,908	214,033	338,948
New loans/financing originated	35,366	3	133	35,502
Loans/financing derecognised or repaid during the period (other than write-offs)	(34,796)	(2,520)	(48,541)	(85,857)
Transfer to 12-month expected credit loss (Stage 1)	2,464	(700)	(1,764)	-
Transfer to lifetime expected credit loss not credit impaired (Stage 2)	(1,828)	1,878	(50)	-
Transfer to lifetime expected credit loss credit impaired (Stage 3)	(3,327)	(29,552)	32,879	-
Total transfer between stages	(2,691)	(28,374)	31,065	-
Impact on period end expected credit loss of exposures transferred between stages during the period	(1,233)	36,974	118,444	154,185
Movements due to changes in credit risk	13,084	480	46,655	60,219
Recoveries	-	-	42,696	42,696
Write-offs	-	-	(293,422)	(293,422)
As at 30 June 2024	<b>95,737</b>	<b>45,471</b>	<b>111,063</b>	<b>252,271</b>
Arising from:				
Loans and advances	94,631	45,286	109,899	249,816
Trade bills, accrued interest and other receivables	1,106	185	1,164	2,455
	<b>95,737</b>	<b>45,471</b>	<b>111,063</b>	<b>252,271</b>

## NOTES TO INTERIM FINANCIAL STATEMENTS

### 16. LOANS AND ADVANCES AND RECEIVABLES (Continued)

#### (f) Impairment allowances on loans and advances and receivables (Continued)

	31 December 2023 (Audited)			Total HK\$'000
	Stage 1 HK\$'000	Stage 2 HK\$'000	Stage 3 HK\$'000	
As at 1 January 2023	85,108	32,232	84,687	202,027
New loans/financing originated	53,604	39	74	53,717
Loans/financing derecognised or repaid during the year (other than write-offs)	(50,021)	(3,362)	(100,214)	(153,597)
Transfer to 12-month expected credit loss (Stage 1)	1,729	(356)	(1,373)	-
Transfer to lifetime expected credit loss not credit impaired (Stage 2)	(1,726)	1,898	(172)	-
Transfer to lifetime expected credit loss credit impaired (Stage 3)	(7,654)	(25,300)	32,954	-
Total transfer between stages	(7,651)	(23,758)	31,409	-
Impact on year end expected credit loss of exposures transferred between stages during the year	(708)	32,400	360,349	392,041
Movements due to changes in credit risk	5,675	1,357	23,529	30,561
Recoveries	-	-	96,594	96,594
Write-offs	-	-	(282,395)	(282,395)
As at 31 December 2023	86,007	38,908	214,033	338,948
Arising from:				
Loans and advances	84,860	38,812	206,200	329,872
Trade bills, accrued interest and other receivables	1,147	96	7,833	9,076
	86,007	38,908	214,033	338,948

## NOTES TO INTERIM FINANCIAL STATEMENTS

### 16. LOANS AND ADVANCES AND RECEIVABLES (Continued)

#### (g) Finance lease receivables

Included in loans and advances and receivables were receivables in respect of assets leased under finance leases as set out below:

	Undiscounted lease payments		Net investment in finance leases	
	30 June 2024 (Unaudited) HK\$'000	31 December 2023 (Audited) HK\$'000	30 June 2024 (Unaudited) HK\$'000	31 December 2023 (Audited) HK\$'000
Amounts receivable under finance leases:				
Within one year	487,925	485,971	299,815	297,957
Over one year but within two years	444,560	441,018	286,997	282,276
Over two years but within three years	391,983	397,102	246,916	250,600
Over three years but within four years	343,409	350,469	207,808	213,467
Over four years but within five years	317,931	320,613	189,788	190,836
Over five years	4,842,086	4,881,659	3,684,201	3,723,815
	<b>6,827,894</b>	6,876,832	<b>4,915,525</b>	4,958,951
Less: Unearned finance income	<b>(1,912,369)</b>	(1,917,881)		
Net investment in finance leases	<b>4,915,525</b>	4,958,951		

The Group has entered into finance lease arrangements with customers in respect of motor vehicles and equipment. The terms of the finance leases entered into range from 1 to 30 years.

## NOTES TO INTERIM FINANCIAL STATEMENTS

### 17. EQUITY INVESTMENTS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

	<b>30 June 2024 (Unaudited) HK\$'000</b>	31 December 2023 (Audited) HK\$'000
Unlisted equity investments in corporate entity, at fair value: At the beginning and the end of the period/year	<b>6,804</b>	6,804

The above investments were irrevocably designated at FVOCI as the Group considers these investments to be strategic in nature. Fair value is measured based on the present value of expected cash flows in the foreseeable future.

During the period/year, the Group received dividends of HK\$150,000 (2023: HK\$35,000) from the above investments.

## NOTES TO INTERIM FINANCIAL STATEMENTS

### 18. DEBT SECURITIES INVESTMENT

	30 June 2024 (Unaudited)		
	Financial assets at amortised cost	Financial assets at FVOCI	Total
	HK\$'000	HK\$'000	HK\$'000
Certificates of deposit held	3,670,229	-	3,670,229
Treasury bills and government bonds (including Exchange Fund Bills)	2,378,348	397,884	2,776,232
Other debt securities	1,546,336	-	1,546,336
Gross debt securities investment	7,594,913	397,884	7,992,797
Less: Impairment allowances collectively assessed			
As at 1 January 2024	(770)	-	(770)
Credit loss expenses released/(charged) to the consolidated income statement during the period	6	(40)	(34)
	(764)	(40)	(804)
	7,594,149	397,844	7,991,993
Listed or unlisted:			
- Listed in Hong Kong	402,183	-	402,183
- Listed outside Hong Kong	340,330	-	340,330
- Unlisted	6,852,400	397,884	7,250,284
	7,594,913	397,884	7,992,797
Analysed by types of issuers:			
- Central governments	2,378,348	397,884	2,776,232
- Public sector entities	496,900	-	496,900
- Corporates	200,000	-	200,000
- Banks and other financial institutions	4,519,665	-	4,519,665
	7,594,913	397,884	7,992,797

## NOTES TO INTERIM FINANCIAL STATEMENTS

### 18. DEBT SECURITIES INVESTMENT (Continued)

	31 December 2023 (Audited)		
	Financial assets at amortised cost	Financial assets at FVOCI	Total
	HK\$'000	HK\$'000	HK\$'000
Certificates of deposit held	3,739,234	-	3,739,234
Treasury bills and government bonds (including Exchange Fund Bills)	2,657,313	-	2,657,313
Other debt securities	1,243,751	-	1,243,751
Gross debt securities investment	7,640,298	-	7,640,298
Less: Impairment allowances collectively assessed			
As at 1 January 2023	(746)	-	(746)
Credit loss expenses charged to the consolidated income statement during the year	(24)	-	(24)
	(770)	-	(770)
	7,639,528	-	7,639,528
Listed or unlisted:			
- Listed in Hong Kong	756,804	-	756,804
- Listed outside Hong Kong	318,564	-	318,564
- Unlisted	6,564,930	-	6,564,930
	7,640,298	-	7,640,298
Analysed by types of issuers:			
- Central governments	2,657,313	-	2,657,313
- Public sector entities	169,992	-	169,992
- Corporates	200,000	-	200,000
- Banks and other financial institutions	4,612,993	-	4,612,993
	7,640,298	-	7,640,298

There were no impairment allowances specifically assessed made against debt securities investment as at 30 June 2024 and 31 December 2023.

There were neither impaired nor overdue debt securities investment as at 30 June 2024 and 31 December 2023.

Over 90% (31 December 2023: over 90%) of debt securities investment were rated with a grading of A3 or above based on the credit rating of Moody's.

## NOTES TO INTERIM FINANCIAL STATEMENTS

### 19. OTHER ASSETS AND OTHER LIABILITIES

#### Other assets

	<b>30 June 2024 (Unaudited) HK\$'000</b>	31 December 2023 (Audited) HK\$'000
Interest receivable from financial institutions	<b>68,261</b>	74,166
Other debtors, deposits and prepayments	<b>236,075</b>	185,624
Net amount of accounts receivable from Hong Kong Securities Clearing Company Limited	<b>245,734</b>	81,377
	<b>550,070</b>	341,167

There were no other overdue or rescheduled assets, and no impairment allowances for such other assets accordingly.

#### Other liabilities

	<b>30 June 2024 (Unaudited) HK\$'000</b>	31 December 2023 (Audited) HK\$'000
Creditors, accruals and other payables *	<b>370,431</b>	264,340
Interest payable	<b>211,242</b>	236,617
	<b>581,673</b>	500,957

\* As at 30 June 2024, the balance also includes the impairment allowance of HK\$20,000 (31 December 2023: HK\$21,000) on off-balance sheet credit exposures, including loan commitments and financial guarantees and letters of credit.

## NOTES TO INTERIM FINANCIAL STATEMENTS

### 20. INTANGIBLE ASSETS

	<b>HK\$'000</b>
Cost:	
As at 1 January 2023, 31 December 2023, 1 January 2024 (Audited) and 30 June 2024 (Unaudited)	<u>1,923</u>
Accumulated impairment:	
As at 1 January 2023	1,205
Impairment during the year	<u>486</u>
As at 31 December 2023, 1 January 2024 (Audited) and 30 June 2024 (Unaudited)	<u>1,691</u>
Net carrying amount:	
As at 30 June 2024 (Unaudited)	<u>232</u>
As at 31 December 2023 (Audited)	<u>232</u>

Intangible assets represent trading rights held by the Group. The trading rights are retained for stock trading and stockbroking activities, and have indefinite useful lives as the trading rights have no expiry date. They comprise five units (31 December 2023: five units) of Stock Exchange Trading Right and one unit (31 December 2023: one unit) of Futures Exchange Trading Right in Hong Kong Exchanges and Clearing Limited.



