



INDUSTRIAL AND COMMERCIAL BANK OF CHINA (ASIA) LIMITED
中國工商銀行（亞洲）有限公司
(Incorporated in Hong Kong with limited liability)

INTERIM FINANCIAL DISCLOSURE STATEMENTS
FOR THE SIX MONTHS ENDED
30 JUNE 2026

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INTERIM RESULTS AND FINANCIAL REVIEW

The Board of Directors (the “Board”) of Industrial and Commercial Bank of China (Asia) Limited (the “Bank” or “ICBC (Asia)”) is pleased to present the interim financial disclosure statements of the Bank and its subsidiaries (collectively referred to as the “Group”) for the six months ended 30 June 2026. The condensed consolidated statement of financial position of the Group as at 30 June 2026 and the related condensed consolidated income statement, condensed consolidated statement of comprehensive income, condensed consolidated statement of changes in equity and condensed consolidated statement of cash flows of the Group for the six months ended 30 June 2026 are prepared in accordance with Hong Kong Accounting Standard (“HKAS”) 34, Interim Financial Reporting along with certain explanatory notes are set out on pages 4 to 72 of these interim financial disclosure statements.

Interim Results

The Board of Directors is pleased to announce that the unaudited consolidated profit attributable to the shareholders of the Bank for the six months ended 30 June 2026 was HK\$5,172 million. This represents a 21.04% increase over the same period last year (first half of 2025: HK\$4,273 million). Return on average assets and return on average equity were 0.99% and 7.49% respectively (first half of 2025: 0.86% and 6.59% respectively).

Financial Review

In the first half of 2026, the Group’s consolidated profit attributable to shareholders was HK\$5,172 million, representing an increase of HK\$899 million or 21.04% over HK\$4,273 million achieved for the corresponding period in 2025. As detailed below:

Total operating income reached HK\$8,118 million, an increase of HK\$295 million or 3.77%. Net interest income increased by HK\$314 million or 6.01% to HK\$5,536 million. Net fee and commission income increased by HK\$12 million or 1.06% to HK\$1,139 million.

Operating expenses decreased by HK\$14 million or 0.61% to HK\$2,264 million, compared with HK\$2,278 million for the corresponding period in 2025. The cost to income ratio was 27.89%, down by 1.23% compared with the corresponding period in 2025, cost management capabilities have been continuously enhanced, and operating efficiency has remained sound.

The net charge for impairment losses on loans and advances for the period was HK\$344 million, a decrease of HK\$529 million, indicating improved credit risk performance.

INTERIM RESULTS AND FINANCIAL REVIEW

Statement of Financial Position

As of 30 June 2026, the Group's total assets reached a new high of HK\$1,106 billion, representing an increase of HK\$113,493 million or 11.43% over the financial position as at 31 December 2025.

Total loans and advances increased by HK\$17,085 million or 3.76% to HK\$471,215 million as at 30 June 2026 compared to HK\$454,130 million as at 31 December 2025.

Total securities investment amounted to HK\$327,961 million as at 30 June 2026, which represents an increase of HK\$44,773 million or 15.81% compared to HK\$283,188 million as at 31 December 2025.

Total customer deposits amounted to HK\$749,674 million as at 30 June 2026 representing an increase of HK\$86,941 million or 13.12%, compared to HK\$662,733 million as at 31 December 2025.

Total certificates of deposit issued increased by HK\$167 million or 9.88% to HK\$1,858 million as at 30 June 2026, compared to HK\$1,691 million as at 31 December 2025.

Capital and Liquidity Management

The Group's various ratios are maintained at sound levels and above the regulatory requirements. As at 30 June 2026, the capital adequacy ratio and the average liquidity coverage ratio were 27.37% (31 December 2025: 27.80%) and 145.30% (first half of 2025: 176.76%) respectively.

Asset Quality

Under the Bank's prudent risk management policy, the asset quality remained continuously at a satisfactory level. Impaired loans and advances decreased by HK\$1,646 million to HK\$4,097 million as at 30 June 2026, compared with HK\$5,743 million as at 31 December 2025. The impaired loan ratio was 0.85% as at 30 June 2026 (31 December 2025: 1.24%).

As at 30 June 2026, the cumulative loan impairment allowances amounted to HK\$9,968 million (31 December 2025: HK\$11,288 million).

CONDENSED CONSOLIDATED INCOME STATEMENT
FOR THE SIX MONTHS ENDED 30 JUNE 2026
(UNAUDITED)

	Notes	Unaudited six months ended 30 June 2026 HK\$'000	Unaudited six months ended 30 June 2025 HK\$'000
Interest income	(6)	15,249,544	16,749,337
Interest expense	(6)	(9,714,023)	(11,527,182)
Net interest income	(6)	5,535,521	5,222,155
Fee and commission income	(7)	1,332,550	1,305,138
Fee and commission expense	(7)	(193,521)	(177,908)
Net fee and commission income	(7)	1,139,029	1,127,230
Net trading income	(8)	837,170	1,176,475
Net gain on financial assets and liabilities at fair value through profit or loss	(9)	423,764	73,570
Dividend income from financial investments	(10)	21,567	23,452
Other operating income	(11)	160,515	200,336
Operating income		8,117,566	7,823,218
Operating expenses	(12)	(2,263,893)	(2,277,855)
Operating profit before impairment losses		5,853,673	5,545,363
Net charge for impairment losses	(13)	(113,549)	(837,705)
Operating profit after impairment losses		5,740,124	4,707,658
Net (loss)/gain on disposal of property, plant and equipment	(14)	(31)	6
Net gain on disposal of financial assets at fair value through other comprehensive income		314,427	140,841
Net gain on disposal of financial assets at amortised cost		595	534
Revaluation loss on investment properties		(4,300)	(2,500)
Operating profit		6,050,815	4,846,539
Share of gains of associates		5,429	699
Profit before tax		6,056,244	4,847,238
Income tax expense	(15)	(883,994)	(574,133)
Profit for the period attributable to shareholders of the Bank		5,172,250	4,273,105

**CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE SIX MONTHS ENDED 30 JUNE 2026
(UNAUDITED)**

	Unaudited six months ended 30 June 2026 HK\$'000	Unaudited six months ended 30 June 2025 HK\$'000
Profit for the period	<u>5,172,250</u>	<u>4,273,105</u>
Items that will not be reclassified to profit or loss:		
Change in fair value of equity investments measured at fair value through other comprehensive income	<u>(30,383)</u>	<u>(92,945)</u>
	<u>(30,383)</u>	<u>(92,945)</u>
Revaluation (deficit)/surplus on bank premises	(1,343)	787
Income tax effect	<u>222</u>	<u>(130)</u>
	<u>(1,121)</u>	<u>657</u>
Items that may be reclassified subsequently to profit or loss:		
Net movements under cash flow hedges due to fair value of hedging instruments recognised and reclassified	(262,991)	(178,768)
Income tax effect	<u>43,956</u>	<u>29,682</u>
	<u>(219,035)</u>	<u>(149,086)</u>
Change in fair value of financial assets measured at fair value through other comprehensive income	(618,682)	1,496,443
Reclassification to condensed consolidated income statement upon disposal of financial assets measured at fair value through other comprehensive income	(314,427)	(140,841)
Fair value of the hedged items attributable to hedged risk transferred to the condensed consolidated income statement	312,549	(347,448)
Net (charge)/reversal for impairment losses on financial assets	(288,841)	42,197
Income tax effect	<u>105,175</u>	<u>(155,174)</u>
	<u>(804,226)</u>	<u>895,177</u>
Exchange differences arising from translation of results of foreign subsidiaries	<u>629,386</u>	<u>416,095</u>
Other comprehensive income for the period, net of tax	<u>(425,379)</u>	<u>1,069,898</u>
Total comprehensive income for the period, net of tax	<u>4,746,871</u>	<u>5,343,003</u>
Attributable to:		
Shareholders of the Bank	<u>4,746,871</u>	<u>5,343,003</u>

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2026
(UNAUDITED)

	Notes	Unaudited 30 June 2026 HK\$'000	Audited 31 December 2025 HK\$'000
Assets			
Cash and balances with banks and other financial institutions	(17)	32,777,283	25,872,035
Placements with banks and other financial institutions	(18)	225,399,401	194,696,711
Derivative financial instruments	(19)	11,768,484	11,279,150
Advances and other accounts	(20)	471,215,228	454,130,314
Financial investments	(21)	335,914,428	291,005,322
Investments in associates		186,821	179,489
Current income tax assets		1,966	545
Goodwill and other intangible assets		1,010,248	1,012,713
Investment properties	(22)	190,000	194,300
Property, plant and equipment	(23)	1,580,700	1,728,116
Deferred income tax assets	(27)	1,903,195	1,728,456
Other assets	(24)	24,060,645	10,688,213
Total assets		1,106,008,399	992,515,364
Liabilities			
Deposits from banks and other financial institutions	(25)	137,322,924	123,580,276
Trading liabilities		150,203	574,735
Derivative financial instruments	(19)	11,829,152	7,273,961
Deposits from customers	(26)	749,674,202	662,732,683
Certificates of deposit issued		1,857,574	1,690,545
Debt securities in issue	(28)	15,713,219	15,361,692
Current income tax liabilities		1,436,698	959,390
Deferred income tax liabilities	(27)	1,632	1,576
Other liabilities	(29)	19,067,881	15,428,109
Total liabilities		937,053,485	827,602,967
Equity			
Share capital	(30)	44,187,631	44,187,631
Retained earnings		91,710,858	87,234,058
Other reserves		5,387,660	5,821,943
Total equity attributable to shareholders of the Bank		141,286,149	137,243,632
Additional equity instruments	(31)	27,668,765	27,668,765
Total equity		168,954,914	164,912,397
Total equity and liabilities		1,106,008,399	992,515,364

**CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE SIX MONTHS ENDED 30 JUNE 2026
(UNAUDITED)**

	Share capital HK\$'000	Bank premises revaluation reserve HK\$'000	Fair value reserve (recycling) HK\$'000	Fair value reserve (non- recycling) HK\$'000	Cash flow hedge reserve HK\$'000	Exchange reserve HK\$'000	General reserve HK\$'000	Retained earnings HK\$'000	Additional equity instruments HK\$'000	Total HK\$'000
At 1 January 2026	44,187,631	742,474	1,656,391	(6,838)	99,378	(830,766)	4,161,304	87,234,058	27,668,765	164,912,397
Profit for the period	-	-	-	-	-	-	-	5,172,250	-	5,172,250
Other comprehensive income/ (expense) for the period:										
Change in fair value of financial assets measured at fair value through other comprehensive income	-	-	(618,682)	(30,383)	-	-	-	-	-	(649,065)
Reclassification to condensed consolidated income statement upon disposal of financial assets measured at fair value through other comprehensive income	-	-	(314,427)	-	-	-	-	-	-	(314,427)
Fair value of the hedged items attributable to hedged risk transferred to the condensed consolidated income statement	-	-	312,549	-	-	-	-	-	-	312,549
Transfer of fair value reserve upon the disposal of equity investments at FVTOCI	-	-	-	(8,959)	-	-	-	8,959	-	-
Net movements under cash flow hedges due to fair value of hedging instruments recognised and reclassified	-	-	-	-	(262,991)	-	-	-	-	(262,991)
Net reversal for impairment losses on financial assets	-	-	(288,841)	-	-	-	-	-	-	(288,841)
Revaluation surplus on bank premises	-	(1,343)	-	-	-	-	-	-	-	(1,343)
Income tax effect	-	222	105,175	-	43,956	-	-	-	-	149,353
Exchange differences arising from translation of results of foreign subsidiaries	-	-	-	-	-	629,386	-	-	-	629,386
Total comprehensive (expense)/income for the period	-	(1,121)	(804,226)	(39,342)	(219,035)	629,386	-	5,181,209	-	4,746,871
Partial transfer of retained earnings to general reserve	-	-	-	-	-	-	55	(55)	-	-
Distributions paid on additional equity instruments	-	-	-	-	-	-	-	(704,354)	-	(704,354)
At 30 June 2026	<u>44,187,631</u>	<u>741,353</u>	<u>852,165</u>	<u>(46,180)</u>	<u>(119,657)</u>	<u>(201,380)</u>	<u>4,161,359</u>	<u>91,710,858</u>	<u>27,668,765</u>	<u>168,954,914</u>

**CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE SIX MONTHS ENDED 30 JUNE 2025
(UNAUDITED)**

	Share capital HK\$'000	Bank premises revaluation reserve HK\$'000	Fair value reserve (recycling) HK\$'000	Fair value reserve (non- recycling) HK\$'000	Cash flow hedge reserve HK\$'000	Exchange reserve HK\$'000	General reserve HK\$'000	Retained earnings HK\$'000	Additional equity instruments HK\$'000	Total HK\$'000
At 1 January 2025	44,187,631	752,968	130,495	(677,562)	129,073	(1,553,254)	4,108,994	81,349,995	27,668,765	156,097,105
Profit for the period	-	-	-	-	-	-	-	4,273,105	-	4,273,105
Other comprehensive income/(expense) for the period:										
Change in fair value of financial assets measured at fair value through other comprehensive income	-	-	1,496,443	(92,945)	-	-	-	-	-	1,403,498
Reclassification to condensed consolidated income statement upon disposal of financial assets measured at fair value through other comprehensive income	-	-	(140,841)	-	-	-	-	-	-	(140,841)
Fair value of the hedged items attributable to hedged risk transferred to the condensed consolidated income statement	-	-	(347,448)	-	-	-	-	-	-	(347,448)
Net movements under cash flow hedges due to fair value of hedging instruments recognised and reclassified	-	-	-	-	(178,768)	-	-	-	-	(178,768)
Net charge for impairment losses on financial assets	-	-	42,197	-	-	-	-	-	-	42,197
Revaluation deficit on bank premises	-	787	-	-	-	-	-	-	-	787
Income tax effect	-	(130)	(155,174)	-	29,682	-	-	-	-	(125,622)
Exchange differences arising from translation of results of foreign subsidiaries	-	-	-	-	-	416,095	-	-	-	416,095
Total comprehensive income/(expense) for the period	-	657	895,177	(92,945)	(149,086)	416,095	-	4,273,105	-	5,343,003
Exchange differences arising from translation of results of foreign subsidiaries	-	-	-	-	-	-	112	(112)	-	-
Distributions paid on additional equity instruments	-	-	-	-	-	-	-	(682,977)	-	(682,977)
At 30 June 2025	<u>44,187,631</u>	<u>753,625</u>	<u>1,025,672</u>	<u>(770,507)</u>	<u>(20,013)</u>	<u>(1,137,159)</u>	<u>4,109,106</u>	<u>84,940,011</u>	<u>27,668,765</u>	<u>160,757,131</u>

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE SIX MONTHS ENDED 30 JUNE 2026
(UNAUDITED)

	Unaudited six months ended 30 June 2026 HK\$'000	Unaudited six months ended 30 June 2025 HK\$'000
Profit before tax	6,056,244	4,847,238
Adjustments for:		
Depreciation and amortisation	260,868	263,974
Net charge for impairment loss	113,549	837,705
Change in operating assets	(115,916,610)	(84,739,693)
Change in operating liabilities	110,016,616	63,941,591
Tax paid	(401,274)	(315,318)
Other adjustments including non-cash items	(179,719)	138,474
Effects of foreign exchange differences	480,651	75,560
Net cash flows from/(used in) operating activities	<u>430,325</u>	<u>(14,950,469)</u>
Cash flows from investing activities:		
Purchase of intangible assets	(340)	(347)
Purchase of property, plant and equipment	(46,788)	(61,713)
Proceeds from disposal of property, plant and equipment	25	138
Dividend income from listed financial assets at fair value through profit or loss	18,356	18,711
Dividend income from unlisted equity securities at fair value through other comprehensive income	3,211	4,741
Net cash flows used in investing activities	<u>(25,536)</u>	<u>(38,470)</u>
Cash flows from financing activities:		
Distribution paid on additional equity instruments	(704,354)	(682,977)
Redemption of debt securities measured at amortised cost	–	(3,286,633)
Interest paid on debt securities in issue	(233,766)	(333,383)
Payment of lease liabilities	(196,253)	(209,720)
Net cash flows used in financing activities	<u>(1,134,373)</u>	<u>(4,512,713)</u>
Net decrease in cash and cash equivalents	(729,584)	(19,501,652)
Cash and cash equivalents at 1 January	98,137,802	128,877,629
Effects of foreign exchange differences	<u>390,574</u>	<u>675,993</u>
Cash and cash equivalents at 30 June	<u>97,798,792</u>	<u>110,051,970</u>

**CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE SIX MONTHS ENDED 30 JUNE 2026
(UNAUDITED)**

For the purposes of the condensed consolidated statement of cash flows, cash and cash equivalents comprise the following balances with original maturity of three months or less:

	Unaudited 30 June 2026 HK\$'000	Unaudited 30 June 2025 HK\$'000
Cash and balances with banks and other financial institutions	32,777,283	38,205,102
Placements with banks and other financial institutions	65,021,509	71,846,868
	<u>97,798,792</u>	<u>110,051,970</u>

NOTES TO THE INTERIM FINANCIAL DISCLOSURE STATEMENTS

1 Principal activities

The principal activities of the Group are the provision of banking, financial and other financial related services.

