

PUBLIC BANK (HONG KONG) LIMITED

Interim Financial Statements
for the six months ended 30 June 2025

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

(Website: www.publicbank.com.hk)

INTERIM FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED 30 JUNE 2025

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 2025 with comparative figures as follows:

CONDENSED CONSOLIDATED INCOME STATEMENT

		For the six months ended 30 June	
		2025	2024
		(Unaudited)	(Unaudited)
	Notes	HK\$'000	HK\$'000
Interest income	7	962,832	996,784
Interest expense	7	(415,732)	(500,006)
NET INTEREST INCOME		547,100	496,778
Fees and commission income	8	139,803	105,988
Fees and commission expenses	8	(1,101)	(916)
Net fees and commission income		138,702	105,072
Other operating income	9	10,667	12,089
OPERATING INCOME		696,469	613,939
Operating expenses	10	(469,027)	(436,492)
Changes in fair value of investment properties		(17,143)	(6,577)
OPERATING PROFIT BEFORE CREDIT LOSS EXPENSES		210,299	170,870
Credit loss expenses	11	(155,028)	(164,212)
PROFIT BEFORE TAX		55,271	6,658
Tax	12	(13,735)	(5,479)
PROFIT FOR THE PERIOD		41,536	1,179

CONDENSED CONSOLIDATED INCOME STATEMENT

For the six months ended
30 June

2025	2024
(Unaudited)	(Unaudited)
HK\$'000	HK\$'000

PROFIT ATTRIBUTABLE TO:

Owners of the Bank

41,536

1,179

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	For the six months ended 30 June	
	2025 (Unaudited) HK\$'000	2024 (Unaudited) HK\$'000
PROFIT FOR THE PERIOD	41,536	1,179
OTHER COMPREHENSIVE INCOME/(LOSS) FOR THE PERIOD		
Other comprehensive income/(loss) that may be reclassified to profit or loss in subsequent periods:		
Net gains/(losses) on debt securities investment measured at fair value through other comprehensive income ("FVOCI"), net of tax	19,230	(217)
Exchange differences on translating foreign operations, net of tax	37,997	(26,351)
OTHER COMPREHENSIVE INCOME/(LOSS) FOR THE PERIOD, NET OF TAX	57,227	(26,568)
TOTAL COMPREHENSIVE INCOME/(LOSS) FOR THE PERIOD	98,763	(25,389)
TOTAL COMPREHENSIVE INCOME/(LOSS) ATTRIBUTABLE TO:		
Owners of the Bank	98,763	(25,389)

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

		30 June 2025 (Unaudited) HK\$'000	31 December 2024 (Audited) HK\$'000
	Notes		
ASSETS			
Cash and short term placements	14	4,052,231	5,951,207
Placements with banks and financial institutions maturing after one month but not more than twelve months	15	2,676,630	1,905,999
Derivative financial instruments		2,363	4,561
Loans and advances and receivables	16	24,147,270	23,734,267
Equity investments at fair value through other comprehensive income	17	6,804	6,804
Debt securities investment	18	8,389,808	6,624,576
Investment properties	23	200,434	217,577
Property and equipment	21	187,733	190,789
Land held under finance leases	22	214,964	218,387
Right-of-use assets		136,744	94,972
Deferred tax assets		84,191	87,824
Tax recoverable		18,873	16,208
Goodwill		242,342	242,342
Intangible assets	20	232	232
Other assets	19	402,285	554,077
TOTAL ASSETS		40,762,904	39,849,822
EQUITY AND LIABILITIES			
LIABILITIES			
Deposits and balances of banks and other financial institutions at amortised cost		527,555	521,314
Derivative financial instruments		299	14,589
Customer deposits at amortised cost	24	33,249,262	32,207,400
Lease liabilities		146,974	104,390
Current tax payable		2,640	3,872
Deferred tax liabilities		33,701	30,579
Other liabilities	19	385,597	649,565
TOTAL LIABILITIES		34,346,028	33,531,709

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

		30 June 2025 (Unaudited) HK\$'000	31 December 2024 (Audited) HK\$'000
	Note		
EQUITY ATTRIBUTABLE TO OWNERS OF THE BANK			
Share capital	25	2,854,045	2,854,045
Reserves		3,562,831	3,464,068
TOTAL EQUITY		6,416,876	6,318,113
TOTAL EQUITY AND LIABILITIES		40,762,904	39,849,822

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Share capital HK\$'000	Group reconstruction reserve HK\$'000	Property revaluation reserve HK\$'000	Capital reserve HK\$'000	Debt securities revaluation reserve HK\$'000	Regulatory reserve [#] HK\$'000	Retained profits HK\$'000	Translation reserve HK\$'000	Total HK\$'000
As at 1 January 2025	2,854,045	3,065	2,520	17,660	(1,206)	-	3,496,145	(54,116)	6,318,113
Profit for the period	-	-	-	-	-	-	41,536	-	41,536
Other comprehensive income	-	-	-	-	19,230	-	-	37,997	57,227
Transfer from regulatory reserve to retained profits	-	-	-	-	-	-	-	-	-
Dividends paid in respect of current year	-	-	-	-	-	-	-	-	-
As at 30 June 2025 (Unaudited)	2,854,045	3,065	2,520	17,660	18,024	-	3,537,681	(16,119)	6,416,876

	Share capital HK\$'000	Group reconstruction reserve HK\$'000	Property revaluation reserve HK\$'000	Capital reserve HK\$'000	Debt securities revaluation reserve HK\$'000	Regulatory reserve [#] 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)	2,854,045	3,065	-	17,660	(217)	20,263	3,597,837	(45,960)	6,446,693
Loss for the period	-	-	-	-	-	-	(118,088)	-	(118,088)
Other comprehensive income/(loss)	-	-	2,520	-	(989)	-	-	(8,156)	(6,625)
Transfer from regulatory reserve to retained profits	-	-	-	-	-	(20,263)	20,263	-	-
Dividends paid in respect of current year	-	-	-	-	-	-	(3,867)	-	(3,867)
As at 31 December 2024 (Audited)	2,854,045	3,065	2,520	17,660	(1,206)	-	3,496,145	(54,116)	6,318,113

[#] 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 case the expected credit loss ("ECL") provisions under accounting standards' requirement is below a target level set by the Hong Kong Monetary Authority ("HKMA").

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

		For the six months ended 30 June	
		2025	2024
		(Unaudited)	(Unaudited)
		HK\$'000	HK\$'000
	Notes		
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before tax		55,271	6,658
Adjustments for:			
Dividend income from listed investments	9	(156)	(118)
Dividend income from unlisted investments	9	(150)	(150)
Depreciation of property and equipment and land held under finance leases	10	22,631	21,130
Depreciation of right-of-use assets	10	42,971	44,517
Other interest expenses	7	2,625	2,610
Gain on termination of leases	9	(67)	-
Payment of dismantling costs		(232)	-
Net losses on disposal of property and equipment	9	114	18
Increase/(decrease) in credit loss expenses for loans and advances and receivables		50,018	(86,677)
Increase in credit loss expenses for debt securities investment and bank placements		72	164
Decrease in fair value of investment properties		17,143	6,577
Exchange differences		36,541	(24,932)
Profits tax paid		(12,803)	(3,148)
Operating profit/(loss) before changes in operating assets and liabilities		213,978	(33,351)
(Decrease)/increase in operating assets:			
(Increase)/decrease in placements with banks and financial institutions		(68,749)	267,028
Increase in loans and advances and receivables		(463,021)	(315,794)
(Increase)/decrease in debt securities investment		(4,680,245)	329,749
Decrease/(increase) in other assets		151,792	(208,903)
Decrease in derivative financial instruments		2,198	10,657
		(5,058,025)	82,737
Increase in operating liabilities:			
Increase in deposits and balances of banks and other financial institutions at amortised cost		6,241	24,086
Increase in customer deposits at amortised cost		1,041,862	2,209,815
(Decrease)/increase in derivative financial instruments		(14,290)	2,219
(Decrease)/increase in other liabilities		(263,956)	80,519
		769,857	2,316,639
Net cash (outflow)/inflow from operating activities		(4,074,190)	2,366,025

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

		For the six months ended 30 June	
		2025 (Unaudited) HK\$'000	2024 (Unaudited) HK\$'000
	Notes		
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchases of property and equipment	21	(16,289)	(22,935)
Sales proceeds from fixed assets		23	-
Dividends received from listed investments	9	156	118
Dividends received from unlisted investments	9	150	150
Net cash outflow from investing activities		(15,960)	(22,667)
CASH FLOWS FROM FINANCING ACTIVITIES			
Repayment of lease liabilities		(44,915)	(45,194)
Dividends paid on shares		-	(100,008)
Net cash outflow from financing activities		(44,915)	(145,202)
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS		(4,135,065)	2,198,156
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD		9,730,774	4,174,426
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD		5,595,709	6,372,582
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS			
Cash and short term placements repayable on demand	29	697,159	563,572
Money at call and short notice with an original maturity within three months		3,151,151	3,224,327
Placements with banks and financial institutions with an original maturity within three months		1,607,457	1,464,908
Debt securities investment with an original maturity within three months		139,942	1,119,775
		5,595,709	6,372,582
OPERATIONAL CASH FLOWS FROM INTEREST			
Interest paid		(470,679)	(525,381)
Interest received		968,702	1,029,298

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	671,038,340	100	-	Deposit-taking and financing
Public Financial Limited	10,100,000	-	100	Investment holding
Public Securities Limited	10,000,000	-	100	Dormant
Public Securities (Nominees) Limited	10,000	-	100	Dormant

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 2024 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 the annual financial statements, and should be read in conjunction with the Group's 2024 Annual Report.

