



Bank of Communications (Hong Kong) Limited
(Incorporated in Hong Kong with limited liability)

2025 INTERIM REPORT



CREATE SHARED VALUE

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BANK OF COMMUNICATIONS (HONG KONG) LIMITED
INTERIM REPORT 2025

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Review Report to the Board of Directors of Bank of Communications (Hong Kong) Limited

(Incorporated in Hong Kong with limited liability)



Introduction

We have reviewed the interim financial report set out on pages 3 to 44, which comprise the unaudited interim statement of financial position of Bank of Communications (Hong Kong) Limited (the “Bank”) as of 30 June 2025 and the related unaudited interim statement of profit or loss and other comprehensive income and unaudited interim statement of changes in equity and unaudited condensed interim statement of cash flows for the six-month period then ended, and explanatory notes. The directors are responsible for the preparation and presentation of the interim financial report in accordance with Hong Kong Accounting Standard 34, *Interim financial reporting*, issued by the Hong Kong Institute of Certified Public Accountants.

Our responsibility is to express a conclusion, based on our review, on this interim financial report and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Scope of review

We conducted our review in accordance with Hong Kong Standard on Review Engagements 2410, *Review of interim financial information performed by the independent auditor of the entity* as issued by the Hong Kong Institute of Certified Public Accountants. A review of interim financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the interim financial report as at 30 June 2025 is not prepared, in all material respects, in accordance with Hong Kong Accounting Standard 34, *Interim financial reporting*.

KPMG

Certified Public Accountants

8th Floor, Prince’s Building

10 Chater Road

Central, Hong Kong

11 September 2025

Unaudited Interim Statement of Profit or Loss and Other Comprehensive Income

(All amounts expressed in thousands of HK\$ unless otherwise stated)

	Notes	Six months ended 30 June	
		2025	2024
Interest income calculated using effective interest rate		9,542,319	11,522,297
Interest expense		(5,242,166)	(6,820,340)
Net interest income	4	4,300,153	4,701,957
Fee and commission income	5	736,216	613,627
Fee and commission expense	6	(55,464)	(33,717)
Net fee and commission income		680,752	579,910
Net gains/(losses) arising from trading activities	8	199,284	(99,634)
Net losses arising from financial investments		(131,709)	(81,179)
Dividend income	7	150	150
Other operating income	9	21,214	14,674
Change in expected credit losses	10	(555,893)	(335,063)
Other operating expenses	11	(929,036)	(920,715)
Profit before tax		3,584,915	3,860,100
Income tax expenses	12	(560,329)	(637,286)
Net profit for the period		3,024,586	3,222,814
Other comprehensive income for the period, net of tax			
<i>Item that will not be reclassified subsequently to profit or loss:</i>			
<i>Equity investments at fair value through other comprehensive income – net change in fair value</i>		338	(69)
<i>Items that may be reclassified to profit or loss:</i>			
<i>Debt investments at fair value through other comprehensive income</i>			
<i>Net (losses)/gains recorded in equity</i>		(138,079)	605,926
<i>Net losses reclassified from equity to profit or loss</i>		110,173	67,784
<i>Net gains/(losses) arising from cash flow hedge</i>		315,471	(2,318)
Other comprehensive income for the period		287,903	671,323
Total comprehensive income for the period		3,312,489	3,894,137

The notes on pages 7 to 44 form a part of these unaudited interim financial statements.

Unaudited Interim Statement of Financial Position

(All amounts expressed in thousands of HK\$ unless otherwise stated)

	Notes	As at 30 June 2025	As at 31 December 2024
ASSETS			
Cash and balances with central bank	13	1,564,727	1,864,846
Due from and placements with banks and other financial institutions	14	41,350,843	33,021,581
Financial assets at fair value through profit or loss	15	6,251,225	9,501,189
Financial assets at amortized cost	18	49,669,554	46,955,952
Financial assets at fair value through other comprehensive income	18	134,783,340	141,642,473
Loans and advances to customers	17	201,617,256	192,723,750
Fixed assets	19	130,931	155,596
Right-of-use assets		186,944	212,532
Other assets	20	9,033,496	7,570,611
Total assets		444,588,316	433,648,530
LIABILITIES			
Due to banks and other financial institutions	21	12,914,561	23,744,827
Due to customers	22	354,489,636	330,593,006
Financial liabilities at fair value through profit or loss	23	2,458,757	1,889,524
Certificates of deposits issued	24	–	111,480
Current tax liabilities		1,335,232	748,456
Deferred tax liabilities		158,018	127,641
Lease liabilities		192,180	218,723
Debt securities issued	25	7,852,750	7,764,376
Other liabilities	26	5,715,738	8,330,430
Total liabilities		385,116,872	373,528,463
EQUITY			
Share capital	27	44,999,807	37,900,000
Other reserves		1,824,046	1,536,143
Retained earnings		12,647,591	16,812,474
Equity attributable to shareholder of the Bank		59,471,444	56,248,617
Additional equity instrument	28	–	3,871,450
Total equity		59,471,444	60,120,067
Total equity and liabilities		444,588,316	433,648,530

The financial statements were approved and authorized for issuance by the Board of Directors on 11 September 2025 and signed on its behalf by:

Xiao Ting, Director

Shan Jidong, Director

The notes on pages 7 to 44 form a part of these unaudited interim financial statements.

Unaudited Interim Statement of Changes in Equity

(All amounts expressed in thousands of HK\$ unless otherwise stated)

	Notes	Other reserves			Retained earnings (Note)	Equity attributable to shareholder of the Bank	Additional equity instrument	Total equity
		Share capital	Cash flow hedge reserve	Others				
At 1 January 2025		37,900,000	(20,621)	1,556,764	16,812,474	56,248,617	3,871,450	60,120,067
Net profit for the period		–	–	–	3,024,586	3,024,586	–	3,024,586
Other comprehensive income		–	315,471	(27,568)	–	287,903	–	287,903
		37,900,000	294,850	1,529,196	19,837,060	59,561,106	3,871,450	63,432,556
Transfer from retained earnings		7,099,807	–	–	(7,099,807)	–	–	–
Redemption of additional equity instrument		–	–	–	(17,235)	(17,235)	(3,871,450)	(3,888,685)
Dividends paid to additional equity instrument holders	28	–	–	–	(72,427)	(72,427)	–	(72,427)
At 30 June 2025		44,999,807	294,850	1,529,196	12,647,591	59,471,444	–	59,471,444
At 1 January 2024		37,900,000	4,161	1,097,731	11,130,213	50,132,105	3,871,450	54,003,555
Net profit for the period		–	–	–	3,222,814	3,222,814	–	3,222,814
Other comprehensive income		–	(2,318)	673,641	–	671,323	–	671,323
		37,900,000	1,843	1,771,372	14,353,027	54,026,242	3,871,450	57,897,692
Dividends paid to additional equity instrument holders	28	–	–	–	(72,894)	(72,894)	–	(72,894)
At 30 June 2024		37,900,000	1,843	1,771,372	14,280,133	53,953,348	3,871,450	57,824,798

Note:

In accordance with the requirements of the Hong Kong Monetary Authority (the “HKMA”), the regulatory reserve is set aside for general banking risks, including future losses or other unforeseeable risks. The regulatory reserve is set up in compliance with the HKMA’s requirements and is distributable to shareholder of the Bank subject to consultation with the HKMA. As at 30 June 2025, HK\$938,141,000 (30 June 2024: HK\$1,311,368,000) was earmarked as the regulatory reserve from the retained earnings.

The notes on pages 7 to 44 form a part of these unaudited interim financial statements.

Unaudited Condensed Interim Statement of Cash Flows

(All amounts expressed in thousands of HK\$ unless otherwise stated)

	Six months ended 30 June	
	2025	2024
Net cash inflows from operating activities	3,327,880	1,312,569
Cash flows from investing activities:		
Purchase of financial investments	(43,910,113)	(38,461,427)
Disposal or redemption of financial investments	50,982,894	35,118,883
Dividend received	150	150
Interest received from financial investments	3,984,554	3,848,599
Purchase of fixed assets	(8,941)	(33,594)
Disposal of fixed assets	30	–
Purchase of intangible assets	(4,956)	(12,364)
Net cash inflows from investing activities	11,043,618	460,247
Cash flows from financing activities:		
Principal elements of lease payments	(82,821)	(80,553)
Interest paid for lease	(2,246)	(2,501)
Interest paid for debt securities issued	(88,804)	(90,098)
Dividend paid to additional equity instrument holders	(72,427)	(72,894)
Redemption of additional equity instrument	(3,888,685)	–
Net cash outflows from financing activities	(4,134,983)	(246,046)
Net increase in cash and cash equivalents	10,236,515	1,526,770
Cash and cash equivalents at the beginning of the period	18,265,377	18,709,839
Cash and cash equivalents at the end of the period	28,501,892	20,236,609

The notes on pages 7 to 44 form a part of these unaudited interim financial statements.

Notes to the Unaudited Interim Financial Statements

For the six months ended 30 June 2025

(All amounts expressed in thousands of HK\$ unless otherwise stated)

1 GENERAL

Bank of Communications (Hong Kong) Limited (“the Bank”) is a licensed bank incorporated and domiciled in Hong Kong. The address of its registered office is 20 Pedder Street, Central, Hong Kong and principal place of business is Unit B B/F & G/F, Unit C G/F, 1-3/F, 16/F Rm01 & 18/F Wheelock House, 20 Pedder Street, Central, Hong Kong. Its ultimate holding company is Bank of Communications Co., Ltd., which is incorporated in the People’s Republic of China.

The financial information relating to the year ended 31 December 2024 that is included in this interim financial report as comparative information does not constitute the Bank’s statutory annual financial statements for that year but is derived from those financial statements. Further information relating to these statutory financial statements required to be disclosed in accordance with section 436 of the Hong Kong Companies Ordinance (Cap. 622) is as follows:

The Bank has delivered the financial statements for the year ended 31 December 2024 to the Registrar of Companies as required by section 662(3) of, and Part 3 of Schedule 6 to, the Hong Kong Companies Ordinance (Cap. 622).

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

The regulatory disclosure information required under the Banking (Disclosure) Rules is available in the Regulatory Disclosures Section of our website www.hk.bankcomm.com.

2 BASIS OF PREPARATION AND ACCOUNTING ESTIMATES AND JUDGEMENTS

2.1 Basis of preparation and material accounting policies

This unaudited interim financial report has been prepared in accordance with Hong Kong Accounting Standard (“HKAS”) 34 *Interim Financial Reporting*. The financial statements have been prepared on the historical cost basis except for certain financial instruments which are measured at fair value.

This interim financial report is unaudited, but has been reviewed by KPMG in accordance with Hong Kong Standard on Review Engagements 2410, *Review of interim financial information performed by the independent auditor of the entity*, issued by the Hong Kong Institute of Certified Public Accountants. KPMG’s independent review report to the Board of Directors is included on page 1.

The Bank adopts the going concern basis in preparing its unaudited interim financial statements.