2 Basis of preparation and consolidation

2.1 Basis of preparation

The unaudited interim financial disclosure statements of the Group have been prepared in accordance with Hong Kong Accounting Standard (“HKAS”) 34, *Interim Financial Reporting*, as issued by the Hong Kong Institute of Certified Public Accountants (the “HKICPA”).

Other than additional accounting policies resulting from application of amendments to HKFRS Accounting Standards, the accounting policies and methods of computation used in the condensed consolidated financial statements for the six months ended 30 June 2026 are the same as those presented in the Group’s annual financial statements for the year ended 31 December 2025.

The unaudited interim financial disclosure statements do not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Group’s annual financial statements for the year ended 31 December 2025.

The preparation of unaudited interim financial disclosure statements requires management to exercise its judgement and make estimates and assumptions in the process of applying the Group’s accounting policies and reporting amounts of assets and liabilities, income and expenses on a year to date basis. Actual results may differ from these estimates. The significant judgments made by management were the same as those applied to the annual financial statements for the year ended 31 December 2025.

The financial information relating to the financial year ended 31 December 2025 that is included in the unaudited interim financial disclosure statements as comparative information does not constitute the Bank’s statutory annual consolidated financial statements for that financial year but is derived from those financial statements. Further information relating to these statutory financial statements 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 2025 to the Registrar of Companies as required by section 662(3) of, and Part 3 of Schedule 6 to, the Hong Kong Companies Ordinance.

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 section 406(2), 407(2) or (3) of the Hong Kong Companies Ordinance.

NOTES TO THE INTERIM FINANCIAL DISCLOSURE STATEMENTS

2 Basis of preparation and consolidation (continued)

2.2 Basis of consolidation

The condensed consolidated financial statements include the accounts of the Bank and all its subsidiaries, a controlled unit trust and attributable share of results and reserves of its associates.

List of subsidiaries, a unit trust and sub-funds included in the consolidation are:

- Chinese Mercantile Bank
- ICBC (Asia) Bullion Company Limited
- ICBC Asset Management (Global) Company Limited
- ICBC (Asia) Nominee Limited
- ICBC (Asia) Securities Limited
- ICBC (Asia) Trustee Company Limited
- ICBC (Asia) Financial Services Company Limited
- SINO-CEEF Holding Company Limited
- Greater China Fund
- 工銀亞投股權投資管理(深圳)有限公司
- 亞投銀欣(廈門)投資管理有限公司
- 蘇州銀晟投資管理有限公司
- ICBC AMG China Fund I SPC – High Tech Investment Fund SP
- ICBC Asset Management (Global) Funds – ICBC Asset Management Greater China Total Return Bond Fund
- AMG Investment Funds SPC – AMG USD Debt Master Strategy Fund SP – Class C Shares

3 Impact of new and amendments to HKFRS Accounting Standards

In the current interim period, the Group has applied the following amendments to HKFRS Accounting Standards issued by the HKICPA, for the first time, which are mandatorily effective for the Group's annual period beginning on 1 January 2026 for the preparation of the Group's condensed consolidated financial statements:

Amendments to HKFRS 9 and HKFRS 7	<i>Amendments to the Classification and Measurement of Financial Instruments</i>
Amendments to HKFRS 9 and HKFRS 7	<i>Contracts Referencing Nature-dependent Electricity</i>
<i>Annual Improvements to HKFRS Accounting Standards – Volume 11</i>	Amendments to HKFRS 1, HKFRS 7, HKFRS 9, HKFRS 10 and HKAS 7

The application of the amendments to HKFRS Accounting Standards in the current interim period has had no material impact on the Group's financial positions and performance for the current and prior periods and/or on the disclosures set out in these condensed consolidated financial statements.

NOTES TO THE INTERIM FINANCIAL DISCLOSURE STATEMENTS

3 Impact of new and amendments to HKFRS Accounting Standards (continued)

3.1 Impacts on application of Amendments to HKFRS 9 and HKFRS 7 Amendments to the Classification and Measurement of Financial Instruments

Amendments to HKFRS 9 and HKFRS 7 *Amendments to the Classification and Measurement of Financial Instruments* clarify that a financial asset is derecognised when the entity's rights to the contractual cash flows expire or are transferred, while a financial liability is derecognised on the settlement date. The amendments introduce an accounting policy option to derecognise a financial liability that is settled through an electronic payment system before the settlement date if specified criteria are met. The amendments clarify how to assess the contractual cash flow characteristics of financial assets with environmental, social and governance and other similar contingent features. Moreover, the amendments clarify the requirements for classifying financial assets with non-recourse features and contractually linked instruments. The amendments also include additional disclosures for investments in equity instruments designated at fair value through other comprehensive income and financial instruments with contingent features. Since the Group's accounting policy for the derecognition of financial assets and liabilities in prior years aligned with the amendments, the amendments did not have any impact on the interim condensed consolidated financial information.

3.2 Impacts on application of Amendments to HKFRS 9 and HKFRS 7 Contracts Referencing Nature-dependent Electricity

Amendments to HKFRS 9 and HKFRS 7 *Contracts Referencing Nature-dependent Electricity* clarify the application of the 'own-use' requirements for in-scope contracts and amend the designation requirements for a hedged item in a cash flow hedging relationship for in-scope contracts. The amendments also include additional disclosures that enable users of financial statements to understand the effects these contracts have on an entity's financial performance and future cash flows. As the Group did not have any contracts that are in the scope of the amendments, the amendments did not have any impact on the interim condensed consolidated financial information.

3.3 Impacts on application of Annual Improvements to HKFRS Accounting Standards – Volume 11 Amendments to HKFRS 1, HKFRS 7, HKFRS 9, HKFRS 10 and HKAS 7

Annual Improvements to HKFRS Accounting Standards – Volume 11 set out narrow scope amendments to HKFRS 1, HKFRS 7 (and the accompanying Guidance on implementing HKFRS 7), HKFRS 9, HKFRS 10 and HKAS 7. The amendments include clarifications, simplifications, corrections or changes to improve consistency in the corresponding HKFRS Accounting Standards. The amendments did not have any impact on the interim condensed consolidated financial information.

NOTES TO THE INTERIM FINANCIAL DISCLOSURE STATEMENTS

4 Financial risk management

4.1 Analysis of assets and liabilities by remaining maturity

The table below summarises the Group's assets and liabilities into relevant maturity groupings based on the remaining period at the end of the reporting period to the contractual maturity date.

At 30 June 2026	Repayable on demand HK\$'000	Up to one month HK\$'000	1-3 months HK\$'000	3-12 months HK\$'000	1-5 years HK\$'000	Over 5 years HK\$'000	Undated HK\$'000	Total HK\$'000
Assets								
Cash and balances with banks and other financial institutions	29,470,320	-	-	-	-	-	3,306,963	32,777,283
Placements with banks and other financial institutions	-	70,883,692	47,577,240	79,691,625	27,246,844	-	-	225,399,401
Derivative financial instruments	79,717	1,503,913	1,237,801	2,789,317	5,088,107	1,069,629	-	11,768,484
Advances and other accounts	2,372,963	28,082,821	44,932,173	117,353,885	140,900,765	137,572,621	-	471,215,228
Financial investments	-	29,979,844	28,602,685	65,497,259	129,376,665	76,440,123	6,017,852	335,914,428
Investments in associates	-	-	-	-	-	-	186,821	186,821
Goodwill and other intangible assets	-	-	-	-	-	-	1,010,248	1,010,248
Investment properties	-	-	-	-	-	-	190,000	190,000
Property, plant and equipment	-	-	-	-	-	-	1,580,700	1,580,700
Other assets, including current and deferred income tax assets	8,206,900	3,558,811	2,598,483	6,225,369	1,202,418	-	4,173,825	25,965,806
Total assets	40,129,900	134,009,081	124,948,382	271,557,455	303,814,799	215,082,373	16,466,409	1,106,008,399
Liabilities								
Deposits from banks and other financial institutions	31,947,300	52,792,373	8,099,940	44,483,311	-	-	-	137,322,924
Trading liabilities	1,185	149,018	-	-	-	-	-	150,203
Derivative financial instruments	-	1,359,813	1,585,849	3,204,145	4,748,242	931,103	-	11,829,152
Deposits from customers	233,725,757	180,522,882	192,458,184	126,431,810	16,535,569	-	-	749,674,202
Certificates of deposit issued	-	156,970	1,700,604	-	-	-	-	1,857,574
Debt securities in issue	-	2,378,435	56,815	14,490	13,263,479	-	-	15,713,219
Other liabilities, including current and deferred income tax liabilities	5,069,809	4,684,214	2,447,779	7,478,403	773,615	52,391	-	20,506,211
Total liabilities	270,744,051	242,043,705	206,349,171	181,612,159	35,320,905	983,494	-	937,053,485
Net liquidity gap	(230,614,151)	(108,034,624)	(81,400,789)	89,945,296	268,493,894	214,098,879	16,466,409	168,954,914

NOTES TO THE INTERIM FINANCIAL DISCLOSURE STATEMENTS

4 Financial risk management (continued)

4.1 Analysis of assets and liabilities by remaining maturity (continued)

At 31 December 2025	Repayable on demand HK\$'000	Up to one month HK\$'000	1-3 months HK\$'000	3-12 months HK\$'000	1-5 years HK\$'000	Over 5 years HK\$'000	Undated HK\$'000	Total HK\$'000
Assets								
Cash and balances with banks and other financial institutions	22,085,286	–	–	–	–	–	3,786,749	25,872,035
Placements with banks and other financial institutions	–	83,912,530	12,847,097	73,854,098	24,082,986	–	–	194,696,711
Derivative financial instruments	54,848	3,125,295	2,697,333	1,834,444	2,743,891	823,339	–	11,279,150
Advances and other accounts	2,885,017	18,462,442	45,883,540	125,395,172	130,760,193	130,743,950	–	454,130,314
Financial investments	–	8,025,082	33,413,626	85,081,872	86,286,467	72,104,702	6,093,573	291,005,322
Investments in associates	–	–	–	–	–	–	179,489	179,489
Goodwill and other intangible assets	–	–	–	–	–	–	1,012,713	1,012,713
Investment properties	–	–	–	–	–	–	194,300	194,300
Property, plant and equipment	–	–	–	–	–	–	1,728,116	1,728,116
Other assets, including current and deferred income tax assets	11,748	2,809,097	1,224,369	4,200,185	1,044,737	–	3,127,078	12,417,214
Total assets	25,036,899	116,334,446	96,065,965	290,365,771	244,918,274	203,671,991	16,122,018	992,515,364
Liabilities								
Deposits from banks and other financial institutions	40,448,864	33,507,234	21,812,973	27,811,205	–	–	–	123,580,276
Trading liabilities	1,423	573,312	–	–	–	–	–	574,735
Derivative financial instruments	–	940,530	1,162,457	2,011,794	2,485,667	673,513	–	7,273,961
Deposits from customers	226,530,899	158,570,580	183,539,270	77,281,981	16,809,953	–	–	662,732,683
Certificates of deposit issued	–	–	1,690,545	–	–	–	–	1,690,545
Debt securities in issue	–	–	–	2,293,090	13,068,602	–	–	15,361,692
Other liabilities, including current and deferred income tax liabilities	4,751,818	4,144,665	1,355,858	5,156,757	923,883	56,094	–	16,389,075
Total liabilities	271,733,004	197,736,321	209,561,103	114,554,827	33,288,105	729,607	–	827,602,967
Net liquidity gap	(246,696,105)	(81,401,875)	(113,495,138)	175,810,944	211,630,169	202,942,384	16,122,018	164,912,397

NOTES TO THE INTERIM FINANCIAL DISCLOSURE STATEMENTS

4 Financial risk management (continued)

4.2 Fair value of financial assets and liabilities

Financial instruments measured at fair value using a valuation technique

Fair value of financial assets and financial liabilities that are traded in active market are based on quoted market prices. For all other financial instruments, the Group determines fair value using valuation techniques. In general, quoted prices in active market will be used if available. When quoted prices in active markets are not available, an appropriate valuation technique will be employed.

Valuation techniques include net present value and discounted cash flow models, comparison to similar instruments for which market observable prices exist, Black-Scholes and polynomial option pricing models and other valuation models. Assumptions and inputs used in valuation techniques include risk-free and benchmark interest rates, credit spreads and other premia used in estimating discount rates, bond and equity prices, foreign currency exchange rates, equity and equity index prices and expected price volatilities and correlations. The objective of valuation techniques is to arrive at a fair value measurement that reflects the price of the financial instrument that would be received to sell the asset or paid to transfer the liability in an orderly transaction between market participants at the reporting date.

The Group uses widely recognised valuation models for determining the fair value of financial instruments. The market data inputs are independent and observable in the market which avoids any manipulation of the fair value. The Group has also an established Valuation Committee to set up control framework with respect to the measurement of fair value. Valuation Committee is responsible for review of all market prices and rate sources used as well as curves, methodology and models for valuation of financial instruments.

A Credit Valuation Adjustment (“CVA”) is applied to the Group’s over-the-counter derivative exposures to take into account the counterparty’s risk of default when measuring the fair value of the derivatives. CVA is the mark-to-market adjustment to the fair value to reflect potential credit risk from counterparties in the Group’s over-the-counter derivative portfolio.

The Group estimates CVA by referencing the market implied default loss rates of the counterparties at similar external credit grading level to construct the term structure of market-implied probability of default (“PD”), market-consensus expected loss-given-default (“ELGD”), and simulated paths of discounted future exposure under the assumption that the Group is free from default risk. A Debit Valuation Adjustment (“DVA”) is applied to incorporate the Group’s own credit risk in the fair value of derivatives, using same methodology as for CVA.

NOTES TO THE INTERIM FINANCIAL DISCLOSURE STATEMENTS

4 Financial risk management (continued)

4.2 Fair value of financial assets and liabilities (continued)

Determination of fair value hierarchy

The following table presents the fair value of the Group's financial instruments measured at the end of the reporting period on a recurring basis, categorised into the three-level fair value hierarchy as defined in HKFRS 13, *Fair Value Measurement*. The level into which a fair value measurement is classified is determined with reference to the observability and significance of the inputs used in the valuation technique as follows:

Level 1 valuation:	Fair value measured using only Level 1 inputs i.e. unadjusted quoted prices in active markets for identical assets or liabilities at the measurement date.
Level 2 valuation:	Fair value measured using Level 2 inputs i.e. observable inputs which fail to meet Level 1, and not using significant unobservable inputs. Unobservable inputs are inputs for which market data are not available.
Level 3 valuation:	Fair value measured using significant unobservable inputs. This category includes all instruments for which the valuation technique includes inputs that are not observable and the unobservable inputs have a significant effect on the instrument's valuation. This category includes instruments that are valued based on quoted prices for similar instruments for which significant unobservable adjustments or assumptions are required to reflect differences between the instruments.

