

# 2022 INTERIM REPORT



 **創興銀行有限公司**  
Chong Hing Bank Limited

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# CORPORATE INFORMATION

as of 19 August 2022

## BOARD OF DIRECTORS

### EXECUTIVE DIRECTORS

Mr ZONG Jianxin (*Deputy Chairman and Chief Executive*)

Mr LAU Wai Man (*Deputy Chief Executive*)

### NON-EXECUTIVE DIRECTORS

Mr ZHANG Zhaoxing (*Chairman*)

Mr LI Feng

Mr CHOW Cheuk Yu Alfred BBS, JP

Ms CHEN Jing

### INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr CHENG Yuk Wo

Mr LEE Ka Lun

Mr YU Lup Fat Joseph

## BOARD COMMITTEES

### AUDIT COMMITTEE

Mr CHENG Yuk Wo (*Chairman*)

Mr CHOW Cheuk Yu Alfred BBS, JP

Ms CHEN Jing

Mr LEE Ka Lun

Mr YU Lup Fat Joseph

### CONNECTED PARTY TRANSACTIONS COMMITTEE

Mr CHENG Yuk Wo (*Chairman*)

Mr CHOW Cheuk Yu Alfred BBS, JP

Mr CHAN Kam Ki Vincent

Mr WOO Pak Kin Clement

### DIGITALIZATION STRATEGY COMMITTEE

Mr LEE Ka Lun (*Chairman*)

Mr LI Feng

Mr ZONG Jianxin

Mr LAU Wai Man

### NOMINATION AND REMUNERATION COMMITTEE

Mr YU Lup Fat Joseph (*Chairman*)

Mr ZHANG Zhaoxing

Mr CHOW Cheuk Yu Alfred BBS, JP

Mr CHENG Yuk Wo

Mr LEE Ka Lun

### RISK COMMITTEE

Mr LEE Ka Lun (*Chairman*)

Mr LI Feng

Mr CHENG Yuk Wo

Mr YU Lup Fat Joseph

## SENIOR MANAGEMENT

Mr TANG Xianqing (*Deputy Chief Executive*)

Mr CHIU Tak Wah Edward (*Chief Operating Officer  
and Alternate Chief Executive*)

Mr CHAN Kam Ki Vincent (*Chief Financial Officer*)

Mr WOO Pak Kin Clement (*Chief Risk Officer*)

Ms CHAN Yun Ling (*Head of Treasury and Markets*)

Mr SIN Tat Wo (*Head of Corporate Banking Division*)

Ms LAM Pik Ha Eliza (*Head of Financial Institutions Division*)

Ms NG Sau Wai Sylvia (*Head of Personal Banking Division*)

Ms CHENG Wing Yi (*Head of Human Resources Division*)

Ms LAI Wing Nga (*Company Secretary*)

**CORPORATE INFORMATION**

as of 19 August 2022

**REGISTERED OFFICE**

Address : Ground Floor, Chong Hing Bank Centre  
24 Des Voeux Road Central, Hong Kong  
Telephone : (852) 3768 1111  
Facsimile : (852) 3768 1888  
SWIFT BIC : LCHB HK HH  
Website : [www.chbank.com](http://www.chbank.com)  
E-mail : [info@chbank.com](mailto:info@chbank.com)



Chong Hing Bank's website access code

**PRINCIPAL LEGAL ADVISERS**

Deacons  
Mayer Brown JSM

**AUDITOR**

Ernst & Young  
*Certified Public Accountants*

**STOCK CODES AND SHORT NAMES**

The Stock Exchange of Hong Kong Limited's Stock Codes and Short Names in respect of the Bank's (1) US\$400,000,000 5.70 per cent. undated non-cumulative subordinated additional tier 1 capital securities and (2) US\$300,000,000 5.50 per cent. undated non-cumulative subordinated additional tier 1 capital securities are (1) 04419 (CH BANK NCSCS) and (2) 40329 (CH BANK NCSCSB) respectively.

## CHAIRMAN'S STATEMENT

Facing a changeable international situation and complex economic environment, Chong Hing Bank Limited (the "Bank" or "Chong Hing Bank") once again in the first half of 2022 demonstrated its determination to seek progress while maintaining stability and to pursue new heights of achievement. The Bank comprehensively enhanced its risk management, continuously improved its operations and service capability and faithfully offered quality cross-border financial services. In the list of the "Top 1000 World Banks" for 2022 released by the British magazine "The Banker", Chong Hing Bank climbed to 339th place, up 37 spots from last year, maintaining its ranking among the top 400 banks for the fourth consecutive year and demonstrating continuous improvement in its overall strength.

For the six months ended 30 June 2022, the Bank's operating profit before impairment allowances amounted to HK\$1,356 million, an increase of 5.72% compared to the same period last year. Profit attributable to equity owners amounted to HK\$763 million, a decrease of 19.75% compared to the same period last year. The Board of Directors of the Bank (the "Board") has declared payment of an interim cash dividend of HK\$100,000,000 for the six months ended 30 June 2022. The dividend payout for the period as a percentage of the adjusted profit attributable to equity owners, less the distribution paid on additional equity instruments, will be 17.49% (2021: 13.30%).

The major financial ratios for the first half of 2022 are as follows:

- Return on shareholders' equity: 4.15%
- Average liquidity maintenance ratio: 49.11%
- Total capital ratio as of 30 June 2022: 19.26%
- Tier 1 capital ratio as of 30 June 2022: 16.98%
- Loan to deposit ratio as of 30 June 2022: 73.82%

Affected by the continuing geopolitical tension, the increasing inflation, the interest hikes announced by the central banks of major economies and other factors leading to instability, the world's economy witnessed slower growth in the first half of 2022. However, China withstood the great pressure caused by changes in the international environment and the resurgence of COVID-19 within the country and achieved 2.5% year-on-year growth in gross domestic product (GDP) in the first half of the year, keeping up the momentum of stable economic recovery. Despite the volatility of overseas financial markets, Hong Kong's market remained stable and healthy, demonstrating its unique position and advantage as an international financial hub.

## CHAIRMAN'S STATEMENT

In the year that marks the 25th anniversary of Hong Kong's handover, all sectors of Hong Kong embraced the unlimited opportunities arising from China's sustained reform and opening-up. Leveraging the resource advantage of its shareholder Yuexiu Group and strengthening cooperation between the Mainland and Hong Kong, Chong Hing Bank achieved breakthroughs in its provision of cross-border financial services: it continued to promote its business digital transformation, actively developed characteristic and differentiated cross-border financial services, and at the beginning of the year participated in the Southbound Scheme of the Cross-boundary Wealth Management Connect. The Bank further expanded its network in the Mainland. The opening of the Beijing Branch later this year as the fifth Mainland branch of Chong Hing Bank will mean that the Bank's network will cover the four major first-tier cities of Beijing, Shanghai, Guangzhou and Shenzhen, another important achievement in its nationwide development initiative. In the first half of this year, Yuexiu Group made another capital injection of HK\$1.75 billion to Chong Hing Bank to supplement the core equity capital of the Bank, and subscribed for the tier 2 subordinated supplementary notes of US\$224 million issued by the Bank by way of private placement in July, maintaining the Bank's capital base and providing key support to the Bank's sustainable development.

Looking to the future, Chong Hing Bank will cope with the volatile international political and economic situations and market environments with composure. The Bank will earnestly implement its policy of prudence and pragmatism, vigorously promote comprehensive and forward-looking risk management, and further improve its business structure and strengthen its digital transformation, so as to embrace challenges and create opportunities amid crises. Moreover, Chong Hing Bank will ride with the wind of the Greater Bay Area and other key national strategies, continue to focus on the development of Mainland business and cross-border business, and further deepen its presence in the Mainland's core cities.

Last but not least, I would like to extend my sincere gratitude to all our directors for their guidance, to our customers and business partners for their trust and support, and to our management team and the entire staff for their dedication in this difficult business environment. I am convinced that with the solidarity and concerted effort of everyone, Chong Hing Bank will continue to develop steadily and move steadfastly towards fulfilling its corporate vision of becoming an integrated commercial bank with cross-border expertise.

**ZHANG Zhaoxing**

*Chairman*

Hong Kong, 19 August 2022

# CHIEF EXECUTIVE'S STATEMENT

## ECONOMIC ENVIRONMENT

In the first half of 2022, the downward pressure on the global economy increased, with the COVID-19 pandemic continuing to rage and disrupt the global supply chain. The rising inflation has led to an aggressive tightening of monetary policies by central banks. The US Federal Reserve has raised interest rates by a total of 2.25% since March this year, and the European Central Bank announced in July that it would raise interest rates by 0.5% for the first time in 11 years. In addition, the conflict between Russia and Ukraine pushed up the prices of energy and commodities, exacerbating inflation, further dragging down global economic activities and dampening economic sentiment. The economic activities in Asia have generally continued to expand in recent months, but the slowdown in demand growth in major economies may continue to affect the export performance in the region.

Affected by the pandemic and the deterioration of the external environment, Mainland China's economy was under pressure, with gross domestic product (GDP) rising by 2.5% year-on-year in the first half of the year. In order to ensure that the economy operates within a reasonable range, Mainland China has launched a series of policies and measures for the economic links that are particularly affected, with the goal of stabilising employment, easing the pressure on enterprises, and resuming economic activities at a faster pace.

The fifth wave of the pandemic and external adverse factors have dealt a heavy blow to Hong Kong's economic activities. Hong Kong's exports of goods and services have been weakened, while both private consumption spending and overall investment spending have fallen. Hong Kong's GDP decreased 1.3% in the second quarter from a year earlier, after contracting 3.9% in the previous quarter.

## CHIEF EXECUTIVE'S STATEMENT

## RESULTS ANNOUNCEMENT AND PROFIT ANALYSIS

The results of Chong Hing Bank Limited (the "Bank" or "Chong Hing Bank") ended 30 June 2022, calculated on an unaudited and consolidated basis, are summarised below:

## KEY FINANCIAL DATA

	Six months ended 30 June		
	2022 HK\$'000 (Unaudited)	2021 HK\$'000 (Unaudited)	Variance
1. Operating profit before impairment allowances	1,356,160	1,282,797	+5.72%
2. Profit attributable to equity owners	763,387	951,226	-19.75%
3. Net interest income	1,704,642	1,603,068	+6.34%
4. Net fee and commission income	233,462	293,116	-20.35%
5. Net income from trading and investments	285,717	220,968	+29.30%
6. Other operating income	86,859	99,171	-12.41%
7. Operating expenses	954,520	933,526	+2.25%
8. Net impairment losses on financial assets	498,790	241,093	+106.89%

  

	As of 30 June 2022 HK\$'000 (Unaudited)	As of 31 December 2021 HK\$'000	Variance
	9. Loans and advances to customers	157,115,286	
10. Deposits from customers	205,120,162	201,087,108	+2.01%
11. Investment in securities	61,929,355	56,371,763	+9.86%
12. Total assets	267,558,902	255,247,558	+4.82%



## CHIEF EXECUTIVE'S STATEMENT

	Six months ended 30 June		
	2022 (Unaudited)	2021 (Unaudited)	Variance
13. Return on shareholders' equity (Note 1)	<b>4.15%</b> (annualised)	6.93% (annualised)	-2.78 p.p
14. Net interest margin	<b>1.35%</b>	1.33%	+0.02 p.p
15. Cost to income ratio	<b>41.31%</b>	42.12%	-0.81 p.p
16. Average liquidity maintenance ratio	<b>49.11%</b>	45.72%	+3.39 p.p

	As of 30 June 2022 (Unaudited)	As of 31 December 2021	Variance
	17. Non-performing loan ratio	<b>1.24%</b>	
18. Loan to deposit ratio	<b>73.82%</b>	72.23%	+1.59 p.p
19. Total capital ratio (Note 2)	<b>19.26%</b>	19.17%	+0.09 p.p
20. Tier 1 capital ratio (Note 2)	<b>16.98%</b>	16.80%	+0.18 p.p
21. Common Equity Tier 1 capital ratio (Note 2)	<b>14.24%</b>	13.93%	+0.31 p.p

## Notes:

- (1) Return on shareholders' equity took into consideration the distribution paid on the additional equity instruments relevant for the period.
- (2) The ratio is calculated on a consolidated basis in accordance with the Banking (Capital) Rules.

## CHIEF EXECUTIVE'S STATEMENT

### ANALYSIS OF KEY FINANCIAL DATA

On an unaudited and consolidated basis, in the first half of 2022, the operating profit before impairment allowances amounted to HK\$1,356 million, representing an increase of 5.72% from the same period in 2021. The increase in consolidated profit for the period was mainly attributable to the growth of net interest income and net income from trading and investments. The profit attributable to equity owners of the Bank was dampened by the increase in expected credit loss and reported at HK\$763 million, representing a decrease of 19.75% from the same period in 2021.

Net interest income was HK\$1,705 million, increased by 6.34% as compared with the same period last year. Driven by the Bank's proactive balance sheet management, total assets increased by 4.82% from last year end, net interest margin of the Bank remained stable in the first half of 2022, which increased by 2 basis points to 1.35% as compared with the same period of last year.

Net fee and commission income decreased by 20.35% to HK\$233 million, which was mainly attributable to the decrease in securities brokerage income and wealth management fee income.

Foreign exchange and other treasury customer activities remained stable. Net income from trading and investments recorded a gain of HK\$286 million, which was mainly derived from foreign currency funding swap activities, translation gain from foreign currency assets and liabilities, securities investment and trading income.

## CHIEF EXECUTIVE'S STATEMENT

Net impairment losses on financial assets increased to HK\$499 million in the first half of 2022, mainly driven by the credit deterioration of certain customers in the Mainland real estate sector. This was moderated by the release of impairment allowance due to the improvement in macroeconomic factors being adopted in the expected credit loss model.

While the Bank continued to maintain cost effectiveness and process streamlining, the operating expenses increased by 2.25% to HK\$955 million as compared with the same period last year. Such increase was mainly driven by the increase in staff cost to support the expansion of the Mainland network and a higher depreciation after the implementation of the new core banking system and other professional fee.

As of 30 June 2022, loans and advances to customers recorded an increase of 1.32% to HK\$157.1 billion from the position as of 31 December 2021. The Bank continued to adopt prudent credit risk management, the asset quality of loans and advances remained sound and the non-performing loan ratio reported a slight drop of 5 basis points to 1.24% from the position of 31 December 2021.

As of 30 June 2022, deposits from customers increased by 2.01% to HK\$205.1 billion from the position as of 31 December 2021. The Bank continued to maintain a stable deposit base to fund the asset growth and cross-border financial business development. Total assets increased by 4.82% during the first half of 2022 to HK\$267.6 billion. As of 30 June 2022, 66.84% of the Bank's assets were based in Hong Kong.

With the proactive and effective management of assets and liabilities, the Bank managed to maintain a healthy loan to deposit ratio of 72.23% as of 31 December 2021 and 73.82% as of 30 June 2022, while the average liquidity maintenance ratio increased by 339 basis points to 49.11% in the first half of 2022.

As of 30 June 2022, total capital ratio was at 19.26%, the Tier 1 capital ratio was at 16.98% and the Common Equity Tier 1 capital ratio was at 14.24%.

The Bank's core businesses, financial position and asset quality remained strong, the capital adequacy ratio and liquidity maintenance ratio were above the relevant statutory requirements.

## INTERIM DIVIDEND

The Board has declared the payment of an interim cash dividend for 2022 of HK\$100,000,000 (2021 interim cash dividend: HK\$107,015,000 paid on Thursday, 7 October 2021).

## CHIEF EXECUTIVE'S STATEMENT

### SUCCESSFUL ISSUANCE OF TIER 2 SUBORDINATED SUPPLEMENTARY NOTES

On 27 July 2022, Chong Hing Bank successfully issued US\$224 million 10-year non-call 5-year tier 2 subordinated supplementary notes. The issuance adopted the private placement model. The purchaser of the notes is Guangzhou Yue Xiu Holdings Limited ("Yuexiu Group"), the shareholder of the Bank, with a coupon rate of 4.9%, a premium of 188.5 basis points over the spread of 5-year United States notes. The raised funds are used mainly to supplement the tier 2 capital of Chong Hing Bank.

As the US\$383 million tier 2 subordinated notes issued by the Bank in 2017 were due on 26 July 2022 and needed to be fully redeemed, and US dollar rate hike would increase the cost of subsequent issuance, Yuexiu Group decided to subscribe for the private placement tier 2 subordinated notes issued by the Bank. The subscription was on top of its capital injection of HK\$1.75 billion to supplement the core equity capital of the Bank and help maintain the Bank's capital base. The successful issuance of the notes reflects Yuexiu Group's full confidence in and firm support for the future development of Chong Hing Bank against the backdrop of the volatile global macro-political and economic environment and the US interest rate hike cycle.