## NOTES TO INTERIM FINANCIAL STATEMENTS

### 21. PROPERTY AND EQUIPMENT

	Buildings HK\$'000	Leasehold improvements, furniture, fixtures, equipment and motor vehicles HK\$'000	Total HK\$'000
Cost:			
As at 1 January 2023	23,037	438,296	461,333
Additions	-	54,207	54,207
Disposals/write-off	-	(14,475)	(14,475)
As at 31 December 2023 and 1 January 2024 (Audited)	<b>23,037</b>	<b>478,028</b>	<b>501,065</b>
Additions	-	<b>22,935</b>	<b>22,935</b>
Disposals/write-off	-	<b>(397)</b>	<b>(397)</b>
As at 30 June 2024 (Unaudited)	<b>23,037</b>	<b>500,566</b>	<b>523,603</b>
Accumulated depreciation:			
As at 1 January 2023	9,609	300,794	310,403
Provided during the year	513	33,107	33,620
Disposals/write-off	-	(14,057)	(14,057)
As at 31 December 2023 and 1 January 2024 (Audited)	<b>10,122</b>	<b>319,844</b>	<b>329,966</b>
Provided during the period	<b>258</b>	<b>17,449</b>	<b>17,707</b>
Disposals/write-off	-	<b>(379)</b>	<b>(379)</b>
As at 30 June 2024 (Unaudited)	<b>10,380</b>	<b>336,914</b>	<b>347,294</b>
Net carrying amount:			
As at 30 June 2024 (Unaudited)	<b>12,657</b>	<b>163,652</b>	<b>176,309</b>
As at 31 December 2023 (Audited)	12,915	158,184	171,099

There were no impairment allowances made against the above items of property and equipment as at 30 June 2024 and 31 December 2023. There were no movements in impairment allowances for the period ended 30 June 2024 and for the year ended 31 December 2023.

## NOTES TO INTERIM FINANCIAL STATEMENTS

### 22. LAND HELD UNDER FINANCE LEASES

	<b>HK\$'000</b>
Cost:	
As at 1 January 2023, 31 December 2023, 1 January 2024 (Audited) and 30 June 2024 (Unaudited)	<u><b>302,416</b></u>
Accumulated depreciation and impairment:	
As at 1 January 2023	70,315
Depreciation provided during the year	<u>6,847</u>
As at 31 December 2023 and 1 January 2024 (Audited)	<b>77,162</b>
Depreciation provided during the period	<u><b>3,423</b></u>
As at 30 June 2024 (Unaudited)	<u><b>80,585</b></u>
Net carrying amount:	
As at 30 June 2024 (Unaudited)	<u><b>221,831</b></u>
As at 31 December 2023 (Audited)	<u><b>225,254</b></u>

Land leases are stated at the recoverable amount and are subject to an impairment test pursuant to HKAS 36, which is based on the higher of fair value less costs of disposal and value-in-use.

## NOTES TO INTERIM FINANCIAL STATEMENTS

### 23. INVESTMENT PROPERTIES

	<b>HKS'000</b>
At valuation:	
As at 1 January 2023	169,517
Changes in fair value recognised in the consolidated income statement	<u>(9,010)</u>
As at 31 December 2023 and 1 January 2024 (Audited)	<b>160,507</b>
Changes in fair value recognised in the consolidated income statement	<u><b>(6,577)</b></u>
As at 30 June 2024 (Unaudited)	<u><b>153,930</b></u>

The Group's investment properties are situated in Hong Kong and are held under medium-term and long-term leases in Hong Kong.

All investment properties were classified under Level 3 in the fair value hierarchy. During the period, there were no transfers of fair value measurements between Level 1 and Level 2 and no transfers into or out of Level 3 (2023: Nil). The Group has assessed that the highest and best use of its properties did not differ from their existing use.

As at 30 June 2024, investment properties were revalued according to the valuation assessed by C S Surveyors Limited, a firm of independent professionally qualified valuers. Finance and Control Department has discussions with the valuer on the valuation methodology and valuation results at least twice a year when the valuation is performed for interim and annual financial reporting.

## NOTES TO INTERIM FINANCIAL STATEMENTS

### 23. INVESTMENT PROPERTIES (Continued)

The fair value of investment properties located in Hong Kong is determined using market comparison approach by reference to recent sales price of comparable properties on a price per square metre basis. Below is a summary of the significant inputs to the valuation of investment properties:

	30 June 2024 (Unaudited)		31 December 2023 (Audited)	
	Range HK\$	Weighted average HK\$	Range HK\$	Weighted average HK\$
Price per square metre	72,000 to 688,000	410,000	76,000 to 720,000	428,000

A significant increase/decrease in the price per square metre would result in a significant increase/decrease in the fair value of the investment properties.

The investment properties held by the Group are let under operating leases from which the Group earns rental income. Details of future annual rental receivables under operating leases are included in Note 27(a) to the interim financial statements.

### 24. CUSTOMER DEPOSITS AT AMORTISED COST

	30 June 2024 (Unaudited) HK\$'000	31 December 2023 (Audited) HK\$'000
Demand deposits and current accounts	3,304,786	2,940,413
Savings deposits	5,261,594	5,293,444
Time, call and notice deposits	23,189,573	21,312,281
	<b>31,755,953</b>	<b>29,546,138</b>

### 25. SHARE CAPITAL

	30 June 2024 (Unaudited) HK\$'000	31 December 2023 (Audited) HK\$'000
Issued and fully paid:		
14,816,000 (2023: 14,816,000) ordinary shares	2,854,045	2,854,045



## NOTES TO INTERIM FINANCIAL STATEMENTS

### 26. OFF-BALANCE SHEET EXPOSURE (Continued)

#### (a) Contingent liabilities, commitments and derivatives (Continued)

	31 December 2023				
	(Audited)				
	Contractual amount HK\$'000	Credit equivalent amount HK\$'000	Credit risk-weighted amount HK\$'000	Positive fair value- assets HK\$'000	Negative fair value- liabilities HK\$'000
Direct credit substitutes	27,929	27,929	23,556	-	-
Transaction-related contingencies	17,846	8,923	1,259	-	-
Trade-related contingencies	3,046	609	524	-	-
Forward forward deposits placed	-	-	-	-	-
Forward asset purchases	-	-	-	-	-
	48,821	37,461	25,339	-	-
Derivatives held for trading:					
Foreign exchange contracts	452,813	20,787	4,157	10,743	40
Other commitments with an original maturity of:					
Not more than one year	-	-	-	-	-
More than one year	123,280	61,640	61,640	-	-
Other commitments which are unconditionally cancellable or which provide for automatic cancellation due to deterioration of creditworthiness of the counterparties	2,235,181	-	-	-	-
	2,860,095	119,888	91,136	10,743	40

31 December 2023

(Audited)

Contractual

amount

HK\$'000

Capital commitments contracted for, but not provided in the  
consolidated statement of financial position

25,817

## NOTES TO INTERIM FINANCIAL STATEMENTS

### 26. OFF-BALANCE SHEET EXPOSURE (Continued)

#### (a) Contingent liabilities, commitments and derivatives (Continued)

As at 30 June 2024 and 31 December 2023, the corresponding ECLs for the outstanding off-balance sheet exposures, including loan commitments and financial guarantees and letters of credit under stage 1, amounted to HK\$20,000 and HK\$21,000 respectively.

The Group had not entered into any bilateral netting arrangements and accordingly the above amounts are shown on a gross basis. The credit risk-weighted amounts are calculated in accordance with the Capital Rules and guidelines issued by the HKMA. The amounts calculated are dependent upon the status of the counterparty and the maturity characteristics. The risk weights used range from 0% to 100% for contingent liabilities, commitments and derivatives.

As at 30 June 2024 and 31 December 2023, the Group had no material outstanding contingent liabilities and commitments save as disclosed above.

#### (b) Derivative financial instruments

The Group uses the following derivative financial instruments:

Currency forwards represent commitments to purchase foreign and domestic currencies, including undelivered spot transactions. Foreign currency and interest rate futures are contractual obligations established in an organised financial market to receive or pay a net amount based on changes in currency rates or interest rates, or to buy or sell a foreign currency or a financial instrument on a future date at a specified price. The credit risk is negligible, as changes in the futures contract value are settled daily with the exchange. Forward rate agreements are individually negotiated interest rate futures that call for a cash settlement at a future date for the difference between a contracted rate of interest and the current market rate, based on a notional principal amount.

Interest rate swaps are commitments to exchange one set of cash flows for another. Swaps result in an exchange of interest rates (for example, fixed rate or floating rate). No exchange of principal takes place. The Group's credit risk represents the potential cost to replace the swap contracts if counterparties fail to perform their obligations. This risk is monitored on an ongoing basis with reference to the current fair value, a proportion of the notional amount of the contracts and the liquidity of the market. To control the level of credit risk taken, the Group assesses counterparties using the same techniques as used for its lending activities.

The notional amounts of certain types of financial instruments provide a basis for comparison with instruments recognised in the consolidated statement of financial position but do not necessarily indicate the amounts of future cash flows involved or the current fair value of the instruments and, therefore, do not indicate the Group's exposure to credit or price risk. The derivative financial instruments become favourable (assets) or unfavourable (liabilities) as a result of fluctuations in market interest rates or foreign exchange rates relative to their terms. The aggregate contractual or notional amount of derivative financial instruments on hand, the extent to which the instruments are favourable or unfavourable, and the aggregate fair values of derivative financial assets and liabilities, can fluctuate significantly from time to time.