These unaudited interim financial statements of the Bank do not include all the notes of the types normally included in annual financial statements. Accordingly, these unaudited interim financial statements should be read in conjunction with the annual financial statements for the year ended 31 December 2024.

Except as described below, the Bank’s accounting policies applied in preparing these unaudited interim financial statements are consistent with those policies applied in preparing the financial statements for the year ended 31 December 2024.

Notes to the Unaudited Interim Financial Statements

For the six months ended 30 June 2025

(All amounts expressed in thousands of HK\$ unless otherwise stated)

2 BASIS OF PREPARATION AND ACCOUNTING ESTIMATES AND JUDGEMENTS *(continued)*

2.1 Basis of preparation and material accounting policies *(continued)*

2.1.1 New and revised HKFRSs effective by 1 January 2025 applied by the Bank

Amendments to HKAS 21

Lack of Exchangeability

The amendments listed above did not have any material impacts on the Bank's financial statements and did not require retrospective adjustments.

2.1.2 Standards and amendments that are not yet effective and have not been adopted by the Bank

Certain new accounting standards and interpretations have been published that are not mandatory for 30 June 2025 reporting periods and have not been early adopted by the Bank. The Bank is in the process of assessing the impact of the adoption of these standards.

		Effective for annual period commencing on or after
Amendments to HKFRS 9 and HKFRS 7	Amendments to the Classification and Measurement of Financial Instruments	1 January 2026
Amendments to HKFRSs	Annual Improvements to HKFRS Accounting Standards – Volume 11	1 January 2026
HKFRS 18	Presentation and Disclosure in Financial Statements	1 January 2027

2.2 Critical accounting estimates and judgements in applying accounting policies

The preparation of these unaudited interim financial statements requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense.

In preparing these unaudited interim financial statements, the significant judgements made by management in applying the Bank's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the Bank's financial statements for the year ended 31 December 2024, except for those applied in determining forward-looking information incorporated in the calculation of expected credit loss ("ECL") of financial instruments. Details of changes in these significant judgements are further set out under note 3.1.1.2.

3 FINANCIAL RISK MANAGEMENT

3.1 Credit risk

3.1.1 Expected credit loss measurement

3.1.1.1 Measuring ECL – Explanation of inputs, assumptions and estimation techniques

The ECL is measured on either a 12-month or lifetime basis depending on whether a significant increase in credit risk ("SICR") has occurred since initial recognition or whether an asset is considered to be credit-impaired. Expected credit losses are the discounted product of the Probability of Default ("PD"), Exposure at Default ("EAD"), and Loss Given Default ("LGD"), defined as follows:

- The PD represents the likelihood of a borrower defaulting on its financial obligation, either over the next 12 months ("12M PD"), or over the remaining lifetime ("Lifetime PD") of the obligation.
- EAD is based on the amounts the Bank expects to be owed at the time of default. For example, for a revolving credit commitment, EAD includes the current drawn balance plus any further amount that is expected to be drawn up to the current contractual limit by the time of default, should it occur.
- LGD represents the Bank's expectation of the extent of loss on a defaulted exposure. LGD varies by type of counterparty, type and seniority of claim and availability of collateral or other credit support. LGD is expressed as a percentage loss per unit of exposure at the time of default.

Notes to the Unaudited Interim Financial Statements

For the six months ended 30 June 2025

(All amounts expressed in thousands of HK\$ unless otherwise stated)

3 FINANCIAL RISK MANAGEMENT *(continued)*

3.1 Credit risk *(continued)*

3.1.1 Expected credit loss measurement *(continued)*

3.1.1.1 Measuring ECL – Explanation of inputs, assumptions and estimation techniques *(continued)*

The ECL is determined by projecting the PD, LGD and EAD for each future year and for each individual exposure. These three components are multiplied together and adjusted for the likelihood of survival (i.e. the exposure has not prepaid or defaulted in an earlier year). This effectively calculates an ECL for each future year, which is then discounted back to the reporting date and summed. The discount rate used in the ECL calculation is the original effective interest rate or an approximation thereof.

The Lifetime PD is developed by using forecasted macroeconomic factors to calculate a forecasted 12M PD for the 2nd to 5th year. For the years after the fifth year, it is assumed that the PD will remain the same.

EAD represents the total amount of on-balance sheet and off-balance sheet exposure at the time of default by debtor, reflecting the total amount of possible losses to be incurred. In general, this includes the utilized credit limit, interest receivable, the anticipated usage of unused credit facilities as well as the related expenses to be incurred.

LGDs are determined based on the factors which impact the recoveries made post default. These vary by product type.

- For secured products, LGDs are primarily based on collateral type and projected collateral values, historical discounts to market/book values due to forced sales, time to repossession and recovery costs observed.
- For unsecured products, LGDs are typically set at product level due to the limited differentiation in recoveries achieved across different borrowers. These LGDs are influenced by collection strategies, including contracted debt sales and price.

3.1.1.2 Forward-looking information incorporated in the ECL models

Forward-looking information is incorporated in both the assessment of SICR and the calculation of ECL. The Bank has performed historical analysis to identify the key economic variables that impact credit risk and expected credit losses for each portfolio.

These economic variables and their associated impact on the PD, EAD and LGD vary across different financial instruments. Expert judgement has also been employed in this process. To establish the base economic scenario for the next five years, forecasts of these economic variables are collected from different sources, including economics team of the Bank of Communications Co., Ltd., Development Strategy Team of the Bank and the International Monetary Fund (“IMF”). After five years, it is assumed that the economic variables will remain stable and the last available forecast is used. A statistical regression analysis has been conducted to ascertain the impact of these economic variables on the PD, EAD and LGD. This analysis aims to understand the historical impact changes in these variables on default rates and on the components of LGD and EAD.

In addition to the base economic scenario, the Bank’s Risk Management Department and Development Strategy Team have taken into account other economic scenarios. These scenarios and weightings for each of these scenarios are derived from the calculation of historical data. At 30 June 2025 and 31 December 2024, the Bank concluded that three scenarios were used in the calculation process. The scenario weightings are determined based on expert credit judgement, taking account of the range of potential outcomes that each selected scenario represents.

Following this assessment, the Bank then measures ECL as either a probability-weighted 12-month ECL (Stage 1), or a probability-weighted lifetime ECL (Stages 2 and 3). These probability-weighted ECLs are determined by running each scenario through the relevant ECL model and multiplying the result by the appropriate scenario weighting (the weighting is applied to the ECL outputs, rather than the inputs).

Similar to all economic forecasts, the projections and probabilities associated with the economic scenarios rely on the estimations of future economic conditions. These estimations are sensitive to changes resulting from macro events such as the tariff war and the geopolitical developments. They are, therefore, inherently subject to a high degree of uncertainty and as a result, the actual outcomes may deviate significantly from the projected ones. The Bank regards these forecasts as its best estimation of potential outcomes. Analysis has been conducted to assess the variations across the Bank’s diverse portfolios to make sure the selected scenarios adequately encompass the range of possible scenarios. The proposed macroeconomic forecasts and probability weightings are subject to review by the management.

Notes to the Unaudited Interim Financial Statements

For the six months ended 30 June 2025

(All amounts expressed in thousands of HK\$ unless otherwise stated)

3 FINANCIAL RISK MANAGEMENT *(continued)*

3.1 Credit risk *(continued)*

3.1.1 Expected credit loss measurement *(continued)*

3.1.1.2 Forward-looking information incorporated in the ECL models *(continued)*

Economic variable assumptions

As governments worldwide have taken various measures, economic activities in most economies have gradually picked up in the past few years. However, the pace of recovery slowed down in 2024. It is expected that the pace of recovery would be further slower in 2025 as a result of the tariffs war initiated by US.

The above developments pertaining to the tariff war and changes in the geopolitical environment in the first half of 2025 have added complexities to the estimation of economic scenarios. As a result, the Bank has found it necessary to reassess its economic scenarios and probability weightings when calculating ECL.

The Bank continued to adopt three economic scenarios across all portfolios. These scenarios encompass the “Base” scenario, which is considered the most likely, as well as two additional scenarios known as the “Upside” and “Downside” scenarios. The Upside scenario represents a less likely but more favorable outcome, while the Downside scenario reflects a less likely and less favorable outcome.

The “Base” scenario can be described as follows: following a moderate rebound of the global economy in 2024, the pace of economy recovery is expected to be slower in 2025, partly due to the lingering effects of the tariffs war initiated by the US. In addition, while GDP in most regions showed moderate growth in 2024, the extent of recovery is highly uneven within the global economy as China’s GDP expanded moderately while a mild recovery is observed in Hong Kong. Furthermore, the unemployment rate is anticipated to rise mildly in 2025 across most regions, but much smaller than the high levels witnessed in 2020.

In addition to the scenarios mentioned above, other forward-looking factors, including the impact of any regulatory, legislative or political changes, have been taken into account as well. However, these factors are not deemed to have a material impact and therefore no adjustment has been made to the ECL to account for them. This assessment is reviewed and monitored on a regular basis as to whether it is appropriate.

Notes to the Unaudited Interim Financial Statements

For the six months ended 30 June 2025

(All amounts expressed in thousands of HK\$ unless otherwise stated)

3 FINANCIAL RISK MANAGEMENT *(continued)*

3.1 Credit risk *(continued)*

3.1.1 Expected credit loss measurement *(continued)*

3.1.1.2 Forward-looking information incorporated in the ECL models *(continued)*

Sensitivity analysis

The following table presents the base ECL scenario compared to the probability-weighted ECL derived from using three ECL scenarios. The difference reflects the impact of deriving multiple scenarios around the base ECL and resultant change in ECL due to non-linearity and sensitivity to using macroeconomic forecasts.

	As at 30 June 2025	As at 31 December 2024
Change from Base to Probability-weighted ECL		
Probability-weighted ECL	6,012,805	5,673,712
Base ECL	5,983,119	5,619,384
Difference in amount	29,686	54,328
Difference in percentage	0.5%	1.0%

Management judgemental adjustment

There were no management judgemental adjustments made by the Bank for the periods ended 30 June 2025 and 31 December 2024.