### BUSINESS REVIEW

#### CORPORATE BANKING

In the first half of 2022, although the global market was under the impact of the pandemic while the uncertain outlook weakened business confidence and the credit environment, the Bank's net interest income and profit before taxation of its corporate banking business still recorded a moderate increase over the same period last year. The Bank has continued to provide comprehensive support to small and medium-sized enterprise customers and actively participate in the "SME Financing Guarantee Scheme" of HKMC Insurance Limited and the "Special 100% Loan Guarantee" under this scheme. During the period, the Bank also successfully arranged and executed many cross-border and structured financing transactions.

The Bank will strive to provide comprehensive and professional banking products and services for corporate customers in Hong Kong and Mainland China, and capitalise on the linkage advantages of outlets in Hong Kong and Mainland China. Continuous efforts will be made to provide various cross-border financial solutions for corporate customers in the Guangdong-Hong Kong-Macao Greater Bay Area (the "Greater Bay Area").

## CHIEF EXECUTIVE'S STATEMENT

### PERSONAL BANKING

Due to the ongoing pandemic, coupled with external geopolitical instability and rising interest rates, the recovery of the global economy slowed down. The Bank actively responded by optimising sales channels and improving banking services, thus maintaining the steady development of its personal banking business:

- During the pandemic, some of the Bank's local branches had to suspend business temporarily. The Bank actively launched a variety of electronic channel service concessions to attract customers to manage investment and wealth management transactions through automated platforms, including time deposits, investment, and foreign currency exchange. By the end of June 2022, the proportion of time deposits made through electronic channels had increased by nearly 90% compared with the end of last year.
- Since the launch of Chong Hing Bank's "Exceed Banking" brand last year, the number of customers has continued to rise. By the end of June 2022, the number of "Exceed Banking" customers recorded a double-digit increase over the end of last year.
- In line with the overseas asset allocation needs of customers in the Greater Bay Area, the Bank launched the "Southbound Wealth Management Connect" (the "Southbound Connect") service of the "Cross-boundary Wealth Management Connect" in the first quarter of 2022. This step further improved the Bank's cross-border financial management service platform, and qualified customers can invest in multiple asset portfolios through designated channels and seize investment opportunities.

### TREASURY AND MARKETS BUSINESS

The Bank is committed to developing its treasury and markets business, and during the year significant growth was registered in areas such as treasury activities and customer cross-selling business. In recent years, the market share of the Bank's proprietary trading business has increased as a result of its enhanced competitiveness, generating additional revenue for the Bank. The Bank aims at optimising the balance sheet by effectively applying a wide variety of financial instruments while complying with established risk limits and maintaining a prudent liquidity level. The Bank will continue to leverage on its dynamic management strategy to capture potential business opportunities and diversify revenue sources.

## CHIEF EXECUTIVE'S STATEMENT

### MAINLAND OPERATIONS

In response to the pandemic in the Mainland, the Bank continued to accelerate its business transformation while the operation of some Mainland branches was temporarily suspended. By adjusting structure, reducing costs and increasing revenue, the Bank effectively strengthened its customer base, steadily improved its operating efficiency, expanded its network in an orderly manner, made breakthroughs in a number of new businesses, and enhanced its cross-border expertise. Developments during the period were as follows:

- The Bank devoted itself to the cultivation of institutional customers at all levels in Guangdong, Guangzhou, as well as the Guangzhou Tianhe District and Nansha District, and constantly consolidated its customer base, leading to steady growth in the deposits of the institutions.
- The Bank strived to overcome external market challenges and actively explored new customer bases in key industries as well as the upstream and downstream enterprises of its core customers to maintain growth in deposits and loans. The Bank also continued to strengthen risk control throughout the credit process to ensure that the quality of credit assets in the Mainland remained sound.
- The Bank kept broadening the scope of its trading activities and proactively optimised the asset and liability structure of its interbank business, resulting in an increase in investment transaction income.
- The Bank successfully handled the first-in-class deals of Southbound Trading, derivatives and custody and US dollar payment as it continued to diversify its revenue sources. The pilot scheme of Southbound Trading jointly operated by the Bank's Head Office and the Guangzhou Branch was approved on 27 January 2022. The relevant business was officially launched in the first half of the year, providing more cross-border wealth management choices and investment channels for customers in the Greater Bay Area.
- Following the opening of the Zhongshan Sub-Branch on 30 June 2022, the Beijing Branch will open later this year, ushering in new business opportunities and adding momentum for Chong Hing Bank's development in the Mainland.

### CHONG HING SECURITIES LIMITED

The business performance of Chong Hing Securities was encumbered by the ongoing pandemic, the volatility of the global financial markets and the conservative and cautious sentiment of the Hong Kong securities market. In spite of this, Chong Hing Securities continued to optimise its electronic channels, and the proportion of trading volume and commission income contributed by electronic channels maintained an upward trend. In addition, Chong Hing Securities launched new account opening promotion campaigns, which will help boost its commission income and account opening volume.

## CHIEF EXECUTIVE'S STATEMENT

### CHONG HING INSURANCE COMPANY LIMITED

The pandemic had negative impacts on the global economy and also affected the development of the general insurance business. Under the sound operations of Chong Hing Insurance, the gross premiums during the period remained stable. Due to the reduction in claims for the general liability insurance class, the overall underwriting profit and profit before tax maintained a positive overall performance.

### CHONG HING INSURANCE BROKERS LIMITED

Chong Hing Insurance Brokers has made every effort to expand its service to middle and high-end individual and corporate customers in Hong Kong and Mainland cities of the Greater Bay Area, assisting customers in buying long-term life insurance in Hong Kong. During the period, Chong Hing Insurance Brokers helped policyholders achieve their wealth accumulation and family protection goals through insurance solutions such as "premium financing", creating a better customer experience.

### TRANSFORMATION OF BUSINESS DEVELOPMENT

#### *Fintech*

In face of the new normal, Chong Hing Bank remained committed to implementing an "online-oriented, mobile-prioritised" business mode and continues to strengthen its digital transformation to empower business value creation with the latest technology. During the period, a series of products and services were successively launched by the Bank to improve user experience, including new service functions of Cross-boundary Wealth Management Connect Version 1.0, Phase III and IV of the Open API, online application for Green Bonds, and user interface optimisation of the Internet Banking and Mobile Banking App. At the same time, the Bank actively promoted the conversion of customers to digital banking and launched various online transaction promotion campaigns to boost customer accumulation and enhance user loyalty. During the period, the rate of converting customers to online banking has increased, and online financial transactions also recorded a double-digit growth compared to the same period last year. Currently, the Bank is working on a brand-new online corporate banking system dedicated to fulfil the online transaction needs of its corporate customers.

#### *Optimisation of Operations*

The Bank continued to enhance its operations to accelerate its transformation, thereby improving operational efficiency and enhancing customer experience. A total of 13 new process enhancement projects were implemented during the period, including cooperation with Hong Kong Interbank Clearing Limited in implementing the full cheque imaging and information processing system arrangement, inward transfer of bonds and clearing integration services. In order to diversify the Bank's non-interest income sources, the Bank carried out "Transaction Banking" services to assist corporate banking customers in conducting business and processing financial transactions. This in return boosted overall "Transaction Banking" service income by about 20%.

#### *Green Finance*

In line with the Hong Kong Monetary Authority's initiatives to promote green finance and sustainable development, the Bank has actively promoted sustainable development and supported the tackling and managing of environmental and climate change-related risks in recent years. It also plans to formulate a Green Finance Framework for its low-carbon transformation work, including the introduction of green loans, green deposits and green investments.

## CHIEF EXECUTIVE'S STATEMENT

### CORPORATE CULTURE

The Bank continues to strengthen its promotion of corporate culture. In 2022, we focus on promoting the corporate culture concept, with “*Belief, Credibility, Trust and Confidence*” as our core values, and encouraging our staff to adopt the enablers of “Dedication, Innovation, Commitment and Teamwork” so that they can spontaneously adhere to the corporate culture in their work. During the year, the Bank will strive to improve its operations and management and create value by leveraging the power brought by corporate culture through a variety of staff training courses and activities.

### CORPORATE RESPONSIBILITY

The Bank has always endeavoured to fulfil the corporate mission of “to benefit the community”, and continues to participate in activities such as giving back to society and protecting the environment, and encourage employees to contribute to the community. Its commitment to corporate social responsibility was demonstrated by the following activities and recognitions accorded by the community during the period:

- Participated in the “Earth Hour 2022” environmental protection activity.
- Awarded the “Happy Company” logo presented by the Hong Kong Promoting Happiness Index Foundation for the third consecutive year.
- Awarded the 15 Years plus Caring Company Logo from the Hong Kong Council of Social Service.
- Won the “Raffle Sales Award” presented by the Tung Wah Group of Hospitals.

During the pandemic, the Bank has continued to provide assistance to the needy in the community, including the donation of rapid test kits to the Hong Kong Federation of the Blind and the Baptist Oi Kwan Social Service as well as arranging visits to families of the visually impaired, etc. In addition, the Bank participated in the “Life Buddies” Mentoring Scheme launched by the Commission on Poverty, and mock interviews were held for students of PLK Lee Shing Pik College. Through this programme, the Bank’s volunteer mentors shared their life and career experiences, and gave advice and guidance to the students, so as to help them set their life goals and direction.

### CORPORATE GOVERNANCE

The Bank strictly abides by the relevant regulations and regulatory requirements and proactively adopts and implements corresponding measures while striving to improve its corporate governance standards, so as to ensure the sustainable development of the Bank.



## CHIEF EXECUTIVE'S STATEMENT

### AWARDS AND RECOGNITIONS

The Bank is committed to providing quality banking services and improving operational efficiency. These efforts were recognised by the following awards in the first half of 2022:

- In the 2022 "Top 1000 World Banks" list issued by the British magazine "The Banker", Chong Hing Bank ranked 339th, making it one of the top 400 banks for the fourth consecutive year.
- Won the "Two-Star Honour Award" for the Best Bank of the Year by Hong Kong Life.
- Won the "Straight Through Processing (STP) Award" for USD and GBP by Citibank.
- Awarded the 2021-2022 "HR Team of the Year" presented by JobsDB.com.

### LOOKING AHEAD

Looking ahead to the second half of the year, we expect the business environment to improve gradually as the Hong Kong and Mainland economies slowly stabilise and recover. However, factors such as the pandemic, monetary policy and geopolitics still pose significant uncertainties to the global economic outlook and continue to bring challenges to the business development of the Hong Kong banking sector.

In the first half of the year, Chong Hing Bank continued to receive strong support from its shareholder, Yuexiu Group, and a number of key projects have made progress in an orderly manner. Chong Hing Bank will uphold its business philosophy of "seeking progress in a stable manner and aiming high", emphasise "risk management and the pursuit of high-quality development", and actively seize new opportunities arising from the developments in the banking industry. Meanwhile, it will focus on the Greater Bay Area for its strategic development, continue to drive the establishment of its Mainland institutions and deepen cross-border business and synergies to further improve banking services and product innovation, and realise the Bank's corporate vision of becoming "an integrated commercial bank with cross-border expertise".

### IN APPRECIATION

In this challenging operating environment, I would like to thank the Board for their continued support and guidance, steering Chong Hing Bank towards its strategic planning goals. I would also like to express my sincere gratitude to the management team for their dedication and to all staff members for their diligence. Finally, I would like to thank our shareholders, partners and customers for their continued support and trust. As always, the Bank will provide professional and outstanding services and seek to ensure that the quality of its operations can reach new heights.

**ZONG Jianxin**  
*Chief Executive*

Hong Kong, 19 August 2022

# CORPORATE GOVERNANCE

## CORPORATE GOVERNANCE PRACTICES

The Bank is an authorized institution supervised by the Hong Kong Monetary Authority (the “HKMA”) under the Hong Kong Banking Ordinance. The Bank is committed to maintaining high standards of corporate governance, with a view to safeguarding the interests of shareholders, customers, employees and other stakeholders. The Bank has applied the principles in the module on “Corporate Governance of Locally Incorporated Authorized Institutions” under the Supervisory Policy Manual issued by the HKMA to its corporate governance structure and practices.

## REVIEW OF FINANCIAL STATEMENTS

The unaudited interim condensed consolidated financial statements of the Bank and its subsidiaries (the “Group”) for the six months ended 30 June 2022 have been reviewed by the Audit Committee.

## OTHER INFORMATION

### INTERIM DIVIDEND

The Board has declared an interim cash dividend for 2022 of HK\$100,000,000 (2021: interim cash dividend of HK\$107,015,000).

### PUBLICATION OF 2022 INTERIM REPORT

The Bank's 2022 Interim Report in both English and Chinese is now available in printed form and on the website of the Bank ([www.chbank.com](http://www.chbank.com)).

# CONDENSED CONSOLIDATED INCOME STATEMENT

For the six months ended 30 June 2022

	Notes	Six months ended 30 June	
		2022 HK\$'000 (Unaudited)	2021 HK\$'000 (Unaudited)
Interest income		2,871,645	2,646,428
Interest expense		(1,167,003)	(1,043,360)
Net interest income	6	1,704,642	1,603,068
Fee and commission income		269,302	336,422
Fee and commission expenses		(35,840)	(43,306)
Net fee and commission income	7	233,462	293,116
Net income from trading and investments	8	285,717	220,968
Other operating income	9	86,859	99,171
Operating expenses	10	(954,520)	(933,526)
Operating profit before impairment allowances		1,356,160	1,282,797
Net impairment losses on financial assets	11	(498,790)	(241,093)
Operating profit after impairment allowances		857,370	1,041,704
Net gains (losses) on disposal of equipment and other investments		1,468	(1,890)
Net (losses) gains on fair value adjustments on investment properties	19	(2,440)	11,988
Share of profits of associates		30,880	59,371
Profit before taxation		887,278	1,111,173
Taxation	12	(123,891)	(159,947)
Profit for the period		763,387	951,226
– Attributable to equity owners of the Bank			

The notes on pages 26 to 60 form an integral part of this condensed consolidated interim financial information.

# CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2022

	Six months ended 30 June	
	2022 HK\$'000 (Unaudited)	2021 HK\$'000 (Unaudited)
Profit for the period	<b>763,387</b>	951,226
Other comprehensive income		
Items that may not be reclassified subsequently to profit or loss:		
Net (losses) gains on investments in equity instruments measured at fair value through other comprehensive income ("FVOCI")	<b>(2,231)</b>	6,184
Items that may be reclassified subsequently to profit or loss:		
Exchange differences arising on translation	<b>(321,118)</b>	46,883
Net (losses) gains on investments in debt instruments measured at FVOCI	<b>(138,351)</b>	372,428
Amount reclassified to profit or loss upon disposal of FVOCI debt securities	<b>(20,570)</b>	(49,468)
Income tax effect relating to disposal of financial assets measured at FVOCI	<b>3,660</b>	8,162
Income tax effect relating to fair value change of financial assets measured at FVOCI	<b>15,710</b>	(62,133)
Share of other comprehensive income of associates	<b>(50,823)</b>	4,039
Other comprehensive (expenses) income for the period (net of tax)	<b>(513,723)</b>	326,095
Total comprehensive income for the period	<b>249,664</b>	1,277,321
Total comprehensive income for the period attributable to:		
Equity owners of the Bank	<b>249,664</b>	1,277,321

The notes on pages 26 to 60 form an integral part of this condensed consolidated interim financial information.

# CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2022

	Notes	30 June 2022 HK\$'000 (Unaudited)	31 December 2021 HK\$'000 (Audited)
<b>Assets</b>			
Cash and short-term funds	14	33,895,177	32,318,859
Placements with banks maturing between one to twelve months		3,232,786	525,627
Derivative financial instruments	15	1,635,138	1,403,842
Investments in securities	16	61,929,355	56,371,763
Advances and other accounts	18	164,204,045	161,830,511
Tax recoverable		1,013	2,051
Interests in associates		402,596	426,739
Investment properties	19	320,255	325,938
Property and equipment	20	1,010,470	1,091,895
Deferred tax assets	27	84,050	72,198
Intangible assets	21	844,017	878,135
<b>Total assets</b>		<b>267,558,902</b>	<b>255,247,558</b>
<b>Liabilities</b>			
Deposits and balances of banks		14,609,614	7,671,283
Financial assets sold under repurchase agreements	22	3,341,204	2,036,268
Deposits from customers	23	205,120,162	201,087,108
Derivative financial instruments	15	1,061,632	2,161,929
Other accounts and accruals	24	3,558,032	2,825,363
Current tax liabilities		191,849	86,247
Certificates of deposit	25	389,599	1,597,765
Loan capital	26	3,002,897	3,009,489
Deferred tax liabilities	27	101,584	176,339
<b>Total liabilities</b>		<b>231,376,573</b>	<b>220,651,791</b>
<b>Equity attributable to owners of the Bank</b>			
Share capital	28	17,030,884	15,280,884
Additional equity instruments	29	5,427,996	5,427,996
Reserves		13,723,449	13,886,887
<b>Total equity</b>		<b>36,182,329</b>	<b>34,595,767</b>
<b>Total liabilities and equity</b>		<b>267,558,902</b>	<b>255,247,558</b>

The notes on pages 26 to 60 form an integral part of this condensed consolidated interim financial information.

# CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2022

	Note	Share capital HK\$'000	Additional equity instruments HK\$'000	Goodwill HK\$'000	Share- based payment reserve HK\$'000	Investment revaluation reserve HK\$'000	Land and building revaluation reserve HK\$'000	General reserve HK\$'000	Translation reserve HK\$'000	Regulatory reserve HK\$'000	Retained profits HK\$'000	Total HK\$'000
<b>At 1 January 2022</b>		15,280,884	5,427,996	(182)	-	330,559	197,136	1,388,500	361,703	582,000	11,027,171	34,595,767
Profit for the period		-	-	-	-	-	-	-	-	-	763,387	763,387
Other comprehensive income		-	-	-	-	(192,605)	-	-	(321,118)	-	-	(513,723)
Total comprehensive income for the period		-	-	-	-	(192,605)	-	-	(321,118)	-	763,387	249,664
Issue of share capital		1,750,000	-	-	-	-	-	-	-	-	-	1,750,000
Distribution payment for additional equity instruments		-	(153,102)	-	-	-	-	-	-	-	-	(153,102)
Transfer from retained profits		-	153,102	-	-	-	-	-	-	-	(153,102)	-
Final dividend paid	13	-	-	-	-	-	-	-	-	-	(260,000)	(260,000)
Earmark of retained profits as regulatory reserve		-	-	-	-	-	-	-	-	(271,000)	271,000	-
<b>At 30 June 2022</b>		17,030,884	5,427,996	(182)	-	137,954	197,136	1,388,500	40,585	311,000	11,648,456	36,182,329

## CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2022

	Note	Share capital HK\$'000	Additional equity instruments HK\$'000	Goodwill HK\$'000	Share-based payment reserve HK\$'000	Investment revaluation reserve HK\$'000	Land and building revaluation reserve HK\$'000	General reserve HK\$'000	Translation reserve HK\$'000	Regulatory reserve HK\$'000	Retained profits HK\$'000	Total HK\$'000
<b>At 1 January 2021</b>		9,977,060	5,427,996	(182)	6,023	47,666	179,633	1,388,500	167,565	603,000	10,137,199	27,934,460
Profit for the period		-	-	-	-	-	-	-	-	-	951,226	951,226
Other comprehensive income		-	-	-	-	279,212	-	-	46,883	-	-	326,095
Total comprehensive income for the period		-	-	-	-	279,212	-	-	46,883	-	951,226	1,277,321
Shares issued under Share Award Scheme		3,824	-	-	-	-	-	-	-	-	-	3,824
Equity settled share-based transaction		-	-	-	(182)	-	-	-	-	-	-	(182)
Distribution payment for additional equity instruments		-	(152,330)	-	-	-	-	-	-	-	-	(152,330)
Transfer from retained profits		-	152,330	-	-	-	-	-	-	-	(152,330)	-
Final dividend paid	13	-	-	-	-	-	-	-	-	-	(223,758)	(223,758)
Earmark of retained profits as regulatory reserve		-	-	-	-	-	-	-	-	87,000	(87,000)	-
<b>At 30 June 2021</b>		9,980,884	5,427,996	(182)	5,841	326,878	179,633	1,388,500	214,448	690,000	10,625,337	28,839,335

The retained profits of the Group included retained profits of HK\$243,328,000 (30 June 2021: retained profits of HK\$240,488,000) retained by the associates of the Group.

The regulatory reserve is set up in compliance with the requirements of the Hong Kong Monetary Authority (the "HKMA") and is distributable to the shareholders of the Bank subject to consultation with the HKMA.

The general reserve comprises transfers from previous years' retained profits.

The notes on pages 26 to 60 form an integral part of this condensed consolidated interim financial information.



# CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2022

	Six months ended 30 June	
	2022 HK\$'000 (Unaudited)	2021 HK\$'000 (Unaudited)
<b>OPERATING ACTIVITIES</b>		
Profit before taxation	887,278	1,111,173
Adjustments for:		
Net interest income	(1,704,642)	(1,603,068)
Net impairment losses on financial assets	498,790	241,093
Net (gains) losses on disposal of equipment and other investments	(1,468)	1,890
Net gains on disposal of financial assets measured at FVOCI	(20,570)	(49,468)
Net losses (gains) on fair value adjustments on investment properties	2,440	(11,988)
Share of profits of associates	(30,880)	(59,371)
Net losses on fair value hedge	12,298	218
Dividend received from investments	(5,079)	(5,655)
Depreciation and amortisation	169,465	154,545
Equity settled share-based payment expenses	–	3,641
Exchange adjustments	100,957	53,177
Operating cash flows before movements in operating assets and liabilities	(91,411)	(163,813)
(Increase) decrease in operating assets:		
Money at call and short notice with original maturity over three months	(488,530)	13,986
Placements with banks with original maturity over three months	103,928	(112,860)
Financial assets at fair value through profit or loss	16,509	484
Advances to customers	(2,073,622)	(10,779,942)
Advances to banks	(261,154)	869,136
Other accounts	(402,998)	1,333,999
Increase (decrease) in operating liabilities:		
Deposits and balances of banks	6,938,331	(2,860,107)
Financial assets sold under repurchase agreements	1,304,936	1,715,862
Deposits from customers	4,033,054	12,428,551
Certificates of deposit	(1,208,166)	(123,763)
Derivative financial instruments	(288,655)	(375,266)
Other accounts and accruals	620,214	(403,978)
Cash generated from operations	8,202,436	1,542,289
Hong Kong Profits Tax paid	(43,320)	(47,383)
Overseas tax paid	(39,842)	(50,461)
Interest received	2,442,092	2,281,086
Interest paid	(991,204)	(908,666)
<b>NET CASH GENERATED FROM OPERATING ACTIVITIES</b>	<b>9,570,162</b>	<b>2,816,865</b>

**CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS**

For the six months ended 30 June 2022

	<b>Six months ended 30 June</b>	
	<b>2022</b> HK\$'000 (Unaudited)	<b>2021</b> HK\$'000 (Unaudited)
<b>INVESTING ACTIVITIES</b>		
Interest received on investments in securities	<b>423,317</b>	296,946
Dividends received on investments in securities	<b>5,079</b>	5,655
Dividends received from associates	<b>4,200</b>	4,200
Purchase of financial assets measured at amortised cost	<b>(4,794,356)</b>	(295,015)
Purchase of financial assets measured at FVOCI	<b>(73,856,108)</b>	(41,025,077)
Purchase of property and equipment	<b>(54,341)</b>	(29,514)
Purchase of intangible assets	<b>(10,012)</b>	(48,418)
Proceeds from redemption of financial assets measured at amortised cost	<b>788,042</b>	414,401
Proceeds from sale and redemption of financial assets measured at FVOCI	<b>70,552,627</b>	34,061,997
Proceeds from disposal of equipment	<b>40,484</b>	1,087
<b>NET CASH USED IN INVESTING ACTIVITIES</b>	<b>(6,901,068)</b>	(6,613,738)
<b>FINANCING ACTIVITIES</b>		
Net proceeds from issue of share capital	<b>1,750,000</b>	–
Interest paid on loan capital	<b>(32,268)</b>	(17,622)
Payment of lease liabilities	<b>(88,181)</b>	(94,229)
Dividends paid to ordinary shareholders	<b>(260,000)</b>	(223,758)
Distribution paid on additional equity instruments	<b>(153,102)</b>	(152,330)
<b>NET CASH GENERATED FROM (USED IN) FINANCING ACTIVITIES</b>	<b>1,216,449</b>	(487,939)
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	<b>3,885,543</b>	(4,284,812)
<b>CASH AND CASH EQUIVALENTS AT 1 JANUARY</b>	<b>32,387,203</b>	22,965,025
<b>CASH AND CASH EQUIVALENTS AT 30 JUNE</b>	<b>36,272,746</b>	18,680,213
Represented by:		
Cash and balances with central bank and banks	<b>11,394,933</b>	12,502,561
Money at call and short notice with original maturity of less than three months	<b>22,011,714</b>	5,610,382
Placements with banks maturing between one to twelve months with original maturity of less than three months	<b>2,866,099</b>	567,270
	<b>36,272,746</b>	18,680,213

The notes on pages 26 to 60 form an integral part of this condensed interim financial information.

# NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

For the six months ended 30 June 2022

## 1. GENERAL INFORMATION

Chong Hing Bank Limited (the “Bank”) is a limited company incorporated in Hong Kong. The listing of the shares of the Bank on the Main Board of The Stock Exchange of Hong Kong Limited had been withdrawn on 30 September 2021, and it became a wholly-owned subsidiary of Yuexiu Financial Holdings Limited since then.

The Bank is engaged in the provision of banking and related financial services. The address of the registered office of the Bank is Ground Floor, Chong Hing Bank Centre, 24 Des Voeux Road Central, Hong Kong.

The condensed consolidated interim financial information is presented in Hong Kong dollars, which is the same as the functional currency of the Bank.

The financial information relating to the year ended 31 December 2021 that is included in the condensed consolidated interim financial information for the six months ended 30 June 2022 as comparative information does not constitute the Bank’s statutory annual consolidated financial statements for that year but is derived from those financial statements. Further information relating to those statutory financial statements required to be disclosed in accordance with section 436 of the Hong Kong Companies Ordinance (Cap. 622) is as follows:

The Bank has delivered the financial statements for the year ended 31 December 2021 to the Registrar of Companies as required by section 662(3) of, and Part 3 of Schedule 6 to, the Hong Kong Companies Ordinance (Cap. 622).

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

## 2. BASIS OF PREPARATION AND ACCOUNTING POLICIES

This condensed consolidated interim financial information for the six months ended 30 June 2022 has been prepared in accordance with Hong Kong Accounting Standard (“HKAS”) 34 “Interim financial reporting”. The condensed consolidated interim financial information should be read in conjunction with the annual financial statements for the year ended 31 December 2021, which have been prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRSs”).

The accounting policies applied are consistent with those of the annual financial statements for the year ended 31 December 2021, as described in those annual financial statements, except for the adoption of new and amended standards as set out below.

### NEW AND AMENDED STANDARDS ADOPTED BY THE GROUP

A number of new or amended standards became applicable for the current reporting period, and the Group did not have to change its accounting policies or make retrospective adjustments as a result of adopting these standards.

## NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

For the six months ended 30 June 2022

### 3. SEGMENT INFORMATION

The Group's operating segments, which are also the reportable segments, based on information regularly reviewed by the chief operating decision maker (Executive Committee of the Group) for the purposes of allocating resources to segments and assessing their performance on business divisions of the Group, are as follows:

1. Corporate and personal banking
2. Financial markets activities
3. Securities business
4. Others comprising investment holding, insurance, other investment advisory services and property investments.

No operating segments identified by the chief operating decision maker have been aggregated in arriving at the reportable segments of the Group.

## NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

For the six months ended 30 June 2022

### 3. SEGMENT INFORMATION (Continued)

The following is an analysis of the Group's revenue and results by reportable and operating segment for the periods under review:

#### OPERATING SEGMENT REVENUE AND RESULTS

Six months ended 30 June 2022

	Corporate and personal banking HK\$'000	Financial markets activities HK\$'000	Securities business HK\$'000	Others HK\$'000	Eliminations HK\$'000	Consolidated HK\$'000
Interest income from external customers	2,502,739	364,465	3,240	1,201	-	2,871,645
Interest expense to external customers	(1,123,938)	(29,020)	(12)	(14,033)	-	(1,167,003)
Inter-segment interest income (Note 1)	124,259	-	-	70,798	(195,057)	-
Inter-segment interest expense (Note 1)	-	(195,057)	-	-	195,057	-
Net interest income	1,503,060	140,388	3,228	57,966	-	1,704,642
Fee and commission income	208,360	140	58,909	1,893	-	269,302
Fee and commission expenses	(35,689)	(63)	(88)	-	-	(35,840)
Net income from trading and investments	149,947	96,866	(3)	38,907	-	285,717
Other operating income	63,329	-	617	22,913	-	86,859
Segment revenue						
Total operating income	1,889,007	237,331	62,663	121,679	-	2,310,680
Comprising:						
- Segment revenue from external customers	1,764,748	432,388	62,663	50,881		
- Inter-segment transactions	124,259	(195,057)	-	70,798		
Operating expenses	(830,049)	(71,214)	(40,576)	(12,681)	-	(954,520)
Net impairment losses on financial assets	(503,480)	4,687	2	1	-	(498,790)
Segment profit	555,478	170,804	22,089	108,999	-	857,370
Unallocated corporate expenses						(972)
Share of profits of associates						30,880
Profit before taxation						887,278

Note:

1. Inter-segment pricing for funding transactions is charged with reference to prevailing market interest rates.

## NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

For the six months ended 30 June 2022

### 3. SEGMENT INFORMATION (Continued)

#### OPERATING SEGMENT ASSETS AND LIABILITIES

At 30 June 2022

	Corporate and personal banking HK\$'000	Financial markets activities HK\$'000	Securities business HK\$'000	Others HK\$'000	Consolidated HK\$'000
<b>Assets</b>					
Segment assets	181,792,540	81,945,670	382,867	441,676	264,562,753
Interests in associates					402,596
Unallocated corporate assets					2,593,553
Consolidated total assets					267,558,902
<b>Liabilities</b>					
Segment liabilities	207,655,671	22,719,336	228,261	163,790	230,767,058
Unallocated corporate liabilities					609,515
Consolidated total liabilities					231,376,573

#### OTHER INFORMATION

Six months ended 30 June 2022

	Corporate and personal banking HK\$'000	Financial markets activities HK\$'000	Securities business HK\$'000	Others HK\$'000	Unallocated HK\$'000	Consolidated HK\$'000
Capital expenditure during the period	44,132	736	163	46	19,276	64,353
Depreciation and amortisation	108,795	7,022	9,542	4,480	39,626	169,465

## NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

For the six months ended 30 June 2022

### 3. SEGMENT INFORMATION (Continued)

#### OPERATING SEGMENT REVENUE AND RESULTS

Six months ended 30 June 2021

	Corporate and personal banking HK\$'000	Financial markets activities HK\$'000	Securities business HK\$'000	Others HK\$'000	Eliminations HK\$'000	Consolidated HK\$'000
Interest income from external customers	2,345,690	296,072	3,590	1,076	-	2,646,428
Interest expense to external customers	(989,707)	(8,948)	(32)	(44,673)	-	(1,043,360)
Inter-segment interest income (Note)	44,438	-	-	38,442	(82,880)	-
Inter-segment interest expense (Note)	-	(82,880)	-	-	82,880	-
Net interest income	1,400,421	204,244	3,558	(5,155)	-	1,603,068
Fee and commission income	239,628	1,813	91,300	3,681	-	336,422
Fee and commission expenses	(42,706)	(145)	(455)	-	-	(43,306)
Net income from trading and investments	83,144	118,812	24	18,988	-	220,968
Other operating income	67,369	-	340	31,462	-	99,171
Segment revenue						
Total operating income	1,747,856	324,724	94,767	48,976	-	2,216,323
Comprising:						
- Segment revenue from external customers	1,703,418	407,604	94,767	10,534		
- Inter-segment transactions	44,438	(82,880)	-	38,442		
Operating expenses	(795,638)	(62,125)	(47,854)	(27,909)	-	(933,526)
Net impairment losses on financial assets	(255,221)	14,135	(5)	(2)	-	(241,093)
Segment profit	696,997	276,734	46,908	21,065	-	1,041,704
Unallocated corporate income						10,098
Share of profits of associates						59,371
Profit before taxation						1,111,173

Note: Inter-segment pricing for funding transactions is charged with reference to prevailing market interest rates.