## NOTES TO INTERIM FINANCIAL STATEMENTS

### 27. LEASES

#### (a) As lessor

The Group leases its investment properties as disclosed in Note 23 to the interim financial statements under operating lease arrangements, and the terms of the leases range from 2 to 4 years.

As at 30 June 2024 and 31 December 2023, the Group had total future minimum lease rental receivables under non-cancellable operating leases falling due as follows:

	<b>30 June 2024 (Unaudited) HK\$'000</b>	31 December 2023 (Audited) HK\$'000
Within one year	<b>4,004</b>	5,304
Over one year but within two years	<b>1,760</b>	1,805
Over two years but within three years	<b>37</b>	195
	<b>5,801</b>	7,304

#### (b) As lessee

The Group has entered into certain future lease arrangements with landlords, and the terms of the leases range from 1 to 3 years. As at 30 June 2024 and 31 December 2023, the Group had total future lease payments for leases committed but not yet commenced falling due as follows:

	<b>30 June 2024 (Unaudited) HK\$'000</b>	31 December 2023 (Audited) HK\$'000
Within one year	<b>1,651</b>	8,983
In the second to fifth years, inclusive	<b>4,046</b>	20,439
	<b>5,697</b>	29,422



## NOTES TO INTERIM FINANCIAL STATEMENTS

### 28. FAIR VALUE OF FINANCIAL INSTRUMENTS

#### (a) Financial assets and financial liabilities not carried at fair value

The following describes the methodologies and assumptions used to determine fair values of financial instruments which are not carried at fair value in the interim financial statements.

#### *Liquid or/and very short term and variable rate financial instruments*

Liquid or/and very short term and variable rate financial instruments include loans and advances and receivables, debt securities investment, customer deposits, certificates of deposit issued and unsecured bank loans. As these financial instruments are liquid or having a short-term maturity or carrying interest at a variable rate, the carrying amounts are reasonable approximations of their fair values. In the case of loans and unquoted debt securities, their fair values do not reflect changes in their credit quality as the impact of credit risk is recognised separately by deducting the amount of the impairment allowances.

#### *Fixed rate financial instruments*

Fixed rate financial instruments include placements with banks and financial institutions, loans and advances and receivables, debt securities investment, deposits from banks and other financial institutions, customer deposits and certificates of deposit issued. The fair values of these fixed rate financial instruments carried at amortised cost are determined based on prevailing money-market interest rates or current interest rates offered for similar financial instruments appropriate for the remaining term to maturity. The carrying amounts of such financial instruments are not materially different from their fair values.

#### (b) Financial assets and financial liabilities carried at fair value

The following tables show an analysis of financial instruments carried at fair value by level of the fair value hierarchy:

	<b>30 June 2024</b>			
	<b>(Unaudited)</b>			
	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
	<b>HK\$'000</b>	<b>HK\$'000</b>	<b>HK\$'000</b>	<b>HK\$'000</b>
<b>Financial assets:</b>				
Derivative financial instruments	-	86	-	86
Debt securities investment at fair value through other comprehensive income	-	397,884	-	397,884
Equity investments at fair value through other comprehensive income	-	-	6,804	6,804
	-	397,970	6,804	404,774
<b>Financial liabilities:</b>				
Derivative financial instruments	-	2,259	-	2,259

## NOTES TO INTERIM FINANCIAL STATEMENTS

### 28. FAIR VALUE OF FINANCIAL INSTRUMENTS (Continued)

#### (b) Financial assets and financial liabilities carried at fair value (Continued)

	31 December 2023			Total HK\$'000
	(Audited)			
	Level 1 HK\$'000	Level 2 HK\$'000	Level 3 HK\$'000	
<b>Financial assets:</b>				
Derivative financial instruments	-	10,743	-	10,743
Debt securities investment at fair value through other comprehensive income	-	-	-	-
Equity investments at fair value through other comprehensive income	-	-	6,804	6,804
	-	10,743	6,804	17,547
<b>Financial liabilities:</b>				
Derivative financial instruments	-	40	-	40

Level 2 derivative financial instruments comprise forward foreign exchange contracts and currency swaps. These instruments have been measured at fair value based on the forward foreign exchange rates that are quoted in an active market. As at 30 June 2024 and 31 December 2023, the effects of discounting were considered insignificant for the Level 2 financial instruments.

Level 3 financial instruments are measured at fair value based on the present value of expected cash flows in the foreseeable future.

For financial instruments measured at fair value on a recurring basis, the Group determines whether transfer has occurred between levels in the hierarchy by reassessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period. Finance and Control Department performs the valuation of financial instruments required for financial reporting purposes, including Level 3 fair values, at the end of each reporting period. The impact due to changes in fair value of the Level 3 financial instruments is insignificant to the Group.

For the period ended 30 June 2024 and the year ended 31 December 2023, there were no transfers amongst Level 1, Level 2 and Level 3 in the fair value hierarchy.

For the period ended 30 June 2024 and the year ended 31 December 2023, there were no issues and settlements related to the Level 3 financial instruments.

There was no gain or loss and no OCI reported in the consolidated income statement and consolidated statement of comprehensive income respectively related to the Level 3 financial instruments for the period ended 30 June 2024 and the year ended 31 December 2023.

For fair value measurement at Level 3, changing one or more of the inputs to the reasonably possible alternative assumptions would not change the fair value significantly.

## NOTES TO INTERIM FINANCIAL STATEMENTS

### 29. MATURITY ANALYSIS OF FINANCIAL ASSETS AND FINANCIAL LIABILITIES

The tables below show an analysis of financial assets and financial liabilities (including key off-balance sheet items) analysed by principal according to the periods that they are expected to be recovered or settled.

	30 June 2024 (Unaudited)							Total HK\$'000
	Repayable on demand HK\$'000	Up to 1 month HK\$'000	Over 1 month but not more than 3 months HK\$'000	Over 3 months but not more than 12 months HK\$'000	Over 1 year but not more than 5 years HK\$'000	Over 5 years HK\$'000	Repayable within an indefinite period HK\$'000	
<b>Financial assets:</b>								
Gross cash and short term placements	563,572	3,352,835	-	-	-	-	-	3,916,407
Gross placements with banks and financial institutions maturing after one month but not more than twelve months	-	-	1,787,891	239,828	-	-	-	2,027,719
Gross loans and advances and receivables	932,368	1,481,673	589,030	1,966,708	6,487,333	11,799,724	941,041	24,197,877
Equity investments at fair value through other comprehensive income	-	-	-	-	-	-	6,804	6,804
Gross debt securities investment	-	897,331	3,101,541	3,633,290	360,635	-	-	7,992,797
Other assets	396	297,555	25,206	30,195	2,600	-	194,118	550,070
Gross foreign exchange contracts	-	467,485	-	-	-	-	-	467,485
<b>Total financial assets</b>	<b>1,496,336</b>	<b>6,496,879</b>	<b>5,503,668</b>	<b>5,870,021</b>	<b>6,850,568</b>	<b>11,799,724</b>	<b>1,141,963</b>	<b>39,159,159</b>
<b>Financial liabilities:</b>								
Deposits and balances of banks and other financial institutions at amortised cost	122,186	169,447	50,000	150,000	-	-	-	491,633
Customer deposits at amortised cost	8,618,982	6,741,655	10,848,103	5,543,972	3,241	-	-	31,755,953
Lease liabilities	-	6,968	13,748	51,812	63,125	3,423	-	139,076
Other liabilities	9,255	362,122	83,711	85,667	100	-	40,818	581,673
Gross foreign exchange contracts	-	469,658	-	-	-	-	-	469,658
<b>Total financial liabilities</b>	<b>8,750,423</b>	<b>7,749,850</b>	<b>10,995,562</b>	<b>5,831,451</b>	<b>66,466</b>	<b>3,423</b>	<b>40,818</b>	<b>33,437,993</b>
<b>Net liquidity gap</b>	<b>(7,254,087)</b>	<b>(1,252,971)</b>	<b>(5,491,894)</b>	<b>38,570</b>	<b>6,784,102</b>	<b>11,796,301</b>	<b>1,101,145</b>	<b>5,721,166</b>