3.1.2 Credit risk exposure – Collateral

The Bank closely monitors collateral held for financial assets considered to be credit-impaired, as it becomes more likely that the Bank will take possession of collateral to mitigate potential credit losses. The fair value is capped at lower of carrying amount and fair value. Financial assets that are credit-impaired and related collateral held in order to mitigate potential losses are shown below:

As at 30 June 2025	Gross exposure	ECL allowance	Carrying amount	Fair value of collateral held
Loans to individuals	242,131	(70,855)	171,276	171,811
Loans to corporate entities	6,523,784	(4,420,727)	2,103,057	1,345,696
	6,765,915	(4,491,582)	2,274,333	1,517,507
As at 31 December 2024	Gross exposure	ECL allowance	Carrying amount	Fair value of collateral held
Loans to individuals	253,917	(59,840)	194,077	206,486
Loans to corporate entities	6,326,264	(4,362,060)	1,964,204	1,112,993
	6,580,181	(4,421,900)	2,158,281	1,319,479

Notes to the Unaudited Interim Financial Statements

For the six months ended 30 June 2025

(All amounts expressed in thousands of HK\$ unless otherwise stated)

3 FINANCIAL RISK MANAGEMENT *(continued)*

3.1 Credit risk *(continued)*

3.1.3 Movements of gross carrying amount and ECL allowance

Movement of gross carrying amount – Loans and advances to customers at amortized cost

Corporate Loan	Stage 1	Stage 2	Stage 3	Total
Gross carrying amount as at 1 January 2025	81,659,441	46,938,741	6,326,264	134,924,446
Transfers:				
Transfer from Stage 1 to Stage 2	(4,425,243)	4,425,243	–	–
Transfer from Stage 1 to Stage 3	(48,199)	–	48,199	–
Transfer from Stage 2 to Stage 1	166,050	(166,050)	–	–
Transfer from Stage 2 to Stage 3	–	(436,117)	436,117	–
Transfer from Stage 3 to Stage 2	–	–	–	–
New financial assets originated or purchased, financial assets remeasurement, derecognized, repayments and further lending (Note)	5,716,098	210,438	(89,022)	5,837,514
Write-offs	–	–	(211,645)	(211,645)
Foreign exchange and other movements	522,727	111,248	13,871	647,846
Gross carrying amount as at 30 June 2025	83,590,874	51,083,503	6,523,784	141,198,161

Note: Includes the new financial assets originated or purchased during the period, but subsequently transferred from Stage 1 to Stage 2 or Stage 3 at 30 June 2025.

Corporate Loan	Stage 1	Stage 2	Stage 3	Total
Gross carrying amount as at 1 January 2024	111,811,688	18,174,581	6,226,157	136,212,426
Transfers:				
Transfer from Stage 1 to Stage 2	(22,349,820)	22,349,820	–	–
Transfer from Stage 1 to Stage 3	(448,377)	–	448,377	–
Transfer from Stage 2 to Stage 1	258,423	(258,423)	–	–
Transfer from Stage 2 to Stage 3	–	(1,041,335)	1,041,335	–
Transfer from Stage 3 to Stage 2	–	964	(964)	–
New financial assets originated or purchased, financial assets remeasurement, derecognized, repayments and further lending (Note)	(7,478,918)	7,953,544	(603,890)	(129,264)
Write-offs	–	–	(783,212)	(783,212)
Foreign exchange and other movements	(133,555)	(240,410)	(1,539)	(375,504)
Gross carrying amount as at 31 December 2024	81,659,441	46,938,741	6,326,264	134,924,446

Note: Includes the new financial assets originated or purchased during the year, but subsequently transferred from Stage 1 to Stage 2 or Stage 3 at 31 December 2024.

Notes to the Unaudited Interim Financial Statements

For the six months ended 30 June 2025

(All amounts expressed in thousands of HK\$ unless otherwise stated)

3 FINANCIAL RISK MANAGEMENT *(continued)*

3.1 Credit risk *(continued)*

3.1.3 Movements of gross carrying amount and ECL allowance *(continued)*

Movement of ECL allowance – Loans and advances to customers at amortized cost

	Stage 1 12-month ECL allowance	Stage 2 Lifetime ECL allowance	Stage 3 Lifetime ECL allowance	Total
Corporate Loan				
ECL allowance amount as at 1 January 2025	149,237	545,870	4,362,060	5,057,167
Transfers:				
Transfer from Stage 1 to Stage 2	(10,506)	10,506	–	–
Transfer from Stage 1 to Stage 3	(698)	–	698	–
Transfer from Stage 2 to Stage 1	12,066	(12,066)	–	–
Transfer from Stage 2 to Stage 3	–	(14,347)	14,347	–
Transfer from Stage 3 to Stage 2	–	–	–	–
New financial assets originated or purchased, financial assets remeasurement, derecognized, repayments and further lending	12,411	82,601	234,364	329,376
Recoveries of loans and advances written-off in previous periods	–	–	5,669	5,669
Write-offs	–	–	(211,645)	(211,645)
Foreign exchange and other movements	950	1,426	15,234	17,610
ECL allowance amount as at 30 June 2025	163,460	613,990	4,420,727	5,198,177

	Stage 1 12-month ECL allowance	Stage 2 Lifetime ECL allowance	Stage 3 Lifetime ECL allowance	Total
Corporate Loan				
ECL allowance amount as at 1 January 2024	326,676	192,786	5,609,384	6,128,846
Transfers:				
Transfer from Stage 1 to Stage 2	(83,706)	83,706	–	–
Transfer from Stage 1 to Stage 3	(3,519)	–	3,519	–
Transfer from Stage 2 to Stage 1	4,252	(4,252)	–	–
Transfer from Stage 2 to Stage 3	–	(31,043)	31,043	–
Transfer from Stage 3 to Stage 2	–	964	(964)	–
New financial assets originated or purchased, financial assets remeasurement, derecognized, repayments and further lending	(93,931)	305,741	(611,022)	(399,212)
Recoveries of loans and advances written-off in previous years	–	–	114,665	114,665
Write-offs	–	–	(783,212)	(783,212)
Foreign exchange and other movements	(535)	(2,032)	(1,353)	(3,920)
ECL allowance amount as at 31 December 2024	149,237	545,870	4,362,060	5,057,167

Notes to the Unaudited Interim Financial Statements

For the six months ended 30 June 2025

(All amounts expressed in thousands of HK\$ unless otherwise stated)

3 FINANCIAL RISK MANAGEMENT *(continued)*

3.1 Credit risk *(continued)*

3.1.3 Movements of gross carrying amount and ECL allowance *(continued)*

Movement of gross carrying amount – Loans and advances to customers at amortized cost

Retail Loan	Stage 1	Stage 2	Stage 3	Total
Gross carrying amount as at 1 January 2025	59,361,725	3,488,343	253,917	63,103,985
Transfers:				
Transfer from Stage 1 to Stage 2	(75,987)	75,987	–	–
Transfer from Stage 1 to Stage 3	(43,240)	–	43,240	–
Transfer from Stage 2 to Stage 1	98,917	(98,917)	–	–
Transfer from Stage 2 to Stage 3	–	(29,197)	29,197	–
Transfer from Stage 3 to Stage 1	1,652	–	(1,652)	–
Transfer from Stage 3 to Stage 2	–	183	(183)	–
New financial assets originated or purchased, financial assets remeasurement, derecognized, repayments and further lending (Note)	2,998,711	(119,300)	(80,713)	2,798,698
Write-offs	–	–	(1,676)	(1,676)
Foreign exchange and other movements	4,192	4	1	4,197
Gross carrying amount as at 30 June 2025	62,345,970	3,317,103	242,131	65,905,204

Note: Includes the new financial assets originated or purchased during the period, but subsequently transferred from Stage 1 to Stage 2 or Stage 3 at 30 June 2025.

Retail Loan	Stage 1	Stage 2	Stage 3	Total
Gross carrying amount as at 1 January 2024	61,591,318	368,669	94,162	62,054,149
Transfers:				
Transfer from Stage 1 to Stage 2	(3,376,298)	3,376,298	–	–
Transfer from Stage 1 to Stage 3	(163,209)	–	163,209	–
Transfer from Stage 2 to Stage 1	48,999	(48,999)	–	–
Transfer from Stage 2 to Stage 3	–	(44,182)	44,182	–
Transfer from Stage 3 to Stage 1	261	–	(261)	–
Transfer from Stage 3 to Stage 2	–	74	(74)	–
New financial assets originated or purchased, financial assets remeasurement, derecognized, repayments and further lending (Note)	1,261,858	(163,517)	(22,475)	1,075,866
Write-offs	–	–	(24,826)	(24,826)
Foreign exchange and other movements	(1,204)	–	–	(1,204)
Gross carrying amount as at 31 December 2024	59,361,725	3,488,343	253,917	63,103,985

Note: Includes the new financial assets originated or purchased during the year, but subsequently transferred from Stage 1 to Stage 2 or Stage 3 at 31 December 2024.

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For the six months ended 30 June 2025

(All amounts expressed in thousands of HK\$ unless otherwise stated)

3 FINANCIAL RISK MANAGEMENT *(continued)*

3.1 Credit risk *(continued)*

3.1.3 Movements of gross carrying amount and ECL allowance *(continued)*

Movement of ECL allowance – Loans and advances to customers at amortized cost

	Stage 1 12-month ECL allowance	Stage 2 Lifetime ECL allowance	Stage 3 Lifetime ECL allowance	Total
Retail Loan				
ECL allowance amount as at 1 January 2025	34,731	121,945	59,840	216,516
Transfers:				
Transfer from Stage 1 to Stage 2	(89)	89	–	–
Transfer from Stage 1 to Stage 3	(51)	–	51	–
Transfer from Stage 2 to Stage 1	12,869	(12,869)	–	–
Transfer from Stage 2 to Stage 3	–	(4,334)	4,334	–
Transfer from Stage 3 to Stage 1	175	–	(175)	–
Transfer from Stage 3 to Stage 2	–	125	(125)	–
New financial assets originated or purchased, financial assets remeasurement, derecognized, repayments and further lending	11,651	51,427	8,460	71,538
Recoveries of loans and advances written-off in previous periods	–	–	146	146
Write-offs	–	–	(1,676)	(1,676)
Foreign exchange and other movements	4	–	–	4
ECL allowance amount as at 30 June 2025	59,290	156,383	70,855	286,528

	Stage 1 12-month ECL allowance	Stage 2 Lifetime ECL allowance	Stage 3 Lifetime ECL allowance	Total
Retail Loan				
ECL allowance amount as at 1 January 2024	44,170	23,860	30,618	98,648
Transfers:				
Transfer from Stage 1 to Stage 2	(5,384)	5,384	–	–
Transfer from Stage 1 to Stage 3	(347)	–	347	–
Transfer from Stage 2 to Stage 1	6,220	(6,220)	–	–
Transfer from Stage 2 to Stage 3	–	(4,104)	4,104	–
Transfer from Stage 3 to Stage 1	27	–	(27)	–
Transfer from Stage 3 to Stage 2	–	16	(16)	–
New financial assets originated or purchased, financial assets remeasurement, derecognized, repayments and further lending	(9,954)	103,009	47,904	140,959
Recoveries of loans and advances written-off in previous years	–	–	1,736	1,736
Write-offs	–	–	(24,826)	(24,826)
Foreign exchange and other movements	(1)	–	–	(1)
ECL allowance amount as at 31 December 2024	34,731	121,945	59,840	216,516

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For the six months ended 30 June 2025

(All amounts expressed in thousands of HK\$ unless otherwise stated)

3 FINANCIAL RISK MANAGEMENT *(continued)*

3.1 Credit risk *(continued)*

3.1.3 Movements of gross carrying amount and ECL allowance *(continued)*

Movement of gross carrying amount – Loans and advances to customers at amortized cost

Loans and advances to customers	Stage 1	Stage 2	Stage 3	Total
Gross carrying amount as at 1 January 2025	141,021,166	50,427,084	6,580,181	198,028,431
Transfers:				
Transfer from Stage 1 to Stage 2	(4,501,230)	4,501,230	–	–
Transfer from Stage 1 to Stage 3	(91,439)	–	91,439	–
Transfer from Stage 2 to Stage 1	264,967	(264,967)	–	–
Transfer from Stage 2 to Stage 3	–	(465,314)	465,314	–
Transfer from Stage 3 to Stage 1	1,652	–	(1,652)	–
Transfer from Stage 3 to Stage 2	–	183	(183)	–
New financial assets originated or purchased, financial assets remeasurement, derecognized, repayments and further lending (Note)	8,714,809	91,138	(169,735)	8,636,212
Write-offs	–	–	(213,321)	(213,321)
Foreign exchange and other movements	526,919	111,252	13,872	652,043
Gross carrying amount as at 30 June 2025	145,936,844	54,400,606	6,765,915	207,103,365

Note: Includes the new financial assets originated or purchased during the period, but subsequently transferred from Stage 1 to Stage 2 or Stage 3 at 30 June 2025.