The financial information relating to the year ended 31 December 2024 that is included in the 2025 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 its statutory financial statements for the year ended 31 December 2024 to the Registrar of Companies as required by section 662(3) of, and Part 3 of Schedule 6 to, the 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 2025.

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).

Generally, there is a presumption that a majority of voting rights results in control. 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 2025		31 December 2024		Principal activities
	Total assets (Unaudited) HK\$	Total equity (Unaudited) HK\$	Total assets (Audited) HK\$	Total equity (Audited) HK\$	
Public Financial Securities Limited	217,442,808	163,066,077	466,338,942	157,099,274	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 *	5,787,970,315	1,466,817,395	5,891,149,009	1,464,815,399	Deposit-taking and financing
Public Financial Limited	12,116,240	12,116,240	10,101,217	10,101,217	Investment holding
Public Securities Limited	12,105,387	12,015,023	12,384,287	11,964,297	Dormant
Public Securities (Nominees) Limited	1,129,893	1,126,893	1,127,337	1,124,337	Dormant

* 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 should satisfy the minimum requirements of the Securities and Futures (Financial Resources) Rules issued by Securities and Futures Commission (“SFC”).

Regulatory reserve, if any, set aside pursuant to the HKMA’s capital requirements is non-distributable.

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 2024 and 2025 is 2.5%, whilst the required CCyB ratio for 2024 and 2025 is 0.5%.

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 2024, except for the adoption of the following amended HKFRS Accounting Standard for the first time for the current period's interim financial information.

- Amendments to HKAS 21 *Lack of Exchangeability*

The nature and impact of the amended HKFRS Accounting Standard to the Group are described below:

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. As the currencies that the Group had transacted with and the functional currencies of group entities for translation into the Group's presentation currency were exchangeable, the amendments did not have any impact on the interim condensed consolidated financial information of the Group.

Issued but not yet effective HKFRS Accounting Standards

The Group has not applied the following new and amended HKFRS Accounting Standards, that are expected to be relevant to the Group and have been issued but are not yet effective, in these interim financial statements. The Group intends to apply these new and amended HKFRS Accounting Standards, if applicable, when they become effective.

- HKFRS 18 *Presentation and Disclosure in Financial Statements*²
- HKFRS 19 *Subsidiaries without Public Accountability: Disclosures*²
- Amendments to HKFRS 9 and HKFRS 7 *Amendments to the Classification and Measurement of Financial Instruments*¹
- Amendments to HKFRS 10 and HKAS 28 *Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*³
- *Annual Improvements to HKFRS Accounting Standards*
– *Volume 11* *Amendments to HKFRS 1, HKFRS 7, HKFRS 9, HKFRS 10 and HKAS 7*¹

¹ Effective for annual periods beginning on or after 1 January 2026

² Effective for annual/reporting periods beginning on or after 1 January 2027

³ No mandatory effective date yet determined but available for adoption

NOTES TO INTERIM FINANCIAL STATEMENTS

5. ACCOUNTING POLICIES (Continued)

Issued but not yet effective HKFRS Accounting Standards (Continued)

Further information about those HKFRS Accounting Standards that are expected to be applicable to the Group is described below.

HKFRS 18 replaces HKAS 1 *Presentation of Financial Statements*. While a number of sections have been brought forward from HKAS 1 with limited changes, HKFRS 18 introduces new requirements for presentation within the statement of profit or loss, including specified totals and subtotals. Entities are required to classify all income and expenses within the statement of profit or loss into one of the five categories: operating, investing, financing, income taxes and discontinued operations, and to present two new defined subtotals. It also requires disclosures about management-defined performance measures in a single note and introduces enhanced requirements on the grouping (aggregation and disaggregation) and the location of information in both the primary financial statements and the notes. Some requirements previously included in HKAS 1 are moved to HKAS 8 *Accounting Policies, Changes in Accounting Estimates and Errors*, which is renamed as HKAS 8 *Basis of Preparation of Financial Statements*. As a consequence of the issuance of HKFRS 18, limited, but widely applicable, amendments are made to HKAS 7 *Statement of Cash Flows*, HKAS 33 *Earnings Per Share* and HKAS 34 *Interim Financial Reporting*. In addition, there are minor consequential amendments to other HKFRS Accounting Standards. HKFRS 18 and the consequential amendments to other HKFRS Accounting Standards will be effective for annual periods beginning on or after 1 January 2027 with earlier application permitted. Retrospective application is required. The Group is currently analysing the new requirements and assessing the impact of HKFRS 18 on the presentation and disclosure of the Group's financial statements.

HKFRS 19 allows eligible entities to elect to apply reduced disclosure requirements while still applying the recognition, measurement and presentation requirements in other HKFRS Accounting Standards. To be eligible, at the end of the reporting period, an entity must be a subsidiary as defined in HKFRS 10 *Consolidated Financial Statements*, cannot have public accountability and must have a parent (ultimate or intermediate) that prepares consolidated financial statements available for public use in compliance with HKFRS Accounting Standards. Earlier application is permitted. The Group is currently considering the application of HKFRS 19 in the financial statements.

NOTES TO INTERIM FINANCIAL STATEMENTS

5. ACCOUNTING POLICIES (Continued)

Issued but not yet effective HKFRS Accounting Standards (Continued)

Amendments to HKFRS 9 and HKFRS 7 clarify the date on which a financial asset or financial liability is derecognised and introduce an accounting policy option to derecognise a financial liability that is settled through an electronic payment system before the settlement date if specified criteria are met. The amendments clarify how to assess the contractual cash flow characteristics of financial assets with environmental, social and governance and other similar contingent features. Moreover, the amendments clarify the requirements for classifying financial assets with non-recourse features and contractually linked instruments. The amendments also include additional disclosure requirements for investments in equity instruments designated at FVOCI and financial instruments with contingent features. The amendments shall be applied retrospectively with an adjustment to opening retained profits (or other component of equity) at the initial application date. Prior periods are not required to be restated and can only be restated without the use of hindsight. Earlier application of either all the amendments at the same time or only the amendments related to the classification of financial assets is permitted. The amendments are not expected to have any significant impact on the Group's financial statements.

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.

Annual Improvements to HKFRS Accounting Standards – Volume 11 set out amendments to HKFRS 1, HKFRS 7 (and the accompanying Guidance on implementing HKFRS 7), HKFRS 9, HKFRS 10 and HKAS 7.

Details of the amendments that are expected to be applicable to the Group are as follows:

- *HKFRS 7 Financial Instruments: Disclosures*: The amendments have updated certain wordings in paragraph B38 of HKFRS 7 and paragraphs IG1, IG14 and IG20B of the Guidance on implementing HKFRS 7 for the purpose of simplification or achieving consistency with other paragraphs in the standard and/or with the concepts and terminology used in other standards. In addition, the amendments clarify that the Guidance on implementing HKFRS 7 does not necessarily illustrate all the requirements in the referenced paragraphs of HKFRS 7 nor does it create additional requirements. Earlier application is permitted. 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 HKFRS Accounting Standards (Continued)

- **HKFRS 9 *Financial Instruments*:** The amendments clarify that when a lessee has determined that a lease liability has been extinguished in accordance with HKFRS 9, the lessee is required to apply paragraph 3.3.3 of HKFRS 9 and recognise any resulting gain or loss in profit or loss. In addition, the amendments have updated certain wordings in paragraph 5.1.3 of HKFRS 9 and Appendix A of HKFRS 9 to remove potential confusion. Earlier application is permitted. The amendments are not expected to have any significant impact on the Group's financial statements.
- **HKFRS 10 *Consolidated Financial Statements*:** The amendments clarify that the relationship described in paragraph B74 of HKFRS 10 is just one example of various relationships that might exist between the investor and other parties acting as de facto agents of the investor, which removes the inconsistency with the requirement in paragraph B73 of HKFRS 10. Earlier application is permitted. The amendments are not expected to have any significant impact on the Group's financial statements.
- **HKAS 7 *Statement of Cash Flows*:** The amendments replace the term "cost method" with "at cost" in paragraph 37 of HKAS 7 following the prior deletion of the definition of "cost method". Earlier application is permitted. The amendments are not expected to have any 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 2025 and 30 June 2024.