## NOTES TO INTERIM FINANCIAL STATEMENTS

### 29. MATURITY ANALYSIS OF FINANCIAL ASSETS AND FINANCIAL LIABILITIES (Continued)

	31 December 2023 (Audited)							Total HK\$'000
	Repayable on demand HK\$'000	Up to 1 month HK\$'000	Over	Over	Over	Repayable within an indefinite period HK\$'000	Over 5 years HK\$'000	
			1 month but not more than 3 months HK\$'000	3 months but not more than 12 months HK\$'000	1 year but not more than 5 years HK\$'000			
<b>Financial assets:</b>								
Gross cash and short term placements	801,630	2,916,637	-	-	-	-	-	3,718,267
Gross placements with banks and financial institutions maturing after one month but not more than twelve months	-	-	733,407	243,832	-	-	-	977,239
Gross loans and advances and receivables	531,230	1,573,816	594,488	2,152,766	6,291,600	11,770,676	967,507	23,882,083
Equity investments at fair value through other comprehensive income	-	-	-	-	-	-	6,804	6,804
Gross debt securities investment	-	983,474	2,860,749	3,178,344	617,731	-	-	7,640,298
Other assets	564	176,712	23,595	12,802	3,952	-	123,542	341,167
Gross foreign exchange contracts	-	452,813	-	-	-	-	-	452,813
<b>Total financial assets</b>	<b>1,333,424</b>	<b>6,103,452</b>	<b>4,212,239</b>	<b>5,587,744</b>	<b>6,913,283</b>	<b>11,770,676</b>	<b>1,097,853</b>	<b>37,018,671</b>
<b>Financial liabilities:</b>								
Deposits and balances of banks and other financial institutions at amortised cost	78,015	199,532	140,000	50,000	-	-	-	467,547
Customer deposits at amortised cost	8,267,018	5,750,278	9,693,187	5,832,069	3,416	170	-	29,546,138
Lease liabilities	-	7,054	13,508	52,988	60,982	4,713	-	139,245
Other liabilities	7,231	223,483	104,087	113,745	117	-	52,294	500,957
Gross foreign exchange contracts	-	442,110	-	-	-	-	-	442,110
<b>Total financial liabilities</b>	<b>8,352,264</b>	<b>6,622,457</b>	<b>9,950,782</b>	<b>6,048,802</b>	<b>64,515</b>	<b>4,883</b>	<b>52,294</b>	<b>31,095,997</b>
<b>Net liquidity gap</b>	<b>(7,018,840)</b>	<b>(519,005)</b>	<b>(5,738,543)</b>	<b>(461,058)</b>	<b>6,848,768</b>	<b>11,765,793</b>	<b>1,045,559</b>	<b>5,922,674</b>

## NOTES TO INTERIM FINANCIAL STATEMENTS

### 30. RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's principal financial liabilities, other than derivatives, comprise customer deposits, bank loans, and deposits and balances of banks and other financial institutions. The main purpose of these financial liabilities is to raise finance for the Group's operations. The Group has various financial assets such as cash and short term placements, debt securities investment, loans and advances and receivables, and equity investments at FVOCI, which arise directly from its operations.

The Group also enters into derivative transactions, including principally forward currency contracts held for trading. The purpose is to manage or mitigate currency risk arising from the Group's operations.

The main risks arising from the Group's financial instruments are interest rate risk, market risk, credit risk and liquidity risk.

The Group's business activities comprise retail and commercial banking services. These activities expose the Group to a variety of risks, mainly interest rate risk, market risk, credit risk, liquidity risk, operational risk, cyber security risk, climate risk and compliance risk. The respective Boards of the Bank and Public Finance review and approve risk management policies for managing each of these risks and they are summarised below.

#### **Risk management structure**

The Group's risk management is underpinned by the Group's risk appetite and is subject to the respective Boards' oversight through the Risk Management Committees ("RMCs") of the Bank and Public Finance, which are Board Committees overseeing the establishment of enterprise-wide risk management policies and processes. The RMCs are assisted by the specific risk oversight committees including the Assets and Liabilities Management Committee ("ALCO"), Operational Risk Management Committee ("ORMC"), Credit Committee, Credit Risk Management Committee ("CRMC") (applicable to the Bank only), and Anti-Money Laundering and Counter-terrorist Financing (AML) and Compliance Committee or equivalent committees with similar functions of the Bank and Public Finance.

The Group has established systems, policies and procedures for the control and monitoring of interest rate risk, market risk, credit risk, liquidity risk, operational risk, cyber security risk, climate risk, environmental, social and governance risk and compliance risk, which are approved by the respective Boards of the Bank and Public Finance and reviewed regularly by their management, and other designated committees or working groups. Material risks are identified and assessed by designated committees and/or working groups before the launch of new products or business activities, and are monitored, documented and controlled against applicable risk limits after the introduction of new products or services or implementation of new business activities. Internal auditors of the Bank and Public Finance also perform regular audits to ensure compliance with the policies and procedures.

## NOTES TO INTERIM FINANCIAL STATEMENTS

### 30. RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

#### **Interest rate risk management**

Interest rate risk in banking book (“IRRBB”) is internally defined as current or prospective risk arising from adverse movements in market interest rates to the Group’s positions in the banking book. Changes in market interest rate affect economic value of interest-bearing assets, liabilities, off-balance commitments and net interest income (“NII”) from such financial instruments. The primary objective of interest rate risk management is to minimise/contain the potential adverse effects of interest rate movements in economic value of equity (“EVE”) and NII by closely monitoring the net repricing gap of the Group’s assets and liabilities.

The IRRBB comprises gap risk, basis risk and option risk. Gap risk arises from changes in interest rates on assets, liabilities and off-balance sheet positions of different maturities. Basis risk arises from imperfect correlation of timing between changes in the rates earned and paid on different instruments with otherwise similar repricing characteristics. Option risk arises from the optional elements embedded in the Group’s assets and liabilities that provide customers with the right to prepay or early repay one’s assets or liabilities such that cash flows related to such financial contracts are altered.

The Boards of the Bank and Public Finance are ultimately responsible for management of IRRBB and define the overall risk appetite for management of IRRBB. The RMCs are responsible for reviewing IRRBB policies, establishing risk limits in relation to EVE and NII in accordance with risk appetite and maintaining management oversight on IRRBB. The ALCOs are responsible for identifying, measuring, evaluating, controlling and monitoring IRRBB and ensuring the timely implementation of IRRBB management strategy by different departments and business lines in response to the changing market conditions. Risk Management Departments (“RMDs”) assess, monitor and report interest rate risk exposures against approved risk limits and key interest rate risk related matters (such as limit excesses) to the ALCOs at least monthly, and escalate to the RMCs and the Boards for further deliberations/approval of proposed actions as necessary. The Group manages its IRRBB exposures at a desired level and within its risk tolerance thresholds through strategic planning of balance sheet compositions with matching of repricing maturity for its on-balance sheet instruments and/or off-balance sheet derivatives in each significant currency. Currently, the Group does not use interest rate instruments like interest rate swaps and interest rate futures for hedging purpose as the Group is not engaged in complex business transactions involving derivative financial instruments. Where the Group decides to implement a hedging to manage IRRBB, the hedge accounting treatment is required to be made in accordance with the HKFRSs. The Group conducts stress testing via scenario analyses to assess the adverse impact of various interest rate shocks on the Group’s EVE and NII, and the outcomes are deliberated in ALCO and RMC meetings. The Group establishes model for IRRBB assessment including yield curve levels’ projection of relevant interest-bearing assets and early redemption of loans. Any revisions to the existing IRRBB model or assessment methodology are deliberated by ALCOs and RMCs for the approval by the Boards. Internal Audit Departments perform independent reviews on the effectiveness of the IRRBB management system, including but not limited to the implementation/compliance of the approved policies, monitoring of risk limits, escalation of limit breaches and adequacy of IRRBB assessment methodology.

## NOTES TO INTERIM FINANCIAL STATEMENTS

### 30. RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

#### **Interest rate risk management (Continued)**

The Group employs various analytical techniques to measure IRRBB and its impact on EVE and NII on monthly basis, including interest rate repricing profile analysis, and scenario assessment on the Group's EVE and NII under both parallel and non-parallel interest rate shocks.

#### **Market risk management**

##### *(a) Currency risk*

Currency risk is the risk that the holding of foreign currencies will affect the Group's position as a result of a change in foreign currency exchange rates. The Group's foreign exchange risk positions arise from foreign exchange dealings, commercial banking operations and structural foreign currency exposures. All foreign exchange positions are managed by the Group's Treasury Department within limits approved by the Board of the Bank.

The Group's assets and liabilities are mainly denominated in Hong Kong dollars ("HKD"), United States dollars ("USD") and Renminbi ("RMB"). The Group has limited foreign currency risk as the Group's net foreign currency positions are small, except for net structural position of RMB denominated operating capital.

As at 30 June 2024, if RMB had strengthened or weakened by 100 basis points against HKD with all other variables held constant, the Group's equity would have increased or decreased by HK\$11 million (31 December 2023: HK\$11 million) mainly as a result of foreign exchange impact arising from the net structural position of RMB denominated operating capital.

## NOTES TO INTERIM FINANCIAL STATEMENTS

### 30. RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

#### Market risk management (Continued)

##### (a) Currency risk (Continued)

Foreign currency exposures with a net position which constitutes not less than 10% of the total net position in all foreign currencies of the Bank are as follows:

	30 June 2024					
	(Unaudited)					
	Spot assets HK\$ million	Spot liabilities HK\$ million	Forward purchases HK\$ million	Forward sales HK\$ million	Net short position HK\$ million	Structural assets HK\$ million
USD	4,890	4,615	79	379	(25)	-
RMB	570	627	-	26	(83)	1,071
Others	1,319	1,663	382	41	(3)	-
	<b>6,779</b>	<b>6,905</b>	<b>461</b>	<b>446</b>	<b>(111)</b>	<b>1,071</b>

  

	31 December 2023					
	(Audited)					
	Spot assets HK\$ million	Spot liabilities HK\$ million	Forward purchases HK\$ million	Forward sales HK\$ million	Net short position HK\$ million	Structural assets HK\$ million
USD	4,704	4,316	16	424	(20)	-
RMB	546	594	-	4	(52)	1,097
Others	1,216	1,628	417	11	(6)	-
	<b>6,466</b>	<b>6,538</b>	<b>433</b>	<b>439</b>	<b>(78)</b>	<b>1,097</b>

##### (b) Price risk

Price risk is the risk to the Group's earnings and capital due to changes in the prices of securities, including debt securities and equities.

The Group monitors price risk principally by limits established for transactions and open positions. These limits are reviewed and approved by the respective Boards of the Bank and Public Finance and are monitored on a daily basis.