Loans and advances to customers	Stage 1	Stage 2	Stage 3	Total
Gross carrying amount as at 1 January 2024	173,403,006	18,543,250	6,320,319	198,266,575
Transfers:				
Transfer from Stage 1 to Stage 2	(25,726,118)	25,726,118	–	–
Transfer from Stage 1 to Stage 3	(611,586)	–	611,586	–
Transfer from Stage 2 to Stage 1	307,422	(307,422)	–	–
Transfer from Stage 2 to Stage 3	–	(1,085,517)	1,085,517	–
Transfer from Stage 3 to Stage 1	261	–	(261)	–
Transfer from Stage 3 to Stage 2	–	1,038	(1,038)	–
New financial assets originated or purchased, financial assets remeasurement, derecognized, repayments and further lending (Note)	(6,217,060)	7,790,027	(626,365)	946,602
Write-offs	–	–	(808,038)	(808,038)
Foreign exchange and other movements	(134,759)	(240,410)	(1,539)	(376,708)
Gross carrying amount as at 31 December 2024	141,021,166	50,427,084	6,580,181	198,028,431

Note: Includes the new financial assets originated or purchased during the year, but subsequently transferred from Stage 1 to Stage 2 or Stage 3 at 31 December 2024.

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For the six months ended 30 June 2025

(All amounts expressed in thousands of HK\$ unless otherwise stated)

3 FINANCIAL RISK MANAGEMENT *(continued)*

3.1 Credit risk *(continued)*

3.1.3 Movements of gross carrying amount and ECL allowance *(continued)*

Movement of ECL allowance – Loans and advances to customers at amortized cost

	Stage 1 12-month ECL allowance	Stage 2 Lifetime ECL allowance	Stage 3 Lifetime ECL allowance	Total
Loans and advances to customers				
ECL allowance amount as at 1 January 2025	183,968	667,815	4,421,900	5,273,683
Transfers:				
Transfer from Stage 1 to Stage 2	(10,595)	10,595	–	–
Transfer from Stage 1 to Stage 3	(749)	–	749	–
Transfer from Stage 2 to Stage 1	24,935	(24,935)	–	–
Transfer from Stage 2 to Stage 3	–	(18,681)	18,681	–
Transfer from Stage 3 to Stage 1	175	–	(175)	–
Transfer from Stage 3 to Stage 2	–	125	(125)	–
New financial assets originated or purchased, financial assets remeasurement, derecognized, repayments and further lending	24,062	134,028	242,824	400,914
Recoveries of loans and advances written-off in previous periods	–	–	5,815	5,815
Write-offs	–	–	(213,321)	(213,321)
Foreign exchange and other movements	954	1,426	15,234	17,614
ECL allowance amount as at 30 June 2025	222,750	770,373	4,491,582	5,484,705

	Stage 1 12-month ECL allowance	Stage 2 Lifetime ECL allowance	Stage 3 Lifetime ECL allowance	Total
Loans and advances to customers				
ECL allowance amount as at 1 January 2024	370,846	216,646	5,640,002	6,227,494
Transfers:				
Transfer from Stage 1 to Stage 2	(89,090)	89,090	–	–
Transfer from Stage 1 to Stage 3	(3,866)	–	3,866	–
Transfer from Stage 2 to Stage 1	10,472	(10,472)	–	–
Transfer from Stage 2 to Stage 3	–	(35,147)	35,147	–
Transfer from Stage 3 to Stage 1	27	–	(27)	–
Transfer from Stage 3 to Stage 2	–	980	(980)	–
New financial assets originated or purchased, financial assets remeasurement, derecognized, repayments and further lending	(103,885)	408,750	(563,118)	(258,253)
Recoveries of loans and advances written-off in previous years	–	–	116,401	116,401
Write-offs	–	–	(808,038)	(808,038)
Foreign exchange and other movements	(536)	(2,032)	(1,353)	(3,921)
ECL allowance amount as at 31 December 2024	183,968	667,815	4,421,900	5,273,683

Notes to the Unaudited Interim Financial Statements

For the six months ended 30 June 2025

(All amounts expressed in thousands of HK\$ unless otherwise stated)

3 FINANCIAL RISK MANAGEMENT *(continued)*

3.1 Credit risk *(continued)*

3.1.3 Movements of gross carrying amount and ECL allowance *(continued)*

Movement of gross carrying amount – Due from and placements with banks and other financial institutions

Due from and placements with banks and other financial institutions	Stage 1	Stage 2	Stage 3	Total
Gross carrying amount as at 1 January 2025	33,049,746	–	–	33,049,746
New financial assets originated or purchased, financial assets remeasurement, derecognized, repayments and further lending	8,169,187	–	–	8,169,187
Foreign exchange and other movements	164,256	–	–	164,256
Gross carrying amount as at 30 June 2025	41,383,189	–	–	41,383,189

Due from and placements with banks and other financial institutions

	Stage 1	Stage 2	Stage 3	Total
Gross carrying amount as at 1 January 2024	24,197,333	–	–	24,197,333
New financial assets originated or purchased, financial assets remeasurement, derecognized, repayments and further lending	8,918,240	–	–	8,918,240
Foreign exchange and other movements	(65,827)	–	–	(65,827)
Gross carrying amount as at 31 December 2024	33,049,746	–	–	33,049,746

Movement of ECL allowance – Due from and placements with banks and other financial institutions

Due from and placements with banks and other financial institutions	Stage 1 12-month ECL allowance	Stage 2 Lifetime ECL allowance	Stage 3 Lifetime ECL allowance	Total
ECL allowance amount as at 1 January 2025	28,165	–	–	28,165
New financial assets originated or purchased, financial assets remeasurement, derecognized, repayments and further lending	4,100	–	–	4,100
Foreign exchange and other movements	81	–	–	81
ECL allowance amount as at 30 June 2025	32,346	–	–	32,346

Due from and placements with banks and other financial institutions

	Stage 1 12-month ECL allowance	Stage 2 Lifetime ECL allowance	Stage 3 Lifetime ECL allowance	Total
ECL allowance amount as at 1 January 2024	20,598	–	–	20,598
New financial assets originated or purchased, financial assets remeasurement, derecognized, repayments and further lending	7,580	–	–	7,580
Foreign exchange and other movements	(13)	–	–	(13)
ECL allowance amount as at 31 December 2024	28,165	–	–	28,165

Notes to the Unaudited Interim Financial Statements

For the six months ended 30 June 2025

(All amounts expressed in thousands of HK\$ unless otherwise stated)

3 FINANCIAL RISK MANAGEMENT *(continued)*

3.1 Credit risk *(continued)*

3.1.3 Movements of gross carrying amount and ECL allowance *(continued)*

Movement of carrying amount – Debt securities at fair value through other comprehensive income

Debt securities at fair value through other comprehensive income	Stage 1	Stage 2	Stage 3	Total
Carrying amount as at 1 January 2025	139,942,502	1,690,053	–	141,632,555
New financial assets originated or purchased, financial assets remeasurement, derecognized, repayments and further lending	(8,889,686)	1,082,681	–	(7,807,005)
Foreign exchange and other movements	941,023	6,511	–	947,534
Carrying amount as at 30 June 2025	131,993,839	2,779,245	–	134,773,084

Debt securities at fair value through other comprehensive income	Stage 1	Stage 2	Stage 3	Total
Carrying amount as at 1 January 2024	140,018,694	1,252,837	–	141,271,531
New financial assets originated or purchased, financial assets remeasurement, derecognized, repayments and further lending	1,655,084	447,153	–	2,102,237
Foreign exchange and other movements	(1,731,276)	(9,937)	–	(1,741,213)
Carrying amount as at 31 December 2024	139,942,502	1,690,053	–	141,632,555

Movement of ECL allowance – Debt securities at fair value through other comprehensive income

Debt securities at fair value through other comprehensive income	Stage 1 12-month ECL allowance	Stage 2 Lifetime ECL allowance	Stage 3 Lifetime ECL allowance	Total
ECL allowance amount as at 1 January 2025	248,207	9,607	–	257,814
New financial assets originated or purchased, financial assets remeasurement, derecognized, repayments and further lending	(28,071)	3,181	–	(24,890)
Foreign exchange and other movements	3,915	164	–	4,079
ECL allowance amount as at 30 June 2025	224,051	12,952	–	237,003

Debt securities at fair value through other comprehensive income	Stage 1 12-month ECL allowance	Stage 2 Lifetime ECL allowance	Stage 3 Lifetime ECL allowance	Total
ECL allowance amount as at 1 January 2024	207,716	7,864	–	215,580
New financial assets originated or purchased, financial assets remeasurement, derecognized, repayments and further lending	42,088	1,767	–	43,855
Foreign exchange and other movements	(1,597)	(24)	–	(1,621)
ECL allowance amount as at 31 December 2024	248,207	9,607	–	257,814

Notes to the Unaudited Interim Financial Statements

For the six months ended 30 June 2025

(All amounts expressed in thousands of HK\$ unless otherwise stated)

3 FINANCIAL RISK MANAGEMENT *(continued)*

3.1 Credit risk *(continued)*

3.1.3 Movements of gross carrying amount and ECL allowance *(continued)*

Movement of gross carrying amount – Debt securities at amortized cost

Debt securities at amortized cost	Stage 1	Stage 2	Stage 3	Total
Gross carrying amount as at 1 January 2025	47,915,958	33,728	–	47,949,686
New financial assets originated or purchased, financial assets remeasurement, derecognized, repayments and further lending	1,395,540	218,051	–	1,613,591
Foreign exchange and other movements	535,463	2,374	–	537,837
Gross carrying amount as at 30 June 2025	49,846,961	254,153	–	50,101,114