Due to the revision in the inter-segment pricing policy applied to operating segments, certain comparative figures have been restated to conform to the current year's presentation.

## NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

For the six months ended 30 June 2022

### 3. SEGMENT INFORMATION (Continued)

#### OPERATING SEGMENT ASSETS AND LIABILITIES

At 31 December 2021

	Corporate and personal banking HK\$'000	Financial markets activities HK\$'000	Securities business HK\$'000	Others HK\$'000	Consolidated HK\$'000
<b>Assets</b>					
Segment assets	181,647,764	70,985,322	320,944	450,100	253,404,130
Interests in associates					426,739
Unallocated corporate assets					1,416,689
Consolidated total assets					255,247,558
<b>Liabilities</b>					
Segment liabilities	202,264,966	16,795,363	115,723	158,003	219,334,055
Unallocated corporate liabilities					1,317,736
Consolidated total liabilities					220,651,791

#### OTHER INFORMATION

Six months ended 30 June 2021

	Corporate and personal banking HK\$'000	Financial markets activities HK\$'000	Securities business HK\$'000	Others HK\$'000	Unallocated HK\$'000	Consolidated HK\$'000
Capital expenditure during the period	80,668	21	4,630	723	3,220	89,262
Depreciation and amortisation	58,332	1,088	892	3,755	90,478	154,545

All direct costs incurred by different segments are grouped under respective segments. Indirect costs and support functions' costs are allocated to various segments and products based on effort and time spent while segments' other operating income is allocated depending on the nature of costs incurred. Indirect costs and support functions' costs and income related to corporate activities that cannot be reasonably allocated to segments or products are grouped as unallocated corporate expenses and unallocated corporate income respectively. This is the measure reported to the chief operating decision maker for the purposes of resource allocation and assessment of performance.



## NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

For the six months ended 30 June 2022

### 3. SEGMENT INFORMATION (Continued)

#### OTHER INFORMATION (Continued)

There is no operating income with a single external customer amounting to or exceeding 10% of the Group's and the Bank's total operating income.

Assets and liabilities related to corporate activities that cannot be reasonably allocated to segments, products and support functions are grouped as unallocated corporate assets and liabilities. All direct segment assets and liabilities are grouped under respective segments.

#### GEOGRAPHICAL INFORMATION

Geographical information (including geographical analysis of total segment revenue) 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. Non-current assets presented below are based on the location of the entities' country of domicile which is the same as the location of the non-current assets.

	Six months ended 30 June 2022			At 30 June 2022			
	Total operating income	Profit before taxation	Capital expenditure during the period	Total assets	Total liabilities	Total contingent liabilities and commitments	Non-current assets
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Hong Kong	1,569,945	533,040	34,895	178,844,805	148,986,148	38,392,448	2,203,092
Mainland China	701,693	323,560	29,273	84,469,172	78,502,241	16,269,230	356,310
Macau and others	39,042	30,678	185	4,244,925	3,888,184	686,140	17,936
<b>Total</b>	<b>2,310,680</b>	<b>887,278</b>	<b>64,353</b>	<b>267,558,902</b>	<b>231,376,573</b>	<b>55,347,818</b>	<b>2,577,338</b>

	Six months ended 30 June 2021			At 31 December 2021			
	Total operating income	Profit before taxation	Capital expenditure during the period	Total assets	Total liabilities	Total contingent liabilities and commitments	Non-current assets
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Hong Kong	1,617,104	741,688	70,410	181,438,028	153,214,902	39,715,894	2,313,950
Mainland China	566,318	363,046	18,815	70,277,469	64,249,299	19,645,263	389,169
Macau and others	32,901	6,439	37	3,532,061	3,187,590	367,283	19,588
<b>Total</b>	<b>2,216,323</b>	<b>1,111,173</b>	<b>89,262</b>	<b>255,247,558</b>	<b>220,651,791</b>	<b>59,728,440</b>	<b>2,722,707</b>

Note:

Total operating income consists of net interest income, net fee and commission income, net income from trading and investments and other operating income.

Non-current assets consist of interests in associates, investment properties, property and equipment and intangible assets.

## NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

For the six months ended 30 June 2022

### 4. FAIR VALUE MEASUREMENT OF FINANCIAL INSTRUMENTS

#### 4.1 FAIR VALUE ESTIMATION

The table below analyses financial instruments carried at fair value, by valuation method. The different levels have been defined as follows:

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
- Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The following table presents the Group's financial assets and liabilities that are measured at fair value as at 30 June 2022.

	Fair value hierarchy			
	Level 1 HK\$'000	Level 2 HK\$'000	Level 3 HK\$'000	Total HK\$'000
<b>At 30 June 2022</b>				
Financial assets measured at fair value through profit or loss				
Debt securities	135,463	-	-	135,463
Other securities	-	590,047	-	590,047
Financial assets measured at FVOCI				
Equity securities	38,700	-	40,894	79,594
Debt securities	53,635,400	492,137	-	54,127,537
Trade bills	-	5,065,014	-	5,065,014
Derivative financial assets not used for hedging	-	1,279,588	-	1,279,588
Derivative financial assets used for hedging	-	355,550	-	355,550
Derivative financial liabilities not used for hedging	-	(963,457)	-	(963,457)
Derivative financial liabilities used for hedging	-	(98,175)	-	(98,175)
<b>Total</b>	<b>53,809,563</b>	<b>6,720,704</b>	<b>40,894</b>	<b>60,571,161</b>

## NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

For the six months ended 30 June 2022

### 4. FAIR VALUE MEASUREMENT OF FINANCIAL INSTRUMENTS *(Continued)*

#### 4.1 FAIR VALUE ESTIMATION *(Continued)*

The following table presents the Group's financial assets and liabilities that are measured at fair value as at 31 December 2021.

	Fair value hierarchy			Total HK\$'000
	Level 1 HK\$'000	Level 2 HK\$'000	Level 3 HK\$'000	
<b>At 31 December 2021</b>				
Financial assets measured at fair value through profit or loss				
Debt securities	126,862	-	-	126,862
Other securities	-	615,157	-	615,157
Financial assets measured at FVOCI				
Equity securities	40,859	-	42,654	83,513
Debt securities	52,016,265	412,436	-	52,428,701
Trade bills	-	8,339,820	-	8,339,820
Derivative financial assets not used for hedging				
	-	1,339,175	-	1,339,175
Derivative financial assets used for hedging				
	-	64,667	-	64,667
Derivative financial liabilities not used for hedging				
	-	(1,303,274)	-	(1,303,274)
Derivative financial liabilities used for hedging				
	-	(858,655)	-	(858,655)
<b>Total</b>	<b>52,183,986</b>	<b>8,609,326</b>	<b>42,654</b>	<b>60,835,966</b>

There was no transfer between Levels 1, 2 and 3 during the current and prior reporting period.

Except as detailed in the following table, the directors of the Group consider that the carrying amounts of financial assets and financial liabilities recorded at amortised cost in the condensed consolidated interim financial information approximate their fair values.

## NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

For the six months ended 30 June 2022

### 4. FAIR VALUE MEASUREMENT OF FINANCIAL INSTRUMENTS *(Continued)*

#### 4.1 FAIR VALUE ESTIMATION *(Continued)*

	Carrying amount		Fair value	
	2022 HK\$'000	2021 HK\$'000	2022 HK\$'000	2021 HK\$'000
Financial assets				
– measured at amortised cost	<b>6,996,714</b>	3,117,530	<b>6,968,950</b>	3,145,066
Financial liabilities				
– Loan capital	<b>3,002,897</b>	3,009,489	<b>3,003,764</b>	2,982,892

#### 4.2 VALUATION TECHNIQUES

The fair value of listed securities is determined with reference to quoted market bid prices from relevant stock exchanges.

The fair values of debt securities classified as FVOCI, certificates of deposit and other debt securities classified as amortised cost securities and loan capital are determined based on indicative prices provided by the dealers and brokers. In addition, the Group makes comparison of the indicative prices with the prices obtained from pricing service providers and other service providers and with the values calculated using valuation models such as discounted cash flows method to substantiate the indicative prices of the debt securities. The key inputs used in the valuation models are the interest rate data, which are observable at the end of the reporting period. The objective of valuation models is to arrive at a fair value estimation that reflects the price of the financial instrument at the reporting date, which would have been determined by market participants acting at arm's length.

The fair values of trade bills classified as FVOCI are measured by the present value of future cash flows estimated and discounted based on the applicable yield curves derived from quoted interest rates, which are observable at the end of the reporting period.

The fair value of foreign currency forward contracts is measured by comparing the contracted forward rates and the quoted forward exchange rates, which are observable at the end of the reporting period.

The fair value of interest rate swaps and cross-currency interest rate swaps are measured by the present value of future cash flows estimated and discounted based on the applicable yield curves derived from quoted interest rates, which are observable at the end of the reporting period.

## NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

For the six months ended 30 June 2022

### 4. FAIR VALUE MEASUREMENT OF FINANCIAL INSTRUMENTS (Continued)

#### 4.3 RECONCILIATION OF LEVEL 3 FAIR VALUE MEASUREMENTS OF FINANCIAL ASSETS

	Financial assets measured at FVOCI HK\$'000
<b>Balance at 1 January 2021</b>	41,680
Exchange difference	974
<b>Balance at 31 December 2021 and 1 January 2022</b>	<b>42,654</b>
Disposal	(277)
Exchange difference	(1,483)
<b>Balance at 30 June 2022</b>	<b>40,894</b>

The majority of the Group's investments are valued based on quoted market information or observable market data. A small percentage, less than 0.02% (31 December 2021: less than 0.02%), assets recorded at fair value, are based on estimates and recorded as Level 3 investments. Whilst such valuations are sensitive to estimates, it is believed that changing one or more of the assumptions to reasonably possible alternative assumptions would not have a material impact on the Group's financial positions.

### 5. OFFSETTING FINANCIAL ASSETS AND FINANCIAL LIABILITIES

The Group has financial assets and financial liabilities that:

- are offset in the Group's condensed consolidated statement of financial position; or
- are subject to an enforceable master netting arrangement or similar agreement that covers similar financial instruments, irrespective of whether they are offset in the condensed consolidated statement of financial position.

The Group entered into International Swaps and Derivatives Association ("ISDA") Master Agreements and Global Master Repurchase Agreements ("GMRA") for derivatives and sale and repurchase agreements. In addition, the Group receives and pledges collateral in the form of cash in respect of its derivative transactions and sale and repurchase agreements. Such collateral is subject to the standard industry terms of ISDA Credit Support Annex or GMRA. Collateral received or pledged must be returned on maturity of the transactions.

Under the Continuous Net Settlement, money obligations receivable and payable with the Hong Kong Securities Clearing Company Limited on the same settlement date are settled on a net basis.

## NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

For the six months ended 30 June 2022

### 6. NET INTEREST INCOME

	Six months ended 30 June	
	2022 HK\$'000	2021 HK\$'000
Interest income		
Balances and placements with central bank and banks	128,194	128,460
Investments in securities	477,866	377,311
Loans and advances	2,265,585	2,140,657
	<b>2,871,645</b>	2,646,428
Interest expense		
Deposits and balances of banks	(108,889)	(76,519)
Deposits from customers	(985,028)	(894,731)
Financial assets sold under repurchase agreements	(23,210)	(21,879)
Certificates of deposit	(2,231)	(5,936)
Loan capital in issue	(40,350)	(36,308)
Lease liabilities	(7,295)	(7,987)
	<b>(1,167,003)</b>	(1,043,360)
Net interest income	<b>1,704,642</b>	1,603,068
Included within interest income		
Interest income on impaired loans and advances	13,831	3,690

Included within interest income and interest expense are HK\$2,871,645,000 (2021: HK\$2,646,428,000) and HK\$1,167,003,000 (2021: HK\$1,043,360,000) earned and incurred from financial assets and financial liabilities that are not recognised at fair value through profit or loss, respectively.

Included above is interest income from unlisted investments in debt securities of HK\$477,866,000 (2021: HK\$377,311,000).

## NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

For the six months ended 30 June 2022

### 7. NET FEE AND COMMISSION INCOME

	Six months ended 30 June	
	2022 HK\$'000	2021 HK\$'000
Fee and commission income		
Securities dealings	59,339	94,334
Loans, overdrafts and guarantees	115,467	120,402
Trade finance	5,043	6,213
Credit card services	37,868	45,906
Agency services	39,611	59,692
Others	11,974	9,875
Total fee and commission income	269,302	336,422
Less: Fee and commission expenses	(35,840)	(43,306)
	233,462	293,116
of which:		
Net fee and commission, other than amounts included in determining the effective interest rate, arising from financial assets or financial liabilities, that are not recognised at fair value through profit or loss		
– Fee income	102,541	99,757
– Fee expenses	(33,223)	(40,100)
	69,318	59,657

## NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

For the six months ended 30 June 2022

### 8. NET INCOME FROM TRADING AND INVESTMENTS

	Six months ended 30 June	
	2022 HK\$'000	2021 HK\$'000
Foreign exchange gains	241,121	158,594
Net gains on financial instruments at fair value through profit or loss	36,324	13,124
Net losses on fair value hedge	(12,298)	(218)
Net gains on disposal of financial assets at FVOCI – Debt securities	20,570	49,468
	<b>285,717</b>	220,968

“Foreign exchange gains” includes gains and losses from spot and forward contracts, swaps and translated foreign currency assets and liabilities, which are not designated as qualifying hedging relationship.

The Group entered into foreign exchange swaps for its liquidity management and funding activities. It involves swapping a currency (“original currency”) into another currency (“swap currency”) at the spot exchange rate for short-term placement and simultaneously entering into a forward contract to convert the funds back to the original currency on maturity of the placement. The exchange difference between the spot and forward contracts as well as the corresponding interest differential between the surplus funds in the original currency and swap currency are recognised as “Foreign exchange gains”.

Net gains on disposal of the financial assets at FVOCI were included in the net income from trading and investments of the Group which form part of the business operation. This is in line with the current business model of the Group.



## NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

For the six months ended 30 June 2022

### 9. OTHER OPERATING INCOME

	Six months ended 30 June	
	2022 HK\$'000	2021 HK\$'000
Dividend income		
– Listed investments	1,504	3,200
– Unlisted investments	3,575	2,455
	5,079	5,655
Gross rents from investment properties	2,344	3,976
Less: Outgoings	(230)	(228)
Net rental income	2,114	3,748
Safe deposit box rentals	28,651	29,558
Net insurance income (Note)	10,338	8,682
Other banking services income	39,810	50,503
Others	867	1,025
	86,859	99,171

Note: Details of net insurance income are as follows:

	Six months ended 30 June	
	2022 HK\$'000	2021 HK\$'000
Gross insurance premium income	19,766	19,450
Reinsurers' share of gross insurance premium income	(5,980)	(6,000)
	13,786	13,450
Decrease in gross outstanding claims	2,380	2,378
Gross claim paid	(5,650)	(9,905)
	(3,270)	(7,527)
Decrease in recoverable from reinsurance of outstanding claims	(1,751)	(119)
Reinsurance claims (paid)/recovered	(9)	1,795
	(1,760)	1,676
Net insurance commission income	1,582	1,083
Net insurance income	10,338	8,682

## NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

For the six months ended 30 June 2022

### 10. OPERATING EXPENSES

	Six months ended 30 June	
	2022 HK\$'000	2021 HK\$'000
Auditor's remuneration		
– Audit services	3,800	4,019
– Non-audit services	367	–
Staff costs (including directors' emoluments)		
– Salaries and other costs	563,984	562,399
– Retirement benefits scheme contributions	34,074	32,734
– Equity settled share-based payment	–	3,641
– Capitalised to intangible assets	(6)	(17,926)
Total staff costs	598,052	580,848
Depreciation		
– Property and equipment	43,336	41,564
– Right-of-use assets	97,192	101,873
– Government grants (Note)	–	(4,229)
	140,528	139,208
Amortisation of intangible assets	28,937	15,337
Premises and equipment expenses, excluding depreciation		
– Rentals and rates for premises	3,501	5,159
– Expenses relating to short-term leases	1,114	360
– Expenses relating to leases of low-value assets	32	17
– Capitalised to intangible assets	–	(1,172)
– Others	4,383	3,841
	9,030	8,205
Other operating expenses	173,806	186,618
– Capitalised to intangible assets	–	(709)
	173,806	185,909
	954,520	933,526

Note: Government grants were received by the Group from the Government of the People's Republic of China for office rental in Shenzhen. There are no unfulfilled conditions or contingencies relating to these grants.

## NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

For the six months ended 30 June 2022

### 11. NET IMPAIRMENT LOSSES ON FINANCIAL ASSETS

	Six months ended 30 June	
	2022 HK\$'000	2021 HK\$'000
Loans and advances to customers	504,096	255,036
Short-term funds and placement with banks	(13,491)	1,114
Investment in securities	(7,815)	(12,422)
Loan commitments and financial guarantees	16,000	(2,635)
	<b>498,790</b>	241,093

### 12. TAXATION

	Six months ended 30 June	
	2022 HK\$'000	2021 HK\$'000
The tax charge comprises:		
Hong Kong Profits Tax	103,267	50,903
Overseas taxation	86,535	74,591
Deferred tax	(65,911)	34,453
	<b>123,891</b>	159,947

Hong Kong Profits Tax is calculated at 16.5% (2021: 16.5%) of the estimated assessable profit for the period.

Taxation arising in other jurisdictions is calculated at the rates prevailing in the relevant jurisdictions.

### 13. DIVIDENDS

On 28 June 2022, a dividend of HK\$260,000,000 was paid to shareholders as the final dividend for 2021.

On 8 June 2021, a dividend of HK\$223,758,000 was paid to shareholders as the final dividend for 2020.

Subsequent to the end of the interim period, the Board has declared a total amount of interim dividend in respect of the financial year ending 31 December 2022 of HK\$100,000,000 (2021: HK\$107,015,000).

## NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

For the six months ended 30 June 2022

### 14. CASH AND SHORT-TERM FUNDS

	30 June 2022 HK\$'000	31 December 2021 HK\$'000
Cash and balances with central bank and banks	<b>11,394,933</b>	17,312,228
Money at call and short notice	<b>22,500,244</b>	15,006,631
	<b>33,895,177</b>	32,318,859

Included in the "Cash and balances with central bank and banks" are surplus reserve deposits placed with People's Bank of China by the Mainland branches of HK\$250,040,000 (31 December 2021: HK\$1,443,420,000).

### 15. DERIVATIVE FINANCIAL INSTRUMENTS

	30 June 2022		
	Notional amount HK\$'000	Fair value Assets HK\$'000	Liabilities HK\$'000
Derivatives held for trading			
– Foreign currency forward contracts and swaps	270,855,491	1,047,942	772,811
– Foreign currency options	10,352,230	1,551	2,512
– Interest rate swaps	30,461,403	228,473	188,134
– Futures	1,569,100	1,622	–
Derivatives designated as hedging instruments			
– Interest rate swaps	24,210,256	355,550	98,175
		<b>1,635,138</b>	<b>1,061,632</b>

## NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

For the six months ended 30 June 2022

### 15. DERIVATIVE FINANCIAL INSTRUMENTS (Continued)

	Notional amount HK\$'000	31 December 2021	
		Assets HK\$'000	Liabilities HK\$'000
Derivatives held for trading			
– Foreign currency forward contracts and swaps	220,631,231	1,260,284	1,234,730
– Foreign currency options	3,906,627	1,954	1,904
– Interest rate swaps	21,559,825	76,912	66,640
– Futures	84,204	25	–
Derivatives designated as hedging instruments			
– Interest rate swaps	27,525,820	64,667	858,655
		1,403,842	2,161,929

As at 30 June 2022 and 31 December 2021, all foreign currency forward contracts have settlement dates within 3 years (31 December 2021: 4 years) from the end of the reporting period.

The remaining maturity of interest rate swaps held for trading is within 10 years (2021: within 8 years).

#### INTERBANK OFFERED RATES (“IBORS”) TRANSITION

IBOR transition is the process of preparation for the replacement of the Inter-bank Offered Rate (IBOR) by alternative risk-free rates. UK Financial Conduct Authority (FCA) announced that all London Inter-bank Offered Rate settings will either cease to be provided by any administrator or no longer be representative after 30 June 2023. This transition impacts the Group's outstanding financial derivatives and interest rate sensitive assets and liabilities.

A bankwide project workgroup has been established to push a series of system enhancements in order to accommodate the Group with the IBOR transition, including risk management perspective. Market risk limits such as value-at-risk and interest rate sensitivities are still effective and valid for risk management. The Group aims to put system and process changes in place to help achieving the IBOR transition.

The following table illustrates the Group's exposures to the IBOR benchmarks yet to transition to alternative benchmarks. Amounts in respect of financial instruments are that:

- contractually reference an interest rate benchmark that is planned to transition to an alternative benchmark;
- have a contractual maturity date beyond the date by which the reference interest rate benchmark is expected to be ceased; and
- are recognized on the Group's consolidated balance sheet.

	30 June 2022		31 December 2021	
	USD LIBOR HK\$'000	GBP LIBOR HK\$'000	USD LIBOR HK\$'000	GBP LIBOR HK\$'000
Non-derivative financial assets (Note)	1,068,382	–	680,652	158,028
Non-derivative financial liabilities	–	–	–	–
Derivative notional contract amount	16,624,724	–	16,521,317	–

Note: Gross carrying amount excluding allowance for expected credit losses.

## NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

For the six months ended 30 June 2022

## 16. INVESTMENTS IN SECURITIES

	Financial assets measured at fair value through profit or loss HK\$'000	Financial assets measured at FVOCI HK\$'000	Financial assets measured at amortised cost HK\$'000	Total HK\$'000
<b>30 June 2022</b>				
Equity securities	–	79,594	–	79,594
Debt securities	135,463	54,127,537	6,996,714	61,259,714
Other securities	590,047	–	–	590,047
<b>Total</b>	<b>725,510</b>	<b>54,207,131</b>	<b>6,996,714</b>	<b>61,929,355</b>
<b>31 December 2021</b>				
Equity securities	–	83,513	–	83,513
Debt securities	126,862	52,428,701	3,117,530	55,673,093
Other securities	615,157	–	–	615,157
<b>Total</b>	<b>742,019</b>	<b>52,512,214</b>	<b>3,117,530</b>	<b>56,371,763</b>

## 17. TRANSFER OF FINANCIAL ASSETS

The following were the Group's debt securities and trade bills classified as financial assets measured at FVOCI as at 30 June 2022 and 31 December 2021 that were transferred to other entities with terms to repurchase these debt securities and trade bills at agreed dates and prices. As the Group has retained substantially all the risks and rewards relating to these debt securities and trade bills, the full carrying amount of these debt securities and trade bills continued to be recognised. The cash received on the transfer was reported as liabilities under "Financial assets sold under repurchase agreements" (see Note 22). The transferred debt securities serve as collateral to secure these liabilities. During the covered periods, the legal title of the debt securities and trade bills are transferred to the counterparty entities and there is no restriction for the counterparty entities to sell or repledge the collateral. These debt securities and trade bills are measured at fair value in the condensed consolidated statement of financial position.

	30 June 2022 HK\$'000	31 December 2021 HK\$'000
Carrying amount of transferred assets	3,395,406	2,048,303
Carrying amount of associated liabilities (Note 22)	3,341,204	2,036,268

## NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

For the six months ended 30 June 2022

### 18. ADVANCES AND OTHER ACCOUNTS

	30 June 2022 HK\$'000	31 December 2021 HK\$'000
Advances to customers		
Bills receivable	<b>467,042</b>	780,159
Trade bills measured at		
– amortised cost	<b>349,857</b>	330,302
– FVOCI	<b>5,065,014</b>	8,339,820
	<b>5,414,871</b>	8,670,122
Other advances to customers	<b>151,233,373</b>	145,610,682
	<b>157,115,286</b>	155,060,963
Interest receivable	<b>917,334</b>	843,757
Impairment allowances		
– Stage 1	<b>(543,550)</b>	(570,700)
– Stage 2	<b>(403,321)</b>	(88,268)
– Stage 3	<b>(719,159)</b>	(547,156)
	<b>(1,666,030)</b>	(1,206,124)
	<b>156,366,590</b>	154,698,596
Advances to banks	<b>1,808,413</b>	1,547,259
Other accounts		
– Deposit placed as mandatory reserve fund (Note 1)	<b>3,950,606</b>	3,749,852
– Initial and variation margin (Note 2)	<b>285,724</b>	668,349
– Others	<b>1,792,712</b>	1,166,455
	<b>6,029,042</b>	5,584,656
	<b>164,204,045</b>	161,830,511

Notes:

- (1) Balance mainly represented mandatory reserve deposits placed by Mainland Branches with the People's Bank of China which is not available for the Group's daily operation.
- (2) Balance mainly represented deposits placed in banks as initial and variation margin for certain interest margin, foreign currency forward contracts and repurchase agreements.

## NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

For the six months ended 30 June 2022

### 18. ADVANCES AND OTHER ACCOUNTS (Continued)

Details of the impaired loans are as follows:

	30 June 2022 HK\$'000	31 December 2021 HK\$'000
Gross impaired loans	1,951,416	1,998,724
Less: Impairment allowances under stage 3	(719,159)	(547,156)
Net impaired loans	1,232,257	1,451,568
Gross impaired loans as a percentage of gross advances to customers	1.24%	1.29%
Market value of collateral pledged	1,100,110	1,501,523

Details of the non-performing loans are as follows:

	30 June 2022 HK\$'000	31 December 2021 HK\$'000
Gross non-performing loans (Note)	1,944,658	1,994,687
Less: Impairment allowances under stage 3	(719,159)	(547,156)
Net non-performing loans	1,225,499	1,447,531
Gross non-performing loans as a percentage of gross advances to customers	1.24%	1.29%
Market value of collateral pledged	1,082,894	1,492,071

Note: Non-performing loans represent advances which are either classified as "substandard", "doubtful" or "loss" under the Group's classification of loan quality.



## NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

For the six months ended 30 June 2022

### 19. INVESTMENT PROPERTIES

	2022 HK\$'000	2021 HK\$'000
At 1 January	<b>325,938</b>	299,513
Transfer from land and buildings	–	17,503
Net increase (decrease) in fair value recognised in the profit or loss	<b>(2,440)</b>	6,834
Exchange adjustments	<b>(3,243)</b>	2,088
At 30 June/31 December	<b>320,255</b>	325,938

All of the Group's property interests held under operating leases to earn rentals and/or for capital appreciation purposes are measured using the fair value model and are classified and accounted for as investment properties.

Investment properties owned by the Group were revalued as at 30 June 2022 and 31 December 2021 by Vigers Appraisal and Consulting Limited, independent professional qualified valuer. The fair value of investment properties is determined by adopting the direct comparison approach and income approach. Under direct comparison approach, the fair value is determined by reference to actual sales transactions of comparable properties with similar character and location. Under income approach, the fair value is determined by reference to the value of income, cash flow or cost savings generated by the assets.

The fair value of investment properties is estimated based on assumptions that there would be no forced sale situation in any manner for these investment properties and the structure of these investment properties were in a reasonable condition at the end of the reporting period.

In estimating the fair value of the properties, the highest and best use of the properties is their current use.

Investment properties are classified as Level 3 under fair value hierarchy as at 30 June 2022 and 31 December 2021. There was no transfer into or out of Level 3 during the periods.

## NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

For the six months ended 30 June 2022

### 20. PROPERTY AND EQUIPMENT

	Leasehold land HK\$'000	Buildings HK\$'000	Right-of-use assets HK\$'000	Equipment HK\$'000	Total HK\$'000
<b>COST</b>					
<b>At 1 January 2022</b>	<b>345,020</b>	<b>113,025</b>	<b>1,000,467</b>	<b>986,002</b>	<b>2,444,514</b>
Additions	-	22,855	53,705	31,486	108,046
Disposals	-	-	(110,983)	(37,830)	(148,813)
Exchange adjustments	-	(616)	(14,155)	(13,336)	(28,107)
<b>At 30 June 2022</b>	<b>345,020</b>	<b>135,264</b>	<b>929,034</b>	<b>966,322</b>	<b>2,375,640</b>
<b>ACCUMULATED DEPRECIATION</b>					
<b>At 1 January 2022</b>	<b>114,498</b>	<b>44,062</b>	<b>488,702</b>	<b>705,357</b>	<b>1,352,619</b>
Depreciation	3,916	1,436	97,192	37,984	140,528
Eliminated on disposals	-	-	(101,571)	(8,226)	(109,797)
Exchange adjustments	-	(153)	(9,355)	(8,672)	(18,180)
<b>At 30 June 2022</b>	<b>118,414</b>	<b>45,345</b>	<b>474,968</b>	<b>726,443</b>	<b>1,365,170</b>
<b>CARRYING AMOUNTS</b>					
<b>At 30 June 2022</b>	<b>226,606</b>	<b>89,919</b>	<b>454,066</b>	<b>239,879</b>	<b>1,010,470</b>
<b>At 1 January 2022</b>	<b>230,522</b>	<b>68,963</b>	<b>511,765</b>	<b>280,645</b>	<b>1,091,895</b>
<b>COST</b>					
<b>At 1 January 2021</b>	345,225	112,687	926,152	919,695	2,303,759
Additions	-	-	199,003	166,768	365,771
Disposals	-	-	(140,069)	(108,841)	(248,910)
Transfer to investment properties	(205)	(450)	-	-	(655)
Exchange adjustments	-	788	15,381	8,380	24,549
<b>At 31 December 2021</b>	<b>345,020</b>	<b>113,025</b>	<b>1,000,467</b>	<b>986,002</b>	<b>2,444,514</b>
<b>ACCUMULATED DEPRECIATION</b>					
<b>At 1 January 2021</b>	106,751	41,420	376,742	683,628	1,208,541
Depreciation	7,833	2,792	206,693	84,338	301,656
Eliminated on disposals	-	-	(101,539)	(68,532)	(170,071)
Transfer to investment properties	(86)	(432)	-	-	(518)
Exchange adjustments	-	282	6,806	5,923	13,011
<b>At 31 December 2021</b>	<b>114,498</b>	<b>44,062</b>	<b>488,702</b>	<b>705,357</b>	<b>1,352,619</b>
<b>CARRYING AMOUNTS</b>					
<b>At 31 December 2021</b>	<b>230,522</b>	<b>68,963</b>	<b>511,765</b>	<b>280,645</b>	<b>1,091,895</b>
<b>At 1 January 2021</b>	<b>238,474</b>	<b>71,267</b>	<b>549,410</b>	<b>236,067</b>	<b>1,095,218</b>

## NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

For the six months ended 30 June 2022

### 21. INTANGIBLE ASSETS

	30 June 2022 HK\$'000	31 December 2021 HK\$'000
Internally developed software and software	790,321	824,439
Club Membership	14,090	14,090
Goodwill	39,606	39,606
	<b>844,017</b>	878,135

### 22. FINANCIAL ASSETS SOLD UNDER REPURCHASE AGREEMENTS

	30 June 2022 HK\$'000	31 December 2021 HK\$'000
Analysed by collateral type:		
Debt securities classified as financial assets at FVOCI	2,442,778	2,036,268
Trade bills measured at FVOCI	898,426	-
	<b>3,341,204</b>	2,036,268

As at 30 June 2022, debt securities which are classified as financial assets at FVOCI and trade bills with carrying amounts of HK\$2,492,406,000 (31 December 2021: HK\$2,048,303,000) and HK\$903,000,000 (31 December 2021: nil), respectively were sold under repurchase agreements with other banks. All repurchase agreements are due within 12 months (31 December 2021: within 12 months) from the end of the reporting period.

### 23. DEPOSITS FROM CUSTOMERS

	30 June 2022 HK\$'000	31 December 2021 HK\$'000
Demand deposits and current accounts	18,491,740	21,474,295
Savings deposits	58,752,781	57,559,174
Time, call and notice deposits	127,875,641	122,053,639
	<b>205,120,162</b>	201,087,108

## NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

For the six months ended 30 June 2022

### 24. OTHER ACCOUNTS AND ACCRUALS

	30 June 2022 HK\$'000	31 December 2021 HK\$'000
Accrued interest	1,456,057	1,316,744
Lease liabilities	447,735	489,051
Others	1,654,240	1,019,568
	<b>3,558,032</b>	2,825,363

### 25. CERTIFICATES OF DEPOSIT

	30 June 2022 HK\$'000	31 December 2021 HK\$'000
Certificates of deposit, measured at amortised cost	389,599	1,597,765

### 26. LOAN CAPITAL

	30 June 2022 HK\$'000	31 December 2021 HK\$'000
Subordinated notes, at amortised cost with fair value hedge adjustments US\$383 million fixed rate subordinated note due 2027 (Notes (a) & (b))	3,002,897	3,009,489

Notes:

- (a) This represented a subordinated note qualifying as tier 2 capital under Basel III accord with face value of US\$382,903,000 tier 2 subordinated notes issued on 26 July 2017 ("the Note"). The Note is 10-year non-call 5-year fixed rate notes, with a fixed coupon rate of 3.876% per annum payable semi-annually for the first 5 years; the interest rate will be reset on 26 July 2022. This includes US\$22,903,000 of "New Exchange Notes" (being the Note issued pursuant to the exchange offer by the Bank to the holders of its US\$225 million 6.000% subordinated Notes due 2020) and US\$360 million of "New Money Notes". The Note have been listed on the Stock Exchange of Hong Kong under stock code of 05249 on 27 July 2017.
- (b) The subordinated note issued is not secured by any collateral.

## NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

For the six months ended 30 June 2022

### 26. LOAN CAPITAL (Continued)

Analysis of changes in financing cash flows of loan capital are as follow:

	Six months ended 30 June	
	2022 HK\$'000	2021 HK\$'000
<b>At 1 January</b>	<b>3,009,489</b>	3,033,178
<b>Changes from financing cash flows:</b>		
Interest paid on loan capital	(32,268)	(17,622)
	<b>2,977,221</b>	3,015,556
<b>Exchange adjustments</b>	<b>18,685</b>	5,545
<b>Fair value hedge adjustments</b>	<b>(27,463)</b>	(22,349)
<b>Other changes</b>		
Interest expense	40,350	36,308
Other non-cash movements	(5,896)	(14,360)
Total other changes	<b>34,454</b>	21,948
<b>At 30 June</b>	<b>3,002,897</b>	3,020,700

### 27. DEFERRED TAXATION

For the purpose of presentation in the condensed consolidated statement of financial position, certain deferred tax assets and liabilities have been offset. The following is the analysis of the deferred tax balances for financial reporting purposes:

	30 June 2022 HK\$'000	31 December 2021 HK\$'000
Deferred tax assets	84,050	72,198
Deferred tax liabilities	(101,584)	(176,339)
	<b>(17,534)</b>	(104,141)

## NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

For the six months ended 30 June 2022

### 27. DEFERRED TAXATION (Continued)

The following are the major deferred tax assets (liabilities) recognised and movements thereon during the current and prior reporting period:

	Accelerated tax depreciation HK\$'000	Impairment allowance HK\$'000	Investment properties HK\$'000	Revaluation of FVOCI securities HK\$'000	Remeasurement of retirement benefits HK\$'000	Total HK\$'000
<b>At 1 January 2022</b>	(162,315)	127,567	(27,478)	(35,805)	(6,110)	(104,141)
Charge to the income statement for the period	22,022	43,889	-	-	-	65,911
(Charge) credit to other comprehensive income for the period	-	-	-	19,370	-	19,370
Exchange adjustments	-	-	1,326	-	-	1,326
<b>At 30 June 2022</b>	(140,293)	171,456	(26,152)	(16,435)	(6,110)	(17,534)
<b>At 1 January 2021</b>	(128,981)	78,326	(19,080)	11,022	(6,110)	(64,823)
Charge to the income statement for the period	(33,334)	49,241	(7,632)	-	-	8,275
(Charge) credit to other comprehensive income for the period	-	-	-	(46,827)	-	(46,827)
Exchange adjustments	-	-	(766)	-	-	(766)
<b>At 31 December 2021</b>	(162,315)	127,567	(27,478)	(35,805)	(6,110)	(104,141)

## NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

For the six months ended 30 June 2022

### 28. SHARE CAPITAL

	2022		2021	
	Number of share	Shares capital HK\$'000	Number of share	Shares capital HK\$'000
<b>Ordinary shares, issued and fully paid:</b>				
At 1 January	<b>972,862,221</b>	<b>15,280,884</b>	972,526,094	9,977,060
Shares issued under share award scheme	-	-	336,126	3,824
Shares cancelled under the Scheme of Arrangement (note (a))	-	-	(243,467,720)	(2,497,808)
Shares issued under the Scheme of Arrangement (note (a))	-	-	243,467,720	2,497,808
Shares issued as a result of capital injection (note (b))	<b>1</b>	<b>1,750,000</b>	1	5,300,000
At 30 June/31 December	<b>972,862,222</b>	<b>17,030,884</b>	972,862,221	15,280,884

Notes:

(a) On 23 September 2021, under the scheme of arrangement as set out in the composite scheme document jointly issued by the Bank and an intermediate holding company dated 30 July 2021 (the "Scheme of Arrangement"), the Bank cancelled and extinguished 243,467,720 ordinary shares in issue, with nominal value of HK\$2,497,808,000.

On 27 September 2021, under the Scheme of Arrangement, the Bank issued 243,467,720 new ordinary shares to the immediate holding company of the Bank, Yuexiu Financial Holdings Limited, (credited as fully-paid by applying the reserve created as a result of the cancellation, extinguishment and reduction), with nominal value of HK\$2,497,808,000.

(b) On 20 December 2021, the Bank issued 1 ordinary share with nominal value of HK\$5,300,000,000 to the immediate holding company of the Bank, as a result of capital injection. Such share is fully paid.

On 28 June 2022, the Bank further issued 1 ordinary share with nominal value of HK\$1,750,000,000 to the immediate holding company of the Bank, as a result of capital injection. Such share is fully paid.

## NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

For the six months ended 30 June 2022

### 29. ADDITIONAL EQUITY INSTRUMENTS

	30 June 2022 HK\$'000	31 December 2021 HK\$'000
US\$400 million undated non-cumulative subordinated capital securities (Note (a))	<b>3,111,315</b>	3,111,315
US\$300 million undated non-cumulative subordinated capital securities (Note (b))	<b>2,316,681</b>	2,316,681
	<b>5,427,996</b>	5,427,996

Notes:

- (a) On 15 July 2019, the Bank issued undated non-cumulative subordinated Additional Tier 1 Capital Securities with a face value of US\$400 million (equivalent to HK\$3,115,315,000 net of related issuance costs). The Additional Tier 1 Capital Securities are undated and bear a 5.70% coupon until the first call date on 15 July 2024. The coupon will be reset every five years if the Additional Tier 1 Capital Securities are not redeemed to a fixed rate equivalent to the then-prevailing five-year US Treasury rate plus 3.858% per annum.

The coupon shall be payable semi-annually. The Bank has the right to cancel coupon payment (subject to the requirement as set out in the terms and conditions of the Additional Tier 1 Capital Securities) and the coupon cancelled shall not be cumulative. However, the Bank is stopped from declaring dividend to its ordinary shareholders unless the next scheduled coupon payment is paid.

The principal of the Additional Tier 1 Capital Securities will be written off up to the amount as directed or agreed with the HKMA if the HKMA notifies the Bank that in the opinion of the HKMA, the Bank would become non-viable if there is no written off of the principal.

During the period, a distribution of US\$11,400,000 (2021: US\$11,400,000) (equivalent to HK\$88,797,000 (2021: HK\$88,368,000)) was paid to the securities holders.

- (b) On 3 August 2020, the Bank issued undated non-cumulative subordinated Additional Tier 1 Capital Securities with a face value of US\$300 million (equivalent to HK\$2,316,681,000 net of related issuance costs). The Additional Tier 1 Capital Securities are undated and bear a 5.500% coupon until the first call date on 3 August 2025. The coupon will be reset every five years if the Additional Tier 1 Capital Securities are not redeemed to a fixed rate equivalent to the then-prevailing five-year US Treasury rate plus 5.237% per annum.

The coupon shall be payable semi-annually. The Bank has the right to cancel coupon payment (subject to the requirement as set out in the terms and conditions of the Additional Tier 1 Capital Securities) and the coupon cancelled shall not be cumulative. However, the Bank is stopped from declaring dividend to its ordinary shareholders unless the next scheduled coupon payment is paid.

The principal of the Additional Tier 1 Capital Securities will be written off up to the amount as directed or agreed with the HKMA if the HKMA notifies the Bank that in the opinion of the HKMA, the Bank would become non-viable if there is no written off of the principal.

During the period, a distribution of US\$8,250,000 (2021: US\$8,250,000) (equivalent to HK\$64,305,000 (2021: HK\$63,962,000)) was paid to the securities holders.



## NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

For the six months ended 30 June 2022

### 30. MATURITY PROFILES

The maturity analysis of financial assets and liabilities shown on the condensed consolidated statement of financial position are presented based on the Group's remaining contractual maturity information provided to and reviewed by management, is shown below:

	Repayable on demand HK\$'000	Repayable within 1 month HK\$'000	Repayable after 1 month but within 3 months HK\$'000	Repayable after 3 months but within 1 year HK\$'000	Repayable after 1 year but within 5 years HK\$'000	Repayable after 5 years HK\$'000	Undated HK\$'000	Total HK\$'000
<b>At 30 June 2022</b>								
<b>Assets</b>								
Cash and short-term funds	11,351,283	22,508,894	-	35,000	-	-	-	33,895,177
Placements with banks	-	-	3,198,012	34,774	-	-	-	3,232,786
Derivative financial instruments	62,466	548,137	136,837	304,902	500,391	82,405	-	1,635,138
Financial assets at fair value through profit or loss	-	-	-	-	597,879	127,631	-	725,510
Financial assets measured at FVOCI	-	7,191,058	4,279,088	12,696,996	26,203,338	3,757,057	79,594	54,207,131
Financial assets measured at amortised cost	-	138,309	456,024	2,441,406	3,958,975	2,000	-	6,996,714
Advances and other accounts	7,444,734	7,845,140	10,667,506	37,979,242	59,585,453	34,490,369	6,191,601	164,204,045
<b>Total financial assets</b>	<b>18,858,483</b>	<b>38,231,538</b>	<b>18,737,467</b>	<b>53,492,320</b>	<b>90,846,036</b>	<b>38,459,462</b>	<b>6,271,195</b>	<b>264,896,501</b>
<b>Liabilities</b>								
Deposits and balances of banks	718,698	10,112,555	1,027,451	2,750,910	-	-	-	14,609,614
Financial assets sold under repurchase agreements	627,418	2,387,936	325,850	-	-	-	-	3,341,204
Deposits from customers	81,661,066	34,469,583	37,587,022	40,350,217	11,052,274	-	-	205,120,162
Derivative financial instruments	52,668	367,267	101,052	242,179	265,570	32,896	-	1,061,632
Certificates of deposit	-	-	-	389,599	-	-	-	389,599
Loan capital	-	-	-	-	-	3,002,897	-	3,002,897
Lease liabilities	4,185	12,398	28,913	121,874	219,294	60,098	974	447,736
Other financial liabilities	1,103,690	152,446	169,126	333,136	58,787	-	1,293,111	3,110,296
<b>Total financial liabilities</b>	<b>84,167,725</b>	<b>47,502,185</b>	<b>39,239,414</b>	<b>44,187,915</b>	<b>11,595,925</b>	<b>3,095,891</b>	<b>1,294,085</b>	<b>231,083,140</b>
<b>Net position – total financial assets and liabilities</b>	<b>(65,309,242)</b>	<b>(9,270,647)</b>	<b>(20,501,947)</b>	<b>9,304,405</b>	<b>79,250,111</b>	<b>35,363,571</b>	<b>4,977,110</b>	<b>33,813,361</b>
Of which debt securities included in:								
FVOCI	-	7,191,058	4,279,088	12,696,996	26,203,338	3,757,057	-	54,127,537
Amortised cost	-	138,309	456,024	2,441,406	3,958,975	2,000	-	6,996,714
	-	7,329,367	4,735,112	15,138,402	30,162,313	3,759,057	-	61,124,251

## NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

For the six months ended 30 June 2022

## 30. MATURITY PROFILES (Continued)

	Repayable on demand HK\$'000	Repayable within 1 month HK\$'000	Repayable after 1 month but within 3 months HK\$'000	Repayable after 3 months but within 1 year HK\$'000	Repayable after 1 year but within 5 years HK\$'000	Repayable after 5 years HK\$'000	Undated HK\$'000	Total HK\$'000
<b>At 31 December 2021</b>								
<b>Assets</b>								
Cash and short-term funds	15,318,192	16,504,698	194,619	301,350	-	-	-	32,318,859
Placements with banks	-	-	70,217	455,410	-	-	-	525,627
Derivative financial instruments	1,954	1,044,622	46,936	145,888	152,496	11,946	-	1,403,842
Financial assets at fair value through profit or loss	-	-	-	-	615,157	126,862	-	742,019
Financial assets measured at FVOCI	-	8,567,191	9,581,521	4,468,572	23,623,154	6,188,263	83,513	52,512,214
Financial assets measured at amortised cost	-	-	191,532	1,630,772	1,293,226	2,000	-	3,117,530
Advances and other accounts	5,873,502	8,564,540	14,245,956	35,567,254	63,375,543	32,506,632	1,697,084	161,830,511
<b>Total financial assets</b>	<b>21,193,648</b>	<b>34,681,051</b>	<b>24,330,781</b>	<b>42,569,246</b>	<b>89,059,576</b>	<b>38,835,703</b>	<b>1,780,597</b>	<b>252,450,602</b>
<b>Liabilities</b>								
Deposits and balances of banks	25,492	2,109,991	1,253,850	4,281,950	-	-	-	7,671,283
Financial assets sold under repurchase agreements	-	869,883	1,166,385	-	-	-	-	2,036,268
Deposits from customers	79,589,672	43,491,153	47,072,747	17,331,611	13,601,925	-	-	201,087,108
Derivative financial instruments	1,904	1,044,652	38,149	125,854	618,040	333,330	-	2,161,929
Certificates of deposit	-	1,169,261	39,013	389,491	-	-	-	1,597,765
Loan capital	-	-	-	-	-	3,009,489	-	3,009,489
Lease liabilities	-	14,644	27,424	123,480	309,508	13,995	-	489,051
Other financial liabilities	403,155	116,000	298,954	672,681	44,709	2,853	797,960	2,336,312
<b>Total financial liabilities</b>	<b>80,020,223</b>	<b>48,815,584</b>	<b>49,896,522</b>	<b>22,925,067</b>	<b>14,574,182</b>	<b>3,359,667</b>	<b>797,960</b>	<b>220,389,205</b>
<b>Net position – total financial assets and liabilities</b>	<b>(58,826,575)</b>	<b>(14,134,533)</b>	<b>(25,565,741)</b>	<b>19,644,179</b>	<b>74,485,394</b>	<b>35,476,036</b>	<b>982,637</b>	<b>32,061,397</b>
Of which debt securities included in:								
FVOCI	-	8,567,191	9,581,521	4,468,572	23,623,154	6,188,263	-	52,428,701
Amortised cost	-	-	191,532	1,630,772	1,293,226	2,000	-	3,117,530
	-	8,567,191	9,773,053	6,099,344	24,916,380	6,190,263	-	55,546,231

## NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

For the six months ended 30 June 2022

### 31. RELATED PARTY TRANSACTIONS

During the period, the Group entered into the following material transactions with related parties:

	Interest and commission income Six months ended 30 June		Interest, rental and other operating expenses Six months ended 30 June	
	2022 HK\$'000	2021 HK\$'000	2022 HK\$'000	2021 HK\$'000
Ultimate holding company	14	14	15,867	15,867
Intermediate holding company	86	315	115	2,352
Fellow subsidiaries	33,760	32,761	74,629	77,223
Associates	17,897	24,886	10,885	10,657
Key management personnel (Note 1)	9,069	2,583	11	1,718

During the period, the Group had net trading income with intermediate holding company and fellow subsidiary of HK\$18,944,000 (2021: Net trading income HK\$56,888,000).

At the end of the reporting period, the Group had the following material outstanding balances with related parties:

	Amounts due from related parties		Amounts due to related parties	
	30 June 2022 HK\$'000	31 December 2021 HK\$'000	30 June 2022 HK\$'000	31 December 2021 HK\$'000
Ultimate holding company	-	-	2,238,589	1,645,807
Intermediate holding company	-	-	2,526,549	1,151,617
Fellow subsidiaries	2,671,574	1,477,973	8,622,642	5,847,717
Associates	-	-	468,009	439,041
Key management personnel (Note 1)	587,215	680,101	316,633	475,435

The above outstanding balances bear interest at rates similar to those made available to non-related parties. A portion of the loans to related parties are secured with properties, securities and fixed deposits.