The Group did not actively trade in financial instruments and in the opinion of the Directors, the price risk related to trading activities to which the Group was exposed was not material. Accordingly, no quantitative market risk disclosures for price risk have been made.



## NOTES TO INTERIM FINANCIAL STATEMENTS

### 30. RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

#### **Credit risk management**

Credit risk is the risk that a customer or counterparty in a transaction may default. It arises from the lending, trade finance, treasury and other activities undertaken by the Group.

The Group has a credit risk management process to measure, monitor and control credit risk. Its credit policy defines the credit extension and measurement criteria, credit review, approval and monitoring processes, and the loan classification and provisioning systems. It has a hierarchy of credit authority which approves credit in compliance with the Group's credit policy. Credit risk exposures are measured and monitored against credit limits and other control limits (such as connected exposures, large exposures and risk concentration limits approved by the respective Boards or dedicated committees). The Group's loan exposures are concentrated in purchase of properties, property investment, transportation and consumer financing segment in Hong Kong; and such lendings are monitored and controlled within the approved concentration limits of the Bank and Public Finance. Segregation of duties in key credit functions is in place to ensure separate credit control and monitoring. Management and recovery of problem credits are handled by an independent work-out team.

The Group manages its credit risk within a conservative framework. Its credit policy is regularly revised, taking into account factors such as prevailing business and economic conditions, regulatory requirements and its capital resources. Its policy on connected lending exposures defines and states connected parties, statutory and applicable connected lending limits, types of connected transactions, taking of collateral, the capital adequacy treatment, and detailed procedures and controls for monitoring connected lending exposures. In general, interest rates and other terms and conditions applying to connected lending should not be more favourable than those of the loans offered to non-connected borrowers under similar circumstances. The terms and conditions should be determined on normal commercial terms at arm's length and in the ordinary course of business of the Group.

Credit and compliance audits are periodically conducted by Internal Audit Departments of the Bank and Public Finance to evaluate the effectiveness of credit reviews, approval and monitoring processes and to ensure that the established credit policies and procedures are complied with.

Compliance Departments of the Bank and Public Finance conduct compliance tests at selected business units on identified high risk areas for adherence to regulatory and operational requirements and credit policies.

## NOTES TO INTERIM FINANCIAL STATEMENTS

### 30. RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

#### **Credit risk management (Continued)**

Credit Committees of the Bank and Public Finance monitor the quality of financial assets which are neither past due nor impaired by financial performance indicators (such as the loan-to-value ratio, debts servicing ratio, financial soundness of borrowers and personal guarantees) through meeting discussions and management reports. Loan borrowers subject to legal proceedings, negative comments from other counterparties and rescheduled arrangements are put under watch lists or under the “special mention” grade for management oversight.

Credit Committees of the Bank and Public Finance also monitor the quality of past due or impaired financial assets by internal grading comprising “substandard”, “doubtful” and “loss” accounts through meeting discussions and management reports. Impaired financial assets include those subject to personal bankruptcy petitions, corporate winding-up and rescheduled arrangements.

RMCs of the Bank and Public Finance are responsible for reviewing and assessing the adequacy of risk management framework for identifying, measuring, monitoring and controlling the credit risk of existing and new products. The Committees also review credit risk management policies and credit risk tolerance limits. The RMC of the Bank is assisted by CRMC in discharging its responsibilities on credit risk management issues.

The Group mitigates credit risk by credit protection provided by guarantors and by loan collateral such as customer deposits, properties, listed shares, taxi licences, public light bus licences and vehicles.

The “Neither past due nor impaired loans and advances and receivables” are shown in Note 16 to the interim financial statements.

Loans and advances and receivables that were neither past due nor impaired were related to a large number of diversified customers for whom there was no recent history of default.

#### **Liquidity risk management**

Liquidity risk is the risk that the Group cannot meet its current obligations. Major sources of liquidity risk of the Group are the early or unexpected withdrawals of deposits in cash outflow and the delay in cash inflow from loan repayments. To manage liquidity risk, the Boards of the Bank and Public Finance have established a liquidity risk management framework which incorporates liquidity risk tolerance, management oversight on liquidity risk, liquidity risk and funding strategy, risk related metrics and tools for liquidity risk management, internal liquidity risk pricing, and the manner of reporting significant matters. The major objectives of liquidity risk management framework are to (i) specify the roles and responsibilities of relevant parties on liquidity risk management, (ii) identify, measure and control liquidity risk exposures with proper implementation of funding strategies, (iii) effectively report significant risk related matters for management oversight, and (iv) manage the liquidity profile within risk tolerance. The liquidity risk management framework is cascaded to all business lines to ensure a consistent liquidity risk strategy, policies and practices across the Group. Liquidity risk related policies are reviewed by Senior Management and dedicated committees, and significant changes in such policies are approved by the Boards of the Bank and Public Finance or committees delegated by the respective Boards.

## NOTES TO INTERIM FINANCIAL STATEMENTS

### 30. RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

#### Liquidity risk management (Continued)

ALCOs of the Bank and Public Finance monitor the liquidity position as part of the ongoing management of assets and liabilities, and set up trigger limits to monitor liquidity risk. They also closely monitor the liquidity of the subsidiaries on a periodic basis to ensure that the liquidity structure of the subsidiaries' assets, liabilities and commitments can meet their funding needs, and that internal liquidity trigger limits are complied with.

Treasury Department of the Bank and a dedicated department of Public Finance are responsible for the centralised implementation of the strategies and policies approved by the dedicated committees and the respective Boards, and developing operational procedures and controls to ensure the compliance with the aforesaid policies and to minimise operational disruptions in case of a liquidity crisis.

RMDs of the Bank and Public Finance are responsible for day-to-day monitoring of liquidity maintenance ratios, loans to deposits ratios, concentration risk related ratios and other liquidity risk related ratios coupled with the use of cash-flow projections, maturity ladder, stress-testing methodologies and other applicable risk assessment tools and metrics to detect early warning signals and identify vulnerabilities to potential liquidity risk on forward-looking basis with the objective of ensuring different types of liquidity risks of the Group are appropriately identified, measured, assessed and reported. They also carry out analysis based on risk-based management reports, summarise the data from those reports and present the key liquidity information of the Group and key business lines to the respective ALCOs on a regular (at least monthly) basis. In case of significant issues, such as serious limit excesses or breaches or early warning signals of potential severe impact on the Bank or Public Finance are identified from the aforesaid management reports or market information obtained from Treasury Department and business units, a designated ALCO member will convene a meeting (involving Senior Management members) to discuss risk related matters and propose actions to ALCO whenever necessary. A high level summary of the liquidity risk performance of the Bank or Public Finance will be presented by the respective ALCOs to their RMCs and the Boards.

The liquidity risk related metrics of the Bank and Public Finance include at least liquidity maintenance ratios (with internal risk tolerance higher than the statutory liquidity maintenance ratio); cash-flow mismatches under normal and different stress scenarios; concentration related limits of deposits and other funding sources, and maturity profile of major assets and liabilities (including on-balance sheet and off-balance sheet items). Systems and procedures are in place to measure and manage liquidity risk arising from off-balance sheet exposures and contingent funding obligations by cash-flow projections in both baseline and stressed scenarios. In baseline scenario, expected cash outflow is derived from the aforesaid exposures and obligations including potential drawdowns of unused committed facilities; trade related contingencies; issued letters of credit and financial guarantee unrelated to trade related contingencies; and uncommitted facilities and other contingent obligations with regard to not only the contractual terms in agreements with customers but also the manner of past months' utilisation and genuine drawdowns of the credit facilities; customer relationships and reputational risk perspectives. In stressed scenario, the utilisation and drawdowns of credit facilities are expected to escalate to some extent.

## NOTES TO INTERIM FINANCIAL STATEMENTS

### 30. RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

#### **Liquidity risk management (Continued)**

The funding strategies of the Group are to (i) diversify funding sources for mitigating liquidity risk exposures; (ii) minimise disruptions due to operational issues such as transfer of liquidity across group entities; (iii) ensure contingency funding is available to the Group; and (iv) maintain sufficient liquidity cushion to meet critical liquidity needs such as loan commitments and deposit withdrawals in stressed situations. The Group has established concentration limits of funding sources taking into account the respective risk profiles of the Bank and Public Finance. For instance, intra-group funding and funding from the largest funding provider are restricted to be not more than 15% and 10% of total funding sources respectively to reduce reliance on single source of funding. Medium and long term funding is maintained at a level of at least 20% of total funding source to pursue stable funding structure.

Contingency funding plan is formulated to address liquidity needs at different stages including the mechanism for the detection of early warning signals of potential crisis at early stage and obtaining of emergency funding in bank-run scenario at later stage. Designated roles and responsibilities of the Crisis Management Team, departments and business units and their emergency contact information are documented clearly in contingency funding plan policy as part of business continuity planning, and contingency funding measures are in place to set priorities of funding arrangements with counterparties, to set procedures for intraday liquidity risk management and intra-group funding support, to manage media relationship and to communicate with internal and external parties during a liquidity crisis. The stress-testing results are updated and reported to Senior Management regularly and the results such as the survival period for positive cash-flow mismatches are used in contingency funding planning and determination of the required level of liquidity cushion. Based on the results of liquidity stress-testing, standby facilities and liquid assets are maintained to provide liquidity to meet unexpected and material cash outflows in stressed situations.