Debt securities at amortized cost	Stage 1	Stage 2	Stage 3	Total
Gross carrying amount as at 1 January 2024	47,371,701	44,690	–	47,416,391
New financial assets originated or purchased, financial assets remeasurement, derecognized, repayments and further lending	1,369,544	(10,769)	–	1,358,775
Foreign exchange and other movements	(825,287)	(193)	–	(825,480)
Gross carrying amount as at 31 December 2024	47,915,958	33,728	–	47,949,686

Movement of ECL allowance – Debt securities at amortized cost

Debt securities at amortized cost	Stage 1 12-month ECL allowance	Stage 2 Lifetime ECL allowance	Stage 3 Lifetime ECL allowance	Total
ECL allowance amount as at 1 January 2025	45,760	333	–	46,093
New financial assets originated or purchased, financial assets remeasurement, derecognized, repayments and further lending	3,191	193	–	3,384
Foreign exchange and other movements	661	6	–	667
ECL allowance amount as at 30 June 2025	49,612	532	–	50,144

Debt securities at amortized cost	Stage 1 12-month ECL allowance	Stage 2 Lifetime ECL allowance	Stage 3 Lifetime ECL allowance	Total
ECL allowance amount as at 1 January 2024	47,281	587	–	47,868
New financial assets originated or purchased, financial assets remeasurement, derecognized, repayments and further lending	(1,041)	(253)	–	(1,294)
Foreign exchange and other movements	(480)	(1)	–	(481)
ECL allowance amount as at 31 December 2024	45,760	333	–	46,093

Notes to the Unaudited Interim Financial Statements

For the six months ended 30 June 2025

(All amounts expressed in thousands of HK\$ unless otherwise stated)

3 FINANCIAL RISK MANAGEMENT *(continued)*

3.2 Fair value of financial assets and liabilities

(a) Determination of fair value and valuation techniques

Certain financial assets and liabilities of the Bank are measured at fair value or with fair value disclosed for financial reporting purposes. The fair value has been determined using appropriate valuation techniques and inputs for fair value measurements. The appropriateness of the valuation techniques and the inputs to the fair value measurements are reviewed periodically.

Fair value measurements are categorized into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- (i) Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- (ii) Level 2 inputs are inputs, other than quoted prices included within level 1, that are observable for the asset or liability, either directly or indirectly; and
- (iii) Level 3 inputs are unobservable inputs for the asset or liability.

The Bank uses valuation techniques to determine the fair value of financial instruments when an open market quotation in active markets is not obtainable.

If the key parameters used in valuation techniques for financial instruments are substantially observable and obtainable from active open market, the instruments are classified as level 2. The second hierarchy of financial instruments held by the Bank mainly includes derivatives, debt securities without quotations from active market and debt securities issued. The fair value of bonds is mainly determined based on the valuation results published by Bloomberg. The fair value of foreign currency forwards and swaps, interest rate swaps, foreign currency options is estimated by the discounted cash flow method and Black-Scholes model. The main parameters used in discounted cash flow model include recent market prices, the relevant yield curve, exchange rates and counterparty's credit spread. Main parameters used in Black-Scholes model include the relevant yield curve, exchange rates, level of volatilities and counterparty's credit spread, etc. All parameters used in valuation techniques are substantially observable and obtainable from active open market.

For the unlisted equity held by the Bank, the fair value is determined with reference to unobservable input including the latest available investee's net assets value. Therefore, the instrument has been classified by the Bank as level 3.

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(All amounts expressed in thousands of HK\$ unless otherwise stated)

3 FINANCIAL RISK MANAGEMENT *(continued)*

3.2 Fair value of financial assets and liabilities *(continued)*

(b) Financial assets and financial liabilities measured at fair value on a recurring basis

The tables below summarize the information relating to the fair value hierarchy of the financial assets and financial liabilities measured at fair value on a recurring basis:

	Level 1	Level 2	Level 3	Total
As at 30 June 2025				
Financial assets at fair value through profit or loss				
Debt securities				
– Governments and central banks	–	–	–	–
– Banks and other financial institutions	–	138,921	–	138,921
– Corporate entities	–	213,799	–	213,799
Derivative financial instruments				
– Foreign exchange contracts	–	635,828	–	635,828
– Interest rate contracts and others	–	5,262,677	–	5,262,677
	–	6,251,225	–	6,251,225
Financial assets at fair value through other comprehensive income				
Debt securities				
– Governments and central banks	8,729	27,560,823	–	27,569,552
– Banks and other financial institutions	20,423	47,545,332	–	47,565,755
– Corporate entities	–	59,637,777	–	59,637,777
Equity securities				
– Banks and other financial institutions	–	–	10,256	10,256
	29,152	134,743,932	10,256	134,783,340
Total financial assets measured at fair value	29,152	140,995,157	10,256	141,034,565
Financial liabilities at fair value through profit or loss				
Derivative financial instruments				
– Foreign exchange contracts	–	1,015,943	–	1,015,943
– Interest rate contracts and others	–	1,442,814	–	1,442,814
Total financial liabilities measured at fair value	–	2,458,757	–	2,458,757

Notes to the Unaudited Interim Financial Statements

For the six months ended 30 June 2025

(All amounts expressed in thousands of HK\$ unless otherwise stated)

3 FINANCIAL RISK MANAGEMENT *(continued)*

3.2 Fair value of financial assets and liabilities *(continued)*

(b) Financial assets and financial liabilities measured at fair value on a recurring basis (continued)

	Level 1	Level 2	Level 3	Total
As at 31 December 2024				
Financial assets at fair value through profit or loss				
Debt securities				
– Governments and central banks	40	–	–	40
– Banks and other financial institutions	–	250,852	–	250,852
– Corporate entities	–	206,878	–	206,878
Derivative financial instruments				
– Foreign exchange contracts	–	1,158,693	–	1,158,693
– Interest rate contracts and others	–	7,884,726	–	7,884,726
	40	9,501,149	–	9,501,189
Financial assets at fair value through other comprehensive income				
Debt securities				
– Governments and central banks	38,487	29,106,647	–	29,145,134
– Banks and other financial institutions	–	49,975,344	–	49,975,344
– Corporate entities	–	62,512,077	–	62,512,077
Equity securities				
– Banks and other financial institutions	–	–	9,918	9,918
	38,487	141,594,068	9,918	141,642,473
Total financial assets measured at fair value	38,527	151,095,217	9,918	151,143,662
Financial liabilities at fair value through profit or loss				
Derivative financial instruments				
– Foreign exchange contracts	–	933,099	–	933,099
– Interest rate contracts and others	–	956,425	–	956,425
Total financial liabilities measured at fair value	–	1,889,524	–	1,889,524

Notes to the Unaudited Interim Financial Statements

For the six months ended 30 June 2025

(All amounts expressed in thousands of HK\$ unless otherwise stated)

3 FINANCIAL RISK MANAGEMENT *(continued)*

3.2 Fair value of financial assets and liabilities *(continued)*

(c) Financial instruments not measured at fair value

The table below summarizes the carrying amounts and fair values where there are obvious variances from the carrying amounts, of those financial assets and liabilities that are not presented on the statement of financial position at their fair value:

	As at 30 June 2025		As at 31 December 2024	
	Carrying amount	Fair value	Carrying amount	Fair value
Financial assets				
Financial assets at amortized cost	49,669,554	50,182,290	46,955,952	47,448,527
Financial liabilities				
Debt securities issued	7,852,750	7,677,191	7,764,376	7,460,148

Fair value hierarchy of financial instruments not measured at fair value:

	Level 1	Level 2	Level 3	Total
As at 30 June 2025				
Financial assets				
Financial assets at amortized cost	417,543	49,764,747	–	50,182,290
Financial liabilities				
Debt securities issued	–	7,677,191	–	7,677,191
	Level 1	Level 2	Level 3	Total
As at 31 December 2024				
Financial assets				
Financial assets at amortized cost	–	47,448,527	–	47,448,527
Financial liabilities				
Debt securities issued	–	7,460,148	–	7,460,148

Other financial instruments not carried at fair value are typically short-term in nature or repriced to current market rates frequently. Accordingly, their carrying amounts are reasonable approximations of their fair values.

Notes to the Unaudited Interim Financial Statements

For the six months ended 30 June 2025

(All amounts expressed in thousands of HK\$ unless otherwise stated)

3 FINANCIAL RISK MANAGEMENT *(continued)*

3.3 Offsetting financial assets and financial liabilities

Certain financial assets and financial liabilities of the Bank are subject to enforceable master netting arrangements or similar agreements. The agreement between the Bank and the counterparty generally allows for net settlement of the relevant financial assets and financial liabilities when both elect to settle on a net basis. In the absence of such a mutual consent, financial assets and financial liabilities will be settled on a gross basis. However, each party to the master netting arrangements or similar agreements will have the option to settle all such amounts on a net basis in the event of default of the other party. These financial assets and financial liabilities of the Bank are not offset in accordance with HKFRS.

The following tables present the recognized financial instruments that are offset, or subject to enforceable master netting arrangements and other similar agreements but not offset, as at 30 June 2025 and 31 December 2024. The column “net amount” shows the impact on the Bank’s statement of financial position if all set-off rights were exercised.

	Gross amounts of recognized financial assets	Gross amounts of recognized financial liabilities set off in the statement of financial position	Net amounts of financial assets presented in the statement of financial position	Related amounts not offset		
				Financial instruments (including non-cash collateral)	Cash collateral received	Net amount
As at 30 June 2025						
Financial assets						
Derivative financial instruments	5,898,505	–	5,898,505	(1,335,666)	(6,753)	4,556,086
Financial assets at fair value through other comprehensive income	7,429,741	–	7,429,741	(7,224,114)	–	205,627
Total	13,328,246	–	13,328,246	(8,559,780)	(6,753)	4,761,713
	Gross amounts of recognized financial liabilities	Gross amounts of recognized financial assets set off in the statement of financial position	Net amounts of financial liabilities presented in the statement of financial position	Related amounts not offset		
				Financial instruments (including non-cash collateral)	Cash collateral advanced	Net amount
Financial liabilities						
Derivative financial instruments	2,458,757	–	2,458,757	(1,337,763)	(2,921,575)	(1,800,581)
Due to banks and other financial institutions	7,224,114	–	7,224,114	(7,224,114)	–	–
Total	9,682,871	–	9,682,871	(8,561,877)	(2,921,575)	(1,800,581)

Notes to the Unaudited Interim Financial Statements

For the six months ended 30 June 2025

(All amounts expressed in thousands of HK\$ unless otherwise stated)

3 FINANCIAL RISK MANAGEMENT *(continued)*

3.3 Offsetting financial assets and financial liabilities *(continued)*

	Gross amounts of recognized financial assets	Gross amounts of recognized financial liabilities set off in the statement of financial position	Net amounts of financial assets presented in the statement of financial position	Related amounts not offset		
				Financial instruments (including non-cash collateral)	Cash collateral received	Net amount
As at 31 December 2024						
Financial assets						
Derivative financial instruments	9,043,419	–	9,043,419	(1,245,819)	(1,307,297)	6,490,303
Financial assets at fair value through other comprehensive income	14,750,213	–	14,750,213	(14,174,817)	–	575,396
Total	23,793,632	–	23,793,632	(15,420,636)	(1,307,297)	7,065,699