	For the six months ended 30 June 2025		For the six months ended 30 June 2024		For the six months ended 30 June 2025		For the six months ended 30 June 2024	
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
	Retail and commercial banking businesses		Wealth management services, stockbroking and securities management		Other businesses		Total	
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Segment revenue								
External:								
Net interest income	547,037	496,700	63	78	-	-	547,100	496,778
Net fees and commission income	67,755	58,507	70,947	46,565	-	-	138,702	105,072
Other operating income	4,689	6,866	-	-	5,978	5,223	10,667	12,089
Operating income	619,481	562,073	71,010	46,643	5,978	5,223	696,469	613,939
Operating profit/(loss) after credit loss expenses before tax	37,536	(11,636)	31,834	22,326	(14,099)	(4,032)	55,271	6,658
Tax							(13,735)	(5,479)
Profit for the period							41,536	1,179
Other segment information								
Depreciation of property and equipment and land held under finance leases	(22,631)	(21,130)	-	-	-	-	(22,631)	(21,130)
Depreciation of right-of-use assets	(42,971)	(44,517)	-	-	-	-	(42,971)	(44,517)
Changes in fair value of investment properties	-	-	-	-	(17,143)	(6,577)	(17,143)	(6,577)
Credit loss expenses	(155,028)	(164,212)	-	-	-	-	(155,028)	(164,212)
Net losses on disposal of property and equipment	(114)	(18)	-	-	-	-	(114)	(18)

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 2025 and 31 December 2024.

	30 June 2025 (Unaudited)	31 December 2024 (Audited)	30 June 2025 (Unaudited)	31 December 2024 (Audited)	30 June 2025 (Unaudited)	31 December 2024 (Audited)	30 June 2025 (Unaudited)	31 December 2024 (Audited)
	Retail and commercial banking businesses HK\$'000		Wealth management services, stockbroking and securities management HK\$'000		Other businesses HK\$'000		Total HK\$'000	
Segment assets other than intangible assets and goodwill	39,982,432	38,805,012	234,400	480,627	200,434	217,577	40,417,266	39,503,216
Intangible assets	-	-	232	232	-	-	232	232
Goodwill	242,342	242,342	-	-	-	-	242,342	242,342
Segment assets	40,224,774	39,047,354	234,632	480,859	200,434	217,577	40,659,840	39,745,790
Unallocated assets: Deferred tax assets and tax recoverable							103,064	104,032
Total assets							40,762,904	39,849,822
Segment liabilities	34,249,194	33,183,927	55,451	308,827	5,042	4,504	34,309,687	33,497,258
Unallocated liabilities: Deferred tax liabilities and tax payable							36,341	34,451
Total liabilities							34,346,028	33,531,709
Other segment information								
Additions to non-current assets – capital expenditure	16,289	129,873	-	-	-	-	16,289	129,873

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 2025 and 30 June 2024.

	For the six months ended	
	30 June	2024
	2025	(Unaudited)
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Segment revenue from external customers:		
Hong Kong	660,232	562,616
Mainland China	36,237	51,323
	696,469	613,939

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 2025 and 31 December 2024.

	30 June	31 December
	2025	2024
	(Unaudited)	(Audited)
	HK\$'000	HK\$'000
Non-current assets:		
Hong Kong	960,361	946,642
Mainland China	22,088	17,657
	982,449	964,299

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 for the period amounted to less than 10% (2024: 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	
	2025	2024
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Interest income from:		
Loans and advances and receivables	695,712	737,313
Short term placements and placements with banks	106,468	85,413
Debt securities investment	160,652	174,058
	962,832	996,784
Interest expense on:		
Deposits from banks and financial institutions	14,176	12,042
Deposits from customers	398,931	485,293
Bank loans	-	61
Others	2,625	2,610
	415,732	500,006

Interest income and interest expense for the six months ended 30 June 2025, 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\$962,832,000 and HK\$415,732,000 (2024: HK\$996,784,000 and HK\$500,006,000) respectively.

NOTES TO INTERIM FINANCIAL STATEMENTS

8. NET FEES AND COMMISSION INCOME

	For the six months ended	
	30 June	
	2025	2024
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Fees and commission income:		
Retail and commercial banking	68,856	59,423
Wealth management services, stockbroking and securities management	70,947	46,565
	139,803	105,988
Less: Fees and commission expenses	(1,101)	(916)
	138,702	105,072

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

	For the six months ended 30 June	
	2025 (Unaudited) HK\$'000	2024 (Unaudited) HK\$'000
Gross rental income	5,994	5,241
Less: Direct operating expenses	(16)	(18)
Net rental income	5,978	5,223
Gains less losses arising from dealing in foreign currencies	1,956	8,515
Net gains/(losses) on derivative financial instruments	2,064	(2,173)
	4,020	6,342
Net losses on disposal of property and equipment	(114)	(18)
Gain on termination of leases	67	-
Dividend income from listed investments	156	118
Dividend income from unlisted investments	150	150
Others	410	274
	10,667	12,089

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

There were no net gains or losses arising from the derecognition of equity/debt securities investments at 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 2025 and 30 June 2024.

NOTES TO INTERIM FINANCIAL STATEMENTS

10. OPERATING EXPENSES

	For the six months ended 30 June	
	2025	2024
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Staff costs:		
Salaries and other staff costs	273,371	258,123
Pension contributions	13,572	13,032
Less: Forfeited contributions	(50)	(76)
Net contribution to retirement benefit schemes	13,522	12,956
	286,893	271,079
Other operating expenses:		
Depreciation of right-of-use assets	42,971	44,517
Depreciation of property and equipment and land held under finance leases	22,631	21,130
Administrative and general expenses	39,042	33,835
Others	77,490	65,931
Operating expenses before changes in fair value of investment properties	469,027	436,492

As at 30 June 2025 and 30 June 2024, 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 2025 and 30 June 2024 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 ECL on financial instruments for the periods recorded in the consolidated income statement.

For the six months ended 30 June 2025				
(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	(15,771)	7,446	163,039	154,714
- trade bills, accrued interest and other receivables	10	(45)	259	224
- cash and short term placements	(181)	-	-	(181)
- placements with banks and financial institutions	76	-	-	76
- debt securities investment	177	-	-	177
- loan commitments	19	-	-	19
- financial guarantees and letters of credit	(1)	-	-	(1)
	<u>(15,671)</u>	<u>7,401</u>	<u>163,298</u>	<u>155,028</u>

NOTES TO INTERIM FINANCIAL STATEMENTS

11. CREDIT LOSS EXPENSES (Continued)

	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)
- financial guarantees and letters of credit	-	-	-	-
	9,893	6,563	147,756	164,212

NOTES TO INTERIM FINANCIAL STATEMENTS

12. TAX

	For the six months ended 30 June	
	2025	2024
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Current tax charge/(credit):		
Hong Kong	3,505	(16,005)
Overseas	5,854	1,315
Deferred tax charge, net	4,376	20,169
	13,735	5,479

Hong Kong profits tax has been provided at the rate of 16.5% (2024: 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.

The Group is within the scope of the Pillar Two model rules. The Group has applied the mandatory exception to recognising and disclosing information about deferred tax assets and liabilities arising from Pillar Two income taxes, and will account for the Pillar Two income taxes as current tax when incurred.

The Group has assessed its potential exposure to Pillar Two income taxes based on the information available regarding the financial performance of the Group for the six months ended 30 June 2025, and financial years 2024 and 2023. Based on the assessment, the Group's effective tax rates in all jurisdictions under which it operates are above 15% and the Group is not aware of any circumstances under which they might change in the current year. Therefore, the Group does not expect potential exposure to Pillar Two "top-up" tax in the current year.

As the assessment conducted may not be entirely representative of future circumstances, it is possible that the Group's effective tax rates in some jurisdictions will be above 15% in the future. Nevertheless, the Group does not expect a material exposure to Pillar Two income taxes in a foreseeable period.