The Group maintains sufficient liquidity cushion comprising mainly bills, notes or bonds issued by eligible central governments in a total amount of not less than HK\$2.0 billion to address critical and emergent liquidity needs on intraday basis and over other different time horizons. The Group is not subject to particular collateral arrangements or requirements in contracts in case there is a credit rating downgrade of entities within the Group.

## NOTES TO INTERIM FINANCIAL STATEMENTS

### 30. RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

#### Liquidity risk management (Continued)

Apart from cash-flow projections under normal scenario to manage liquidity under different time horizons, different stress scenarios such as institution-specific stress scenario, the general market stress scenario and the combination of such scenarios with assumptions are set and reviewed by dedicated committees and approved by the respective Boards. Under institution-specific stress scenario, loan repayments from some customers are assumed to be delayed. The projected cash inflow would be affected by increased amount of rollover of banking facilities by some corporate customers or reduced by the amount of retail loan delinquencies. Regarding cash-outflow projection, part of undrawn banking facilities are not to be utilised by borrowers or honoured by the Group. The core deposits ratio would decrease as there would be early withdrawals of some fixed deposits before contractual maturity dates or there would be fewer renewals of fixed deposits on the contractual maturity dates. In the general market stress scenario, some undrawn banking facilities are not to be honoured upon drawdown as some bank counterparties will not have sufficient liquidity to honour their obligations in market. The Group may pledge or liquidate its liquid assets such as debt securities (including but not limited to treasury bills or notes or bonds issued by eligible central governments) to secure funding to address potential liquidity crisis. Liquidity stress-tests are conducted regularly (at least monthly) and the results are utilised for part of contingency funding plan or for providing insights to management about the latest liquidity position of the Group.

#### *Regulatory liquidity ratios*

Pursuant to section 97H of the Hong Kong Banking Ordinance and Rules 7 and 8D of the Banking (Liquidity) Rules, Public Bank (Hong Kong) Group (including the Bank and Public Finance) and the Bank are required to comply with the liquidity maintenance ratio requirement and core funding ratio requirement whilst Public Finance is required to comply with the liquidity maintenance ratio requirement only.

	<b>For the six months ended</b>	
	<b>30 June</b>	
	<b>2024</b>	<b>2023</b>
	<b>(Unaudited)</b>	<b>(Unaudited)</b>
<hr/>		
Liquidity Maintenance Ratio		
- Public Bank (Hong Kong) Group	<b>62.0%</b>	58.1%
- The Bank	<b>61.0%</b>	55.8%
- Public Finance	<b>83.8%</b>	113.8%
Core Funding Ratio		
- Public Bank (Hong Kong) Group	<b>142.3%</b>	143.9%
- The Bank	<b>141.0%</b>	141.6%

## NOTES TO INTERIM FINANCIAL STATEMENTS

### 30. RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

#### **Liquidity risk management (Continued)**

##### *Regulatory liquidity ratios (Continued)*

The average liquidity maintenance ratio and core funding ratio are computed using the arithmetic mean of each calendar month's average ratio as reported in the return relating to the liquidity position submitted to the HKMA. The core funding ratio is not applicable to Public Finance.

Liquidity exposures and funding needs are measured and assessed at the level of individual legal entities (i.e. the Bank and its core operating subsidiaries) and Mainland China Office (i.e. Shenzhen Branch and its sub-branches). Pursuant to the HKMA/SFC's requirements, the transferability of liquidity of the Bank and its operating subsidiaries takes into account the need of compliance with trigger points of liquidity related ratios and minimum liquidity capital level; and other legal and regulatory limitations such as limits of connected exposures and capital related ratios. Pursuant to the requirements of National Financial Regulatory Administration, the Mainland China Office of the Bank is required to maintain regulatory liquidity ratios in RMB and foreign currencies of not less than 25%. Due to the foreign exchange controls imposed by the State Administration of Foreign Exchange ("SAFE") in China, cross-border funding flows to and from Mainland China are subject to the supervision and approval of the SAFE. In view of the limitation on transferability of liquidity, Mainland China Office has maintained high and sufficient liquidity to meet its business needs. As at 30 June 2024, the liquidity ratios in RMB and foreign currencies of Mainland China Office were more than 100% (31 December 2023: more than 100%).

#### **Operational risk management**

Operational risk is defined as the risk of loss resulting from inadequate or failed internal processes, human and system errors or from external events.

The Group has an operational risk management function in place to identify, measure, monitor and control operational risk. Its operational risk management policy defines the responsibilities of various committees, business units and supporting departments, and highlights key operational risk factors and categories with loss event types to facilitate the measurement and assessment of operational risks and their potential impact. Operational risk exposures are monitored by appropriate key risk indicators for tracking and escalation to management for providing early warning signals of increased operational risk or a breakdown in operational risk management. Regular operational risk management reports are received and consolidated from various parties and reported to the ORMC for monitoring and control of operational risk. Pursuant to such regular reporting and monitoring, there were no significant operational loss events being identified in the first half of year 2024. The Group also purchased relevant insurances as risk migration tools to contain potential operational losses within risk tolerance level. Business continuity plans are in place to ensure continuity of banking operations in the event of business disruption.

#### **Cyber security risk management**

Cyber security risk is the risk of loss resulting from a cyber attack or information security breach on the Bank. The Bank has put in place adequate resources and established cyber security risk management policy in accordance with the requirements of the HKMA's Cybersecurity Fortification Initiative and other industry standards to provide guidance on managing cyber security risk, improving cyber resilience as well as ensuring adequate cyber security awareness throughout the Bank. The Bank also periodically engaged qualified professional assessors to conduct assessments and simulation attacks to assess the robustness of the Bank's cyber security controls.

## NOTES TO INTERIM FINANCIAL STATEMENTS

### 30. RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

#### **Climate risk management**

Climate risk is defined as the risk from climate changes, the related impacts and the economic and financial consequences, as a result of physical damage caused by extreme weather events or from transitioning towards a low-carbon economy. The Bank and Public Finance have established their respective climate-related risk management policies in accordance with the requirements of the Supervisory Policy Manual Module GS-1 “Climate Risk Management” issued by the HKMA to define the roles and responsibilities of various committees, business units and supporting departments, and provide guidance on managing climate-related risks as well as ensuring adequate awareness on importance of climate changes throughout the entities. Moreover, the Group’s priority on managing climate-related risks and opportunities has been formulated into strategies and action plans to achieve the Public Bank Group’s overall sustainability commitment of Carbon Neutral Position for Scopes 1 and 2 by 2030 and Net Zero Carbon by 2050. In order to achieve the commitment, the Group’s priority is on developing the risk management processes, infrastructure and tools to systematically identify and assess climate-related risks and to embed climate-related risk management considerations into the day-to-day business activities of the Group. The Bank and Public Finance have also conducted climate risk stress testing exercise to identify potential vulnerabilities brought by climate changes and plan for responses towards achieving climate resilience.

#### **Capital management**

Capital of the Group for regulatory and risk management purposes includes share capital, reserves, retained profits, regulatory reserve and subordinated debts, if any. Finance and Control Department is responsible for monitoring the amount of the capital base and capital adequacy ratios against trigger limits and for risk exposures and ensuring compliance with relevant statutory limits, taking into account business growth, dividend payout and other relevant factors.

The Group’s policy is to maintain a strong capital base to support the development of the Group’s businesses and to meet the statutory capital adequacy ratios and other regulatory capital requirements. Capital is allocated to various business activities of the Group depending on the risks taken by each business unit and in accordance with the requirements of relevant regulatory bodies, taking into account current and future activities within a time frame of 3 years.

## NOTES TO INTERIM FINANCIAL STATEMENTS

### 30. RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

#### Capital management (Continued)

##### *Capital adequacy ratios*

The consolidated capital adequacy ratios of the Group are computed in accordance with the provisions of the Banking Ordinance relating to Basel III capital standards and the Capital Rules. The Group has adopted the standardised approach for the calculation of credit risk-weighted exposures and market risk-weighted exposures. The Group has adopted the basic indicator approach and the standardised approach for the calculation of operational risk-weighted exposures of the Bank and Public Finance, respectively.

	<b>30 June 2024 (Unaudited)</b>	31 December 2023 (Audited)
Consolidated CET1 Capital Ratio	<b>23.9%</b>	24.9%
Consolidated Tier 1 Capital Ratio	<b>23.9%</b>	24.9%
Consolidated Total Capital Ratio	<b>24.7%</b>	25.6%

The above capital ratios are higher than the minimum capital ratios required by the HKMA.



## NOTES TO INTERIM FINANCIAL STATEMENTS

### 30. RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

#### Capital management (Continued)

##### Capital disclosures

The components of capital base include the following items:

	<b>30 June 2024 (Unaudited) HK\$'000</b>	31 December 2023 (Audited) HK\$'000
CET1 capital instruments	<b>2,854,045</b>	2,854,045
Retained earnings	<b>3,608,116</b>	3,684,659
Disclosed reserves	<b>(22,255)</b>	18,367
CET1 capital before deduction	<b>6,439,906</b>	6,557,071
Deduct:		
Cumulative fair value gains arising from the revaluation of land and buildings (covering both own-use and investment properties)	<b>(51,323)</b>	(52,216)
Regulatory reserve for general banking risk	<b>(20,263)</b>	(34,316)
Goodwill	<b>(242,342)</b>	(242,342)
Deferred tax assets in excess of deferred tax liabilities	<b>-</b>	(19,765)
CET1 capital after deduction	<b>6,125,978</b>	6,208,432
Additional Tier 1 capital	<b>-</b>	-
Tier 1 capital after deductions	<b>6,125,978</b>	6,208,432
Reserve attributable to fair value gains	<b>23,095</b>	23,497
Regulatory reserve for general banking risk	<b>20,263</b>	34,316
Collective provisions	<b>142,613</b>	126,157
	<b>162,876</b>	160,473
Tier 2 capital	<b>185,971</b>	183,970
Capital base	<b>6,311,949</b>	6,392,402
Total risk-weighted assets	<b>25,591,661</b>	24,962,444

## NOTES TO INTERIM FINANCIAL STATEMENTS

### 30. RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

#### Capital management (Continued)

##### Capital conservation buffer (CCB)

Public Bank (Hong Kong) Group is subject to the 2.5% CCB ratio effective from 1 January 2019.