	Gross amounts of recognized financial liabilities	Gross amounts of recognized financial assets set off in the statement of financial position	Net amounts of financial liabilities presented in the statement of financial position	Related amounts not offset		
				Financial instruments (including non-cash collateral)	Cash collateral advanced	Net amount
Financial liabilities						
Derivative financial instruments	1,889,524	–	1,889,524	(1,249,912)	(1,947,216)	(1,307,604)
Due to banks and other financial institutions	14,174,817	–	14,174,817	(14,174,817)	–	–
Total	16,064,341	–	16,064,341	(15,424,729)	(1,947,216)	(1,307,604)

Notes to the Unaudited Interim Financial Statements

For the six months ended 30 June 2025

(All amounts expressed in thousands of HK\$ unless otherwise stated)

4 NET INTEREST INCOME

	Six months ended 30 June	
	2025	2024
Interest income		
Due from and placements with banks and other financial institutions	1,253,973	1,080,937
Loans and advances to customers	3,268,787	4,517,303
Financial assets at amortized cost	1,075,981	979,878
Financial assets at fair value through other comprehensive income	3,943,578	4,944,179
	9,542,319	11,522,297
Interest expense		
Due to banks and other financial institutions	(490,726)	(368,757)
Due to customers	(4,660,669)	(6,360,287)
Debt securities and certificates of deposit issued at amortized cost	(90,771)	(91,296)
	(5,242,166)	(6,820,340)
Net interest income	4,300,153	4,701,957

5 FEE AND COMMISSION INCOME

	Six months ended 30 June	
	2025	2024
Settlement service	25,389	25,706
Interchange service	12,790	13,333
Credit facilities, guarantee and commitment	13,678	15,793
Agency service	653,674	526,171
Depository service	26,738	28,783
Others	3,947	3,841
	736,216	613,627

6 FEE AND COMMISSION EXPENSE

	Six months ended 30 June	
	2025	2024
Settlement and brokerage service	29,162	24,710
Interchange service	5,830	5,856
Others	20,472	3,151
	55,464	33,717

7 DIVIDEND INCOME

	Six months ended 30 June	
	2025	2024
Financial assets at fair value through other comprehensive income – unlisted investment	150	150

Notes to the Unaudited Interim Financial Statements

For the six months ended 30 June 2025

(All amounts expressed in thousands of HK\$ unless otherwise stated)

8 NET GAINS/(LOSSES) ARISING FROM TRADING ACTIVITIES

	Six months ended 30 June	
	2025	2024
Foreign exchange	20,486	(168,502)
Interest rate instruments and others	112,967	49,480
Debt securities at fair value through profit or loss	26,005	33
Interest rate instruments and items under fair value hedge (note 16)	37,666	20,431
Others	2,160	(1,076)
	199,284	(99,634)

Net gains/(losses) on foreign exchange include gains or losses from the trading of spot and forward contracts, currency swaps, cross currency interest rate swaps, currency options and the translation of foreign currency monetary assets and liabilities into HK\$.

Net gains on interest rate instruments and others include trading gains and losses and fair value changes of interest rate swaps, interest rate options and other derivatives.

9 OTHER OPERATING INCOME

	Six months ended 30 June	
	2025	2024
Net gains from early termination of lease	10	–
Management fee received from a branch of the ultimate holding company	6,047	1,722
Others	15,157	12,952
	21,214	14,674

10 CHANGE IN EXPECTED CREDIT LOSSES

	Six months ended 30 June	
	2025	2024
Loans and advances to customers	418,528	274,765
Financial investments at amortized cost	4,051	(2,879)
Debt investments at fair value through other comprehensive income	(20,811)	4,712
Cash and balances with central bank	2,906	(941)
Other receivables	147,349	46,109
Due from and placements with banks and other financial institutions	4,181	15,246
Financial guarantees and credit related commitments	(311)	(1,949)
	555,893	335,063

Notes to the Unaudited Interim Financial Statements

For the six months ended 30 June 2025

(All amounts expressed in thousands of HK\$ unless otherwise stated)

11 OTHER OPERATING EXPENSES

	Six months ended 30 June	
	2025	2024
Staff costs		
– Salaries and other allowances	296,337	296,667
– Retirement benefit costs	26,705	25,534
Loss on disposal of fixed assets	13	184
General operational and administrative expenses	110,001	130,967
Depreciation and amortization	46,260	31,355
Depreciation of right-of-use assets	81,876	81,770
Auditor's remuneration	2,199	2,602
Buildings administration fee	6,096	6,377
Rental expenses	22,981	28,886
Repairs and maintenance	18,283	18,001
Printing, postage and telegram	17,189	18,879
Directors', senior management's and key personnel's emoluments	12,426	10,528
Management fee paid to a branch of the ultimate holding company	270,854	254,368
Interest expense on lease liabilities	2,246	2,501
Others	15,570	12,096
	929,036	920,715

12 INCOME TAX EXPENSES

	Six months ended 30 June	
	2025	2024
Current tax		
– Hong Kong profits tax	586,776	632,923
– Over provision in prior periods	–	–
	586,776	632,923
Deferred tax	(26,447)	4,363
Income tax expenses	560,329	637,286

The provision for Hong Kong profits tax is calculated at 16.5% (2024: 16.5%) of the estimated assessable profits for the periods ended 30 June 2025 and 2024.

The Bank, as part of the Bank of Communications Co., Ltd., is subject to the Global Minimum Tax ("Pillar Two") model rules promulgated by the Organisation for Economic Co-operation and Development. The Hong Kong government has introduced the Pillar Two legislation under the Inland Revenue (Amendment) (Minimum Tax for Multinational Enterprise Groups) Ordinance 2025, which has been effective from 1 January 2025.

The Bank applies the exception to recognizing and disclosing information about deferred tax assets and liabilities related to Pillar Two income taxes, as provided in the amendments to HKAS 12 "Income Taxes" issued in July 2023.

13 CASH AND BALANCES WITH CENTRAL BANK

	As at 30 June 2025	As at 31 December 2024
Cash	355,624	467,809
Balances with central bank	1,212,956	1,397,984
Less: ECL allowance	(3,853)	(947)
	1,564,727	1,864,846

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For the six months ended 30 June 2025

(All amounts expressed in thousands of HK\$ unless otherwise stated)

14 DUE FROM AND PLACEMENTS WITH BANKS AND OTHER FINANCIAL INSTITUTIONS

	As at 30 June 2025	As at 31 December 2024
Due from banks and other financial institutions	3,364,979	2,264,109
Placements with and loans to banks	38,018,210	30,785,637
Less: ECL allowance	(32,346)	(28,165)
	41,350,843	33,021,581

15 FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	As at 30 June 2025	As at 31 December 2024
Derivative financial instruments (note 16)	5,898,505	9,043,419
Debt securities at fair value through profit or loss		
– Listed	138,921	134,652
– Unlisted	213,799	323,118
	6,251,225	9,501,189

Debt securities at fair value through profit or loss are analyzed by issuer as follows:

	As at 30 June 2025	As at 31 December 2024
Debt securities at fair value through profit or loss		
– Governments and central banks	–	40
– Banks and other financial institutions	138,921	250,852
– Corporate entities	213,799	206,878
	352,720	457,770

16 DERIVATIVE FINANCIAL INSTRUMENTS

The following derivative instruments are utilized by the Bank for trading or hedging purposes:

Currency forwards are contracts between two parties to buy or sell certain currencies at a specified future date at a predetermined price. The party agreeing to buy the underlying currency in the future assumes a long position, and the party agreeing to sell the currency in the future assumes a short position. The price agreed upon is called the delivery price, which is equal to the forward price at the time the contract is entered into.

Currency and interest rate swaps are commitments to exchange one set of cash flows for another. Swaps result in an economic exchange of currencies or interest rates (for example, fixed rate for floating rate) or a combination of all these (i.e. cross-currency interest rate swaps). The Bank's credit risk represents the potential cost to replace the swap contracts if counterparties fail to perform their obligation. This risk is monitored on an ongoing basis with reference to the current fair value, the notional amount of the contracts and the liquidity of the market.

Currency and interest rate options are contractual agreements under which the seller (writer) grants the purchaser (holder) the right, but not the obligation, either to buy (a call option) or sell (a put option), on or before a set date or during a set period, a specific amount of the financial instrument at a predetermined price. The seller receives a premium from the purchaser in consideration for assuming foreign exchange or interest rate risk. Options may be either exchange-traded or negotiated between the Bank and a customer (over-the-counter market).

Notes to the Unaudited Interim Financial Statements

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(All amounts expressed in thousands of HK\$ unless otherwise stated)

16 DERIVATIVE FINANCIAL INSTRUMENTS *(continued)*

The notional amounts of certain types of financial instruments provide a reference of the amounts recognized in the statement of financial position but do not necessarily indicate the amounts of future cash flows involved or the current fair value of the instruments and, therefore, do not indicate the Bank's exposure to credit or market risks. The derivative instruments become favourable (assets) or unfavourable (liabilities) as a result of fluctuations in market interest rates or foreign exchange rates relative to their terms. The aggregate fair values of derivative financial assets and liabilities can fluctuate significantly from time to time. The fair values of derivative instruments held are set out in the following tables.

	For hedging			For trading			Total		
	Contractual/ notional amount	Fair values		Contractual/ notional amount	Fair values		Contractual/ notional amount	Fair values	
		Assets	Liabilities		Assets	Liabilities		Assets	Liabilities
As at 30 June 2025									
Foreign exchange contracts	49,426,821	127	(272,457)	208,134,856	635,701	(743,486)	257,561,677	635,828	(1,015,943)
Interest rate contracts and others	126,174,921	4,480,674	(735,342)	61,691,318	782,003	(707,472)	187,866,239	5,262,677	(1,442,814)
Total amount of derivative instruments recognized	175,601,742	4,480,801	(1,007,799)	269,826,174	1,417,704	(1,450,958)	445,427,916	5,898,505	(2,458,757)
As at 31 December 2024									
Foreign exchange contracts	42,832,101	22,494	(11,709)	153,346,345	1,136,199	(921,390)	196,178,446	1,158,693	(933,099)
Interest rate contracts and others	122,203,411	7,039,946	(181,747)	58,676,843	844,780	(774,678)	180,880,254	7,884,726	(956,425)
Total amount of derivative instruments recognized	165,035,512	7,062,440	(193,456)	212,023,188	1,980,979	(1,696,068)	377,058,700	9,043,419	(1,889,524)

The tables above provide a breakdown of the contractual or notional amounts and the fair values of the Bank's derivative financial instruments outstanding at period end. These instruments, comprising foreign exchange and interest rate derivatives, allow the Bank and its customers to transfer, modify or reduce their foreign exchange and interest rate risks.