A reconciliation of the tax charge/(credit) applicable to profit/(loss) before tax using the statutory tax rates for the jurisdictions in which the Bank and its subsidiaries are domiciled and/or operate to the tax charge/(credit) 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:

NOTES TO INTERIM FINANCIAL STATEMENTS

12. TAX (Continued)

For the six months ended 30 June 2025 (Unaudited)						
	Hong Kong		Mainland China		Total	
	HK\$'000	%	HK\$'000	%	HK\$'000	%
Profit before tax	<u>36,815</u>		<u>18,456</u>		<u>55,271</u>	
Tax at the applicable tax rate	6,074	16.5	4,614	25.0	10,688	19.4
Estimated tax effect of net expenses that are not deductible	<u>3,047</u>	8.3	-	-	<u>3,047</u>	5.5
Tax charge at the Group's effective rate	<u>9,121</u>	24.8	<u>4,614</u>	25.0	<u>13,735</u>	24.9

For the six months ended 30 June 2024 (Unaudited)						
	Hong Kong		Mainland China		Total	
	HK\$'000	%	HK\$'000	%	HK\$'000	%
Profit/(loss) 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)	10	-	<u>1,895</u>	28.5
Tax charge/(credit) 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

13. DIVIDENDS

(a) Dividends attributable to the interim period

	For the six months ended 30 June			
	2025 (Unaudited) HK\$ per ordinary share	2024 (Unaudited) HK\$ per ordinary share	2025 (Unaudited) HK\$'000	2024 (Unaudited) HK\$'000
Special dividend	-	6.750	-	100,008
Interim dividend	1.980	0.261	29,336	3,867
	1.980	7.011	29,336	103,875

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

(b) Dividends approved and paid during the interim period

	For the six months ended 30 June			
	2025 (Unaudited) HK\$ per ordinary share	2024 (Unaudited) HK\$ per ordinary share	2025 (Unaudited) HK\$'000	2024 (Unaudited) HK\$'000
Special dividend	-	6.750	-	100,008

NOTES TO INTERIM FINANCIAL STATEMENTS

14. CASH AND SHORT TERM PLACEMENTS

	30 June 2025 (Unaudited) HK\$'000	31 December 2024 (Audited) HK\$'000
Cash on hand	139,169	228,466
Placements with banks and financial institutions	557,990	443,689
Money at call and short notice	3,355,466	5,279,627
Gross cash and short term placements	4,052,625	5,951,782
Less: Impairment allowances collectively assessed		
As at 1 January 2025 and 2024	(575)	(353)
Credit loss expenses released/(charged) to the consolidated income statement during the period/year	181	(222)
	(394)	(575)
Cash and short term placements	4,052,231	5,951,207

Over 90% (31 December 2024: 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

	30 June 2025 (Unaudited) HK\$'000	31 December 2024 (Audited) HK\$'000
Gross placements with banks and financial institutions	2,676,897	1,906,190
Less: Impairment allowances collectively assessed		
As at 1 January 2025 and 2024	(191)	(98)
Credit loss expenses charged to the consolidated income statement during the period/year	(76)	(93)
	(267)	(191)
Placements with banks and financial institutions	2,676,630	1,905,999

Over 90% (31 December 2024: 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

	30 June 2025 (Unaudited) HK\$'000	31 December 2024 (Audited) HK\$'000
Loans and advances to customers	24,463,386	23,998,385
Trade bills	134	-
Loans and advances, and trade bills	24,463,520	23,998,385
Accrued interest	73,477	75,759
Other receivables	24,536,997 2,324	24,074,144 2,156
Gross loans and advances and receivables	24,539,321	24,076,300
Less: Impairment allowances		
- specifically assessed	(228,281)	(169,903)
- collectively assessed	(163,770)	(172,130)
	(392,051)	(342,033)
Loans and advances and receivables	24,147,270	23,734,267

Over 90% (31 December 2024: over 90%) of the loans and advances and receivables were unrated exposures. Over 90% (31 December 2024: 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:

	30 June 2025 (Unaudited) HK\$'000	31 December 2024 (Audited) HK\$'000
Neither past due nor impaired loans and advances and receivables	23,272,222	23,013,708
Past due but not impaired loans and advances and receivables	563,281	579,403
Credit impaired loans and advances	687,196	465,986
Credit impaired receivables	16,622	17,203
Gross loans and advances and receivables	24,539,321	24,076,300

About 73% (31 December 2024: about 69%) 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 2025 (Unaudited)		31 December 2024 (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	111,018	0.45	127,361	0.53
One year or less but over six months	91,220	0.37	132,858	0.55
Over one year	194,290	0.80	124,491	0.52
Loans and advances overdue for more than three months	396,528	1.62	384,710	1.60
Rescheduled loans and advances overdue for three months or less	60,993	0.25	25,938	0.11
Impaired loans and advances overdue for three months or less	229,675	0.94	55,338	0.23
Total overdue and impaired loans and advances	687,196	2.81	465,986	1.94

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

	30 June 2025 (Unaudited) HK\$'000	31 December 2024 (Audited) HK\$'000
Trade bills, accrued interest and other receivables overdue for:		
Six months or less but over three months	890	1,308
One year or less but over six months	2,903	3,396
Over one year	12,455	12,257
Trade bills, accrued interest and other receivables overdue for more than three months	16,248	16,961
Impaired trade bills, accrued interest and other receivables overdue for three months or less	374	242
Total overdue and impaired trade bills, accrued interest and other receivables	16,622	17,203

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 2025 (Unaudited)			31 December 2024 (Audited)		
	Mainland			Mainland		
	Hong Kong	China	Total	Hong Kong	China	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000

(i) Analysis of overdue loans and advances and receivables

Loans and advances and receivables overdue for more than three months	373,577	39,199	412,776	363,182	38,489	401,671
Impairment allowances specifically assessed	161,516	8,219	169,735	125,530	8,331	133,861
Current market value and fair value of collateral			305,803			352,125

(ii) Analysis of impaired loans and advances and receivables

Impaired loans and advances and receivables	659,294	44,524	703,818	438,258	44,931	483,189
Impairment allowances specifically assessed	220,062	8,219	228,281	161,572	8,331	169,903
Current market value and fair value of collateral			589,619			405,739

Over 90% (31 December 2024: 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 2025 (Unaudited) HK\$'000	31 December 2024 (Audited) HK\$'000
Current market value and fair value of collateral held against the covered portion of overdue loans and advances	305,803	352,125
Covered portion of overdue loans and advances	237,411	254,874
Uncovered portion of overdue loans and advances	159,117	129,836

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 2025, the total value of repossessed assets of the Group amounted to HK\$142,872,000 (31 December 2024: HK\$134,470,000).

NOTES TO INTERIM FINANCIAL STATEMENTS

16. LOANS AND ADVANCES AND RECEIVABLES (Continued)

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

	30 June 2025 (Unaudited)		31 December 2024 (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 three months or less	<u>560,515</u>	<u>2.29</u>	<u>576,047</u>	<u>2.40</u>
Trade bills, accrued interest and other receivables overdue for three months or less	<u>2,766</u>		<u>3,356</u>	

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 2025 (Unaudited)			Total
	Stage 1 HK\$'000	Stage 2 HK\$'000	Stage 3 HK\$'000	HK\$'000
Gross loans and advances and receivables as at 1 January 2025	23,186,748	406,363	483,189	24,076,300
New loans/financing originated	4,432,295	704	4,910	4,437,909
Loans/financing derecognised or repaid during the period (other than write-offs)	(3,693,169)	(47,113)	(87,141)	(3,827,423)
Transfer to 12-month expected credit loss (Stage 1)	50,706	(38,573)	(12,133)	-
Transfer to lifetime expected credit loss not credit impaired (Stage 2)	(333,015)	336,129	(3,114)	-
Transfer to lifetime expected credit loss credit impaired (Stage 3)	(228,127)	(237,445)	465,572	-
Total transfer between stages	(510,436)	60,111	450,325	-
Write-offs	-	-	(147,465)	(147,465)
As at 30 June 2025	23,415,438	420,065	703,818	24,539,321
Arising from:				
Loans and advances	23,357,849	418,341	687,196	24,463,386
Trade bills, accrued interest and other receivables	57,589	1,724	16,622	75,935
	23,415,438	420,065	703,818	24,539,321

NOTES TO INTERIM FINANCIAL STATEMENTS

16. LOANS AND ADVANCES AND RECEIVABLES (Continued)

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

	31 December 2024 (Audited)			Total
	Stage 1 HK\$'000	Stage 2 HK\$'000	Stage 3 HK\$'000	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	6,561,848	1,763	3,357	6,566,968
Loans/financing derecognised or repaid during the year (other than write-offs)	(5,291,466)	(60,331)	(445,834)	(5,797,631)
Transfer to 12-month expected credit loss (Stage 1)	82,506	(76,296)	(6,210)	-
Transfer to lifetime expected credit loss not credit impaired (Stage 2)	(315,737)	317,402	(1,665)	-
Transfer to lifetime expected credit loss credit impaired (Stage 3)	(482,245)	(106,269)	588,514	-
Total transfer between stages	(715,476)	134,837	580,639	-
Write-offs	-	-	(575,120)	(575,120)
As at 31 December 2024	23,186,748	406,363	483,189	24,076,300
Arising from:				
Loans and advances	23,128,080	404,319	465,986	23,998,385
Trade bills, accrued interest and other receivables	58,668	2,044	17,203	77,915
	23,186,748	406,363	483,189	24,076,300

The amount outstanding on financial assets that were written off during the period/year and are still subject to enforcement action amounted to HK\$107,233,000 (31 December 2024: HK\$508,313,000).