NOTES TO THE INTERIM FINANCIAL DISCLOSURE STATEMENTS
4 Financial risk management (continued)
4.2 Fair value of financial assets and liabilities (continued)

30 June 2026	Level 1 HK\$'000	Level 2 HK\$'000	Level 3 HK\$'000	Total HK\$'000
Recurring fair value measurements				
Financial assets				
Derivative financial instruments				
Currency forwards and swaps	–	4,211,815	–	4,211,815
Structured foreign exchange contracts	–	2	–	2
Cross-currency interest rate swaps	–	3,995,504	–	3,995,504
Currency options	–	159,807	–	159,807
Interest rate swaps	–	3,278,222	–	3,278,222
Commodity swaps	–	122,922	–	122,922
Foreign exchange futures	–	212	–	212
	–	11,768,484	–	11,768,484
Loans and advances to customers, banks and trade bills measured at fair value through other comprehensive income				
Advances to customers	–	3,117,553	–	3,117,553
Trade bills	–	5,429,944	–	5,429,944
	–	8,547,497	–	8,547,497
Financial investments held for trading				
Debt securities	–	26,953,772	–	26,953,772
Non-trading financial investments mandatorily measured at fair value through profit or loss				
Investment funds	–	5,788,227	–	5,788,227
Others	–	152,106	–	152,106
	–	5,940,333	–	5,940,333

NOTES TO THE INTERIM FINANCIAL DISCLOSURE STATEMENTS

4 Financial risk management (continued)

4.2 Fair value of financial assets and liabilities (continued)

30 June 2026	Level 1 HK\$'000	Level 2 HK\$'000	Level 3 HK\$'000	Total HK\$'000
Recurring fair value measurements				
Financial investments measured at fair value through other comprehensive income				
Debt securities	–	213,713,960	–	213,713,960
Equity securities	–	1,315	538,244	539,559
	–	213,715,275	538,244	214,253,519
Total financial assets	–	266,925,361	538,244	267,463,605
Financial liabilities				
Structured deposits from customers	–	12,705,560	–	12,705,560
Deposits from banks and other financial institutions	–	3,056,449	–	3,056,449
	–	15,762,009	–	15,762,009
Derivative financial instruments				
Currency forwards and swaps	–	4,552,104	–	4,552,104
Structured foreign exchange contracts	–	1,788	–	1,788
Cross-currency interest rate swaps	–	3,981,752	–	3,981,752
Currency options	–	118,682	–	118,682
Interest rate swaps	–	2,915,666	–	2,915,666
Commodity swaps	–	258,882	–	258,882
Foreign exchange futures	–	278	–	278
	–	11,829,152	–	11,829,152
Trading liabilities	–	150,203	–	150,203
Total financial liabilities	–	27,741,364	–	27,741,364

NOTES TO THE INTERIM FINANCIAL DISCLOSURE STATEMENTS
4 Financial risk management (continued)
4.2 Fair value of financial assets and liabilities (continued)

31 December 2025	Level 1 HK\$'000	Level 2 HK\$'000	Level 3 HK\$'000	Total HK\$'000
Recurring fair value measurements				
Financial assets				
Derivative financial instruments				
Currency forwards and swaps	–	3,264,320	–	3,264,320
Structured foreign exchange contracts	–	7,007	–	7,007
Cross-currency interest rate swaps	–	1,373,985	–	1,373,985
Currency options	–	105,929	–	105,929
Interest rate swaps	–	2,615,168	–	2,615,168
Commodity swaps	–	3,912,589	–	3,912,589
Interest rate futures	–	152	–	152
	–	11,279,150	–	11,279,150
Loans and advances to customers, banks and trade bills measured at fair value through other comprehensive income				
Advances to customers	–	2,107,857	–	2,107,857
Trade bills	–	8,771,257	–	8,771,257
	–	10,879,114	–	10,879,114
Financial investments held for trading				
Debt securities	–	13,931,234	–	13,931,234
	–	13,931,234	–	13,931,234
Non-trading financial investments mandatorily measured at fair value through profit or loss				
Debt securities	–	168,047	–	168,047
Investment funds	–	5,825,834	–	5,825,834
Others	–	140,602	–	140,602
	–	6,134,483	–	6,134,483

NOTES TO THE INTERIM FINANCIAL DISCLOSURE STATEMENTS

4 Financial risk management (continued)

4.2 Fair value of financial assets and liabilities (continued)

31 December 2025	Level 1 HK\$'000	Level 2 HK\$'000	Level 3 HK\$'000	Total HK\$'000
Financial investments measured at fair value through other comprehensive income				
Debt securities	–	189,717,986	–	189,717,986
Equity securities	–	16,090	3,555,090	3,571,180
	–	189,734,076	3,555,090	193,289,166
Total financial assets	–	231,958,057	3,555,090	235,513,147
Financial liabilities				
Structured deposits from customers	–	19,481,185	–	19,481,185
Deposits from banks and other financial institutions	–	14,647,096	–	14,647,096
	–	34,128,281	–	34,128,281
Derivative financial instruments				
Currency forwards and swaps	–	3,438,033	–	3,438,033
Structured foreign exchange contracts	–	2,997	–	2,997
Cross-currency interest rate swaps	–	1,350,700	–	1,350,700
Currency options	–	78,090	–	78,090
Interest rate swaps	–	2,404,014	–	2,404,014
Foreign exchange futures	–	127	–	127
	–	7,273,961	–	7,273,961
Trading liabilities	–	574,735	–	574,735
Total financial liabilities	–	41,976,977	–	41,976,977

NOTES TO THE INTERIM FINANCIAL DISCLOSURE STATEMENTS

4 Financial risk management (continued)

4.2 Fair value of financial assets and liabilities (continued)

Information about significant unobservable inputs in Level 3 valuations

Type of assets	Valuation techniques	Significant unobservable input(s)	Range		Fair value measurement sensitivity to unobservable input(s)
			At 30 June 2026	At 31 December 2025	
Financial investments measured at FVTOCI – Equity securities	Discounted cash flow model	Discount rate	6.8%-19.9%	7.1%-16.6%	An increase in the discount rate, in isolation, will result in an unfavourable movement in the fair value of the asset.
	Market-comparable approach	Marketability discount	20%	20%	An increase in the marketability discount will result in an unfavourable movement in the fair value of the asset.
		Price/Book	1.0	1.1	An increase in the multiple will result in a favourable movement in the fair value of the asset.
	Net asset value	N/A	N/A	N/A	An increase in the net asset value will result in a favourable movement in the fair value of the asset.

Effects of changes in significant unobservable assumptions to reasonably possible alternative assumptions:

	At 30 June 2026	
	Effect recorded directly in equity Favourable HK\$'000	(Unfavourable) HK\$'000
Financial investments measured at FVTOCI	46,394	(45,791)
	46,394	(45,791)
	At 31 December 2025	
	Effect recorded directly in equity Favourable HK\$'000	(Unfavourable) HK\$'000
Financial investments measured at FVTOCI	348,154	(347,411)
	348,154	(347,411)

The fair values of financial instruments are in certain circumstances, measured using valuation models that incorporate assumptions that are not supported by prices from observable current market transactions in the same instrument and are not based on observable market data. The table above shows the sensitivity of fair values due to parallel movement of plus or minus 10 per cent in reasonably possible alternative assumptions.

NOTES TO THE INTERIM FINANCIAL DISCLOSURE STATEMENTS

4 Financial risk management (continued)

4.2 Fair value of financial assets and liabilities (continued)

Movements in level 3 financial instruments measured at fair value

The following table shows a reconciliation of the opening and closing amounts of Level 3 financial assets which are recorded at fair value:

	At 1 January 2026 HK\$'000	Disposal HK\$'000	Total unrealised losses recorded in equity HK\$'000	Exchange difference HK\$'000	At 30 June 2026 HK\$'000
Financial assets					
Financial investments measured at FVTOCI					
– Equity securities	3,555,090	(2,921,270)	(30,255)	(65,321)	538,244
Total level 3 financial assets	3,555,090	(2,921,270)	(30,255)	(65,321)	538,244

	At 1 January 2025 HK\$'000	Addition HK\$'000	Disposal HK\$'000	Total unrealised losses recorded in equity HK\$'000	Exchange difference HK\$'000	At 31 December 2025 HK\$'000
Financial assets						
Financial investments measured at FVTOCI						
– Equity securities	2,505,933	57,872	–	664,288	326,997	3,555,090
Financial investments mandatorily measured at fair value through profit or loss						
– Equity securities	24,844	–	(24,844)	–	–	–
Total level 3 financial assets	2,530,777	57,872	(24,844)	664,288	326,997	3,555,090

During the six months ended 30 June 2026, there were no transfers between Level 1 and Level 2, or transfers into or out of Level 3 (First half of 2025: Nil).

NOTES TO THE INTERIM FINANCIAL DISCLOSURE STATEMENTS

4 Financial risk management (continued)

4.2 Fair value of financial assets and liabilities (continued)

Financial instruments not measured at fair value

The fair value of financial assets and liabilities not measured at fair value on recurring basis are estimated as follows:

(a) Balances and placements with banks and other financial institutions

The fair value of floating rate placements and overnight deposits is their carrying amounts. The estimated fair value of fixed interest-bearing deposits, all of which are less than one year, is based on the discounted cash flows using prevailing money-market interest rates and the remaining maturity. Therefore, the fair value is approximately equal to the carrying value.

(b) Advances and other accounts

Advances and other accounts are net of allowances for impairment. All items, except a very insignificant portion of loans and advances to customers, bear interest at a floating rate. The Group has assessed the fair value of loans and advances to customers and banks, after taking into account the relevant market interest rates and net of allowances for impairment. It is noted that the total fair value is not materially different from the total carrying value.

(c) Investments measured at amortised cost

The fair value of investments measured at amortised cost is determined with reference to the available market value obtained from exchange, dealer or independent pricing service vendors or using discounted cash flow technique.

(d) Deposits and balances from customers, banks and other financial institutions

The estimated fair value of deposits and balances with no stated maturity is the amount repayable on demand. The fair value of those balances having an interest at a floating rate is their carrying value.

The estimated fair value of the fixed interest-bearing deposits of banks and deposits from customers without quoted market prices is based on discounted cash flows using interest rates for new debts with similar remaining maturity. As their maturity is normally less than one year from the end of the reporting period, their fair value is approximately equal to their carrying values.

(e) Certificates of deposit issued

The Group has assessed the fair value of certificates of deposit issued after taking into account the relevant yield curve and noted that the total fair value is not materially different from the total carrying value.

NOTES TO THE INTERIM FINANCIAL DISCLOSURE STATEMENTS

4 Financial risk management (continued)

4.2 Fair value of financial assets and liabilities (continued)

Financial instruments not measured at fair value (continued)

(f) Other assets and other liabilities

The estimated fair value of the other assets and other liabilities, which are normally non-interest-bearing, is their carrying values. It is noted that the total fair value is not materially different from the total carrying value.

The following tables set out the carrying values and fair values of the financial instruments not measured at fair value, except for the above with fair values not materially different from their carrying values or approximately equal to their carrying values.

	Note	At 30 June 2026		At 31 December 2025	
		Carrying value HK\$'000	Fair value HK\$'000	Carrying value HK\$'000	Fair value HK\$'000
Financial investments measured at amortised cost	(21)	<u>88,766,804</u>	<u>87,788,142</u>	<u>77,650,439</u>	<u>76,653,301</u>
30 June 2026		Level 1 HK\$'000	Level 2 HK\$'000	Level 3 HK\$'000	Total HK\$'000
Financial assets measured at amortised cost		<u>–</u>	<u>87,788,142</u>	<u>–</u>	<u>87,788,142</u>
31 December 2025		Level 1 HK\$'000	Level 2 HK\$'000	Level 3 HK\$'000	Total HK\$'000
Financial assets measured at amortised cost		<u>–</u>	<u>76,653,301</u>	<u>–</u>	<u>76,653,301</u>

4.3 Fair value of non-financial assets and liabilities

Fair value hierarchy

The following table presents the fair value of the Group's bank premises and properties, precious metals and investment properties measured at the end of the reporting period on a recurring basis, categorised into the three-level fair value hierarchy as defined in HKFRS 13, *Fair Value Measurement*. The level into which a fair value measurement is classified is determined with reference to the observability and significance of the inputs used in the valuation technique as follows:

NOTES TO THE INTERIM FINANCIAL DISCLOSURE STATEMENTS

4 Financial risk management (continued)

4.3 Fair value of non-financial assets and liabilities (continued)

Fair value hierarchy (continued)

Level 1 valuations: Fair value measured using only Level 1 inputs i.e. unadjusted quoted prices in active markets for identical assets or liabilities at the measurement date.

Level 2 valuations: Fair value measured using Level 2 inputs i.e. observable inputs which fail to meet Level 1, and not using significant unobservable inputs. Unobservable inputs are inputs for which market data are not available.

Level 3 valuations: Fair value measured using significant unobservable inputs.

Fair value at 30 June 2026

	Level 1	Level 2	Level 3	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Bank premises and properties	–	–	419,798	419,798
Investment properties	–	–	190,000	190,000
Other assets – precious metals	–	8,204,140	–	8,204,140

Fair value at 31 December 2025

	Level 1	Level 2	Level 3	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Bank premises and properties	–	–	424,568	424,568
Investment properties	–	–	194,300	194,300

During the half years ended 30 June 2026 and 31 December 2025, there were no transfers between Level 1 and Level 2, or transfers into or out of Level 3. The Group's policy is to recognise transfers between levels of fair value hierarchy as at the end of the reporting period in which they occur.

All of the Group's investment properties and bank premises and properties were revalued as at 30 June 2026. The valuations on the Banks investment properties and bank premises and properties were carried out by an independent professionally qualified valuer, A.G. Wilkinson & Associates Limited. The valuation on investment properties and bank premises and properties of the Bank's subsidiary were carried out by an independent professionally qualified valuer in the Mainland China, Supon Group. The valuers are with recent experience in the location and category of property being valued. The Group's management has discussion with the surveyors on the valuation assumptions and valuation results when the valuation is performed at each interim and annual reporting date.

NOTES TO THE INTERIM FINANCIAL DISCLOSURE STATEMENTS

4 Financial risk management (continued)

4.3 Fair value of non-financial assets and liabilities (continued)

Fair value hierarchy (continued)

The precious metals of the Group are initially recognised and subsequently remeasured at fair value. Mark-to-market gains or losses on precious metals are included in net trading income. The fair values of precious metals are determined by obtaining quoted market prices in active market or market quote with certain adjustments. All of the Group's precious metals were revalued as at 30 June 2026. The quoted market prices are obtained from an independent financial market data provider.

Information about Level 3 fair value measurements

	Valuation techniques	Unobservable input	At 30 June 2026 Range	At 31 December 2025 Range	Fair value measurement sensitivity to unobservables input
<i>Investment properties</i>					
- Hong Kong	Investment method	Market yield	2.70% - 3.10%	2.70% - 3.10%	An increase in the market yield, in isolation, would result in a decrease in a fair value measurement.
<i>Bank premises and properties</i>					
- Hong Kong	Direct comparison approach	Premium/(Discount) on characteristic of the properties	(22.67)% - 21.27%	(22.67)% - 21.27%	The premium/discount on characteristic of the properties will result in a favourable/unfavourable movement in the fair value of the asset.
- Mainland China method 1	Discount cash flow	Risk adjusted discount rate	3.30% - 4.50%	3.30% - 4.50%	An increase in the risk adjusted discount rate, in isolation, would result in a decrease in a fair value measurement.
		Expected market rental growth	2.50% - 4.00%	2.50% - 4.00%	An increase in the expected market rental growth will result in a favourable movement in the fair value of the asset.
		Expected occupancy rate	93.5% - 95.5%	93.5% - 95.5%	An increase in the expected rate will result in a favourable movement in the fair value of the asset.
- Mainland China method 2	Direct comparison approach	Market value discount rate	4.8% - 6.00%	4.8% - 6.00%	An increase in the market value discount rate, in isolation, will result in a decrease in a fair value measurement.