Note 1: Includes directors, senior management and key personnel of the Group and its holding companies, their close family members and companies controlled or significantly influenced by them.

## NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

For the six months ended 30 June 2022

### 31. RELATED PARTY TRANSACTIONS (Continued)

#### COMPENSATION OF KEY MANAGEMENT PERSONNEL

The remuneration of directors, senior management and key personnel during the period was as follows:

	Six months ended 30 June	
	2022 HK\$'000	2021 HK\$'000
Short-term benefits	114,197	112,999
Post employment benefits	8,876	8,683
Share-based payment	–	3,499
	<b>123,073</b>	125,181

The remuneration of directors, senior management and key personnel is reviewed by the Remuneration Committee having regard to the performance of individuals and market trends.

### 32. ESTIMATES

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

In preparing this condensed consolidated interim financial information, the significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial statements for the year ended 31 December 2021 except the measurement of expected credit loss allowance, which resulted in changes in critical accounting judgement.

#### CRITICAL JUDGEMENTS IN KEY ASSUMPTIONS USED IN THE EXPECTED CREDIT LOSS ("ECL") CALCULATION

##### *Uncertainty of economic environment*

According to the HKFRS 9, expected credit loss is expected to be assessed over a range of economic scenarios, being an unbiased and probability weighted amount. The outbreak of COVID-19 has caused significant changes in global economic environment including a sharp contraction since 2020. In order to accommodate the possible economic downturn due to COVID-19, the Group has extended a macroeconomic scenario "COVID-19" in addition to Good, Base and Bad scenarios since 31 December 2020. As for Mainland China, it is doubling down on its "zero-COVID" strategy and such approach has kept infections at minimum. The COVID-19 scenario has been removed from Mainland China portfolio since 31 December 2021.

The probability weighting was assigned as 5%, 50%, 20% and 25% to the Good, Base, Bad and COVID-19 scenarios, respectively in Hong Kong portfolio. For Mainland China portfolio, the probability weighting was assigned as 5%, 75% and 20% to the Good, Base and Bad scenarios respectively. As the uncertainties brought by the pandemic affects the pace of the economic recovery, the Group maintained the probability weighting unchanged during the reporting period.

## NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

For the six months ended 30 June 2022

### 32. ESTIMATES (Continued)

#### CRITICAL JUDGEMENTS IN KEY ASSUMPTIONS USED IN THE EXPECTED CREDIT LOSS (“ECL”) CALCULATION (Continued)

##### Uncertainty of economic environment (Continued)

The key assumptions used for ECL estimates are set out below:

	Scenario	June 2022	December 2021
<b>Hong Kong Forecast Factors</b>			
GDP YoY Change %	Base	3.50%	1.52%
	Good	6.32%	3.94%
	Bad	-3.32%	-4.98%
	COVID-19	-8.00%	-8.00%
<b>Mainland China Forecast Factors</b>			
GDP QoQ Change %	Base	1.45%	1.13%
	Good	2.39%	2.07%
	Bad	-0.66%	-1.10%

The Group will review the critical assumptions from time to time to reflect the outlook of the economy.

Details of net impairment losses on financial assets are disclosed in note 11.

# SUPPLEMENTARY INFORMATION

For the six months ended 30 June 2022

## 1. ADVANCES TO CUSTOMERS – BY INDUSTRY SECTORS

The Group's gross advances to customers (including advances booked in branches outside Hong Kong and subsidiaries) are analysed and reported by industry sectors according to the usage of the loans or business activities of the borrowers as follows:

	30 June 2022				
	Gross loans and advances HK\$'000	Impairment allowances stage 1 & stage 2 HK\$'000	Impairment allowances stage 3 HK\$'000	Loans and advances secured by collateral HK\$'000 (Note 1)	Gross impaired advances HK\$'000
Loans for use in Hong Kong					
Industrial, commercial and financial					
– Property development	6,493,329	8,378	–	3,273,829	–
– Property investment	7,185,980	5,383	–	6,344,354	17,342
– Financial concerns	11,405,801	1,724	–	1,010,284	–
– Stockbrokers	1,428,089	190	–	1,135,004	–
– Wholesale and retail trade	2,105,408	9,907	64,937	1,097,246	161,458
– Manufacturing	2,578,676	16,263	–	477,996	–
– Transport and transport equipment	1,917,252	6,707	6,528	410,622	6,907
– Recreational activities	379	–	–	379	–
– Information technology	47,000	392	–	–	–
– Others (Note 2)	9,025,474	38,372	5,220	5,016,099	84,406
Individuals					
– Loans for the purchase of flats in the Home Ownership Scheme, Private Sector Participation Scheme and Tenants Purchase Scheme	355,652	16	–	355,621	382
– Loans for the purchase of other residential properties	7,976,545	506	1,565	7,976,545	14,601
– Credit card advances	52,726	126	287	–	287
– Others (Note 3)	5,406,955	4,617	2,430	3,494,035	13,040
	55,979,266	92,581	80,967	30,592,014	298,423
Trade finance	2,705,401	12,720	21,402	85,301	15,899
Loans for use outside Hong Kong	98,430,619	841,570	616,790	23,686,323	1,637,094
	157,115,286	946,871	719,159	54,363,638	1,951,416

Notes:

- (1) Loans and advances secured by collateral are determined as the lower of the market value of collateral or outstanding loan principal.
- (2) Major items mainly included loans to businesses in electricity and gas, hotels, catering, margin lending and other business purposes.
- (3) Major items mainly included loans to professionals and other individuals for various private purposes.

## SUPPLEMENTARY INFORMATION

For the six months ended 30 June 2022

## 1. ADVANCES TO CUSTOMERS – BY INDUSTRY SECTORS (Continued)

	31 December 2021				
	Gross loans and advances HK\$'000	Impairment allowances stage 1 & stage 2 HK\$'000	Impairment allowances stage 3 HK\$'000	Loans and advances secured by collateral HK\$'000 (Note 1)	Gross impaired advances HK\$'000
Loans for use in Hong Kong					
Industrial, commercial and financial					
- Property development	6,311,907	4,890	-	3,572,238	189,360
- Property investment	9,234,649	25,854	-	6,211,905	19,223
- Financial concerns	9,924,730	3,960	-	472,409	-
- Stockbrokers	3,053,252	1,119	-	1,702,944	-
- Wholesale and retail trade	1,310,786	8,704	49,554	711,268	200,311
- Manufacturing	1,132,450	2,408	4,528	492,501	4,528
- Transport and transport equipment	3,084,343	16,532	10,988	435,570	15,423
- Recreational activities	449	-	-	-	-
- Information technology	1,154,061	2,727	-	42,750	-
- Others (Note 2)	6,922,934	19,122	5,275	4,316,291	5,474
Individuals					
- Loans for the purchase of flats in the Home Ownership Scheme, Private Sector Participation Scheme and Tenants Purchase Scheme	384,733	49	-	384,705	383
- Loans for the purchase of other residential properties	8,596,787	637	926	8,513,698	23,279
- Credit card advances	57,279	211	269	-	269
- Others (Note 3)	5,496,591	7,450	2,281	3,180,879	8,760
	56,664,951	93,663	73,821	30,037,158	467,010
Trade finance	3,032,598	40,890	33,240	256,316	88,234
Loans for use outside Hong Kong	95,363,414	524,415	440,095	20,761,229	1,443,480
	155,060,963	658,968	547,156	51,054,703	1,998,724

Notes:

- (1) Loans and advances secured by collateral are determined as the lower of the market value of collateral or outstanding loan principal.
- (2) Major items mainly included loans to businesses in electricity and gas, hotels, catering, margin lending and other business purposes.
- (3) Major items mainly included loans to professionals and other individuals for various private purposes.

**SUPPLEMENTARY INFORMATION**

For the six months ended 30 June 2022

**1. ADVANCES TO CUSTOMERS – BY INDUSTRY SECTORS** *(Continued)*

The Group's advances to customers overdue for over three months as at 30 June 2022 and 31 December 2021, and new impairment allowances and advances written-off during the six months ended 30 June 2022 and 2021 in respect of industry sectors which constitute not less than 10% of gross advances to customers are analysed as follows:

	2022		
	Advances overdue for over three months as at 30 June HK\$'000	New impairment allowances during the six months ended 30 June HK\$'000	Advances written-off during six months ended 30 June HK\$'000
Loans for use outside Hong Kong	1,113,844	177,176	–

  

	2021		
	Advances overdue for over three months as at 31 December HK\$'000	New impairment allowances during the six months ended 30 June HK\$'000	Advances written-off during six months ended 30 June HK\$'000
Loans for use outside Hong Kong	98,695	1,566	3,068



## SUPPLEMENTARY INFORMATION

For the six months ended 30 June 2022

### 2. ADVANCES TO CUSTOMERS – BY GEOGRAPHICAL AREAS

The Group's gross advances to customers by countries or geographical areas after taking into account any risk transfers are as follows:

	30 June 2022				
	Total advances HK\$'000	Advances overdue for over three months HK\$'000	Impaired advances HK\$'000	Impairment allowances stage 3 HK\$'000	Impairment allowances stage 1 & stage 2 HK\$'000
Hong Kong	94,779,611	586,186	995,839	467,152	513,702
Mainland China	52,753,494	571,640	805,577	167,796	417,717
Macau	5,145,200	150,000	150,000	84,211	7,385
Others	4,436,981	–	–	–	8,067
	<b>157,115,286</b>	<b>1,307,826</b>	<b>1,951,416</b>	<b>719,159</b>	<b>946,871</b>

	31 December 2021				
	Total advances HK\$'000	Advances overdue for over three months HK\$'000	Impaired advances HK\$'000	Impairment allowances stage 3 HK\$'000	Impairment allowances stage 1 & stage 2 HK\$'000
Hong Kong	98,643,824	339,324	933,894	333,950	330,629
Mainland China	49,179,979	–	914,830	129,709	309,472
Macau	4,422,965	–	150,000	83,497	6,684
Others	2,814,195	–	–	–	12,183
	<b>155,060,963</b>	<b>339,324</b>	<b>1,998,724</b>	<b>547,156</b>	<b>658,968</b>

## SUPPLEMENTARY INFORMATION

For the six months ended 30 June 2022

## 3. INTERNATIONAL CLAIMS

The Group's international claims by countries or geographical areas which constitute 10% or more of the relevant disclosure items after taking into account any risk transfers are as follows:

	At 30 June 2022				
	Non-bank private sector				Total HK\$'000
	Banks HK\$'000	Official sector HK\$'000	Non-bank financial institutions HK\$'000	Non-financial private sector HK\$'000	
<b>Offshore centres</b>	<b>8,402,169</b>	<b>9,817</b>	<b>9,100,053</b>	<b>24,072,084</b>	<b>41,584,123</b>
of which: Hong Kong	6,804,866	9,394	6,321,936	8,996,241	22,132,437
<b>Developing Asia Pacific</b>	<b>8,541,292</b>	<b>15,467</b>	<b>19,769,848</b>	<b>8,367,578</b>	<b>36,694,185</b>
of which: Mainland China	3,373,369	15,289	19,769,848	8,205,247	31,363,753
<b>Developed countries</b>	<b>8,428,465</b>	<b>1,270,822</b>	<b>581,167</b>	<b>412,134</b>	<b>10,692,588</b>

	At 31 December 2021				
	Non-bank private sector				Total HK\$'000
	Banks HK\$'000	Official sector HK\$'000	Non-bank financial institutions HK\$'000	Non-financial private sector HK\$'000	
<b>Offshore centres</b>	<b>4,236,208</b>	<b>4,481</b>	<b>10,765,772</b>	<b>21,895,075</b>	<b>36,901,536</b>
of which: Hong Kong	3,478,955	4,018	7,583,595	10,088,911	21,155,479
<b>Developing Asia Pacific</b>	<b>7,416,592</b>	<b>20,015</b>	<b>19,313,610</b>	<b>7,823,689</b>	<b>34,573,906</b>
of which: Mainland China	4,344,796	19,826	19,313,610	7,810,854	31,489,086
<b>Developed countries</b>	<b>9,173,293</b>	<b>1,955,374</b>	<b>124,337</b>	<b>493,735</b>	<b>11,746,739</b>

## SUPPLEMENTARY INFORMATION

For the six months ended 30 June 2022

### 4. OVERDUE AND RESCHEDULED ASSETS

	30 June 2022		31 December 2021	
	Gross amount of advances HK\$'000	Percentage to total advances %	Gross amount of advances HK\$'000	Percentage to total advances %
Advances overdue for				
– 6 months or less but over 3 months	<b>1,012,729</b>	<b>0.7</b>	84,752	0.1
– 1 year or less but over 6 months	<b>219,105</b>	<b>0.1</b>	170,591	0.1
– Over 1 year	<b>75,992</b>	<b>0.0</b>	83,981	0.0
Total overdue advances	<b>1,307,826</b>	<b>0.8</b>	339,324	0.2
Rescheduled advances				
– 3 months or less	<b>110,427</b>	<b>0.1</b>	130,420	0.1
– Over 3 months	<b>24,206</b>	<b>0.0</b>	24,227	0.0
Total rescheduled advances	<b>134,633</b>	<b>0.1</b>	154,647	0.1
Impairment allowances under stage 3 made in respect of overdue loans and advances	<b>553,424</b>		170,813	
Covered portion of overdue loans and advances	<b>615,948</b>		136,107	
Uncovered portion of overdue loans and advances	<b>691,878</b>		203,217	
	<b>1,307,826</b>		339,324	
Market value of collateral held against covered portion of overdue loans and advances	<b>638,989</b>		160,226	

There were no advances to banks and other assets which were overdue for over three months as at 30 June 2022 and 31 December 2021, nor were there any rescheduled advances to banks and other financial institutions.

There are no overdue debt securities and trade bills as at 30 June 2022 and 31 December 2021.

Repossession assets held by the Group as at 30 June 2022 was HK\$119,600,000 (31 December 2021: HK\$77,960,000).

## SUPPLEMENTARY INFORMATION

For the six months ended 30 June 2022

## 5. MAINLAND ACTIVITIES EXPOSURES

The table below summaries the non-bank Mainland China exposures of the Bank's Hong Kong banking operations and the Bank's Mainland branches and sub-branches categorized by types of counterparties:

	On-balance sheet exposure HK\$'000	30 June 2022 Off-balance sheet exposure HK\$'000	Total HK\$'000
<b>Type by counterparties</b>			
1. Central government, central government-owned entities and their subsidiaries and joint ventures ("JVs")	46,469,685	1,556,754	48,026,439
2. Local government, local government-owned entities and their subsidiaries and JVs	17,086,536	2,166,129	19,252,665
3. Mainland China nationals residing in Mainland China or other entities incorporated in Mainland China and their subsidiaries and JVs	45,980,389	1,561,356	47,541,745
4. Other entities of central government not reported in item 1 above	4,771,852	244,934	5,016,786
5. Other entities of local government not reported in item 2 above	673,762	–	673,762
6. Mainland China nationals residing outside Mainland China or entities incorporated outside Mainland China where the credit is granted for use in Mainland China	13,163,408	329,775	13,493,183
7. Other counterparties where the exposures are considered by the reporting institution to be non-bank Mainland China exposures	4,333,659	213,138	4,546,797
<b>Total</b>	<b>132,479,291</b>	<b>6,072,086</b>	<b>138,551,377</b>
<b>Total assets after provision</b> (Note)	<b>266,106,650</b>		
<b>On-balance sheet exposures as percentage of total assets</b> (Note)	<b>49.78%</b>		

The categories of non-bank counterparties and type of direct exposures are disclosed in accordance with Banking (Disclosure) Rules with reference to the Return of Mainland Activities of the HKMA.

Note: Include total assets after provisions of the Bank's Hong Kong banking operations and the Bank's Mainland branches and sub-branches.