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 2025 (Unaudited)				
	Stage 1 HK\$'000	Stage 2 HK\$'000	Stage 3 HK\$'000	Total HK\$'000
Internal rating grades:				
Performing				
Pass	23,375,351	-	-	23,375,351
Special Mention	40,087	420,065	-	460,152
Non-performing				
Substandard	-	-	277,732	277,732
Doubtful	-	-	308,970	308,970
Loss	-	-	117,116	117,116
Total	23,415,438	420,065	703,818	24,539,321

31 December 2024 (Audited)				
	Stage 1 HK\$'000	Stage 2 HK\$'000	Stage 3 HK\$'000	Total HK\$'000
Internal rating grades:				
Performing				
Pass	22,878,396	-	-	22,878,396
Special Mention	308,352	406,363	-	714,715
Non-performing				
Substandard	-	-	136,597	136,597
Doubtful	-	-	284,215	284,215
Loss	-	-	62,377	62,377
Total	23,186,748	406,363	483,189	24,076,300

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:

	30 June 2025 (Unaudited)			
	Stage 1 HK\$'000	Stage 2 HK\$'000	Stage 3 HK\$'000	Total HK\$'000
As at 1 January 2025	134,974	37,156	169,903	342,033
New loans/financing originated	52,160	4	259	52,423
Loans/financing derecognised or repaid during the period (other than write-offs)	(34,763)	(5,696)	(59,755)	(100,214)
Transfer to 12-month expected credit loss (Stage 1)	6,930	(4,851)	(2,079)	-
Transfer to lifetime expected credit loss not credit impaired (Stage 2)	(1,863)	1,993	(130)	-
Transfer to lifetime expected credit loss credit impaired (Stage 3)	(18,906)	(22,119)	41,025	-
Total transfer between stages	(13,839)	(24,977)	38,816	-
Impact on period end expected credit loss of exposures transferred between stages during the period	(5,143)	37,429	157,591	189,877
Movements due to changes in credit risk	(14,176)	641	26,387	12,852
Recoveries	-	-	42,545	42,545
Write-offs	-	-	(147,465)	(147,465)
As at 30 June 2025	119,213	44,557	228,281	392,051
Arising from:				
Loans and advances	118,095	44,490	224,887	387,472
Trade bills, accrued interest and other receivables	1,118	67	3,394	4,579
	119,213	44,557	228,281	392,051

NOTES TO INTERIM FINANCIAL STATEMENTS

16. LOANS AND ADVANCES AND RECEIVABLES (Continued)

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

	31 December 2024 (Audited)			Total HK\$'000
	Stage 1 HK\$'000	Stage 2 HK\$'000	Stage 3 HK\$'000	
As at 1 January 2024	86,007	38,908	214,033	338,948
New loans/financing originated	52,758	-	382	53,140
Loans/financing derecognised or repaid during the year (other than write-offs)	(47,397)	(3,484)	(172,531)	(223,412)
Transfer to 12-month expected credit loss (Stage 1)	3,036	(1,492)	(1,544)	-
Transfer to lifetime expected credit loss not credit impaired (Stage 2)	(1,672)	1,757	(85)	-
Transfer to lifetime expected credit loss credit impaired (Stage 3)	(7,312)	(30,579)	37,891	-
Total transfer between stages	(5,948)	(30,314)	36,262	-
Impact on year end expected credit loss of exposures transferred between stages during the year	(1,839)	30,853	274,265	303,279
Movements due to changes in credit risk	51,393	1,193	306,972	359,558
Recoveries	-	-	85,640	85,640
Write-offs	-	-	(575,120)	(575,120)
As at 31 December 2024	134,974	37,156	169,903	342,033
Arising from:				
Loans and advances	133,866	37,044	166,734	337,644
Trade bills, accrued interest and other receivables	1,108	112	3,169	4,389
	134,974	37,156	169,903	342,033

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:

	30 June 2025 (Unaudited)	31 December 2024 (Audited)	30 June 2025 (Unaudited)	31 December 2024 (Audited)
	Undiscounted lease payments HK\$'000	HK\$'000	Net investment in finance leases HK\$'000	HK\$'000
Amounts receivable under finance leases:				
Within one year	482,043	478,266	324,157	319,718
Over one year but within two years	428,223	425,967	297,504	294,928
Over two years but within three years	366,073	367,925	247,544	248,742
Over three years but within four years	325,011	326,679	215,307	216,085
Over four years but within five years	297,318	299,075	194,192	195,105
Over five years	4,509,021	4,525,643	3,570,734	3,596,895
	6,407,689	6,423,555	4,849,438	4,871,473
Less: Unearned finance income	(1,558,251)	(1,552,082)		
Net investment in finance leases	4,849,438	4,871,473		

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

	30 June 2025 (Unaudited) HK\$'000	31 December 2024 (Audited) HK\$'000
Unlisted equity investments in corporate entity, at fair value:		
At the beginning and the end of the period/year	6,804	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 (2024: HK\$150,000) from the above investments.

NOTES TO INTERIM FINANCIAL STATEMENTS

18. DEBT SECURITIES INVESTMENT

	30 June 2025 (Unaudited)		
	Financial assets at amortised cost HK\$'000	Financial assets at FVOCI HK\$'000	Total HK\$'000
Certificates of deposit held	2,979,435	499,986	3,479,421
Treasury bills and government bonds (including Exchange Fund Bills)	69,918	3,163,856	3,233,774
Other debt securities	719,210	957,782	1,676,992
Gross debt securities investment	3,768,563	4,621,624	8,390,187
Less: Impairment allowances collectively assessed			
As at 1 January 2025	(352)		(352)
Credit loss expenses charged to the consolidated income statement during the period	(27)		(27)
	(379)		(379)
	3,768,184	4,621,624	8,389,808
Listed or unlisted:			
- Listed in Hong Kong	-	1,202,567	1,202,567
- Listed outside Hong Kong	384,448	343,923	728,371
- Unlisted	3,384,115	3,075,134	6,459,249
	3,768,563	4,621,624	8,390,187
Analysed by types of issuers:			
- Central governments	69,918	3,163,856	3,233,774
- Public sector entities	-	488,197	488,197
- Corporates	-	-	-
- Banks and other financial institutions	3,698,645	969,571	4,668,216
	3,768,563	4,621,624	8,390,187

NOTES TO INTERIM FINANCIAL STATEMENTS

18. DEBT SECURITIES INVESTMENT (Continued)

	31 December 2024 (Audited)		
	Financial assets at amortised cost HK\$'000	Financial assets at FVOCI HK\$'000	Total HK\$'000
Certificates of deposit held	2,367,887	129,975	2,497,862
Treasury bills and government bonds (including Exchange Fund Bills)	191,416	2,578,974	2,770,390
Other debt securities	926,540	430,136	1,356,676
Gross debt securities investment	3,485,843	3,139,085	6,624,928
Less: Impairment allowances collectively assessed			
As at 1 January 2024	(770)		(770)
Credit loss expenses released to the consolidated income statement during the year	418		418
	(352)		(352)
	3,485,491	3,139,085	6,624,576
Listed or unlisted:			
- Listed in Hong Kong	68,771	188,812	257,583
- Listed outside Hong Kong	280,203	194,101	474,304
- Unlisted	3,136,869	2,756,172	5,893,041
	3,485,843	3,139,085	6,624,928
Analysed by types of issuers:			
- Central governments	191,416	2,578,974	2,770,390
- Public sector entities	65,720	171,292	237,012
- Corporates	100,000	-	100,000
- Banks and other financial institutions	3,128,707	388,819	3,517,526
	3,485,843	3,139,085	6,624,928

There were no impairment allowances specifically assessed made against debt securities investment as at 30 June 2025 and 31 December 2024.

There were neither impaired nor overdue debt securities investment as at 30 June 2025 and 31 December 2024.

Over 90% (31 December 2024: 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

	30 June 2025 (Unaudited) HK\$'000	31 December 2024 (Audited) HK\$'000
Interest receivable from financial institutions	70,376	73,964
Other debtors, deposits and prepayments	276,691	171,904
Net amount of accounts receivable from Hong Kong Securities Clearing Company Limited	55,218	308,209
	402,285	554,077

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

Other liabilities

	30 June 2025 (Unaudited) HK\$'000	31 December 2024 (Audited) HK\$'000
Creditors, accruals and other payables *	238,901	447,922
Interest payable	146,696	201,643
	385,597	649,565

* As at 30 June 2025, the balance also includes the impairment allowance of HK\$49,000 (31 December 2024: HK\$31,000) on off-balance sheet credit exposures, including loan commitments and financial guarantees and letters of credit.