NOTES TO THE INTERIM FINANCIAL DISCLOSURE STATEMENTS**4 Financial risk management (continued)****4.3 Fair value of non-financial assets and liabilities (continued)***Information about Level 3 fair value measurements (continued)*

For investment properties classified under level 3, the fair value are valued by:

- i) investment method of valuation has assessed the contractual rental income and the expected future market rental income after allowing for outgoings and maintenance requirements at appropriate market yields as perceived in the actual market; and
- ii) discounting a projected cash flow series associated with the properties using risk adjusted discount rates. The valuation takes into account expected market rental growth and occupancy rate of the respective properties. The discount rates used have been adjusted for the quality and location of the buildings and the tenant credit quality. The fair value measurement is positively correlated to the expected market rental growth and the occupancy rate, and negatively correlated to the risk-adjusted discount rates.

For bank premises and properties classified under level 3, the fair value are determined by:

- i) discounting a projected cash flow series associated with the properties using risk adjusted discount rates. The valuation takes into account expected market rental growth and occupancy rate of the respective properties. The discount rates used have been adjusted for the quality and location of the buildings and the tenant credit quality. The fair value measurement is positively correlated to the expected market rental growth and the occupancy rate, and negatively correlated to the risk-adjusted discount rates; and
- ii) using direct comparison approach to value properties in their respective existing states and uses on the market basis assuming sale with immediate vacant possession and by making reference to comparable sales evidence. The valuations take into account the characteristic of the properties which included the location, size, shape, view, floor level, year of completion and others factors collectively. Higher premium for properties with higher characteristic will result in a higher fair value measurement.

NOTES TO THE INTERIM FINANCIAL DISCLOSURE STATEMENTS

4 Financial risk management (continued)

4.3 Fair value of non-financial assets and liabilities (continued)

Information about Level 3 fair value measurements (continued)

The movements during the period in the balance of these Level 3 fair value measurements are as follows:

Bank premises and properties:	HK\$'000
At 1 January 2026	424,568
Depreciation charge for the period	(7,805)
Surplus on revaluation	(1,343)
Exchange adjustment	4,378
At 30 June 2026	419,798
Investment properties:	HK\$'000
At 1 January 2026	194,300
Net revaluation loss	(4,300)
At 30 June 2026	190,000
Bank premises and properties:	HK\$'000
At 1 January 2025	451,260
Depreciation charge for the period	(8,026)
Deficit on revaluation	787
Exchange adjustment	4,093
At 30 June 2025	448,114
Investment properties:	HK\$'000
At 1 January 2025	201,100
Net revaluation loss	(2,500)
At 30 June 2025	198,600

NOTES TO THE INTERIM FINANCIAL DISCLOSURE STATEMENTS

4 Financial risk management (continued)

4.4 Amounts arising from Expected Credit Loss (“ECL”)

In note 4.4, new financial assets originated or purchased includes the new financial assets originated and purchased but subsequently transferred from stage 1 to stage 2 or stage 3 during the same period.

The following tables show reconciliations from the opening to the closing balance of the loss allowance by class of financial instrument:

Loans and advances to customers, banks and trade bills measured at amortised cost

30 June 2026	12-month ECL HK\$'000	Lifetime ECL not credit- impaired HK\$'000	Lifetime ECL credit- impaired HK\$'000	Total HK\$'000
Movement in impairment allowances:				
At 1 January 2026	3,160,865	4,260,850	3,866,135	11,287,850
Transfer to 12-month ECL	99,189	(99,189)	–	–
Transfer to Lifetime ECL not credit-impaired	(8,617)	8,617	–	–
Transfer to Lifetime ECL credit-impaired	(10,065)	(39,356)	49,421	–
Net remeasurement of loss allowance (including exchange adjustments)	(457,029)	6,387	718,316	267,674
New financial assets originated or purchased	598,842	34,321	5,124	638,287
Financial assets that have been derecognised	(205,557)	(12,897)	(407,967)	(626,421)
Write-off	–	–	(1,858,951)	(1,858,951)
Recoveries of amount previously written off	–	–	259,573	259,573
At 30 June 2026	<u>3,177,628</u>	<u>4,158,733</u>	<u>2,631,651</u>	<u>9,968,012</u>
Comprising of:				
Advances to customers	3,122,772	4,158,613	2,631,651	9,913,036
Advances to banks	53,997	–	–	53,997
Trade bills	859	120	–	979
	<u>3,177,628</u>	<u>4,158,733</u>	<u>2,631,651</u>	<u>9,968,012</u>

NOTES TO THE INTERIM FINANCIAL DISCLOSURE STATEMENTS

4 Financial risk management (continued)

4.4 Amounts arising from Expected Credit Loss (“ECL”) (continued)

Loans and advances to customers, banks and trade bills measured at amortised cost (continued)

31 December 2025	12-month ECL HK\$'000	Lifetime ECL not credit- impaired HK\$'000	Lifetime ECL credit- impaired HK\$'000	Total HK\$'000
Movement in impairment allowances:				
At 1 January 2025	4,112,476	1,787,878	4,257,211	10,157,565
Transfer to 12-month ECL	70,480	(70,480)	–	–
Transfer to Lifetime ECL not credit-impaired	(14,471)	14,471	–	–
Transfer to Lifetime ECL credit-impaired	(11,569)	(181,582)	193,151	–
Net remeasurement of loss allowance (including exchange adjustments)	(1,290,252)	2,719,966	976,013	2,405,727
New financial assets originated or purchased	745,352	11,126	49,051	805,529
Financial assets that have been derecognised	(451,151)	(20,529)	(353,810)	(825,490)
Write offs	–	–	(1,359,687)	(1,359,687)
Recoveries of amount previously written off	–	–	104,206	104,206
At 31 December 2025	<u>3,160,865</u>	<u>4,260,850</u>	<u>3,866,135</u>	<u>11,287,850</u>
Comprising of:				
Advances to customers	3,145,839	4,260,801	3,866,135	11,272,775
Advances to banks	11,907	–	–	11,907
Trade bills	3,119	49	–	3,168
	<u>3,160,865</u>	<u>4,260,850</u>	<u>3,866,135</u>	<u>11,287,850</u>

NOTES TO THE INTERIM FINANCIAL DISCLOSURE STATEMENTS
4 Financial risk management (continued)
4.4 Amounts arising from Expected Credit Loss (“ECL”) (continued)

Loans and advances to customers, banks and trade bills measured at fair value through other comprehensive income

30 June 2026	12-month ECL HK\$'000	Lifetime ECL not credit- impaired HK\$'000	Lifetime ECL credit- impaired HK\$'000	Total HK\$'000
Movement in impairment allowances:				
At 1 January 2026	11,336	88,398	–	99,734
Transfer to 12-month ECL	–	–	–	–
Transfer to Lifetime ECL not credit-impaired	–	–	–	–
Transfer to Lifetime ECL credit-impaired	–	–	–	–
Net remeasurement of loss allowance (including exchange adjustments)	(584)	(36,127)	–	(36,711)
New financial assets originated or purchased	49,581	3,707	–	53,288
Financial assets that have been derecognised	(6,624)	–	–	(6,624)
At 30 June 2026	53,709	55,978	–	109,687
31 December 2025	12-month ECL HK\$'000	Lifetime ECL not credit- impaired HK\$'000	Lifetime ECL credit- impaired HK\$'000	Total HK\$'000
Movement in impairment allowances:				
At 1 January 2025	298	22,030	–	22,328
Transfer to 12-month ECL	–	–	–	–
Transfer to Lifetime ECL not credit-impaired	–	–	–	–
Transfer to Lifetime ECL credit-impaired	–	–	–	–
Net remeasurement of loss allowance (including exchange adjustments)	2,309	38,338	–	40,647
New financial assets originated or purchased	8,729	48,927	–	57,656
Financial assets that have been derecognised	–	(20,897)	–	(20,897)
At 31 December 2025	11,336	88,398	–	99,734

NOTES TO THE INTERIM FINANCIAL DISCLOSURE STATEMENTS

4 Financial risk management (continued)

4.4 Amounts arising from Expected Credit Loss (“ECL”) (continued)

Financial investments measured at amortised cost

30 June 2026	12-month ECL HK\$'000	Lifetime ECL not credit- impaired HK\$'000	Lifetime ECL credit- impaired HK\$'000	Total HK\$'000
Movement in impairment allowances:				
At 1 January 2026	24,860	–	–	24,860
Transfer to 12-month ECL	–	–	–	–
Transfer to Lifetime ECL not credit-impaired	–	–	–	–
Transfer to Lifetime ECL credit-impaired	–	–	–	–
Net remeasurement of loss allowance (including exchange adjustments)	(5,286)	–	–	(5,286)
New financial assets originated or purchased	12,212	–	–	12,212
Financial assets that have been derecognised	(4,402)	–	–	(4,402)
At 30 June 2026	<u>27,384</u>	<u>–</u>	<u>–</u>	<u>27,384</u>
31 December 2025	12-month ECL HK\$'000	Lifetime ECL not credit- impaired HK\$'000	Lifetime ECL credit- impaired HK\$'000	Total HK\$'000
Movement in impairment allowances:				
At 1 January 2025	78,762	–	–	78,762
Transfer to 12-month ECL	–	–	–	–
Transfer to Lifetime ECL not credit-impaired	–	–	–	–
Transfer to Lifetime ECL credit-impaired	–	–	–	–
Net remeasurement of loss allowance (including exchange adjustments)	(26,182)	–	–	(26,182)
New financial assets originated or purchased	10,686	–	–	10,686
Financial assets that have been derecognised	(38,406)	–	–	(38,406)
At 31 December 2025	<u>24,860</u>	<u>–</u>	<u>–</u>	<u>24,860</u>

NOTES TO THE INTERIM FINANCIAL DISCLOSURE STATEMENTS
4 Financial risk management (continued)
4.4 Amounts arising from Expected Credit Loss (“ECL”) (continued)

Financial investments measured at fair value through other comprehensive income

30 June 2026	12-month ECL HK\$'000	Lifetime ECL not credit- impaired HK\$'000	Lifetime ECL credit- impaired HK\$'000	Total HK\$'000
Movement in impairment allowances:				
At 1 January 2026	381,743	–	7,800	389,543
Transfer to 12-month ECL	–	–	–	–
Transfer to Lifetime ECL not credit-impaired	–	–	–	–
Transfer to Lifetime ECL credit-impaired	–	–	–	–
Net remeasurement of loss allowance (including exchange adjustments)	(317,959)	–	6,150	(311,809)
New financial assets originated or purchased	32,454	–	–	32,454
Financial assets that have been derecognised	(19,439)	–	–	(19,439)
At 30 June 2026	<u>76,799</u>	<u>–</u>	<u>13,950</u>	<u>90,749</u>
		Lifetime ECL not credit- impaired HK\$'000	Lifetime ECL credit- impaired HK\$'000	Total HK\$'000
31 December 2025	12-month ECL HK\$'000			
Movement in impairment allowances:				
At 1 January 2025	156,978	–	145,755	302,733
Transfer to 12-month ECL	–	–	–	–
Transfer to Lifetime ECL not credit-impaired	–	–	–	–
Transfer to Lifetime ECL credit-impaired	–	–	–	–
Net remeasurement of loss allowance (including exchange adjustments)	(75,759)	–	8,310	(67,449)
New financial assets originated or purchased	349,460	–	9,862	359,322
Financial assets that have been derecognised	(48,936)	–	(156,127)	(205,063)
At 31 December 2025	<u>381,743</u>	<u>–</u>	<u>7,800</u>	<u>389,543</u>

NOTES TO THE INTERIM FINANCIAL DISCLOSURE STATEMENTS

4 Financial risk management (continued)

4.4 Amounts arising from Expected Credit Loss (“ECL”) (continued)

Cash, placements with banks and other financial institutions

30 June 2026	12-month ECL HK\$'000	Lifetime ECL not credit- impaired HK\$'000	Lifetime ECL credit- impaired HK\$'000	Total HK\$'000
Movement in impairment allowances:				
At 1 January 2026	32,473	–	–	32,473
Net remeasurement of loss allowance (including exchange adjustments)	(5,140)	–	–	(5,140)
New financial assets originated or purchased	5,531	–	–	5,531
Financial assets that have been derecognised	(174)	–	–	(174)
At 30 June 2026	<u>32,690</u>	<u>–</u>	<u>–</u>	<u>32,690</u>
31 December 2025	12-month ECL HK\$'000	Lifetime ECL not credit- impaired HK\$'000	Lifetime ECL credit- impaired HK\$'000	Total HK\$'000
Movement in impairment allowances:				
At 1 January 2025	114,535	–	–	114,535
Net remeasurement of loss allowance (including exchange adjustments)	(57,173)	–	–	(57,173)
New financial assets originated or purchased	3,197	–	–	3,197
Financial assets that have been derecognised	(28,086)	–	–	(28,086)
At 31 December 2025	<u>32,473</u>	<u>–</u>	<u>–</u>	<u>32,473</u>

NOTES TO THE INTERIM FINANCIAL DISCLOSURE STATEMENTS
4 Financial risk management (continued)
4.4 Amounts arising from Expected Credit Loss (“ECL”) (continued)
Loan commitments and financial guarantee contracts

30 June 2026	12-month ECL HK\$'000	Lifetime ECL not credit- impaired HK\$'000	Lifetime ECL credit- impaired HK\$'000	Total HK\$'000
Movement in impairment allowances:				
At 1 January 2026	419,942	7,694	–	427,636
Transfer to 12-month ECL	239	(239)	–	–
Transfer to Lifetime ECL not credit-impaired	–	–	–	–
Transfer to Lifetime ECL credit-impaired	–	–	–	–
Net remeasurement of loss allowance (including exchange adjustments)	69,255	(816)	–	68,439
New exposures	37,277	4,446	–	41,723
Exposures matured or lapsed	(60,896)	(1,841)	–	(62,737)
At 30 June 2026	465,817	9,244	–	475,061
31 December 2025	12-month ECL HK\$'000	Lifetime ECL not credit- impaired HK\$'000	Lifetime ECL credit- impaired HK\$'000	Total HK\$'000
Movement in impairment allowances:				
At 1 January 2025	506,773	9,064	–	515,837
Transfer to 12-month ECL	4	(4)	–	–
Transfer to Lifetime ECL not credit-impaired	(30)	30	–	–
Transfer to Lifetime ECL credit-impaired	–	–	–	–
Net remeasurement of loss allowance (including exchange adjustments)	(164,437)	(2,163)	–	(166,600)
New exposures	157,655	2,729	–	160,384
Exposures matured or lapsed	(80,023)	(1,962)	–	(81,985)
At 31 December 2025	419,942	7,694	–	427,636

NOTES TO THE INTERIM FINANCIAL DISCLOSURE STATEMENTS

5 Segment reporting

5.1 Class of business

The Group comprises seven operating segments. Asia Pacific Business represents the banking business in Asia Pacific Region. Corporate and investment banking mainly comprises corporate banking, the provision of debt capital market and investment banking. Commercial banking represents commercial lending and trade financing. Retail banking represents retail banking, hire purchase and leasing, and credit card business. Global markets and trading represents foreign exchange, money market and capital market activities. Institutional banking represents financial institution business. Chinese Mercantile Bank represents the business of the Bank's subsidiary in Mainland China. Unallocated items mainly comprise the central management unit, bank premises, inter-segment elimination entries and any items which cannot be reasonably allocated to specific operating segments.