##### Countercyclical capital buffer (CCyB)

The CCyB ratio is an additional layer of CET1 capital which takes effect as an extension of the Basel III CCB.

As at 30 June 2024, Public Bank (Hong Kong) Group has reserved a capital buffer, inclusive of CCyB ratio of 1.0%, to the private sector credit exposures in Hong Kong.

The following tables illustrate the geographical breakdown of risk-weighted amounts (“RWA”) in relation to private sector credit exposures:

Jurisdiction (“J”)	Applicable JCCyB ratio in effect %	30 June 2024 (Unaudited)		
		Total RWA used in computation of CCyB ratio HK\$’000	CCyB ratio %	CCyB amount HK\$’000
1. Hong Kong, China	1.000	17,475,663		
2. Mainland China	-	1,089,042		
Total		18,564,705	0.941	174,757

Jurisdiction	Applicable JCCyB ratio in effect %	31 December 2023 (Audited)		
		Total RWA used in computation of CCyB ratio HK\$’000	CCyB ratio %	CCyB amount HK\$’000
1. Hong Kong, China	1.000	16,853,901		
2. Mainland China	-	1,187,708		
Total		18,041,609	0.934	168,539

## NOTES TO INTERIM FINANCIAL STATEMENTS

### 30. RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

#### Capital management (Continued)

##### *Leverage ratio*

The leverage ratio is introduced into the Basel III framework as a non-risk-based backstop limit to supplement risk-based capital requirements. It aims to constrain the build-up of excess leverage in the banking sector, and introduce additional safeguards against model risk and measurement errors. The ratio is a volume-based measure calculated as Basel III Tier 1 capital divided by total on-balance sheet and off-balance sheet exposures with reference to the Completion Instructions of the Quarterly Template on Leverage Ratio.

	<b>30 June 2024 (Unaudited) HK\$'000</b>	31 December 2023 (Audited) HK\$'000
Consolidated Tier 1 Capital	<b>6,125,978</b>	6,208,432
Consolidated Exposure Measure for Leverage Ratio	<b>39,770,182</b>	37,540,460
Consolidated Leverage Ratio	<b>15.4%</b>	16.5%

The disclosure on leverage ratio has been effective since 31 March 2015 and the relevant disclosures can be viewed in the Regulatory Disclosure Statement for the position date of 30 June 2024 to be published in the Bank's website at [www.publicbank.com.hk](http://www.publicbank.com.hk) under "Regulatory Disclosures" section on or before 30 September 2024.

##### *Principal subsidiaries and basis of consolidation*

The basis of consolidation for financial accounting purposes is in accordance with HKFRSs, as described in Note 3 to the interim financial statements.

The basis of consolidation for regulatory purposes is different from that for accounting purposes. Subsidiaries included in the consolidation for regulatory purposes are specified in a notice from the HKMA in accordance with section 3C(1) of the Capital Rules.

The subsidiaries not included in the computation of the consolidated capital adequacy ratios of the Group are Public Bank (Nominees) Limited, Public Futures Limited, Public Financial Securities Limited, Public Financial Limited, Public Securities Limited and Public Securities (Nominees) Limited.

Details of the Bank's subsidiaries are set out in Note 1 to the interim financial statements.

## NOTES TO INTERIM FINANCIAL STATEMENTS

### 30. RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

#### Capital management (Continued)

##### *Capital instruments*

To comply with the Banking (Disclosure) Rules, the Group will present all the information relating to the disclosure of regulatory capital instruments and the reconciliation to the Group's published interim financial statements in the Regulatory Disclosure Statement for the position date of 30 June 2024 to be published in the Bank's website at [www.publicbank.com.hk](http://www.publicbank.com.hk) under "Regulatory Disclosures" section on or before 30 September 2024.

The disclosure will include the following information:

- a description of the main features and full terms and conditions of the Group's capital instruments;
- a detailed breakdown of the Group's CET1 capital, Additional Tier 1 capital, Tier 2 capital and regulatory deductions, using the standard disclosure template as specified by the HKMA; and
- a full reconciliation between the Group's accounting and regulatory balance sheets, using the standard disclosure template as specified by the HKMA.

The following is a summary of the Group's CET1 capital instruments:

		<b>30 June 2024 (Unaudited) HK\$'000</b>	31 December 2023 (Audited) HK\$'000
	Note		
<b>CET1 capital instruments issued by the Bank</b>			
Ordinary shares:			
14,816,000 issued and fully paid ordinary shares	25	<b>2,854,045</b>	2,854,045

##### *Regulatory disclosures*

Further disclosures with respect to capital adequacy and risk management are shown in the regulatory disclosures templates as required by the Banking (Disclosure) Rules. The Group will publish the Regulatory Disclosure Statement for the position date of 30 June 2024 in the Bank's website at [www.publicbank.com.hk](http://www.publicbank.com.hk) under "Regulatory Disclosures" section on or before 30 September 2024.

## SUPPLEMENTARY FINANCIAL INFORMATION (UNAUDITED)

### (A) ADVANCES TO CUSTOMERS BY INDUSTRY SECTORS

Gross and impaired loans and advances to customers, impairment allowances, impaired loans and advances written off and collateral are analysed by industry sectors pursuant to the HKMA's guidelines as follows:

	30 June 2024								
	Gross loans and advances HK\$'000	Impairment allowances collectively assessed HK\$'000	Impairment allowances specifically assessed HK\$'000	New impairment allowances for loans charged to income statement HK\$'000	Amount of impaired loans and advances written off HK\$'000	Collateral HK\$'000	Percentage of gross advances covered by collateral %	Impaired loans and advances HK\$'000	Loans and advances overdue for more than three months HK\$'000
Loans and advances for use in Hong Kong									
Manufacturing	115,953	76	-	12	-	109,191	94.2	4,908	-
Building and construction, property development and investment									
Property development	435,991	262	-	234	-	435,991	100.0	-	-
Property investment	4,585,901	630	18,747	11,410	121,061	4,517,157	98.5	446,497	446,497
Civil engineering works	72,339	106	-	50	-	34,597	47.8	-	-
Electricity and gas	-	-	-	-	-	-	-	-	-
Recreational activities	8,937	1	-	-	-	8,937	100.0	-	-
Information technology	768	-	-	-	-	768	100.0	-	-
Wholesale and retail trade	179,644	1,368	-	1,386	399	137,351	76.5	-	-
Transport and transport equipment	4,867,041	50,411	43,044	57,257	28,058	3,580,240	73.6	113,936	82,184
Hotels, boarding houses and catering	46,121	5	-	-	-	46,121	100.0	-	-
Financial concerns	128,690	13	-	3	-	112,669	87.6	-	-
Stockbrokers									
Margin lending	300,000	30	-	10	-	300,000	100.0	-	-
Others	80,000	8	-	-	-	80,000	100.0	-	-
Non-stockbroking companies and individuals for the purchase of shares									
Margin lending	9,238	1	-	-	-	9,238	100.0	-	-
Others	554,621	56	-	-	-	554,621	100.0	4,690	-
Professional and private individuals									
Loans for the purchase of flats covered by the guarantees issued by the Housing Authority under the Home Ownership Scheme, Private Sector Participation Scheme and Tenant Purchase Scheme	19,768	2	-	-	-	19,768	100.0	-	-
Loans for the purchase of other residential properties	7,275,622	715	3,912	2,746	-	7,274,180	100.0	129,917	115,147
Loans for credit card advances	-	-	-	-	-	-	-	-	-
Loans for other business purposes	3,239	-	-	-	-	3,239	100.0	-	-
Loans for other private purposes	3,385,859	84,891	42,916	165,064	128,191	136,424	4.0	73,211	44,419
Trade finance	360,680	221	-	76	-	348,757	96.7	-	-
Other loans and advances	60,382	5	1	-	-	59,497	98.5	6,464	6,464
Sub-total	22,490,794	138,801	108,620	238,248	277,709	17,768,746	79.0	779,623	694,711
Loans and advances for use outside Hong Kong	1,609,452	1,116	1,279	8,386	15,713	1,447,058	89.9	84,392	83,208
Total loans and advances (excluding trade bills and other receivables)	24,100,246	139,917	109,899	246,634	293,422	19,215,804	79.7	864,015	777,919