NOTES TO INTERIM FINANCIAL STATEMENTS

20. INTANGIBLE ASSETS

	HK\$'000
Cost:	
As at 1 January 2024	1,923
Write-offs	<u>(486)</u>
As at 31 December 2024, 1 January 2025 (Audited) and 30 June 2025 (Unaudited)	<u>1,437</u>
Accumulated impairment:	
As at 1 January 2024	1,691
Write-offs	<u>(486)</u>
As at 31 December 2024, 1 January 2025 (Audited) and 30 June 2025 (Unaudited)	<u>1,205</u>
Net carrying amount:	
As at 30 June 2025 (Unaudited)	<u>232</u>
As at 31 December 2024 (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 three units (31 December 2024: three units) of Stock Exchange Trading Right and one unit (31 December 2024: 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 2024	23,037	478,028	501,065
Transfer to investment properties	(4)	-	(4)
Additions	-	56,365	56,365
Disposals/write-offs	-	(1,289)	(1,289)
As at 31 December 2024 and 1 January 2025 (Audited)	23,033	533,104	556,137
Additions	-	16,289	16,289
Disposals/write-offs	-	(7,156)	(7,156)
As at 30 June 2025 (Unaudited)	23,033	542,237	565,270
Accumulated depreciation:			
As at 1 January 2024	10,122	319,844	329,966
Transfer to investment properties	(4)	-	(4)
Provided during the year	514	36,140	36,654
Disposals/write-offs	-	(1,268)	(1,268)
As at 31 December 2024 and 1 January 2025 (Audited)	10,632	354,716	365,348
Provided during the period	257	18,951	19,208
Disposals/write-offs	-	(7,019)	(7,019)
As at 30 June 2025 (Unaudited)	10,889	366,648	377,537
Net carrying amount:			
As at 30 June 2025 (Unaudited)	12,144	175,589	187,733
As at 31 December 2024 (Audited)	12,401	178,388	190,789

There were no impairment allowances made against the above items of property and equipment as at 30 June 2025 and 31 December 2024. There were no movements in impairment allowances for the period ended 30 June 2025 and for the year ended 31 December 2024.

NOTES TO INTERIM FINANCIAL STATEMENTS

22. LAND HELD UNDER FINANCE LEASES

	HK\$'000
Cost:	
As at 1 January 2024	302,416
Transfer to investment properties	<u>(61)</u>
As at 31 December 2024, 1 January 2025 (Audited) and 30 June 2025 (Unaudited)	<u>302,355</u>
Accumulated depreciation and impairment:	
As at 1 January 2024	77,162
Transfer to investment properties	(41)
Depreciation provided during the year	<u>6,847</u>
As at 31 December 2024 and 1 January 2025 (Audited)	83,968
Depreciation provided during the period	<u>3,423</u>
As at 30 June 2025 (Unaudited)	<u>87,391</u>
Net carrying amount:	
As at 30 June 2025 (Unaudited)	<u>214,964</u>
As at 31 December 2024 (Audited)	<u>218,387</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

	HK\$'000
At valuation:	
As at 1 January 2024	160,507
Additions	73,508
Transfer from land held under finance leases	20
Changes in fair value recognised in the consolidated statement of comprehensive income	2,520
Changes in fair value recognised in the consolidated income statement	<u>(18,978)</u>
As at 31 December 2024 and 1 January 2025 (Audited)	217,577
Changes in fair value recognised in the consolidated income statement	<u>(17,143)</u>
As at 30 June 2025 (Unaudited)	<u>200,434</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 (2024: 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 2025, 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 2025 (Unaudited)		31 December 2024 (Audited)	
	Range	Weighted average	Range	Weighted average
	HK\$	HK\$	HK\$	HK\$
Price per square metre	65,000 to 576,000	365,000	68,000 to 640,000	404,000

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 2025 (Unaudited) HK\$'000	31 December 2024 (Audited) HK\$'000
Demand deposits and current accounts	3,225,932	2,768,964
Savings deposits	6,559,928	5,174,799
Time, call and notice deposits	23,463,402	24,263,637
	33,249,262	32,207,400

25. SHARE CAPITAL

	30 June 2025 (Unaudited) HK\$'000	31 December 2024 (Audited) HK\$'000
Issued and fully paid:		
14,816,000 (2024: 14,816,000) ordinary shares	2,854,045	2,854,045

NOTES TO INTERIM FINANCIAL STATEMENTS

26. OFF-BALANCE SHEET EXPOSURE

(a) Contingent liabilities, commitments and derivatives

The following is a summary of the contractual amount of each significant class of contingent liabilities, commitments and derivatives of the Group outstanding at the end of the period:

	30 June 2025 (Unaudited)				
	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	28,338	28,338	24,712	-	-
Transaction-related contingencies	3,997	1,999	748	-	-
Trade-related contingencies	2,875	575	558	-	-
Forward forward deposits placed	-	-	-	-	-
Forward asset purchases	-	-	-	-	-
	35,210	30,912	26,018	-	-
Derivatives held for trading:					
Foreign exchange contracts	547,292	10,021	2,004	2,363	299
Other commitments with an original maturity of:					
Not more than one year	15,600	6,240	6,240	-	-
More than one year	93,049	37,220	37,220	-	-
Other commitments which are unconditionally cancellable or which provide for automatic cancellation due to deterioration of creditworthiness of the counterparties	2,605,688	260,569	243,789	-	-
	3,296,839	344,962	315,271	2,363	299
Capital commitments contracted for, but not provided in the consolidated statement of financial position					24,168

NOTES TO INTERIM FINANCIAL STATEMENTS

26. OFF-BALANCE SHEET EXPOSURE (Continued)

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

	31 December 2024 (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	28,238	28,238	23,919	-	-
Transaction-related contingencies	18,780	9,390	1,354	-	-
Trade-related contingencies	4,301	860	777	-	-
Forward forward deposits placed	80,871	80,871	16,174	-	-
Forward asset purchases	-	-	-	-	-
	132,190	119,359	42,224	-	-
Derivatives held for trading:					
Foreign exchange contracts	744,108	13,615	2,723	4,561	14,589
Other commitments with an original maturity of:					
Not more than one year	37,840	7,568	7,568	-	-
More than one year	93,048	46,524	46,524	-	-
Other commitments which are unconditionally cancellable or which provide for automatic cancellation due to deterioration of creditworthiness of the counterparties	2,291,507	-	-	-	-
	3,298,693	187,066	99,039	4,561	14,589

31 December 2024
(Audited)
Contractual
amount
HK\$'000

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

23,914

NOTES TO INTERIM FINANCIAL STATEMENTS

26. OFF-BALANCE SHEET EXPOSURE (Continued)

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

As at 30 June 2025 and 31 December 2024, 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\$49,000 and HK\$31,000 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 2025 and 31 December 2024, 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 1 to 3 years.

As at 30 June 2025 and 31 December 2024, the Group had total future minimum lease rental receivables under non-cancellable operating leases falling due as follows:

	30 June 2025 (Unaudited) HK\$'000	31 December 2024 (Audited) HK\$'000
Within one year	4,686	6,472
Over one year but within two years	749	1,333
Over two years but within three years	467	-
	5,902	7,805

(b) As lessee

The Group has entered into certain future lease arrangements with landlords, and the terms of the leases range from 2 to 3 years. As at 30 June 2025 and 31 December 2024, the Group had total future lease payments for leases committed but not yet commenced falling due as follows:

	30 June 2025 (Unaudited) HK\$'000	31 December 2024 (Audited) HK\$'000
Within one year	2,902	-
In the second to fifth years, inclusive	6,877	-
	9,779	-

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:

	30 June 2025 (Unaudited)			
	Level 1 HK\$'000	Level 2 HK\$'000	Level 3 HK\$'000	Total HK\$'000
Financial assets:				
Derivative financial instruments	-	2,363	-	2,363
Debt securities investment at fair value through other comprehensive income	-	4,621,624	-	4,621,624
Equity investments at fair value through other comprehensive income	-	-	6,804	6,804
	-	4,623,987	6,804	4,630,791
Financial liabilities:				
Derivative financial instruments	-	299	-	299

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 2024 (Audited)			Total HK\$'000
	Level 1 HK\$'000	Level 2 HK\$'000	Level 3 HK\$'000	
Financial assets:				
Derivative financial instruments	-	4,561	-	4,561
Debt securities investment at fair value through other comprehensive income	-	3,139,085	-	3,139,085
Equity investments at fair value through other comprehensive income	-	-	6,804	6,804
	-	3,143,646	6,804	3,150,450
Financial liabilities:				
Derivative financial instruments	-	14,589	-	14,589

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 2025 and 31 December 2024, 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 2025 and the year ended 31 December 2024, there were no transfers amongst Level 1, Level 2 and Level 3 in the fair value hierarchy.

For the period ended 30 June 2025 and the year ended 31 December 2024, there were no purchases, 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 2025 and the year ended 31 December 2024.