NOTES TO THE INTERIM FINANCIAL DISCLOSURE STATEMENTS

5 Segment reporting (continued)

5.1 Class of business (continued)

30 June 2026	Asia-Pacific business HK\$'000	Corporate and investment banking HK\$'000	Commercial banking HK\$'000	Retail banking HK\$'000	Global markets and trading HK\$'000	Institutional banking HK\$'000	Mercantile Bank HK\$'000	Unallocated HK\$'000	Total HK\$'000
Net interest income	134,233	965,041	607,138	1,173,162	(57,019)	640,531	604,548	1,467,887	5,535,521
External interest income/(expense)	233,468	330,853	(361,551)	(1,485,427)	4,533,120	(762,199)	604,448	2,442,809	5,535,521
Inter-segment (expense)/income	(99,235)	634,188	968,689	2,658,589	(4,590,139)	1,402,730	100	(974,922)	-
Fee and commission income	23,638	183,666	117,116	700,005	12,603	240,175	31,210	24,137	1,332,550
Fee and commission expense	-	-	(950)	(186,441)	(235)	(2,629)	(2,678)	(588)	(193,521)
Net fee and commission income	23,638	183,666	116,166	513,564	12,368	237,546	28,532	23,549	1,139,029
Net trading income/(expense)	10,061	76,157	59,355	199,227	58,674	31,103	(100,561)	503,154	837,170
Net gain on financial assets and liabilities at fair value through profit or loss	-	-	-	-	339,744	-	-	84,020	423,764
Dividend income from financial investments	-	-	-	-	-	-	-	21,567	21,567
Other operating income	-	-	55	55	-	3,650	781	155,974	160,515
Operating income	167,932	1,224,864	782,714	1,886,008	353,767	912,830	533,300	2,256,151	8,117,566
Operating expenses	(42,173)	(129,083)	(193,313)	(875,659)	(211,653)	(190,148)	(224,516)	(397,348)	(2,263,893)
Operating profit before impairment losses	125,759	1,095,781	589,401	1,010,349	142,114	722,682	308,784	1,858,803	5,853,673
(Charge for)/write-back of impairment losses on financial assets	(107,091)	(418,380)	259,043	11,606	290,312	15,644	(84,011)	(80,672)	(113,549)
Operating profit after impairment losses	18,668	677,401	848,444	1,021,955	432,426	738,326	224,773	1,778,131	5,740,124
Revaluation loss on Investment Properties	-	-	-	-	-	-	-	(4,300)	(4,300)
Net loss on disposal of property, plant and equipment	-	-	-	(3)	-	-	-	(28)	(31)
Net gain on disposal of AC	-	-	-	-	594	-	-	1	595
Net gain on disposal of financial assets designated at fair value through other comprehensive income	-	-	-	-	208,772	-	105,654	1	314,427
Operating profit	18,668	677,401	848,444	1,021,952	641,792	738,326	330,427	1,773,805	6,050,815
Share of profits of associates	-	-	-	-	-	-	-	5,429	5,429
Profit before tax	18,668	677,401	848,444	1,021,952	641,792	738,326	330,427	1,779,234	6,056,244
Income tax expense	-	-	-	-	-	-	(1,327)	(882,667)	(883,994)
Profit for the period	18,668	677,401	848,444	1,021,952	641,792	738,326	329,100	896,567	5,172,250
Segment assets	29,014,078	139,288,636	70,565,382	124,968,539	345,475,147	41,964,589	111,399,994	243,145,213	1,105,821,578
Investments in associates	-	-	-	-	-	-	-	186,821	186,821
Total assets	29,014,078	139,288,636	70,565,382	124,968,539	345,475,147	41,964,589	111,399,994	243,332,034	1,106,008,399
Total liabilities	29,275,500	143,026,622	71,091,188	126,008,914	338,684,994	62,085,281	91,269,232	75,611,754	937,053,485
Capital expenditure	7	-	7	54,289	71	6	16,732	43,516	114,628
Depreciation and amortisation charge	1,011	2,460	2,649	120,122	4,010	3,896	27,754	98,966	260,868

NOTES TO THE INTERIM FINANCIAL DISCLOSURE STATEMENTS

5 Segment reporting (continued)

5.1 Class of business (continued)

30 June 2025	Asia-Pacific business HK\$'000	Corporate and investment banking HK\$'000	Commercial banking HK\$'000	Retail banking HK\$'000	Global markets and trading HK\$'000	Institutional banking HK\$'000	Mercantile Bank HK\$'000	Unallocated HK\$'000	Total HK\$'000
Net interest income	113,583	893,772	498,498	1,049,487	302,385	545,935	753,576	1,064,919	5,222,155
External interest income/(expense)	235,846	248,561	(289,814)	(1,971,290)	4,921,041	(1,113,785)	753,464	2,438,132	5,222,155
Inter-segment (expense)/income	(122,263)	645,211	788,312	3,020,777	(4,618,656)	1,659,720	112	(1,373,213)	-
Fee and commission income	20,505	205,521	90,075	636,936	17	216,102	57,158	78,824	1,305,138
Fee and commission expense	-	(7)	(760)	(173,055)	-	(2,497)	(996)	(593)	(177,908)
Net fee and commission income	20,505	205,514	89,315	463,881	17	213,605	56,162	78,231	1,127,230
Net trading income/(expense)	11,351	70,412	75,021	262,168	331,853	29,440	(141,644)	537,874	1,176,475
Net gain on financial assets and liabilities at fair value through profit or loss	-	-	-	-	-	-	-	73,570	73,570
Dividend income from financial investments	-	-	-	-	-	-	-	23,452	23,452
Other operating income	-	-	43	56	-	3,650	747	195,840	200,336
Operating income	145,439	1,169,698	662,877	1,775,592	634,255	792,630	668,841	1,973,886	7,823,218
Operating expenses	(43,100)	(132,633)	(205,231)	(854,633)	(186,172)	(180,718)	(208,378)	(466,990)	(2,277,855)
Operating profit before impairment losses	102,339	1,037,065	457,646	920,959	448,083	611,912	460,463	1,506,896	5,545,363
Write back/(charge for) impairment losses on financial assets	(19)	56,126	(553,583)	(70,501)	(26,354)	(10,266)	(202,714)	(30,394)	(837,705)
Operating profit/(loss) after impairment losses	102,320	1,093,191	(95,937)	850,458	421,729	601,646	257,749	1,476,502	4,707,658
Revaluation loss on Investment Properties	-	-	-	-	-	-	-	(2,500)	(2,500)
Net gain on disposal of property, plant and equipment	-	-	-	-	-	-	-	6	6
Net gain on disposal of AC	-	-	-	-	534	-	-	-	534
Net gain on disposal of financial assets designated at fair value through other comprehensive income	-	-	-	-	104,685	-	36,156	-	140,841
Operating profit/(loss)	102,320	1,093,191	(95,937)	850,458	526,948	601,646	293,905	1,474,008	4,846,539
Share of profits of associates	-	-	-	-	-	-	-	699	699
Profit/(loss) before tax	102,320	1,093,191	(95,937)	850,458	526,948	601,646	293,905	1,474,707	4,847,238
Income tax expense	-	-	-	-	-	-	11,060	(585,193)	(574,133)
Profit/(loss) for the period	102,320	1,093,191	(95,937)	850,458	526,948	601,646	304,965	889,514	4,273,105
Segment assets	27,754,811	142,246,268	70,059,664	122,188,726	340,450,848	35,509,048	118,896,489	181,718,892	1,038,824,746
Investments in associates	-	-	-	-	-	-	-	173,848	173,848
Total assets	27,754,811	142,246,268	70,059,664	122,188,726	340,450,848	35,509,048	118,896,489	181,892,740	1,038,998,594
Total liabilities	27,168,132	143,247,516	70,464,997	124,707,417	335,665,338	65,912,402	100,216,497	10,859,164	878,241,463
Capital expenditure	26	6	20	96,913	115	19	14,948	170,849	282,896
Depreciation and amortisation charge	2,305	4,058	7,769	115,214	6,364	4,030	26,526	97,708	263,974

NOTES TO THE INTERIM FINANCIAL DISCLOSURE STATEMENTS

5 Segment reporting (continued)

5.2 Geographical area

The Group operates predominantly in Hong Kong. The geographical analysis, which has been classified by the location of the principal operations, is as follows:

For the six months ended 30 June 2026

	Hong Kong HK\$'000	Mainland China HK\$'000	Consolidated HK\$'000
Net interest income	4,931,073	604,448	5,535,521
Fee and commission income	1,301,340	31,210	1,332,550
Fee and commission expense	(190,843)	(2,678)	(193,521)
Net fee and commission income	1,110,497	28,532	1,139,029
Other income/(loss)	1,542,796	(99,780)	1,443,016
Profit before tax	5,725,259	330,985	6,056,244
Total assets	994,609,694	111,398,705	1,106,008,399
Total liabilities	845,785,580	91,267,905	937,053,485
Contingent liabilities and commitments	418,162,836	36,283,365	454,446,201
Capital expenditure during the period	97,896	16,732	114,628

For the six months ended 30 June 2025

	Hong Kong HK\$'000	Mainland China HK\$'000	Consolidated HK\$'000
Net interest income	4,468,691	753,464	5,222,155
Fee and commission income	1,247,980	57,158	1,305,138
Fee and commission expense	(176,912)	(996)	(177,908)
Net fee and commission income	1,071,068	56,162	1,127,230
Other income/(loss)	1,614,730	(140,897)	1,473,833
Profit before tax	4,552,879	294,359	4,847,238
Total assets	920,103,121	118,895,473	1,038,998,594
Total liabilities	778,028,315	100,213,148	878,241,463
Contingent liabilities and commitments	261,958,040	45,938,967	307,897,007
Capital expenditure during the period	267,948	14,948	282,896

NOTES TO THE INTERIM FINANCIAL DISCLOSURE STATEMENTS

6 Net interest income

	30 June 2026 HK\$'000	30 June 2025 HK\$'000
Interest income on:		
Cash and balances with banks and other financial institutions	297,315	300,721
Placements with banks and other financial institutions	3,126,099	3,995,544
Advances and other accounts	7,138,185	7,965,975
Financial investments measured at fair value through other comprehensive income	3,570,529	3,336,166
Financial investments measured at amortised cost	1,117,416	1,150,931
	<u>15,249,544</u>	<u>16,749,337</u>
Interest expense on:		
Deposits from banks and other financial institutions	958,711	1,249,179
Deposits from customers	8,399,016	9,905,607
Certificates of deposit issued	32,858	40,251
Debt securities in issue	308,599	319,008
Others	14,839	13,137
	<u>9,714,023</u>	<u>11,527,182</u>
Net interest income	<u>5,535,521</u>	<u>5,222,155</u>

NOTES TO THE INTERIM FINANCIAL DISCLOSURE STATEMENTS
7 Net fee and commission income

	30 June 2026	30 June 2025
	HK\$'000	HK\$'000
Loans, overdrafts and guarantees	402,895	408,681
Securities and brokerage	291,990	293,642
Trade finance	30,976	33,864
Credit card	243,255	229,949
Remittance	79,819	81,690
Insurance	153,500	172,754
Other retail and commercial banking services	14,872	15,281
Securities arrangement fee	26,412	14,802
Others	88,831	54,475
Fee and commission income	1,332,550	1,305,138
Fee and commission expense	(193,521)	(177,908)
Net fee and commission income	<u>1,139,029</u>	<u>1,127,230</u>
Of which:		
Net fee income, other than amounts included in determining the effective interest rate, arising from financial assets or financial liabilities that are not held for trading nor at fair value through profit or loss	433,871	442,546
Net fee income on trust and other fiduciary activities where the Group holds or invests on behalf of its customers	44,286	37,601
Of which:		
Fee and commission income by product line constituting not less than 10% of the net amount of fee and commission income, as follows:		
– credit card	243,255	229,949
– term loans	130,158	102,238
– syndication loans	192,424	178,027
– securities and brokerage	291,990	293,642
Timing of fee and commission income		
– At a point in time	1,291,217	1,259,213
– Over time	41,333	45,925

NOTES TO THE INTERIM FINANCIAL DISCLOSURE STATEMENTS

8 Net trading income

	30 June 2026 HK\$'000	30 June 2025 HK\$'000
Debt securities – Financial investments held for trading	339,824	170,950
Derivatives	122,079	(109,897)
Foreign exchange	357,287	1,110,389
Precious metals	16,753	–
	<u>835,943</u>	<u>1,171,442</u>
Gain/(loss) from hedging activities		
Fair value hedges		
– Net (loss)/gain on hedged items attributable to the hedged risk	(312,549)	347,448
– Net gain/(loss) on hedging instruments	313,776	(342,415)
	<u>1,227</u>	<u>5,033</u>
Total net trading income	<u>837,170</u>	<u>1,176,475</u>

9 Net gain on financial assets and liabilities at fair value through profit or loss

	30 June 2026 HK\$'000	30 June 2025 HK\$'000
Net gain from financial instruments designated at FVTPL	339,744	–
Net gain from financial instruments mandatorily measured at FVTPL (other than those included in net trading income)	84,020	73,570
	<u>423,764</u>	<u>73,570</u>
Total net gain on financial assets and liabilities at fair value through profit or loss	<u>423,764</u>	<u>73,570</u>

10 Dividend income from financial investments

	30 June 2026 HK\$'000	30 June 2025 HK\$'000
Dividend income from unlisted equity securities at fair value through other comprehensive income	3,211	4,741
Dividend income from listed financial assets at fair value through profit or loss	18,356	18,711
	<u>21,567</u>	<u>23,452</u>
Total dividend income from financial investments	<u>21,567</u>	<u>23,452</u>

NOTES TO THE INTERIM FINANCIAL DISCLOSURE STATEMENTS
11 Other operating income

	30 June 2026	30 June 2025
	HK\$'000	HK\$'000
Management fee income	148,850	188,850
Rental income	5,006	7,593
Less: Direct operating expenses arising from investment properties that generated rental income during the period	(300)	(283)
Others	6,959	4,176
Total other operating income	160,515	200,336

12 Operating expenses

	30 June 2026	30 June 2025
	HK\$'000	HK\$'000
Staff costs		
– Salaries and other costs	1,363,567	1,391,607
– Retirement benefit costs	56,268	51,358
	1,419,835	1,442,965
Premises and equipment expenses, excluding depreciation and amortisation		
– Rental of premises	12,359	25,790
– Others	135,794	138,063
	148,153	163,853
Depreciation and amortisation expenses		
– Depreciation of right-of-use assets	190,086	205,093
– Depreciation of other fixed assets	67,663	55,150
– Amortisation of intangible assets	3,119	3,731
	260,868	263,974
Auditor's remuneration	3,989	3,966
General administration expenses	26,928	29,750
Business promotion expenses	62,820	67,312
Communication expenses	12,601	18,133
Other operating expenses	328,699	287,902
Total operating expenses	2,263,893	2,277,855

Note: Expenses relating to short-term leases is HK\$3,846,000 (first half of 2025: HK\$16,160,000). Expenses relating to low value assets is HK\$10,000 (first half of 2025: HK\$10,000). Total cash outflow for leases is HK\$200,109,000 (first half of 2025: HK\$225,890,000).

NOTES TO THE INTERIM FINANCIAL DISCLOSURE STATEMENTS

13 Net charge for impairment losses

	30 June 2026 HK\$'000	30 June 2025 HK\$'000
Net charge for impairment losses on loans and advances	(343,657)	(873,460)
Net reversal for impairment losses on other financial assets, loan commitments and financial guarantees	230,108	35,755
Net charge for impairment losses	<u>(113,549)</u>	<u>(837,705)</u>

14 Net (loss)/gain on disposal of property, plant and equipment

	30 June 2026 HK\$'000	30 June 2025 HK\$'000
Net gain on disposal of property, plant and equipment	21	1
(Charge)/write-back of revaluation deficits of bank premises	(52)	5
	<u>(31)</u>	<u>6</u>

15 Income tax expense

Hong Kong profits tax has been provided at the rate of 16.5% (2025: 16.5%) on the estimated assessable profits arising in Hong Kong during the period. Taxes on profits assessable for overseas branches and subsidiaries have been calculated at the rates of tax prevailing in the countries in which the Group operates.