**SUPPLEMENTARY FINANCIAL INFORMATION (UNAUDITED)**  
**(A) ADVANCES TO CUSTOMERS BY INDUSTRY SECTORS (Continued)**

	31 December 2023								
	Gross loans and advances HK\$'000	Impairment allowances collectively assessed HK\$'000	Impairment allowances specifically assessed HK\$'000	New impairment allowances for loans charged to income statement HK\$'000	Amount of impaired loans and advances written off HK\$'000	Collateral HK\$'000	Percentage of gross advances covered by collateral %	Impaired loans and advances HK\$'000	Loans and advances overdue for more than three months HK\$'000
Loans and advances for use in Hong Kong									
Manufacturing	130,814	94	55	51	-	123,294	94.3	9,219	9,219
Building and construction, property development and investment									
Property development	276,469	28	-	4	-	276,469	100.0	-	-
Property investment	4,469,726	390	122,576	122,575	-	4,367,506	97.7	561,547	558,971
Civil engineering works	135,220	91	-	163	106	49,375	36.5	-	-
Electricity and gas	-	-	-	-	-	-	-	-	-
Recreational activities	9,602	1	-	-	-	9,602	100.0	-	-
Information technology	791	-	-	-	-	791	100.0	-	-
Wholesale and retail trade	181,940	593	113	996	483	138,320	76.0	113	113
Transport and transport equipment	4,911,016	32,043	31,874	57,019	49,449	3,973,431	80.9	66,295	55,445
Hotels, boarding houses and catering	47,380	5	-	-	-	47,379	100.0	-	-
Financial concerns	98,216	10	-	-	-	97,934	99.7	-	-
Stockbrokers									
Margin lending	200,000	20	-	19	-	200,000	100.0	-	-
Others	80,000	8	-	-	-	80,000	100.0	-	-
Non-stockbroking companies and individuals for the purchase of shares									
Margin lending	9,415	1	-	-	-	9,415	100.0	-	-
Others	562,546	56	-	4	-	562,545	100.0	-	-
Professional and private individuals									
Loans for the purchase of flats covered by the guarantees issued by the Housing Authority under the Home Ownership Scheme, Private Sector Participation Scheme and Tenant Purchase Scheme									
	18,518	2	-	-	-	18,518	100.0	-	-
Loans for the purchase of other residential properties									
	6,960,647	686	1,199	1,210	-	6,960,646	100.0	98,323	94,555
Loans for credit card advances									
	-	-	-	-	-	-	-	-	-
Loans for other business purposes									
	3,797	-	-	-	-	3,796	100.0	-	-
Loans for other private purposes									
	3,374,818	88,691	41,044	282,886	231,603	141,451	4.2	67,536	44,082
Trade finance	501,306	145	-	-	-	487,091	97.2	-	-
Other loans and advances	54,947	10	1	1	-	54,233	98.7	5,965	5,965
Sub-total	22,027,168	122,874	196,862	464,928	281,641	17,601,796	79.9	808,998	768,350
Loans and advances for use outside Hong Kong	1,738,557	798	9,338	2,140	754	1,575,970	90.6	65,308	65,183
Total loans and advances (excluding trade bills and other receivables)	23,765,725	123,672	206,200	467,068	282,395	19,177,766	80.7	874,306	833,533

The advances to customers are classified by industry sectors based on the industry in which the granted loans are used. In those cases where loans cannot be classified with reasonable certainty, they are classified according to the known principal activities of the borrowers or by reference to the assets financed according to the loan documentation.

## SUPPLEMENTARY FINANCIAL INFORMATION (UNAUDITED)

### (B) INTERNATIONAL CLAIMS

The information of international claims discloses exposures to foreign counterparties on which the ultimate risk lies, and is derived according to the location of the counterparties taking into account any recognised risk transfer. In general, recognised risk transfer from one country to another is recognised if the claims against a counterparty are guaranteed by another party in a different country or if the claims are on an overseas branch of a bank whose head office is located in a different country.

The following tables illustrate the international claims on individual countries or areas taking into account the recognised risk transfer, amounting to 10% or more of the aggregate international claims.

	30 June 2024				
	Banks HK\$ million	Official sector HK\$ million	Non-bank financial institutions HK\$ million	Non- financial private sector HK\$ million	Total HK\$ million
1. Developed countries	2,663	6	-	199	2,868
2. Offshore centres, of which	1,020	4	107	1,579	2,710
– Hong Kong, China	556	4	27	814	1,401
3. Developing Asia-Pacific, of which	5,430	21	-	1,530	6,981
– Mainland China	2,945	21	-	1,479	4,445

	31 December 2023				
	Banks HK\$ million	Official sector HK\$ million	Non-bank financial institutions HK\$ million	Non- financial private sector HK\$ million	Total HK\$ million
1. Developed countries	2,432	7	-	205	2,644
2. Offshore centres, of which	1,237	4	92	1,782	3,115
– Hong Kong, China	1,070	4	12	1,002	2,088
3. Developing Asia-Pacific, of which	4,540	21	-	1,436	5,997
– Mainland China	2,973	21	-	1,404	4,398

**SUPPLEMENTARY FINANCIAL INFORMATION (UNAUDITED)****(C) MAINLAND ACTIVITIES**

The following table illustrates the disclosure required to be made in respect of the Bank's Mainland China exposures to non-bank counterparties:

Types of counterparties	30 June 2024		Total HK\$ million
	On-balance sheet exposure HK\$ million	Off-balance sheet exposure HK\$ million	
Central government, central government-owned entities and their subsidiaries and joint ventures ("JVs")	-	-	-
People's Republic of China ("PRC") nationals residing in Mainland China or other entities incorporated in Mainland China and their subsidiaries and JVs	56	-	56
PRC nationals residing outside Mainland China or entities incorporated outside Mainland China where the credit is granted for use in Mainland China	2	-	2
Other counterparties where the exposures are considered by the Group to be non-bank Mainland China exposures	1,256	-	1,256
Total	1,314	-	1,314
Total assets after provision	35,663		
On-balance sheet exposures as percentage of total assets	3.68%		



**SUPPLEMENTARY FINANCIAL INFORMATION (UNAUDITED)**  
**(C) MAINLAND ACTIVITIES (Continued)**

Types of counterparties	31 December 2023		Total HK\$ million
	On-balance sheet exposure HK\$ million	Off-balance sheet exposure HK\$ million	
Central government, central government-owned entities and their subsidiaries and JVs	-	-	-
PRC nationals residing in Mainland China or other entities incorporated in Mainland China and their subsidiaries and JVs	77	-	77
PRC nationals residing outside Mainland China or entities incorporated outside Mainland China where the credit is granted for use in Mainland China	2	-	2
Other counterparties where the exposures are considered by the Group to be non-bank Mainland China exposures	1,369	-	1,369
<b>Total</b>	<b>1,448</b>	<b>-</b>	<b>1,448</b>
Total assets after provision	<u>33,527</u>		
On-balance sheet exposures as percentage of total assets	<u>4.32%</u>		

*Note:*

*The analysis of non-bank Mainland China exposures is disclosed with reference to the Banking (Disclosure) Rules and Completion Instructions for the HKMA Return of Mainland Activities.*

## BUSINESS PERFORMANCE

For the six months ended 30 June 2024, the Group recorded a profit after tax of HK\$1.2 million, representing a significant decrease of HK\$119.5 million or 99.0% as compared to the profit after tax of HK\$120.7 million for the corresponding period in 2023.

During the period under review, the Group's interest income increased by HK\$61.7 million or 6.6% to HK\$996.8 million mainly driven by the higher interest yield from investment in debt securities; whilst interest expense increased by HK\$90.7 million or 22.2% to HK\$500.0 million mainly driven by the higher interest cost on fixed deposits coupled with the migration of lower cost savings and demand deposits to time deposits under the high interest rate environment. Consequently, the Group's net interest income decreased by HK\$28.9 million or 5.5% to HK\$496.8 million from HK\$525.7 million in the corresponding period in 2023. Non-interest income of the Group decreased by HK\$12.9 million or 9.9% to HK\$117.2 million, mainly due to lower fees and commission income from wealth management services, stockbroking and securities management driven by a lower turnover in Hong Kong stock market in the period under review. The Group's operating expenses increased by HK\$5.7 million or 1.3% to HK\$436.5 million mainly due to higher staff costs as the competition for talents in banking sector remained intense in the period under review.

Fair value of investment properties decreased by HK\$6.6 million during the period under review as compared to a revaluation gain of HK\$1.9 million in the corresponding period of last year.

Overall impaired loans to total loans ratio of the Group decreased by 0.1% to 3.6% as at 30 June 2024 from 3.7% as at 31 December 2023, but remained at a relatively high level as the operating environment remained challenging. Credit loss expenses increased by HK\$86.3 million or 110.8% to HK\$164.2 million mainly due to the escalation in credit charges for hire purchase loans and unsecured personal lending affected by the further devaluation of public vehicle licence value and escalated bankruptcy cases respectively during the period under review.

Total loans and advances (including trade bills) of the Group increased by HK\$341.9 million or 1.4% to HK\$24.11 billion as at 30 June 2024 from HK\$23.77 billion as at 31 December 2023. The Group's deposits from customers increased by HK\$2.21 billion or 7.5% to HK\$31.76 billion as at 30 June 2024 as compared to the position of 31 December 2023. Total assets of the Group stood at HK\$39.45 billion as at 30 June 2024.

The Group has successfully integrated the stockbroking and securities management business operated by Public Securities Limited into the Bank to achieve cost synergy, and will continue to further improve its operating cost efficiency and effectiveness by optimisation of system and staff resources and streamlining the support services across group entities.

The Group will continue to expand its retail and commercial banking and consumer financing businesses, as well as its wealth management services, stockbroking and securities management fee-based businesses through the extensive branch network of the Group, offering competitive products whilst providing premium customer service. Moving forward, the Group will also allocate more resources to drive the digitalisation process of its financial services and business growth via electronic channels to be in line with its fintech development plan; whilst continue to optimise its resources and streamline its operating processes to achieve higher operational efficiency and cost synergy amongst group companies.

By Order of the Board  
**Public Bank (Hong Kong) Limited**  
**Lai Wan**  
*Chairman*

18 July 2024