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 2025 (Unaudited)							
			Over 1 month but not more than 3 months	Over 3 months but not more than 12 months	Over 1 year but not more than 5 years	Over 5 years	Repayable within an indefinite period	Total
	Repayable on demand HK\$'000	Up to 1 month HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Financial assets:								
Gross cash and short term placements	697,159	3,355,466	-	-	-	-	-	4,052,625
Gross placements with banks and financial institutions maturing after one month but not more than twelve months	-	-	2,377,717	299,180	-	-	-	2,676,897
Gross loans and advances and receivables	397,379	1,204,177	965,234	2,309,108	6,392,368	12,532,383	738,672	24,539,321
Equity investments at fair value through other comprehensive income	-	-	-	-	-	-	6,804	6,804
Gross debt securities investment	-	918,098	1,516,782	4,386,618	1,568,689	-	-	8,390,187
Other assets	535	16,141	15,192	26,917	13,914	-	329,586	402,285
Derivative financial instruments	-	2,363	-	-	-	-	-	2,363
Total financial assets	1,095,073	5,496,245	4,874,925	7,021,823	7,974,971	12,532,383	1,075,062	40,070,482
Financial liabilities:								
Deposits and balances of banks and other financial institutions at amortised cost	146,904	230,651	150,000	-	-	-	-	527,555
Customer deposits at amortised cost	9,830,254	7,390,317	9,580,267	6,447,635	789	-	-	33,249,262
Lease liabilities	-	6,713	13,392	57,469	69,193	207	-	146,974
Other liabilities	4,897	64,592	58,659	46,528	1	-	210,920	385,597
Derivative financial instruments	-	299	-	-	-	-	-	299
Total financial liabilities	9,982,055	7,692,572	9,802,318	6,551,632	69,983	207	210,920	34,309,687
Net liquidity gap	(8,886,982)	(2,196,327)	(4,927,393)	470,191	7,904,988	12,532,176	864,142	5,760,795

NOTES TO INTERIM FINANCIAL STATEMENTS

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

	31 December 2024 (Audited)							
			Over 1 month but not more than 3 months	Over 3 months but not more than 12 months	Over 1 year but not more than 5 years	Over 5 years	Repayable within an indefinite period	Total
	Repayable on demand HK\$'000	Up to 1 month HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Financial assets:								
Gross cash and short term placements	672,155	5,279,627	-	-	-	-	-	5,951,782
Gross placements with banks and financial institutions maturing after one month but not more than twelve months	-	-	1,837,374	68,816	-	-	-	1,906,190
Gross loans and advances and receivables	902,942	1,200,952	586,356	2,895,664	6,238,651	11,735,406	516,329	24,076,300
Equity investments at fair value through other comprehensive income	-	-	-	-	-	-	6,804	6,804
Gross debt securities investment	-	1,047,461	3,483,499	1,407,399	686,569	-	-	6,624,928
Other assets	838	40,111	17,571	11,346	6,539	-	477,672	554,077
Derivative financial instruments	-	4,561	-	-	-	-	-	4,561
Total financial assets	1,575,935	7,572,712	5,924,800	4,383,225	6,931,759	11,735,406	1,000,805	39,124,642
Financial liabilities:								
Deposits and balances of banks and other financial institutions at amortised cost	133,163	238,151	50,000	100,000	-	-	-	521,314
Customer deposits at amortised cost	7,990,145	7,101,097	12,677,206	4,438,428	524	-	-	32,207,400
Lease liabilities	-	7,167	14,183	33,489	49,551	-	-	104,390
Other liabilities	5,685	74,674	92,066	67,323	12	-	409,805	649,565
Derivative financial instruments	-	14,589	-	-	-	-	-	14,589
Total financial liabilities	8,128,993	7,435,678	12,833,455	4,639,240	50,087	-	409,805	33,497,258
Net liquidity gap	(6,553,058)	137,034	(6,908,655)	(256,015)	6,881,672	11,735,406	591,000	5,627,384

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 HKFRS Accounting Standards. 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 2025, 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 2024: 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 2025 (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
RMB	554	593	-	113	(152)	1,096
Others	7,543	7,712	510	361	(20)	-
	8,097	8,305	510	474	(172)	1,096

31 December 2024 (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	5,873	5,419	142	616	(20)	-
RMB	631	749	-	2	(120)	1,059
Others	1,157	1,603	574	132	(4)	-
	7,661	7,771	716	750	(144)	1,059

(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 segments 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 the 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.

	For the six months ended 30 June	
	2025	2024
	(Unaudited)	(Unaudited)
Liquidity Maintenance Ratio		
- Public Bank (Hong Kong) Group	62.8%	62.0%
- The Bank	62.4%	61.0%
- Public Finance	69.1%	83.8%
Core Funding Ratio		
- Public Bank (Hong Kong) Group	153.7%	142.3%
- The Bank	153.2%	141.0%

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 core 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 2025, the liquidity ratios in RMB and foreign currencies of Mainland China Office were more than 100% (31 December 2024: 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 2025. 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, market risk-weighted exposures and operational risk in line with the new requirements set out in the Capital Rules and Basel III final reforms with effect from 1 January 2025. The Group has adopted the basic indicator approach and the standardised approach previously for the calculation of operational risk-weighted exposures of the Bank and Public Finance, respectively.

	30 June 2025 (Unaudited)	31 December 2024 (Audited)
Consolidated CET1 Capital Ratio	26.8%	23.8%
Consolidated Tier 1 Capital Ratio	26.8%	23.8%
Consolidated Total Capital Ratio	27.6%	24.6%

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:

	30 June 2025 (Unaudited) HK\$'000	31 December 2024 (Audited) HK\$'000
CET1 capital instruments	2,854,045	2,854,045
Retained earnings	3,554,337	3,519,020
Disclosed reserves	8,085	(49,142)
CET1 capital before deduction	6,416,467	6,323,923
Deduct:		
Cumulative fair value gains arising from the revaluation of land and buildings (covering both own-use and investment properties)	(43,420)	(48,044)
Regulatory reserve for general banking risk	-	-
Goodwill	(242,342)	(242,342)
Deferred tax assets in excess of deferred tax liabilities	(49,209)	(55,963)
CET1 capital after deduction	6,081,496	5,977,574
Additional Tier 1 capital	-	-
Tier 1 capital after deductions	6,081,496	5,977,574
Reserve attributable to fair value gains	19,539	21,620
Regulatory reserve for general banking risk	-	-
Collective provisions	164,859	173,278
	164,859	173,278
Tier 2 capital	184,398	194,898
Capital base	6,265,894	6,172,472
Total risk-weighted assets	22,677,286	25,119,556

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 2025, Public Bank (Hong Kong) Group has reserved a capital buffer, inclusive of CCyB ratio of 0.5%, 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 2025 (Unaudited)		
		Total RWA used in computation of CCyB ratio HK\$’000	CCyB ratio %	CCyB amount HK\$’000
1. Hong Kong, China	0.500	16,061,905		
2. Mainland China	-	580,733		
Total		16,642,638	0.483	80,310

Jurisdiction	Applicable JCCyB ratio in effect %	31 December 2024 (Audited)		
		Total RWA used in computation of CCyB ratio HK\$’000	CCyB ratio %	CCyB amount HK\$’000
1. Hong Kong, China	0.500	17,001,349		
2. Mainland China	-	947,367		
Total		17,948,716	0.474	85,007

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.

	30 June 2025 (Unaudited) HK\$'000	31 December 2024 (Audited) HK\$'000
Consolidated Tier 1 Capital	6,081,496	5,977,574
Consolidated Exposure Measure for Leverage Ratio	41,226,891	40,362,070
Consolidated Leverage Ratio	14.8%	14.8%

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 2025 to be published in the Bank's website at www.publicbank.com.hk under "Regulatory Disclosures" section on or before 30 September 2025.

Principal subsidiaries and basis of consolidation

The basis of consolidation for financial accounting purposes is in accordance with HKFRS Accounting Standards, 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 2025 to be published in the Bank's website at www.publicbank.com.hk under "Regulatory Disclosures" section on or before 30 September 2025.

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:

		30 June 2025 (Unaudited) HK\$'000	31 December 2024 (Audited) HK\$'000
	Note		
CET1 capital instruments issued by the Bank			
Ordinary shares:			
14,816,000 issued and fully paid ordinary shares	25	2,854,045	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 2025 in the Bank's website at www.publicbank.com.hk under "Regulatory Disclosures" section on or before 30 September 2025.