The Bank undertakes its transactions in foreign exchange and interest rates contracts with other financial institutions and customers. Management has established limits for these contracts based on counterparty types, industry sectors and countries. Related risks are regularly monitored and controlled by management.

Notional amounts of derivative financial instruments by original currency:

	As at 30 June 2025	As at 31 December 2024
Renminbi	32,689,475	22,365,547
United States Dollar	227,897,417	200,837,936
Hong Kong Dollar	164,488,838	140,073,719
Others	20,352,186	13,781,498
Total	445,427,916	377,058,700

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16 DERIVATIVE FINANCIAL INSTRUMENTS *(continued)*

Hedge accounting

(i) Fair value hedge

The Bank applies hedge accounting on hedging its interest rate risk on certain bond investments and loans, as follows:

The Bank holds a portfolio of long-term fixed rate debt securities and loans and therefore is exposed to changes in fair value due to movements in market rates. The Bank manages this risk exposure by entering into pay fixed/receive floating interest rate swaps.

Only the interest rate risk element is hedged and therefore other risks, such as credit risk, are managed but not hedged by the Bank. The interest rate risk component is determined as the change in fair value of the long-term fixed rate debt securities arising solely from changes in the benchmark rate of interest. Such changes are usually the largest component of the overall change in fair value.

This strategy is designated as a fair value hedge and its effectiveness is assessed by comparing changes in the fair value of the debt securities attributable to changes in the benchmark rate of interest with changes in the fair value of the interest rate swaps.

The Bank establishes the hedging ratio by matching the notional of the derivatives with the principal of the portfolio being hedged. Following reasons could cause ineffectiveness:

(1) The effect of the counterparty and the Bank's own credit risk on the fair value of the interest rate swaps, which is not reflected in the fair value of the hedged item attributable to the change in interest rate;

(2) Differences in maturities of the interest rate swaps and the debt securities.

(a) The following tables contain details of the hedging instruments used in the Bank's hedging strategies:

As at 30 June 2025	Carrying amount			Line item on statement of financial position	Fair value changes of the hedging instruments
	Notional	Assets	Liabilities		
Fair value hedge					
Interest rate					
Interest rate contract	126,174,921	4,480,674	(735,342)	Financial assets/liabilities at fair value through profit or loss	(3,067,210)

As at 31 December 2024	Carrying amount			Line item on statement of financial position	Fair value changes of the hedging instruments
	Notional	Assets	Liabilities		
Fair value hedge					
Interest rate					
Interest rate contract	122,203,411	7,039,946	(181,747)	Financial assets/liabilities at fair value through profit or loss	(707,866)

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For the six months ended 30 June 2025

(All amounts expressed in thousands of HK\$ unless otherwise stated)

16 DERIVATIVE FINANCIAL INSTRUMENTS *(continued)*

Hedge accounting *(continued)*

(i) Fair value hedge (continued)

(b) The following tables contain details of the hedged exposures covered by the Bank's hedging strategies:

As at 30 June 2025	Carrying amount of hedged item	Accumulated amount of fair value adjustments on the hedged item	Line item on statement of financial position	Fair value changes of the hedged items	Ineffectiveness recognized in profit or loss
Fair value hedge					
Interest rate					
Debt investments	97,337,312	(1,331,609)	Financial asset at fair value through other comprehensive income	2,506,136	35,321
Debt investments	23,614,229	(381,416)	Financial asset at amortized cost	569,146	(1,273)
Loans and advances to customers	1,557,089	(1,404)	Loans and advances to customers	29,594	3,618

As at 31 December 2024	Carrying amount of hedged item	Accumulated amount of fair value adjustments on the hedged item	Line item on statement of financial position	Fair value changes of the hedged items	Ineffectiveness recognized in profit or loss
Fair value hedge					
Interest rate					
Debt investments	92,977,844	(1,529,546)	Financial asset at fair value through other comprehensive income	1,001,160	33,328
Debt investments	20,879,864	(947,641)	Financial asset at amortized cost	(268,833)	7,697
Loans and advances to customers	1,527,495	(30,998)	Loans and advances to customers	16,606	42

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For the six months ended 30 June 2025

(All amounts expressed in thousands of HK\$ unless otherwise stated)

16 DERIVATIVE FINANCIAL INSTRUMENTS *(continued)*

Hedge accounting *(continued)*

(i) Fair value hedge (continued)

- (c) The following tables contain information regarding the effectiveness of the hedging relationships designated by the Bank, as well as the impacts on profit or loss and other comprehensive income:

	Gains/(losses) recognized in other comprehensive Income	Hedge ineffectiveness recognized in profit or loss	Profit or loss line item that includes hedge ineffectiveness
For the six months ended 30 June 2025			
Fair value hedge			
Interest rate	–	37,666	Net gains arising from trading activities
	Gains/(losses) recognized in other comprehensive Income	Hedge ineffectiveness recognized in profit or loss	Profit or loss line item that includes hedge ineffectiveness
For the six months ended 30 June 2024			
Fair value hedge			
Interest rate	–	20,431	Net gains arising from trading activities

(ii) Cash flow hedge

The Bank uses foreign exchange contracts to hedge against exposures to cash flow variability primarily resulting from foreign exchange risks. The hedged items include debt investments at FVOCI, debt investments at amortized cost, due from and placements with banks and other financial institutions. The Bank mainly reviews critical terms of hedged item and hedging instrument to evaluate the effectiveness of hedging. With the supporting of testing results, the Bank's management considers the hedging relationship to be highly effective.

Movements in the hedging reserve are shown in the statement of changes in equity.

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17 LOANS AND ADVANCES TO CUSTOMERS

17.1 Loans and advances to customers

	As at 30 June 2025	As at 31 December 2024
Loans and advances to customers at amortized cost		
Loans and advances to customers	207,101,961	197,997,433
Less: ECL allowance	(5,484,705)	(5,273,683)
	201,617,256	192,723,750

17.2 Analysis of loans and advances to customers by staging

As at 30 June 2025	Stage 1 allowance	Stage 2 allowance	Stage 3 allowance	Total
Loans and advances to customers				
– Carried at amortized cost (Note)	145,935,440	54,400,606	6,765,915	207,101,961
Less: ECL allowance	(222,750)	(770,373)	(4,491,582)	(5,484,705)
Net loans and advances to customers	145,712,690	53,630,233	2,274,333	201,617,256

Note: Included in the Stage 1 balance is a fair value loss of hedging adjustment of HK\$1,404,000 which is not subject to ECL allowance (note 16 (i)(b)).

As at 31 December 2024	Stage 1 allowance	Stage 2 allowance	Stage 3 allowance	Total
Loans and advances to customers				
– Carried at amortized cost (Note)	140,990,168	50,427,084	6,580,181	197,997,433
Less: ECL allowance	(183,968)	(667,815)	(4,421,900)	(5,273,683)
Net loans and advances to customers	140,806,200	49,759,269	2,158,281	192,723,750

Note: Included in the Stage 1 balance is a fair value loss of hedging adjustment of HK\$30,998,000 which is not subject to ECL allowance (note 16 (i)(b)).

17.3 Credit quality of loans and advances to customers

Loans and advances to customers analyzed by security type

	As at 30 June 2025	As at 31 December 2024
Unsecured loans	53,716,906	46,301,435
Guaranteed loans	50,220,293	52,492,070
Loans secured by collateral	103,164,762	99,203,928
Gross amount of loans and advances to customers before ECL allowance	207,101,961	197,997,433

Notes to the Unaudited Interim Financial Statements

For the six months ended 30 June 2025

(All amounts expressed in thousands of HK\$ unless otherwise stated)

18 FINANCIAL INVESTMENTS

	As at 30 June 2025	As at 31 December 2024
Financial assets at amortized cost		
Debt securities at amortized cost (Note)		
– Listed	18,007,686	17,533,918
– Unlisted	31,712,012	29,468,127
Less: ECL allowance	(50,144)	(46,093)
	49,669,554	46,955,952
Financial assets at fair value through other comprehensive income		
Debt securities at fair value through other comprehensive income		
– Listed	78,972,001	85,228,596
– Unlisted	55,801,083	56,403,959
Equity securities at fair value through other comprehensive income		
– Unlisted	10,256	9,918
	134,783,340	141,642,473
	184,452,894	188,598,425

Note: Included in the debt securities at amortized cost is a fair value loss of hedging adjustment of HK\$381,416,000 (2024: HK\$947,641,000) which is not subject to ECL allowance (note 16 (i)(b)).

The Bank has designated the investment in equity instrument at fair value through other comprehensive income. The Bank chose this presentation alternative because the investment was made as a prerequisite for the provision of the Bank's certain normal banking business rather than with a view to profit on a subsequent sale, and there is no plan to dispose this investment in short or medium term.

Financial investments analyzed by issuer are as follows:

	As at 30 June 2025	As at 31 December 2024
Financial assets at amortized cost		
Debt securities at amortized cost		
– Governments and central banks	19,232,511	15,754,279
– Banks and other financial institutions	21,155,790	22,222,675
– Corporate entities	9,281,253	8,978,998
	49,669,554	46,955,952
Financial assets at fair value through other comprehensive income		
Debt securities at fair value through other comprehensive income		
– Governments and central banks	27,569,552	29,145,134
– Banks and other financial institutions	47,565,755	49,975,344
– Corporate entities	59,637,777	62,512,077
Equity securities at fair value through other comprehensive income		
– Banks and other financial institutions	10,256	9,918
	134,783,340	141,642,473
	184,452,894	188,598,425

Notes to the Unaudited Interim Financial Statements

For the six months ended 30 June 2025

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19 FIXED ASSETS

	Equipment	Property improvement	Transportation equipment	Total
Cost				
As at 1 January 2025	164,799	171,603	3,126	339,528
Additions	3,466	5,475	–	8,941
Disposals	(742)	–	–	(742)
As at 30 June 2025	167,523	177,078	3,126	347,727
Accumulated depreciation				
As at 1 January 2025	(79,719)	(101,521)	(2,692)	(183,932)
Charge for the period	(11,503)	(21,626)	(434)	(33,563)
Disposals	699	–	–	699
As at 30 June 2025	(90,523)	(123,147)	(3,126)	(216,796)
Net book value				
As at 30 June 2025	77,000	53,931	–	130,931

	Equipment	Property improvement	Transportation equipment	Total
Cost				
As at 1 January 2024	107,673	110,936	3,126	221,735
Additions	61,035	71,094	–	132,129
Disposals	(3,909)	(10,427)	–	(14,336)
As at 31 December 2024	164,799	171,603	3,126	339,528
Accumulated depreciation				
As at 1 January 2024	(70,560)	(74,245)	(1,650)	(146,455)
Charge for the year	(12,791)	(35,783)	(1,042)	(49,616)
Disposals	3,632	8,507	–	12,139
As at 31 December 2024	(79,719)	(101,521)	(2,692)	(183,932)
Net book value				
As at 31 December 2024	85,080	70,082	434	155,596