## SUPPLEMENTARY INFORMATION

For the six months ended 30 June 2022

### 5. MAINLAND ACTIVITIES EXPOSURES (Continued)

	31 December 2021		Total HK\$'000
	On-balance sheet exposure HK\$'000	Off-balance sheet exposure HK\$'000	
<b>Type by counterparties</b>			
1. Central government, central government-owned entities and their subsidiaries and joint ventures ("JVs")	34,592,859	3,028,628	37,621,487
2. Local government, local government-owned entities and their subsidiaries and JVs	14,161,787	1,911,789	16,073,576
3. Mainland China nationals residing in Mainland China or other entities incorporated in Mainland China and their subsidiaries and JVs	44,500,862	2,949,660	47,450,522
4. Other entities of central government not reported in item 1 above	6,245,012	413,283	6,658,295
5. Other entities of local government not reported in item 2 above	959,468	39,133	998,601
6. Mainland China nationals residing outside Mainland China or entities incorporated outside Mainland China where the credit is granted for use in Mainland China	13,082,129	313,761	13,395,890
7. Other counterparties where the exposures are considered by the reporting institution to be non-bank Mainland China exposures	5,995,658	421,795	6,417,453
<b>Total</b>	<b>119,537,775</b>	<b>9,078,049</b>	<b>128,615,824</b>
<b>Total assets after provision</b> (Note)	<b>254,297,936</b>		
<b>On-balance sheet exposures as percentage of total assets</b> (Note)	<b>47.01%</b>		

The categories of non-bank counterparties and type of direct exposures are disclosed in accordance with Banking (Disclosure) Rules with reference to the Return of Mainland Activities of the HKMA.

Note: Include total assets after provisions of the Bank's Hong Kong banking operations and the Bank's Mainland branches and sub-branches.

## SUPPLEMENTARY INFORMATION

For the six months ended 30 June 2022

## 6. CURRENCY RISK

The Group's foreign currency exposures arising from trading, non-trading and structural position which constitute 10% or more of the total net position in all foreign currencies are as follows:

	30 June 2022		
	USD HK\$'000	RMB HK\$'000	Total HK\$'000
Spot assets	55,884,815	77,608,548	133,493,363
Spot liabilities	(41,000,395)	(82,461,042)	(123,461,437)
Forward purchases	125,257,097	41,574,448	166,831,545
Forward sales	(139,186,245)	(34,682,146)	(173,868,391)
Net options position	(141,267)	–	(141,267)
Net long position	814,005	2,039,808	2,853,813

	MOP HK\$'000	USD HK\$'000	RMB HK\$'000	Total HK\$'000
Net structural position	48,544	459,807	4,042,452	4,550,803

	31 December 2021		
	USD HK\$'000	RMB HK\$'000	Total HK\$'000
Spot assets	58,138,057	72,894,634	131,032,691
Spot liabilities	(34,528,929)	(75,082,884)	(109,611,813)
Forward purchases	96,457,945	20,517,155	116,975,100
Forward sales	(120,382,413)	(16,587,466)	(136,969,879)
Net options position	–	–	–
Net long position	(315,340)	1,741,439	1,426,099

	MOP HK\$'000	USD HK\$'000	RMB HK\$'000	Total HK\$'000
Net structural position	48,544	221,913	3,321,000	3,591,457

The net options position is calculated in the basis of the delta-weighted position of option contracts.

## SUPPLEMENTARY INFORMATION

For the six months ended 30 June 2022

### 7. CONTINGENT LIABILITIES AND COMMITMENTS

	30 June 2022 HK\$'000	31 December 2021 HK\$'000
<b>Contingent liabilities and commitments</b>		
– <b>contractual amounts</b>		
Direct credit substitutes	1,656,834	2,141,968
Transaction-related contingencies	3,533,126	3,517,914
Trade-related contingencies	421,125	263,208
Forward asset purchases	24,980	33,940
<b>Undrawn formal standby facilities, credit lines and other commitments</b>		
Which are unconditionally cancellable without prior notice	44,269,826	46,469,868
With an original maturity of one year and under	2,437,344	2,621,791
With an original maturity of over one year	3,004,366	4,677,998
Lease commitments	217	1,753
	<b>55,347,818</b>	<b>59,728,440</b>

The credit risk-weighted amount of contingent liabilities and commitments is HK\$5,083,458,000 (31 December 2021: HK\$6,150,971,000).

Most of contingent liabilities and commitments are denominated in Hong Kong dollars.

## SUPPLEMENTARY INFORMATION

For the six months ended 30 June 2022

## 8. CAPITAL ADEQUACY RATIOS, LEVERAGE RATIO AND LIQUIDITY RATIO

	30 June 2022 %	31 December 2021 %
Total capital ratio	<b>19.26</b>	19.17
Tier 1 capital ratio	<b>16.98</b>	16.80
Common Equity Tier 1 ("CET 1") capital ratio	<b>14.24</b>	13.93

  

	30 June 2022 %	31 December 2021 %
Capital buffers (as a percentage of risk-weighted assets)		
Capital conservation buffer ratio	<b>2.500</b>	2.500
Countercyclical capital buffer ratio	<b>0.575</b>	0.616
	<b>3.075</b>	3.116

  

	30 June 2022 %	31 December 2021 %
Leverage ratio	<b>12.17</b>	12.01

  

	Six months ended 30 June 2022 %	Six months ended 30 June 2021 %
Average liquidity maintenance ratio ("LMR") for the period	<b>49.11</b>	45.72



## SUPPLEMENTARY INFORMATION

For the six months ended 30 June 2022

### 8. CAPITAL ADEQUACY RATIOS, LEVERAGE RATIO AND LIQUIDITY RATIO *(Continued)*

Capital adequacy ratios are compiled in accordance with the Banking (Capital) Rules under Hong Kong Banking Ordinance for the implementation of the “Basel III” capital accord, which became effective on 1 January 2013. The approaches used in calculating the Group’s regulatory capital and risk-weighted assets are in accordance with the Banking (Capital) Rules. The Group uses the standardised (credit risk) approach to calculate its credit risk. For counterparty credit risk, the Group uses the standardised approach (counterparty credit risk) to calculate its default risk exposures starting from 30 June 2021. For market risk, the Group uses the standardised (market risk) approach to calculate its market risk. For operational risk, the Group uses the basic indicator approach to calculate its operational risk. The capital adequacy ratio is consolidated, under the Banking (Capital) Rules, with reference to the financial information of the Bank, Chong Hing Finance Limited, Right Way Investments Limited, Gallbraith Limited, Chong Hing Information Technology Limited, Card Alliance Company Limited, Top Benefit Enterprise Limited and Hero Marker Limited.

Leverage ratio is disclosed in accordance with the Banking (Disclosure) Rules under Hong Kong Banking Ordinance. The leverage ratio is consolidated with reference to the financial information of the Bank, Chong Hing Finance Limited, Right Way Investments Limited, Gallbraith Limited, Chong Hing Information Technology Limited, Card Alliance Company Limited, Top Benefit Enterprise Limited and Hero Marker Limited.

### 9. OTHER FINANCIAL INFORMATION

The Bank has set up a “Regulatory Disclosure” section on its website to house all of information relating to the disclosure of regulatory capital to comply with Banking (Disclosure) Rules.

The “Regulatory Disclosure” will be available on the Bank’s website: [www.chbank.com](http://www.chbank.com) in the “Regulatory Disclosure” section in accordance with the Banking (Disclosure) Rules.

### 10. BASIS OF CONSOLIDATION

This interim financial information covers the condensed consolidated financial information of the Bank and all its subsidiaries and includes the attributable share of interest in the Group’s associates.

The capital adequacy ratios of the Group are prepared according to the basis of consolidation determined by the HKMA for regulatory purposes. The main difference between the consolidation basis for accounting and regulatory purposes is that the former includes the Bank, all its subsidiaries and the attributable share of interests in the Group’s associates whereas the latter includes the Bank and only some of the Group’s subsidiaries which mainly conduct banking business or other businesses incidental to banking business. The LMR is prepared on an unconsolidated basis which includes the Bank only.

## SUPPLEMENTARY INFORMATION

For the six months ended 30 June 2022

### 10. BASIS OF CONSOLIDATION (Continued)

There are no subsidiaries which are included within both the accounting scope of consolidation and the regulatory scope of consolidation but where the method of consolidation differs at 30 June 2022.

There are no subsidiaries which are included within the regulatory scope of consolidation but not included within the accounting scope of consolidation at 30 June 2022.

Subsidiaries that are included within the accounting scope of consolidation but are not included within the regulatory scope of consolidation are as follows:

Name of company	Principal activities	Total assets		Total equity	
		30 June 2022	31 December 2021	30 June 2022	31 December 2021
		HK\$'000	HK\$'000	HK\$'000	HK\$'000
Chong Hing (Nominees) Limited	Provision of nominee services	100	100	100	100
Chong Hing Securities Limited	Stockbroking	942,158	847,497	687,396	660,707
Chong Hing Commodities and Futures Limited	Investment holding and commodities and futures broking	69,858	69,143	66,665	66,586
Chong Hing Insurance Company Limited	Insurance underwriting	433,058	397,637	311,654	301,475
Chong Hing Insurance Brokers Limited	Insurance broking	4,467	5,622	3,788	4,334
Chong Hing (Management) Limited	Provision of management services	78	78	78	78

### 11. RISK MANAGEMENT

The Group has established policies, procedures, and controls for measuring, monitoring and controlling risks arising from the banking and related financial services business. These policies, procedures, and controls are implemented by various committees, divisions and departments of the Group and are regularly reviewed by the Board. The internal auditors also play an important role in the risk management process by performing regular, as well as sporadic compliance audits.

The management of assets and liabilities of the Group is conducted under the guidance of the Asset and Liability Management Committee (the "ALCO"). The ALCO holds meetings every two weeks, and more frequent meetings when required, to review and direct the relevant policies, the business strategies and to monitor the bank-wide positions. The day-to-day management of the credit, operational, liquidity, foreign exchange, interest rate and other market risks, and the compliance with the ALCO and the Risk Management Committee (the "RMC") policies are monitored by the Finance & Capital Management Division, the Treasury and Markets Division, the Credit Risk Management Division, the Operational & IT Risk Management Department, Compliance Division and the Market Risk Management Department with the assistance of various qualitative and quantitative analyses. The Board level Risk Committee (RC) exercises further oversight of the Bank's risk management.

## SUPPLEMENTARY INFORMATION

For the six months ended 30 June 2022

### 11. RISK MANAGEMENT *(Continued)*

Complementing the ALCO in the management of assets and liabilities, the RMC also oversees the implementation of the policies and procedures established for managing the Group's credit, strategic, operational, legal, and reputation risks and compliance requirements.

#### (I) CAPITAL MANAGEMENT

The Group has adopted a policy of maintaining a strong capital base to support the development of the Group's business and to ensure compliance with the statutory capital adequacy ratio requirement.

Capital is allocated to the various activities of the Group depending on the risk taken by each business division. The Group's capital adequacy ratio has remained well above the minimum as stipulated in the Banking (Capital) Rules.

#### (II) CREDIT RISK

Credit risk is the risk that a customer or counterparty may fail to meet a commitment when it falls due.

The Group's lending policy sets out in details the credit approval and monitoring mechanism, the exposure classifications system and provisioning policy, which is established in accordance with the requirements and provisions of the Hong Kong Banking Ordinance, the guidelines issued by the HKMA and other regulatory bodies.

Day-to-day credit management is performed by the Credit Risk Management Division with reference to credit policy information, the creditworthiness of a counterparty, the exposure concentration risk and the collateral pledged by a counterparty. Credit decisions are made by individual approvers with the delegated credit authority.

#### (III) LIQUIDITY RISK

Liquidity risk is the risk that the Group may not be able to meet obligations as they fall due, without incurring unacceptable losses.

The Group adopts conservative risk appetite in liquidity risk management and maintains adequate liquid assets to meet its normal business obligations as well as to withstand a prolonged period of liquidity stress in accordance with the requirements set out in the Supervisory Policy Manual LM-2 "Sound Systems and Controls for Liquidity Risk Management" ("SPM LM-2") revised by the HKMA in November 2016. The Board has the ultimate responsibility for liquidity risk management. The EXCO is delegated by the Board to oversee liquidity risk management. The ALCO is further delegated by the EXCO to oversee the Group's day-to-day liquidity risk management. The liquidity risk management policy which is reviewed and approved by the Board, specifies a set of liquidity risk metrics and risk control limits for effective liquidity risk management. The key liquidity metrics, e.g. liquidity maintenance ratio, core funding ratio ("CFR"), loan-to-deposit ratio, maturity profile of assets and liabilities, and inter-bank transactions are under ALCO's ongoing and periodic review.

The Group has sufficiently maintained the LMR and CFR well above the minimum as stipulated by the Banking (Liquidity) Rules.

**SUPPLEMENTARY INFORMATION**

For the six months ended 30 June 2022

**11. RISK MANAGEMENT** *(Continued)***(IV) MARKET RISK**

Market risk is the risk of losses in assets, liabilities and off-balance sheet positions arising from movements in market rates and prices.

Market risk arising from the trading book is at an acceptable level, as the Group maintains controllable positions of financial instruments leading to foreign exchange and interest rate exposures. The market risk positions are managed using risk limits approved by the Group. Daily risk monitoring is carried out independently by Market Risk Management Department, which ensures all dealing activities are conducted in a proper manner and within approved limits. The Group's exposures are periodically reviewed by the Board, RMC and senior management. Besides, structural foreign exchange exposure is to be detailed under (v) foreign exchange risk.

**(V) FOREIGN EXCHANGE RISK**

The Group has maintained a controllable level of foreign exchange risk for both trading and customer order fulfillment. Structural foreign exchange exposure arising from investments in branches outside Hong Kong and subsidiaries is accounted for in the reserves account. Day-to-day foreign exchange management is managed by the Treasury and Markets Division within approved limits.

**(VI) INTEREST RATE RISK**

Interest rate risk is referred to the risk to the Bank's financial condition resulting from adverse movements in interest rates. This consists of gap risk, basis risk and option risk. Interest margins may increase as a result of such changes in favour of the Bank but also result negative impacts in the event that unexpected or adverse movement arises. Interest rate risk comprises those originating from both trading and non-trading portfolio, and the Group's interest rate risk exposure is mainly contributed by non-trading portfolio. In non-trading portfolio, the management of Group's interest rate risk in banking book (IRRBB) is governed by the Interest Rate Risk Management Policy which is reviewed and endorsed by ALCO and approved by EXCO. The Group also manages its interest rate risk in banking book ("IRRBB") within the IRRBB limits approved by ALCO and under monitoring of Market Risk Management Department independently, which regularly report to both ALCO and RMC for senior management oversight. In trading portfolio, specific limits are approved by RMC on interest rate sensitivities (also known as DV01) and stop loss are being enforced on daily basis subject to independent monitoring by Market Risk Management Department.

The Group maintains manageable interest rate positions on its trading book, in addition to certain interest rate contracts entered into for the management of the Group's own risk with holding securities that are classified for trading purpose.

The Group manages its IRRBB exposures using economic value as well as earnings based measures.

## SUPPLEMENTARY INFORMATION

For the six months ended 30 June 2022

### 11. RISK MANAGEMENT *(Continued)*

#### (VI) INTEREST RATE RISK *(Continued)*

The economic value is measured from present values of its expected net cash flows of assets, liabilities and off balance sheet positions held with the Bank, discounted to reflect market rates. Thereby the Group measures the change in Economic Value of Equity ("ΔEVE") as the maximum decrease of the banking book economic value under the six standard scenarios defined by the HKMA's Supervisory Policy Manual.

Earnings-based measures the impact of changes in interest rates on accruing or reported earnings. Reduced earnings or outright losses can threaten the financial stability by undermining its capital adequacy and by reducing market confidence in it. The Group measures the change in net interest income as the maximum reduction in net interest income over a period of 12 months.

#### (VII) OPERATIONAL AND LEGAL RISK

Operational risk is the risk of unexpected losses attributable to human error, systems failures, frauds, or inadequate internal controls and procedures. Identification, assessment, mitigation, monitoring and reporting of operational risk are to be done for departments and processes, with escalation and reporting mechanism designated for major operational risk incidents.

Executive directors, division heads, department heads, in-house legal counsels, and internal auditors collaborate to manage operational and legal risks through proper human resources policies, delegation of authorities, segregation of duties, and timely and accurate management information. Senior management and the Audit Committee are accountable to the Board for maintaining a strong and disciplined control environment to provide reasonable assurance that the operational and legal risks are prudently managed.

A comprehensive contingency plan is available to ensure that the Bank's key business functions continue and normal operations are restored effectively and efficiently in the event of business interruption.

#### (VIII) REPUTATION RISK

Reputation risk is the risk that the Group's reputation is damaged by one or more than one reputation event that results in negative publicity about the Group's business practices, conduct or financial condition.

Reputation risk is managed by every member of staff ensuring proper and adequate communications and public relation efforts to foster the reputation of the Group. A reputation risk management policy guided by the Board has been established to manage including, without limitation, media exposure, handling of customers' and other stakeholders' complaints and suggestions, and to ensure that the Group's business activities, and agents and/or bodies acting on the Group's behalf do not jeopardise its reputation.

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