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 2025								
	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	106,801	108	-	59	-	97,401	91.2	-	-
Building and construction, property development and investment									
Property development	603,471	228	-	-	-	603,471	100.0	-	-
Property investment	4,175,581	7,939	5,912	13,065	-	4,108,869	98.4	172,516	12,516
Civil engineering works	91,205	175	-	118	-	48,016	52.6	-	-
Electricity and gas	-	-	-	-	-	-	-	-	-
Recreational activities	5,178	1	-	1	-	5,178	100.0	-	-
Information technology	3,511	-	-	-	-	3,511	100.0	-	-
Wholesale and retail trade	168,322	698	27,035	5,677	-	98,238	58.4	52,274	52,274
Transport and transport equipment	4,791,084	66,935	137,293	78,822	7,448	2,550,623	53.2	191,556	127,694
Hotels, boarding houses and catering	35,179	6	-	-	-	35,179	100.0	-	-
Financial concerns	107,691	12	-	-	-	107,594	99.9	-	-
Stockbrokers									
Margin lending	-	-	-	-	-	-	-	-	-
Others	-	-	-	-	-	-	-	-	-
Non-stockbroking companies and individuals for the purchase of shares									
Margin lending	5,575	1	-	-	-	5,575	100.0	-	-
Others	575,441	60	-	-	-	575,441	100.0	2,408	-
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	21,355	2	-	-	-	21,355	100.0	-	-
Loans for the purchase of other residential properties	8,386,465	824	9,545	2,314	2,563	8,379,990	99.9	148,491	115,564
Loans for other business purposes	1,963	-	-	-	-	1,963	100.0	-	-
Loans for other private purposes	3,316,624	79,508	35,959	165,612	135,818	144,410	4.4	64,568	38,411
Trade finance	486,831	200	1	76	-	476,762	97.9	5,584	5,584
Other loans and advances	36,253	3	740	740	-	35,599	98.2	7,560	7,560
Sub-total	22,918,530	156,700	216,485	266,484	145,829	17,299,175	75.5	644,957	359,603
Loans and advances for use outside Hong Kong	1,544,856	5,885	8,402	5,053	1,636	1,327,196	85.9	42,239	36,925
Total loans and advances (excluding trade bills and other receivables)	24,463,386	162,585	224,887	271,537	147,465	18,626,371	76.1	687,196	396,528

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

				31 December 2024 New impairment allowances for loans charged to income statement	Amount of impaired loans and advances written off		Percentage of gross advances covered by collateral %		Loans and advances overdue for more than three months
	Gross loans and advances HK\$'000	Impairment allowances collectively assessed HK\$'000	Impairment allowances specifically assessed HK\$'000	HK\$'000	HK\$'000	Collateral HK\$'000		Impaired loans and advances HK\$'000	HK\$'000
Loans and advances for use in Hong Kong									
Manufacturing	113,240	77	-	37	-	107,165	94.6	-	-
Building and construction, property development and investment									
Property development	738,111	319	-	291	-	738,111	100.0	-	-
Property investment	3,934,435	785	-	84,218	212,460	3,899,423	99.1	4,347	4,347
Civil engineering works	78,203	87	-	44	-	42,528	54.4	-	-
Electricity and gas	-	-	-	-	-	-	-	-	-
Recreational activities	4,792	-	-	-	-	4,792	100.0	-	-
Information technology	744	-	-	-	-	744	100.0	-	-
Wholesale and retail trade	170,926	538	21,678	22,398	399	107,520	62.9	49,885	49,885
Transport and transport equipment	4,825,896	84,372	86,941	139,726	36,885	3,259,259	67.5	136,852	107,735
Hotels, boarding houses and catering	39,202	9	-	4	-	39,202	100.0	-	-
Financial concerns	187,669	21	-	11	-	187,244	99.8	-	-
Stockbrokers									
Margin lending	400,000	120	-	100	-	400,000	100.0	-	-
Others	30,000	9	-	1	-	30,000	100.0	-	-
Non-stockbroking companies and individuals for the purchase of shares									
Margin lending	7,969	2	-	1	-	7,969	100.0	-	-
Others	571,631	62	1	7	-	571,631	100.0	5,499	-
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	21,004	2	-	-	-	21,004	100.0	-	-
Loans for the purchase of other residential properties	7,631,428	749	9,407	8,679	450	7,625,601	99.9	145,179	130,680
Loans for other business purposes	2,524	1	-	1	-	2,524	100.0	-	-
Loans for other private purposes	3,389,064	81,102	41,419	306,914	261,680	147,429	4.4	75,583	49,838
Trade finance	303,877	125	-	-	-	292,314	96.2	-	-
Other loans and advances	50,068	5	1	-	-	50,029	99.9	7,000	7,000
Sub-total	22,500,783	168,385	159,447	562,432	511,874	17,534,489	77.9	424,345	349,485
Loans and advances for use outside Hong Kong	1,497,602	2,525	7,287	62,479	63,246	1,316,519	87.9	41,641	35,225
Total loans and advances (excluding trade bills and other receivables)	23,998,385	170,910	166,734	624,911	575,120	18,851,008	78.6	465,986	384,710

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 2025					
	Banks	Official	Non-bank	Non-	Total
	HK\$ million	sector	financial	financial	
		HK\$ million	institutions	private	HK\$ million
			HK\$ million	sector	
				HK\$ million	
1. Hong Kong, China	917	4	14	919	1,854
2. Mainland China	3,714	34	-	1,029	4,777

31 December 2024					
	Banks	Official	Non-bank	Non-	Total
	HK\$ million	sector	financial	financial	
		HK\$ million	institutions	private	HK\$ million
			HK\$ million	sector	
				HK\$ million	
1. Hong Kong, China	867	4	12	753	1,636
2. Mainland China	3,067	57	-	1,023	4,147

SUPPLEMENTARY FINANCIAL INFORMATION (UNAUDITED)

(C) MAINLAND ACTIVITIES

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

Types of counterparties	30 June 2025		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")	77	-	77
People's Republic of China ("PRC") nationals residing in Mainland China or other entities incorporated in Mainland China and their subsidiaries and JVs	8	-	8
PRC nationals residing outside Mainland China or entities incorporated outside Mainland China where the credit is granted for use in Mainland China	-	-	-
Other counterparties where the exposures are considered by the Group to be non-bank Mainland China exposures	1,175	-	1,175
Total	1,260	-	1,260
Total assets after provision	37,120		
On-balance sheet exposures as percentage of total assets	3.40%		

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

Types of counterparties	31 December 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 JVs	75	-	75
PRC nationals residing in Mainland China or other entities incorporated in Mainland China and their subsidiaries and JVs	12	-	12
PRC nationals residing outside Mainland China or entities incorporated outside Mainland China where the credit is granted for use in Mainland China	-	-	-
Other counterparties where the exposures are considered by the Group to be non-bank Mainland China exposures	1,159	-	1,159
Total	1,246	-	1,246
Total assets after provision	36,070		
On-balance sheet exposures as percentage of total assets	3.45%		

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 2025, the Group recorded a profit after tax of HK\$41.5 million compared with a profit after tax of HK\$1.2 million for the corresponding period in 2024.

During the period under review, the Group's interest income decreased by HK\$34.0 million or 3.4% to HK\$962.8 million mainly due to the lower interest yield from loans and advances driven by the declining interest rates since the second half of 2024; whilst interest expense decreased by HK\$84.3 million or 16.9% to HK\$415.7 million attributable to the declining interest cost of fixed deposits coupled with the increased contribution from low-cost savings and demand deposits in customer deposit mix. Consequently, the Group's net interest income increased by HK\$50.3 million or 10.1% to HK\$547.1 million from HK\$496.8 million in the corresponding period in 2024. Non-interest income of the Group increased by HK\$32.2 million or 27.5% to HK\$149.4 million, mainly due to higher fees and commission income from wealth management services, stockbroking and securities management, which benefited from a bullish Hong Kong stock market in the period under review. The Group's operating expenses increased by HK\$32.5 million or 7.5% to HK\$469.0 million, mainly due to higher marketing expenses for business promotions and increased staff costs as part of the talent development and retention strategy in the period under review.

Revaluation loss arising from investment properties increased by HK\$10.5 million to HK\$17.1 million during the period under review compared with the corresponding period of last year.

In addition, the impaired loans to total loans ratio of the Group increased by 0.9% to 2.8% as at 30 June 2025 from 1.9% as at 31 December 2024, mainly due to the impairment of a corporate borrower in the commercial real estate segment. Credit loss expenses decreased mildly by HK\$9.2 million or 5.6% to HK\$155.0 million mainly due to a higher base for comparison in the previous period with the inclusion of an impairment provision on a large corporate borrower.

Gross loans and advances (including trade bills) of the Group increased by HK\$465.1 million or 1.9% to HK\$24.46 billion as at 30 June 2025 from HK\$24.00 billion as at 31 December 2024. The Group's deposits from customers increased by HK\$1.04 billion or 3.2% to HK\$33.25 billion as at 30 June 2025 compared with the position of 31 December 2024. Total assets of the Group stood at HK\$40.76 billion as at 30 June 2025.

The Group has successfully integrated the stockbroking and securities management business as well as certain back office supporting functions operated within the Group to achieve cost saving synergy, and will continue further improving 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 expanding its retail and commercial banking, consumer financing businesses, wealth management services, as well as stockbroking and securities management fee-based businesses, through the extensive branch network of the Group. This will enable the Group to offer competitive products whilst providing premium customer service. Recently, the Group has rolled-out enhanced mobile banking apps to facilitate on-line customer onboarding and implemented electronic customer due diligence process to reduce operational errors, shorten operating process time, and allow frontline staff to concentrate on new business initiation. Moving forward, the Group will also allocate more resources to drive the digitalisation process of its financial services for its business growth via electronic channels to be in line with its fintech development plan. The Group targets to achieve a Carbon Neutral position for Scope 1 and Scope 2 emissions by 2030 and Net Zero Carbon by 2050; and will integrate sustainability development into its business initiatives and expand green financing business to achieve the targets set.

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

Hong Kong, 17 July 2025