The amount of tax charged to the condensed consolidated income statement represents:

	30 June 2026 HK\$'000	30 June 2025 HK\$'000
Current tax – Provision for Hong Kong profits tax for the period	856,101	682,961
– Provision for overseas tax for the period	18,717	49,383
Over-provision in respect of prior periods	(1,296)	(435)
Deferred taxation	10,472	(157,776)
	<u>883,994</u>	<u>574,133</u>

NOTES TO THE INTERIM FINANCIAL DISCLOSURE STATEMENTS

15 Income tax expense (continued)

The difference between the tax expense for the Group's profit amount that would arise using the current tax rate is as follows:

	30 June 2026	30 June 2025
	HK\$'000	HK\$'000
Profit before tax	6,056,244	4,847,238
Calculated at a tax rate of 16.5% (2025: 16.5%)	999,280	799,794
Effect of different tax rates in other countries and regions	27,935	30,841
Effect of income not subject to tax	(200,745)	(283,019)
Effect of expenses not deductible for tax purposes	57,180	25,020
Over-provision in respect of prior periods	(1,296)	(435)
Tax effect of tax losses not recognised	333	253
Tax effect of share of results of associates	(896)	(115)
Other	2,203	1,794
	883,994	574,133
Tax charge	883,994	574,133

Organisation for Economic Co-operation and Development's ("OECD") Global Minimum Tax ("Pillar Two") model rules

On 28 May 2025, the Inland Revenue (Amendment) (Minimum Tax for Multinational Enterprise Groups) Bill 2024, after incorporating various Committee Stage Amendments, was passed by the Legislative Council of Hong Kong. The bill contains the legislation for implementation of Pillar Two model rules (i.e., the Income Inclusion Rule ("IIR"), the Undertaxed Profits Rule ("UTPR")) and the domestic minimum top-up tax (i.e., Hong Kong Minimum Top-up Tax ("HKMTT")). The corresponding ordinance was gazetted on 6 June 2025 and became law on the same date. Upon the gazettal of the ordinance, the IIR and HKMTT took effect retrospectively in Hong Kong for fiscal years beginning on or after 1 January 2025 whereas the imposition of the UTPR will be deferred to a date to be specified by the government. For in scope multinational enterprise groups, they are required to consider the impact of IIR and HKMTT in the interim financial information for the six months ended 30 June 2026.

The Group is within the scope of the OECD's Pillar Two model rules. Pillar Two legislation has become effective in Hong Kong since 1 January 2025. Under the Pillar Two legislation enacted, the Group is liable to pay a top-up tax for the difference between the Global Anti-Base Erosion ("GloBE") effective tax rate and the 15% minimum rate. The Group has assessed that the implementation of Pillar Two has no significant financial impact on the condensed consolidated financial statements for the six months ended 30 June 2026 of the Group.

16 Dividends and distributions

16.1 Dividends attributable to ordinary shareholders in the period

No dividends were paid, declared or proposed for the six months ended 30 June 2026 (first half of 2025: Nil).

NOTES TO THE INTERIM FINANCIAL DISCLOSURE STATEMENTS

16 Dividends and distributions (continued)

16.2 Distributions to holders of Additional Tier 1 Capital Securities

	30 June 2026 HK\$'000	30 June 2025 HK\$'000
Distributions paid on:		
– US\$1 billion undated non-cumulative subordinated additional tier 1 capital securities	128,651	128,437
– US\$2.536 billion undated non-cumulative subordinated additional tier 1 capital securities	575,703	571,698
	<u>704,354</u>	<u>700,135</u>

17 Cash and balances with banks and other financial institutions

	30 June 2026 HK\$'000	31 December 2025 HK\$'000
Cash on hand	608,325	472,940
Balances with central banks	4,313,066	6,243,537
Balances with other banks and financial institutions	27,855,949	19,155,594
Less: impairment allowance		
– 12-month ECL	(57)	(36)
	<u>32,777,283</u>	<u>25,872,035</u>

NOTES TO THE INTERIM FINANCIAL DISCLOSURE STATEMENTS

18 Placements with banks and other financial institutions

	30 June 2026 HK\$'000	31 December 2025 HK\$'000
Placements with banks and other financial institutions		
Measured at amortised cost:		
– maturing within one month	66,375,486	69,481,140
– maturing after one month but less than one year	120,853,178	84,826,201
– maturing after one year	26,907,238	23,765,664
	214,135,902	178,073,005
Designated at fair value through profit or loss:		
– maturing within one month	4,074,997	14,158,923
– maturing after one month but less than one year	4,447,190	167,053
– maturing after one year	–	–
	8,522,187	14,325,976
Accrued interest	2,773,945	2,330,167
Less: impairment allowance		
– 12-month ECL	(32,633)	(32,437)
	225,399,401	194,696,711

In respect of reverse repurchase transactions, the outstanding balance was HK\$28,121,883,000 as at 30 June 2026 (31 December 2025: HK\$35,852,721,000). The fair value of collateral was HK\$28,406,052,000 (31 December 2025: HK\$36,507,882,000). The transactions are conducted on terms that are usual and customary to standard lending activities.

NOTES TO THE INTERIM FINANCIAL DISCLOSURE STATEMENTS

19 Derivative financial instruments

The Group enters into the following equity, foreign exchange, interest rate and commodity related derivative financial instruments for trading and risk management purposes:

Currency forwards represent commitments to purchase and sell foreign currencies on a future date.

Currency and interest rate swaps are commitments to exchange one set of cash flows for another. Swaps result in an exchange of currencies, interest rates (for example, fixed rate for floating rate), or a combination of all these (i.e. cross-currency interest rate swaps). Except for certain currency swap contracts, no exchange of principal takes place.

Foreign currency, interest rate and equity options are contractual agreements under which the seller (writer) grants the purchaser (holder) the rights, but not an obligation, either to buy (a call option) or sell (a put option) at or by a set date or during a set period, a specific amount of the financial instrument at a predetermined price. In consideration for the assumption of foreign exchange and interest rate risk, the seller receives a premium from the purchaser. Options are negotiated OTC between the Group and its counterparty or traded through the stock exchange (for example, exchange-traded stock options).

The contractual/notional amounts and fair value of derivative financial instruments held by the Group are set out in the following tables. The contractual/notional amounts of these instruments indicate the volume of transactions outstanding at the end of the reporting periods and certain of them provide a basis for comparison with fair value instruments recognised on the condensed consolidated statement of financial position. However, they do not necessarily indicate the amounts of future cash flows involved or the current fair value of the instruments and, therefore, do not indicate the Group's exposure to credit or market risks. The derivative financial instruments become favourable (assets) or unfavourable (liabilities) as a result of fluctuations in market interest rates, foreign exchange rates and equity price relative to their terms. The aggregate fair value of derivative financial instruments (assets or liabilities) can fluctuate significantly from time to time.

The Group trades derivative products (both exchange-traded or OTC) mainly for customer business. The Group strictly follows risk management policies in providing derivative products to the customers and in trading derivative products in the interbank market.

Derivatives are also used to manage the interest rate risk of the banking book. A derivative instrument must be included in the approved product list before any transactions for that instrument can be made. There are limits to control the notional amount of exposure arising from derivative transactions and the maximum tenor of the deal and management alert limit in profit or loss is set. Each derivative transaction must be input into the relevant systems for settlement, mark-to-market revaluation, reporting and control.

NOTES TO THE INTERIM FINANCIAL DISCLOSURE STATEMENTS
19 Derivative financial instruments (continued)

The following tables summarise the contractual/notional amounts and fair value of each significant type of derivative financial instrument as at 30 June 2026 and 31 December 2025:

As at 30 June 2026	Contractual/ notional amount HK\$'000	Fair value assets HK\$'000	Fair value liabilities HK\$'000
1) Derivatives held for trading			
a) Foreign exchange derivatives			
– Currency forwards and swaps, and cross-currency interest rate swaps	1,449,727,637	8,064,529	(8,076,357)
– OTC currency options purchased	159,958,837	159,806	(4)
– OTC currency options written	193,305,610	1	(118,678)
– Foreign exchange futures	240,407	212	(278)
– Structured foreign exchange instruments	12,626,796	2	(1,788)
Total foreign exchange derivatives		8,224,550	(8,197,105)
b) Interest rate derivatives			
– Interest rate swaps	662,114,180	2,788,834	(2,718,678)
– Interest rate futures	–	–	–
Total interest rate derivatives		2,788,834	(2,718,678)
c) Commodity forward	10,351,831	122,922	(3,633)
Total derivative assets/(liabilities) held for trading		11,136,306	(10,919,416)
2) Derivatives held for hedging			
a) Derivatives designated as fair value hedges			
– Interest rate swaps	36,006,229	468,798	(57,332)
– Cross-currency interest rate swaps	1,734,391	3,399	(544)
		472,197	(57,876)
b) Derivatives designated as cash flow hedges			
– Interest rate swaps	21,437,691	20,590	(139,656)
– Currency swaps	72,219,197	139,391	(456,955)
– Commodity swaps	2,734,120	–	(255,249)
		159,981	(851,860)
Total derivative assets/(liabilities) held for hedging		632,178	(909,736)
Total recognised derivative assets/(liabilities)		11,768,484	(11,829,152)

NOTES TO THE INTERIM FINANCIAL DISCLOSURE STATEMENTS

19 Derivative financial instruments (continued)

As at 31 December 2025	Contractual/ notional amount HK\$'000	Fair value assets HK\$'000	Fair value liabilities HK\$'000
1) Derivatives held for trading			
a) Foreign exchange derivatives			
– Currency forwards and swaps, and cross-currency interest rate swaps	822,720,549	4,578,742	(4,485,127)
– OTC currency options purchased	100,403,144	105,924	(11)
– OTC currency options written	131,435,257	5	(78,079)
– Foreign exchange futures	77,329	152	(127)
– Structured foreign exchange instruments	24,988,864	7,007	(2,997)
Total foreign exchange derivatives		4,691,830	(4,566,341)
b) Interest rate derivatives			
– Interest rate swaps	530,696,589	2,340,912	(2,271,488)
– Interest rate futures	–	–	–
Total interest rate derivatives		2,340,912	(2,271,488)
Total derivative assets/(liabilities) held for trading		7,032,742	(6,837,829)
2) Derivatives held for hedging			
a) Derivatives designated as fair value hedges			
– Interest rate swaps	23,250,352	225,853	(130,357)
b) Derivatives designated as cash flow hedges			
– Interest rate swaps	19,308,777	48,403	(2,169)
– Currency swaps	76,628,386	59,563	(303,606)
– Commodity swaps	12,487,318	3,912,589	–
		4,020,555	(305,775)
Total derivative assets/(liabilities) held for hedging		4,246,408	(436,132)
Total recognised derivative assets/(liabilities)		11,279,150	(7,273,961)

The contractual or notional amounts of derivative financial instruments provide only an indication of the volume of business outstanding at the end of the reporting period and bear little relation to the underlying risks of the exposures.

NOTES TO THE INTERIM FINANCIAL DISCLOSURE STATEMENTS

20 Advances and other accounts

20.1 Loans and advances to customers, banks and other accounts

	30 June 2026 HK\$'000	31 December 2025 HK\$'000
Loans and advances to customers, banks and other accounts measured at amortised cost		
– Advances to customers	462,495,945	444,553,275
– Advances to banks	8,177,066	7,742,684
– Trade bills	685,953	1,037,538
Gross loans and advances to customers, banks and other accounts measured at amortised cost	471,358,964	453,333,497
Accrued interest	1,276,779	1,205,553
	472,635,743	454,539,050
Less: Impairment allowances		
– 12-month ECL	(3,177,628)	(3,160,865)
– Lifetime ECL not credit-impaired	(4,158,733)	(4,260,850)
– Lifetime ECL credit-impaired	(2,631,651)	(3,866,135)
	462,667,731	443,251,200
Loans and advances to customers, banks and other accounts measured at fair value through other comprehensive income		
– Advances to customers	3,117,553	2,107,857
– Trade bills	5,429,944	8,771,257
	471,215,228	454,130,314
Gross carrying amount of the credit-impaired loans and advances	4,097,068	5,742,940
Impairment allowances made in respect of such loans	2,631,651	3,866,135
Gross carrying amount of the credit-impaired loans and advances as a percentage of total gross loans and advances	0.85%	1.24%
Market value of collateral	2,263,019	3,351,534

Credit-impaired loans and advances are defined as those loans which are individually determined to have objective evidence of impairment as a result of one or more events that have a detrimental impact on the estimated future cash flows of the loans have occurred.

Movement of the impairment allowances is included in Note 4.4 above.

There were no advances to banks and trade bills classified as stage 3 as at 30 June 2026 (31 December 2025: Nil).

NOTES TO THE INTERIM FINANCIAL DISCLOSURE STATEMENTS

20 Advances and other accounts (continued)

20.2 Overdue advances to customers and banks (excluding trade bills and receivables)

The gross amount of the Group's advances to customers and banks (excluding trade bills and receivables) which have been overdue for over three months is analysed as follows:

	Gross advances HK\$'000	% of advances to customers	Market value of eligible collateral HK\$'000	Amount of secured balance HK\$'000	Amount of unsecured balance HK\$'000	Lifetime ECL credit-impaired impairment HK\$'000
As at 30 June 2026						
Overdue for:						
Six months or less but over three months	296,621	0.06	248,175	207,215	89,405	187,325
One year or less but over six months	151,841	0.03	70,379	57,891	93,949	97,029
Over one year	3,474,675	0.75	1,944,465	1,799,492	1,675,183	2,260,674
	<u>3,923,137</u>	<u>0.84</u>	<u>2,263,019</u>	<u>2,064,598</u>	<u>1,858,537</u>	<u>2,545,028</u>
As at 31 December 2025						
Overdue for:						
Six months or less but over three months	400,100	0.09	289,708	238,162	161,938	256,861
One year or less but over six months	743,706	0.17	478,494	463,778	279,928	346,862
Over one year	4,403,887	0.99	2,583,332	1,986,944	2,416,942	3,147,358
	<u>5,547,693</u>	<u>1.25</u>	<u>3,351,534</u>	<u>2,688,884</u>	<u>2,858,808</u>	<u>3,751,081</u>

The criteria for eligible collateral are as follows:

- The market value of the collateral is readily determinable or can be reasonably established and verified;
- The collateral is marketable and there exists a readily available secondary market for disposing of the collateral;
- The Bank's rights to repossess the collateral is legally enforceable and without impediment; and
- If the collateral is a movable asset, it should be under the Bank's custody, or its whereabouts can be located by the Bank.

The eligible collateral is mainly properties, deposits and shares.

There were no advances to banks (excluding trade bills and receivables) which were overdue for over 3 months as at 30 June 2026 and 31 December 2025.

NOTES TO THE INTERIM FINANCIAL DISCLOSURE STATEMENTS

20 Advances and other accounts (continued)

20.3 Other overdue assets

	30 June 2026		31 December 2025	
	Accrued interest	Other assets	Accrued interest	Other assets
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Overdue for:				
Six months or less but over three months	13,564	–	7,472	–
One year or less but over six months	3,022	–	8,552	–
Over one year	309,504	–	369,558	–
	<u>326,090</u>	<u>–</u>	<u>385,582</u>	<u>–</u>

Other assets refer to trade bills and receivables.

20.4 Rescheduled advances

	30 June 2026 HK\$'000	% of advances to customers	31 December 2025 HK\$'000	% of advances to customers
Rescheduled advances (excluding overdue loans over three months)	590,156	0.13	619,220	0.14

Rescheduled advances which have been overdue for more than three months under the revised repayment terms are included in the analysis of overdue advances in Note 20.2 above.

There were no rescheduled advances to banks or other assets as at 30 June 2026 and 31 December 2025.

20.5 Repossessed assets

As at 30 June 2026, for certain credit-impaired loans, the Group obtained six (31 December 2025: eighteen) repossessed assets by taking possession of collateral held as security with total current market value of HK\$26,056,000 (31 December 2025: HK\$32,327,000). Repossessed assets only comprise properties which the Group has acquired access or control (e.g. through legal actions or voluntary actions by the borrowers concerned) for releasing in full or in part on the obligations of the borrowers.

20.6 Cash collateral on securities borrowed and reverse repurchase agreements

In respect of reverse repurchase transactions, there were no collateral held by the Group which were permitted to be sold or repledged as at 30 June 2026 (31 December 2025: Nil). No collateral has been sold or repledged by the Group as at 30 June 2026 and 31 December 2025. The transactions are conducted on terms that are usual and customary to standard lending activities.

NOTES TO THE INTERIM FINANCIAL DISCLOSURE STATEMENTS

21 Financial investments

	30 June 2026				
	Trading assets HK\$'000	Non-trading financial investments mandatorily measured at FVTPL HK\$'000	Measured at FVTOCI HK\$'000	Measured at amortised cost HK\$'000	Total HK\$'000
Debt securities:					
– Treasury bills	7,284	–	40,501,383	28,317,218	68,825,885
– Certificates of deposit held	10,313,791	–	2,769,917	12,775,309	25,859,017
– Others	16,632,697	–	168,976,283	47,127,316	232,736,296
Equity securities	–	–	539,559	–	539,559
Investment funds	–	5,788,227	–	–	5,788,227
Others	–	152,106	–	–	152,106
	26,953,772	5,940,333	212,787,142	88,219,843	333,901,090
Interest Receivable	–	–	1,466,377	546,961	2,013,338
Total financial investments	<u>26,953,772</u>	<u>5,940,333</u>	<u>214,253,519</u>	<u>88,766,804</u>	<u>335,914,428</u>
Financial investments are analysed by category of issuer as follows:					
– Central governments and central banks	7,237,555	–	73,196,367	35,500,543	115,934,465
– Public sector entities	1,428,695	–	26,785,426	12,678,983	40,893,104
– Banks and other financial institutions	15,151,434	5,940,333	34,336,763	31,108,550	86,537,080
– Corporate entities	3,136,088	–	78,468,586	8,931,767	90,536,441
	26,953,772	5,940,333	212,787,142	88,219,843	333,901,090
Interest Receivable	–	–	1,466,377	546,961	2,013,338
Total financial investments	<u>26,953,772</u>	<u>5,940,333</u>	<u>214,253,519</u>	<u>88,766,804</u>	<u>335,914,428</u>

NOTES TO THE INTERIM FINANCIAL DISCLOSURE STATEMENTS
21 Financial investments (continued)

	31 December 2025				
	Trading assets HK\$'000	Non-trading financial investments mandatorily measured at FVTPL HK\$'000	Measured at FVTOCI HK\$'000	Measured at amortised cost HK\$'000	Total HK\$'000
Debt securities:					
– Treasury bills	406,248	3,281	54,489,209	12,985,920	67,884,658
– Certificates of deposit held	7,809,437	–	14,059	18,947,880	26,771,376
– Others	5,715,549	164,766	133,931,019	45,149,831	184,961,165
Equity securities	–	–	3,571,180	–	3,571,180
Investment funds	–	5,825,834	–	–	5,825,834
Others	–	140,602	–	–	140,602
	13,931,234	6,134,483	192,005,467	77,083,631	289,154,815
Interest Receivable	–	–	1,283,699	566,808	1,850,507
Total financial investments	<u>13,931,234</u>	<u>6,134,483</u>	<u>193,289,166</u>	<u>77,650,439</u>	<u>291,005,322</u>
Financial investments are analysed by category of issuer as follows:					
– Central governments and central banks	3,037,407	4,851	77,242,343	19,839,462	100,124,063
– Public sector entities	350,674	9,380	24,901,188	9,078,189	34,339,431
– Banks and other financial institutions	9,497,419	6,040,546	25,883,553	37,739,709	79,161,227
– Corporate entities	1,045,734	79,706	63,978,383	10,426,271	75,530,094
	13,931,234	6,134,483	192,005,467	77,083,631	289,154,815
Interest Receivable	–	–	1,283,699	566,808	1,850,507
Total financial investments	<u>13,931,234</u>	<u>6,134,483</u>	<u>193,289,166</u>	<u>77,650,439</u>	<u>291,005,322</u>

22 Investment properties

	30 June 2026 HK\$'000	31 December 2025 HK\$'000
Carrying amount at 1 January	194,300	201,100
Net revaluation loss	(4,300)	(6,800)
Carrying amount at 30 June/31 December	<u>190,000</u>	<u>194,300</u>

NOTES TO THE INTERIM FINANCIAL DISCLOSURE STATEMENTS

23 Property, plant and equipment

Reconciliation of carrying amount

	Bank premises and properties HK\$'000	Leasehold improvements HK\$'000	Furniture and equipment HK\$'000	Right-of-use asset premises HK\$'000	Right-of-use asset Furniture and equipment HK\$'000	Total HK\$'000
At 31 December 2025 and 1 January 2026:						
Cost or valuation	706,177	604,812	675,840	3,842,980	40,723	5,870,532
Accumulated depreciation and impairment	(281,609)	(460,921)	(530,931)	(2,828,379)	(40,576)	(4,142,416)
At 1 January 2026	424,568	143,891	144,909	1,014,601	147	1,728,116
Additions	-	2,059	44,729	66,562	937	114,287
Disposals	-	-	(4)	-	-	(4)
Revaluation	(1,343)	-	-	-	-	(1,343)
Depreciation provided during the period	(7,805)	(28,262)	(31,597)	(189,793)	(292)	(257,749)
Exchange rate and others	4,378	162	(11,092)	3,945	-	(2,607)
Net book value at 30 June 2026	419,798	117,850	146,945	895,315	792	1,580,700
At 30 June 2026:						
Cost or valuation	799,934	554,304	680,739	3,915,492	41,660	5,992,129
Accumulated depreciation and impairment	(380,136)	(436,454)	(533,794)	(3,020,177)	(40,868)	(4,411,429)
Net book value at 30 June 2026	419,798	117,850	146,945	895,315	792	1,580,700

NOTES TO THE INTERIM FINANCIAL DISCLOSURE STATEMENTS
23 Property, plant and equipment (continued)

Reconciliation of carrying amount (continued)

	Bank premises and properties HK\$'000	Leasehold improvements HK\$'000	Furniture and equipment HK\$'000	Right-of-use asset premises HK\$'000	Right-of-use asset Furniture and equipment HK\$'000	Total HK\$'000
At 31 December 2024 and 1 January 2025:						
Cost or valuation	714,930	478,765	626,496	3,248,377	80,994	5,149,562
Accumulated depreciation and impairment	(263,670)	(400,810)	(493,582)	(2,455,722)	(79,668)	(3,693,452)
At 1 January 2025	451,260	77,955	132,914	792,655	1,326	1,456,110
Additions	–	116,924	84,300	613,280	105	814,609
Disposals	–	(228)	(97)	(373)	–	(698)
Revaluation	(16,370)	–	–	–	–	(16,370)
Depreciation provided during the period	(16,238)	(51,026)	(61,420)	(385,296)	(1,284)	(515,264)
Exchange rate and others	5,916	266	(10,788)	(5,665)	–	(10,271)
Net book value at 31 December 2025	424,568	143,891	144,909	1,014,601	147	1,728,116
At 31 December 2025:						
Cost or valuation	706,177	604,812	675,840	3,842,980	40,723	5,870,532
Accumulated depreciation and impairment	(281,609)	(460,921)	(530,931)	(2,828,379)	(40,576)	(4,142,416)
Net book value at 31 December 2025	424,568	143,891	144,909	1,014,601	147	1,728,116

NOTES TO THE INTERIM FINANCIAL DISCLOSURE STATEMENTS

24 Other assets

	30 June 2026 HK\$'000	31 December 2025 HK\$'000
Interest receivable	7,636,405	4,479,118
Prepayments	559,949	570,966
Settlement accounts	1,425,491	1,162,008
Margin deposits paid	4,939,515	3,693,775
Factoring	182,566	156,161
Precious Metals	8,204,140	–
Others	1,221,035	715,456
	24,169,101	10,777,484
Less: impairment allowances for other assets		
– 12-month ECL	(81,239)	(63,815)
– Lifetime ECL credit-impaired	(27,217)	(25,456)
	24,060,645	10,688,213

25 Deposits from banks and other financial institutions

	30 June 2026 HK\$'000	31 December 2025 HK\$'000
Deposits from banks and other financial institutions		
– Measured at amortised cost	134,018,003	108,671,698
– Designated at fair value through profit or loss	3,056,449	14,647,096
	137,074,452	123,318,794
Accrued interest	248,472	261,482
	137,322,924	123,580,276

In respect of repurchase transactions, the outstanding balance was HK\$10,195,679,000 as at 30 June 2026 (31 December 2025: HK\$13,485,520,000), the fair value of collateral which were permitted to be sold or repledged from the Group was HK\$10,438,881,000 as at 30 June 2026 (31 December 2025: HK\$14,039,967,000). The transactions are conducted on terms that are usual and customary to standard lending activities.

NOTES TO THE INTERIM FINANCIAL DISCLOSURE STATEMENTS

26 Deposits from customers

	30 June 2026 HK\$'000	31 December 2025 HK\$'000
Demand deposits and current accounts	30,469,824	30,453,924
Savings deposits	203,252,751	196,073,828
Time, call and notice deposits		
– Measured at amortised cost	499,508,183	413,144,871
– Designated at fair value through profit or loss	12,705,560	19,481,185
	745,936,318	659,153,808
Accrued interest	3,737,884	3,578,875
	749,674,202	662,732,683

27 Deferred income tax

The movements in the deferred income tax are as follows:

	30 June 2026 HK\$'000	31 December 2025 HK\$'000
At 1 January	1,726,880	1,484,142
Credited to the profit or loss	(10,472)	437,295
Credited to equity	149,353	(232,633)
Exchange difference and other adjustment	35,802	38,076
At 30 June/31 December	1,901,563	1,726,880

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when the deferred income taxes relate to the same fiscal authority. The following amounts, determined after appropriate offsetting, are shown in the condensed consolidated statement of financial position.

The Group has tax losses arising in Hong Kong of HK\$41,657,000 (31 December 2025: HK\$39,638,000) that are available indefinitely for offsetting against future taxable profits of the companies in which the losses arose. Deferred tax assets have not been recognised in respect of these losses as they have arisen in subsidiaries that have been loss-making for sometime and it is not considered probable that taxable profits will be available against which the tax losses can be utilised.

NOTES TO THE INTERIM FINANCIAL DISCLOSURE STATEMENTS

27 Deferred income tax (continued)

The following is an analysis of the deferred tax balances of the Group for financial reporting purposes:

	30 June 2026 HK\$'000	31 December 2025 HK\$'000
Net deferred income tax assets recognised in the condensed consolidated statement of financial position	1,903,195	1,728,456
Net deferred income tax liabilities recognised in the condensed consolidated statement of financial position	(1,632)	(1,576)
At 30 June/31 December	<u>1,901,563</u>	<u>1,726,880</u>

28 Debt securities in issue

	30 June 2026 HK\$'000	31 December 2025 HK\$'000
Debt securities in issue – Measured at amortised cost	15,574,500	15,296,280
Accrued interest	138,719	65,412
	<u>15,713,219</u>	<u>15,361,692</u>

29 Other liabilities

	30 June 2026 HK\$'000	31 December 2025 HK\$'000
Interest payable	7,178,244	4,434,304
Salaries and welfare payable	870,931	801,065
Settlement accounts	3,054,449	2,880,494
Margin deposits received	4,214,138	3,538,055
Factoring	182,566	156,160
Lease liabilities	862,878	980,140
Others	2,229,614	2,210,255
	<u>18,592,820</u>	<u>15,000,473</u>
Impairment allowances for loan commitment and financial guarantees		
– 12-month ECL	465,817	419,942
– Lifetime ECL not credit-impaired	9,244	7,694
	<u>19,067,881</u>	<u>15,428,109</u>

The Group has not had any defaults of principal, interest or other breaches with respect to their liabilities during the period ended 30 June 2026 (31 December 2025: Nil).

NOTES TO THE INTERIM FINANCIAL DISCLOSURE STATEMENTS

29 Other liabilities (continued)

29.1 Lease liabilities

The maturity profile for lease liabilities associated with leased premises and equipment assets is as follows:

As at 30 June 2026	One year or less HK\$'000	Between one year and two years HK\$'000	Between two years and five years HK\$'000	More than five years HK\$'000	Total HK\$'000
Other liabilities – lease liabilities	46,258	76,498	692,240	47,882	862,878
As at 31 December 2025	One year or less HK\$'000	Between one year and two years HK\$'000	Between two years and five years HK\$'000	More than five years HK\$'000	Total HK\$'000
Other liabilities – lease liabilities	39,851	100,747	787,462	52,080	980,140

30 Share capital

	Number of shares (in thousands)	Ordinary shares HK\$'000
At 1 January 2025, 30 June 2025, 1 January 2026 and 30 June 2026	<u>2,749,000</u>	<u>44,187,631</u>

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

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

NOTES TO THE INTERIM FINANCIAL DISCLOSURE STATEMENTS

31 Additional equity instruments

	30 June 2026 HK\$'000	31 December 2025 HK\$'000
US\$1 billion undated non-cumulative subordinated additional tier 1 capital securities	7,771,390	7,771,390
US\$2.536 billion undated non-cumulative subordinated additional tier 1 capital securities	19,897,375	19,897,375
	<u>27,668,765</u>	<u>27,668,765</u>

On 21 March 2018, the Bank issued Basel III-compliant Non-Cumulative Subordinated Additional Tier 1 Capital Securities (the “US\$2.536 billion Additional Tier 1 Capital Securities”) in the aggregate amount of US\$2.536 billion (equivalent to approximately HK\$19,897 million net of related issuance costs). The US\$2.536 billion Additional Tier 1 Capital Securities bear a 4.90% distribution until the first call date on 21 March 2023. If the US\$2.536 billion Additional Tier 1 Capital Securities are not called, the distribution will be reset based on the then-prevailing 5-year US Treasury yield plus a fixed initial spread (2.25% per annum) every 5 years. The US\$2.536 billion Additional Tier 1 Capital Securities qualify as Additional Tier 1 capital under the Banking (Capital) Rules (Cap. 155L) (the “Capital Rules”) and LAC debt instruments under the Financial Institutions (Resolution) (Loss-absorbing Capacity Requirements – Banking Sector) Rules (the “LAC Rules”).

The distribution shall be payable semi-annually, with the first distribution payment date being 21 September 2018. The Bank has the right to cancel distribution payment (subject to the requirements set out in the terms and conditions of the US\$2.536 billion Additional Tier 1 Capital Securities) and the distribution cancelled shall not be cumulative. In addition, the Bank must cancel distribution payment (subject to the requirements set out in the terms and conditions of the US\$2.536 billion Additional Tier 1 Capital Securities) if (a) the distribution scheduled to be paid together with other distributions scheduled to be paid on any parity obligations during the Bank’s then current fiscal year would exceed the Bank’s distributable reserves; or (b) the HKMA directs the Bank to cancel such distribution, or an applicable Hong Kong banking regulation or other requirement of the HKMA prevents the payment in full of dividends or other distributions when due on any other parity obligation.

On 21 March 2023, the Bank restated the US\$2.536 billion Additional Tier 1 Capital Securities. The optional call dates have been changed to 21 March 2028 and any subsequent distribution payment date thereafter. The US\$2.536 billion Additional Tier 1 Capital Securities bear a 5.8% distribution until the revised first call date on 21 March 2028. If the US\$2.536 billion Additional Tier 1 Capital Securities are not called, the distribution will be reset based on the then-prevailing 5-year US Treasury yield plus a fixed initial spread (2.2192% per annum) every 5 years. The US\$2.536 billion Additional Tier 1 Capital Securities qualify as Additional Tier 1 capital under the Banking (Capital) Rules (Cap. 155L) (the “Capital Rules”) and LAC debt instruments under the Financial Institutions (Resolution) (Loss-absorbing Capacity Requirements – Banking Sector) Rules (the “LAC Rules”).

NOTES TO THE INTERIM FINANCIAL DISCLOSURE STATEMENTS**31 Additional equity instruments (continued)**

The distribution shall be payable semi-annually. The Bank has the right to cancel distribution payment (subject to the requirements set out in the terms and conditions of the US\$2.536 billion Additional Tier 1 Capital Securities) and the distribution cancelled shall not be cumulative. In addition, the Bank must cancel distribution payment (subject to the requirements set out in the terms and conditions of the US\$2.536 billion Additional Tier 1 Capital Securities) if (a) the distribution scheduled to be paid together with other distributions scheduled to be paid on any parity obligations during the Bank's then current fiscal year would exceed the Bank's distributable reserves; or (b) the HKMA directs the Bank to cancel such distribution, or an applicable Hong Kong banking regulation or other requirement of the HKMA prevents the payment in full of dividends or other distributions when due on any other parity obligation.

On 21 July 2021, the Bank issued Basel III-compliant Non-Cumulative Subordinated Additional Tier 1 Capital Securities (the "US\$1 billion Additional Tier 1 Capital Securities") in the aggregate amount of US\$1 billion (equivalent to approximately HK\$7.771 billion net of related issuance costs). The US\$1 billion Additional Tier 1 Capital Securities bear a 3.3% distribution until the first call date on 21 July 2026. If the US\$1 billion Additional Tier 1 Capital Securities are not called, the distribution will be reset based on the then-prevailing 5-year US treasury yield plus a fixed initial spread (2.59% per annum) every 5 years. The US\$1 billion Additional Tier 1 Capital Securities qualify as Additional Tier 1 capital under the Capital Rules and LAC debt instruments under the LAC Rules.

In accordance with the terms and conditions of the US\$1 billion Additional Tier 1 Capital Securities, the Bank did not exercise its call option on the first call date on 21 July 2026. Accordingly, the distribution rate was reset from 3.3% per annum to 6.89% per annum with effect from the first call date until the next reset date.

The distribution shall be payable semi-annually, with the first distribution payment date being 21 January 2022. The Bank has the right to cancel distribution payment (subject to the requirements set out in the terms and conditions of the US\$1 billion Additional Tier 1 Capital Securities) and the distribution cancelled shall not be cumulative. In addition, the Bank must cancel distribution payment (subject to the requirements set out in the terms and conditions of the US\$1 billion Additional Tier 1 Capital Securities) if (a) the distribution scheduled to be paid together with other distributions scheduled to be paid on any parity obligations during the Bank's then current fiscal year would exceed the Bank's distributable reserves; or (b) the HKMA directs the Bank to cancel such distribution, or an applicable Hong Kong banking regulation or other requirement of the HKMA prevents the payment in full of dividends or other distributions when due on any other parity obligation.

NOTES TO THE INTERIM FINANCIAL DISCLOSURE STATEMENTS

31 Additional equity instruments (continued)

The principal of the Additional Tier 1 Capital Securities will be written off up to the amount as directed by the HKMA if the HKMA notifies the Bank that in the opinion of the HKMA or a relevant government body, the Bank would become non-viable if there is no written off of the principal. The Additional Tier 1 Capital Securities also contain Hong Kong Bail-in Power. Each holder of the Additional Tier 1 Capital Securities shall be subject to the exercise by the Hong Kong Resolution Authority to any or a combination of the following:

- (a) reduction or cancellation of all or a part of the principal and/or distribution of the Additional Tier 1 Capital Securities;
- (b) the conversion of all or a part of the principal and/or distribution of the Additional Tier 1 Capital Securities into shares or other securities or other obligations of the Bank or another person; and/or
- (c) the amendment of the maturity, distribution payment date and/or the distribution amount of the Additional Tier 1 Capital Securities.

32 Reserves

The general reserve of the Group for the period is comprised of:

- the transfer of retained earnings which is distributable to the shareholders of the Group; and
- a statutory surplus reserve of a subsidiary representing 10% of the profit after tax appropriation and 1.5% of the book value of risk assets as required by law and regulation in the PRC. This reserve is used to offset accumulated losses or increase in capital.

As at 30 June 2026, the Group is not required to make “Regulatory Reserve” (31 December 2025: Nil). The Regulatory Reserve is maintained to satisfy the provisions of the Hong Kong Banking Ordinance for prudential supervision purpose. Movements in the reserve are made directly through retained earnings and in consultation with the Hong Kong Monetary Authority.

NOTES TO THE INTERIM FINANCIAL DISCLOSURE STATEMENTS

33 Related-party transactions

Listed out below is a summary of the balances and transactions entered into during the ordinary course of business with the ultimate holding company and fellow subsidiaries and associates, including the acceptance of placement of interbank deposits, corresponding banking transactions and off-balance sheet transactions. The activities were priced at the relevant market rates at the time of transactions.

33.1 Ultimate holding company

	For the six months ended	
	30 June 2026	30 June 2025
	HK\$'000	HK\$'000
Interest income	2,164,284	2,189,685
Interest expense ¹	930,831	669,216
Operating income ^{2,3,5}	282,896	638,917
Operating expenses ^{1,4}	4,253	4,253
	As at	
	30 June	31 December
	2026	2025
	HK\$'000	HK\$'000
Amounts due from ⁶	140,259,125	130,145,636
Amounts due to ⁶	152,475,420	140,246,990

- In accordance with the tenancy agreement with the ultimate holding company dated 9 March 2021, interest expense on lease liabilities and depreciation of right-of-use assets for the leasing of property located in Hong Kong are HK\$661,000 and HK\$4,250,000 respectively during first half of 2026 (first half of 2025: HK\$506,000 and HK\$4,250,000 respectively), and these are included in interest expense and operating expenses, respectively.
- In accordance with the agreements dated 20 June 2017, 17 December 2018, 13 November 2020, 20 October 2022 and 1 January 2025, management fee income was received from the Hong Kong Branch of Industrial and Commercial Bank of China Limited (the "Branch") for the provision of services such as accounting and budgeting, internal audit, marketing and back office settlement and clearing.
- In accordance with the custodian and trustee services agreement dated 4 September 2007 and the supplemental custodian and trustee services agreements dated 16 May 2008, 31 December 2009 and 19 January 2015, services fees were paid by the ultimate holding company to the Group for providing custodian, settlement and clearing services in relation to the investments outside the PRC in certain investment products by the customers of the ultimate holding company in connection with the Qualified Domestic Institutional Investor Scheme of the PRC.
- In accordance with the service level agreements with the Bank dated 3 December 2025 (as amended and supplemented by supplemental agreements), and the service levels agreement with a subsidiary of the Bank dated 1 January 2026 service fee expense was paid to the ultimate holding company for the provision of data processing services to the Bank and its subsidiary.

NOTES TO THE INTERIM FINANCIAL DISCLOSURE STATEMENTS

33 Related-party transactions (continued)

33.1 Ultimate holding company (continued)

5. Operating income includes net gain arising from the derivatives with the ultimate holding company in the amount of HK\$102,532,000 during first half of 2026 (first half of 2025: net gain of HK\$418,582,000).
6. As at 30 June 2026, derivatives assets and liabilities in the amount of HK\$1,947,463,000 and HK\$2,939,899,000, respectively are included in amounts due from and to the ultimate holding company respectively (31 December 2025: HK\$1,006,077,951 and HK\$1,700,367,688, respectively).

(i) *Committed facilities*

The Bank received conglomerate guarantee on loan from the ultimate holding company in the amount of HK\$274,963,000 (31 December 2025: HK\$1,233,618,000).

(ii) *Undertaking from the ultimate holding company*

To demonstrate its support to the Bank, a Letter of Comfort dated 3 July 2001 was executed by the ultimate holding company, pursuant to which it will provide the Bank with such funding as may be required by the Bank to ensure that it will maintain sufficient capital and liquidity levels.

Simultaneously on 3 July 2001, the ultimate holding company and the Bank entered into a guarantee agreement whereby the ultimate holding company agreed to guarantee to the extent of HK\$9,000,000,000, being the payment obligations of certain customers whose “large exposures” were transferred to the Bank pursuant to the business transfer agreement and to indemnify the Bank in respect of any losses incurred if any obligation of such customers becomes unenforceable. There are no on-balance sheet large exposures of the Bank covered by this guarantee as at 30 June 2026 (first half of 2025: HK\$ Nil).

(iii) *Sub-participation of loans*

The Bank entered into various capital market transactions with the Branch, which include arranging participation/sub-participation in loans, acquiring and disposing of interests in syndicated or individual loans, subscribing to and/or issuing of debt securities and tax efficient financing. No sub-participation in loans of the Bank by the ultimate holding company and/or the Branch (first half of 2025: Nil) and no fee attributable to the above transactions was paid by the Bank to the Branch as at 30 June 2026 (first half of 2025: Nil). These transactions were priced based either on the terms of the underlying loan agreement, if applicable, or prevailing market rates if such comparable rates were available, or on terms that were no less favorable than those available to other independent loan members.

NOTES TO THE INTERIM FINANCIAL DISCLOSURE STATEMENTS

33 Related-party transactions (continued)

33.2 Fellow subsidiaries

	For the six months ended	
	30 June 2026 HK\$'000	30 June 2025 HK\$'000
Interest income	22,342	97,247
Interest expense	9,017	16,068
Operating income ¹	212,232	(12,551)
Operating expenses	–	2
As at		
	30 June 2026 HK\$'000	31 December 2025 HK\$'000
Amounts due from ²	4,663,057	1,329,314
Amounts due to ²	4,070,212	2,388,931

- Operating income includes net gain arising from the derivatives with fellow subsidiaries in the amount of HK\$211,420,000 during first half of 2026 (first half of 2025: net loss of HK\$14,110,000).
- As at 30 June 2026, derivatives assets and liabilities in the amount of HK\$638,097,000 and HK\$1,313,278,000, respectively are included in amounts due from and to the fellow subsidiaries respectively (31 December 2025: HK\$12,598,335 and HK\$17,020,840, respectively).

33.3 Associates

	For the six months ended	
	30 June 2026 HK\$'000	30 June 2025 HK\$'000
Interest income	–	809
Interest expense	1,623	393
Operating income	28	44
As at		
	30 June 2026 HK\$'000	31 December 2025 HK\$'000
Amounts due from	2	–
Amounts due to	140,842	93,509

NOTES TO THE INTERIM FINANCIAL DISCLOSURE STATEMENTS

33 Related-party transactions (continued)

33.4 Transactions with other state-controlled entities and government authorities

Transactions with the following state-controlled entities and government authorities are considered as individually significant or collectively significant to the Group:

- The Ministry of Finance of the PRC
- Central Huijin Investment Limited (“Huijin”)
- Other banks and financial institutions under the direction of the PRC government in which Huijin has equity interests

	For the six months ended	
	30 June 2026	30 June 2025
	HK\$'000	HK\$'000
Interest income	756,493	833,669
Interest expense	60,941	40,507
Operating income ¹	(7,014)	(1,462)
	As at	
	30 June	31 December
	2026	2025
	HK\$'000	HK\$'000
Amounts due from ²	42,162,331	48,966,886
Amounts due to ²	27,015	3,293,611

1. Net operating income includes net loss arising from the derivatives with other state-controlled entities and government authorities in the amount of HK\$8,045,000 during first half of 2026 (first half of 2025: net loss of HK\$1,717,000).
2. As at 30 June 2026, derivatives assets and liabilities in the amount of HK\$46,148,000 and HK\$23,356,000, respectively are included in amounts due from and to the ultimate holding company respectively (31 December 2025: HK\$2,152,840 and HK\$3,063,692, respectively).

In addition, the Group may also enter into transactions with other state-controlled entities and government authorities, including but not limited to lending, deposit taking and the provision of financial products or services. In the opinion of management, transactions with these state-controlled entities and government authorities were conducted in the ordinary course of business under normal terms and conditions and at market rates. As a result, none of these transactions are considered individually significant.

NOTES TO THE INTERIM FINANCIAL DISCLOSURE STATEMENTS

33 Related-party transactions (continued)

33.5 Key management personnel remuneration

Remuneration for key management personnel, including the Bank's directors' emoluments, is as follows:

	For the six months ended	
	30 June 2026	30 June 2025
	HK\$'000	HK\$'000
Employee benefits	21,136	23,952

33.6 Material transactions with key management personnel

During the period, the Group entered into certain banking transactions consisting of loans and advances, deposits and other financial related transactions with related parties in the normal course of business. The related parties include key management personnel of the Group, their close family members and companies controlled or significantly influenced by them.

	For the six months ended	
	30 June 2026	30 June 2025
	HK\$'000	HK\$'000
Interest income	60	100
Interest expense	2,223	1,275
Operating income	6	7
Operating expenses	–	31

	As at	
	30 June	31 December
	2026	2025
	HK\$'000	HK\$'000
Loans and advances	7,932	22,401
Deposits	158,474	164,281

NOTES TO THE INTERIM FINANCIAL DISCLOSURE STATEMENTS

34 Transferred financial assets

The Group enters into transactions in the normal course of business by which it transfers recognised financial assets to third parties. In some cases where these transfers may give rise to full or partial derecognition of the financial assets concerned. In other cases where the transferred assets do not qualify for derecognition as the Group has retained substantially all the risks and rewards of these assets, the Group continued to recognise the transferred assets.

Repurchase transactions

Transferred financial assets that do not qualify for derecognition mainly include debt securities held by counterparties as collateral under repurchase agreements. The counterparties are allowed to sell or repledge those securities sold under agreements to repurchase in the absence of default by the Group, but has an obligation to return the securities at the maturity of the contract. If the securities increase or decrease in value, the Group may in certain circumstances require or be required to pay additional cash collateral. The Group has determined that it retains substantially all the risks and rewards of these securities and therefore has not derecognised them. In addition, it recognises a financial liability for cash received as collateral included in deposits from banks and other financial institutions as appropriate.

The following table analyses the carrying amount of the above mentioned financial assets transferred to third parties that did not qualify for derecognition and their associated financial liabilities:

	30 June 2026		31 December 2025	
	Carrying amount of transferred assets HK\$'000	Carrying amount of associated liabilities HK\$'000	Carrying amount of transferred assets HK\$'000	Carrying amount of associated liabilities HK\$'000
Repurchase agreements	10,438,881	10,195,679	9,383,552	9,141,018
Securities lending agreements	–	–	4,656,415	4,344,502

Discounted bills transactions

The Group enters into discounted bills transactions in the normal course of business by which it transfers discounted bills to third parties in the PRC with recourse term which would give rise to the Group's continuing involvement in the transferred assets. As at 30 June 2026, the Group retained no obligation on PRC discounted bills transferred and derecognised but not matured (31 December 2025: 119,615,000). All the transferred discounted bills at year will be matured within a year.

NOTES TO THE INTERIM FINANCIAL DISCLOSURE STATEMENTS

35 Off-balance sheet exposures

35.1 Contingent liabilities and commitments

The following is a summary of the contractual amounts and credit risk-weighted amounts of each significant class of contingent liability and commitment. It is prepared with reference to the revised Banking (Capital) Rules, which took effect from 1 January 2026:

	30 June 2026	30 June 2026	31 December 2025	31 December 2025
	Contractual	Credit risk	Contractual	Credit risk
	amount	weighted	amount	weighted
	HK\$'000	amount	HK\$'000	amount
Direct credit substitutes	13,835,191	2,276,576	18,914,280	2,627,248
Transaction-related contingencies	10,077,964	4,129,871	13,348,233	5,577,504
Trade-related contingencies	3,926,846	677,650	4,176,386	823,402
Forward asset purchases	80,400	35,304	91,247	275,977
Other commitments:				
– Unconditionally cancellable	359,808,948	25,849,767	290,158,628	22,585,648
– Others	66,716,852	22,106,567	77,094,536	23,908,569
	<u>454,446,201</u>	<u>55,075,735</u>	<u>403,783,310</u>	<u>55,798,348</u>

35.2 Capital commitments

Capital commitments for property, plant and equipment outstanding as at 30 June 2026 and 31 December 2025 not provided for in the financial statements are as follows:

	30 June 2026 HK\$'000	31 December 2025 HK\$'000
Expenditure contracted, but not provided for	<u>111,627</u>	<u>124,620</u>
	<u>111,627</u>	<u>124,620</u>

36 Comparative Amounts

Certain comparative figures have been reclassified to conform to the financial statement presentation adopted in the current period.