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20 OTHER ASSETS

	As at 30 June 2025	As at 31 December 2024
Interest receivable	2,843,344	3,105,695
Less: ECL allowance	(186,696)	(48,642)
	2,656,648	3,057,053
Other receivables, prepayments and others	4,483,454	3,296,832
Less: ECL allowance	(6)	(6)
	4,483,448	3,296,826
Settlement accounts	1,806,368	1,121,959
Intangible assets (note 20(a))	87,032	94,773
	9,033,496	7,570,611

(a) Intangible assets

	Software
Cost	
As at 1 January 2025	142,516
Additions	4,956
As at 30 June 2025	147,472
Accumulated amortization	
As at 1 January 2025	(47,743)
Amortization expenses	(12,697)
As at 30 June 2025	(60,440)
Net book value as at 30 June 2025	87,032

	Software
Cost	
As at 1 January 2024	99,384
Additions	43,132
As at 31 December 2024	142,516
Accumulated amortization	
As at 1 January 2024	(26,768)
Amortization expenses	(20,975)
As at 31 December 2024	(47,743)
Net book value as at 31 December 2024	94,773

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21 DUE TO BANKS AND OTHER FINANCIAL INSTITUTIONS

	As at 30 June 2025	As at 31 December 2024
Deposits from banks and other financial institutions	5,690,447	9,570,010
Financial assets sold under repurchase agreements (note 31)	7,224,114	14,174,817
Total	12,914,561	23,744,827

22 DUE TO CUSTOMERS

	As at 30 June 2025	As at 31 December 2024
Demand deposits and current accounts	15,880,830	11,452,563
Saving deposits	77,066,344	65,719,207
Time, call, notice and other deposits	261,542,462	253,421,236
	354,489,636	330,593,006
Including:		
Deposits pledged as collateral	3,263,921	2,507,556

23 FINANCIAL LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS

	As at 30 June 2025	As at 31 December 2024
Derivative financial instruments (note 16)	2,458,757	1,889,524

24 CERTIFICATES OF DEPOSITS ISSUED

	As at 30 June 2025	As at 31 December 2024
Carried at amortized cost	–	111,480

Notes to the Unaudited Interim Financial Statements

For the six months ended 30 June 2025

(All amounts expressed in thousands of HK\$ unless otherwise stated)

25 DEBT SECURITIES ISSUED

	As at 30 June 2025	As at 31 December 2024
Tier 2 capital bonds	7,852,750	7,764,376

On 8 July 2021, the Bank issued USD1,000 million Tier 2 capital bonds due 2031. These bonds have an initial distribution rate of 2.304% per annum, payable semi-annually in arrear from year 1 to year 5, and resettable on year 5 at the then-prevailing 5-year U.S. Treasury yield plus 1.4% per annum.

26 OTHER LIABILITIES

	As at 30 June 2025	As at 31 December 2024
Interest payable	1,450,715	1,887,805
Settlement accounts	1,801,192	2,272,547
Provision for impairment allowances on financial guarantees and credit related commitments	18,051	18,362
Others	2,445,780	4,151,716
Total	5,715,738	8,330,430

27 SHARE CAPITAL

	Number of shares	Share capital
As at 30 June 2025	37,900,000,000	44,999,807
As at 31 December 2024 and 1 January 2024	37,900,000,000	37,900,000

On 15 January 2025, the Bank transferred retained earnings of HK\$7,099,807,000 to share capital. Upon completion, the Bank's share capital increased from HK\$37,900,000,000 to HK\$44,999,807,000 and the number of shares of the Bank remained unchanged.

28 ADDITIONAL EQUITY INSTRUMENT

	As at 30 June 2025	As at 31 December 2024
Undated non-cumulative subordinated Additional Tier 1 capital securities with US\$500 million	–	3,871,450

In March 2020, the Bank issued USD500 million undated non-cumulative subordinated Additional Tier 1 capital securities. These capital securities are perpetual securities and listed on the Stock Exchange of Hong Kong Limited. The Bank has the option to redeem these securities on 3 March 2025, and every six months thereafter, or on the occurrence of certain other events. These capital securities have an initial distribution rate of 3.725% per annum, payable semi-annually in arrear from year 1 to year 5, and resettable on year 5 and every 5 years thereafter, at the then-prevailing 5-year U.S. Treasury yield plus 2.525% per annum. The Bank has paid dividends of HK\$72,427,000 to the holders of additional equity instrument for the period ended 30 June 2025 (30 June 2024: HK\$72,894,000). The equity instrument will be written down at the point of non-viability on the occurrence of a trigger event as defined in the Banking (Capital) Rules. It ranks higher than ordinary shares in the event of a winding-up. The Bank redeemed these securities on 3 March 2025.

Notes to the Unaudited Interim Financial Statements

For the six months ended 30 June 2025

(All amounts expressed in thousands of HK\$ unless otherwise stated)

29 FINANCIAL GUARANTEES AND CREDIT RELATED COMMITMENTS AND OTHER COMMITMENTS

Financial guarantees and credit related commitments

The following table indicates the contractual amounts of the Bank's financial guarantees and credit related commitments which the Bank has committed to its customers:

	As at 30 June 2025	As at 31 December 2024
Letters of guarantee	129,329	95,236
Letters of credit commitments	479,535	850,967
Acceptances bills	462,071	155,340
Credit card commitments	4,446,947	4,625,087
Other credit related commitments		
– Under 1 year	14,228,223	14,931,133
– More than 1 year	9,916,512	10,191,803
	29,662,617	30,849,566

Capital expenditure commitments

	As at 30 June 2025	As at 31 December 2024
Contracted but not provided for	63,622	17,104

Operating lease commitments

As at 30 June 2025, the Bank has non-cancellable operating lease commitments of HK\$1,361,000 (31 December 2024: HK\$2,439,000) related to short-term leases, which are the leases with a lease term of 12 months or less.

30 NOTES TO STATEMENT OF CASH FLOWS

Analysis of the balance of cash and cash equivalents

For the purpose of the statement of cash flows, cash and cash equivalents comprise the following balances with original maturities of less than or equal to 90 days used for the purpose of meeting short-term cash commitments:

	As at 30 June 2025	As at 31 December 2024
Cash and balances with central bank (note 13)	1,564,727	1,864,846
Due from and placements with banks and other financial institutions	26,937,165	16,400,531
	28,501,892	18,265,377

Notes to the Unaudited Interim Financial Statements

For the six months ended 30 June 2025

(All amounts expressed in thousands of HK\$ unless otherwise stated)

31 COLLATERALS

Financial assets sold under repurchase agreements included certain transactions under which, title of the pledged securities has been transferred to counterparties.

Sales and repurchase agreements are transactions in which the Bank sells a security and simultaneously agrees to repurchase it (or an asset that is substantially the same) at a fixed price on a specified future date. Since the repurchase prices are fixed, the Bank is still exposed to substantially all the credit risks and market risks and rewards of those securities sold. These securities, which the Bank does not have the ability to use during the term of the arrangements, are not derecognized from the financial statements but regarded as “collateral” for the secured lending because the Bank retains substantially all the risks and rewards of these securities. In addition, the Bank recognizes a financial liability for cash received.

As at 30 June 2025 and 31 December 2024, the Bank entered into repurchase agreements with certain counterparties. The proceeds from selling such securities were presented as “financial assets sold under repurchase agreements” (see note 21).

	Transferred assets		Associated liabilities	
	As at 30 June 2025	As at 31 December 2024	As at 30 June 2025	As at 31 December 2024
Investment securities	7,429,741	14,750,213	(7,224,114)	(14,174,817)

32 MATERIAL RELATED PARTY TRANSACTIONS

During the period ended 30 June of 2025, the Bank has disposed certain loans and advances to customers of HK\$1,713,805,000 to branches of the ultimate holding company.

During the period ended 30 June of 2024, the Bank has purchased certain loans and advances to customers of HK\$9,045,205,000 from a branch of the ultimate holding company.

In addition to the above, all related party transactions that took place for the period ended 30 June 2025 were similar in nature to those disclosed in the 2024 Annual Report. There were no changes in the related party transactions described in the 2024 Annual Report that have had a material effect on the financial position or performance of the Bank for the period ended 30 June 2025.

Notes to the Unaudited Interim Financial Statements

For the six months ended 30 June 2025

(All amounts expressed in thousands of HK\$ unless otherwise stated)

33 SEGMENTAL ANALYSIS

The Bank manages the business mainly from an operating segment perspective and the majority of the Bank's revenues, profits before tax and assets are derived from Hong Kong. The Bank is engaged predominantly in banking and related financial activities. It comprises corporate banking, personal banking, treasury and other business. Corporate banking mainly comprises corporate loans, bills, trade finance, corporate deposits and remittance. Personal banking mainly comprises individual loans, individual deposits, credit cards and remittance. Treasury mainly comprises money market placements and takings, financial investment, and securities sold under repurchase agreements. The "Others" segment mainly comprises unallocated revenue and expenses and corporate expenses.

The business information of the Bank is summarized as follows:

	Six months ended 30 June 2025				
	Corporate Banking	Personal Banking	Treasury	Others	Total
External net interest income/(expense)	2,054,863	(2,772,289)	5,017,579	–	4,300,153
Inter-segment net interest (expense)/income	(1,522,680)	3,823,441	(2,300,761)	–	–
Net interest income	532,183	1,051,152	2,716,818	–	4,300,153
Other operating income/(expense)	152,036	573,737	58,018	(14,100)	769,691
Total operating income/(expense)	684,219	1,624,889	2,774,836	(14,100)	5,069,844
Change in expected credit losses	(275,042)	(204,251)	(75,012)	(1,588)	(555,893)
Other operating expense					
– Depreciation and amortization	(2,169)	(115,076)	(21)	(10,870)	(128,136)
– Others	(93,478)	(647,571)	(52,469)	(7,382)	(800,900)
Profit/(loss) before tax	313,530	657,991	2,647,334	(33,940)	3,584,915
Income tax expense	–	–	–	(560,329)	(560,329)
Net profit/(loss) for the period	313,530	657,991	2,647,334	(594,269)	3,024,586
As at 30 June 2025					
Segment assets	167,933,744	67,393,786	209,007,984	–	444,335,514
Unallocated assets	–	–	–	252,802	252,802
Total assets	167,933,744	67,393,786	209,007,984	252,802	444,588,316
Segment liabilities	(69,224,129)	(288,776,585)	(25,189,356)	–	(383,190,070)
Unallocated liabilities	–	–	–	(1,926,802)	(1,926,802)
Total liabilities	(69,224,129)	(288,776,585)	(25,189,356)	(1,926,802)	(385,116,872)

Notes to the Unaudited Interim Financial Statements

For the six months ended 30 June 2025

(All amounts expressed in thousands of HK\$ unless otherwise stated)

33 SEGMENTAL ANALYSIS *(continued)*

	Six months ended 30 June 2024				
	Corporate Banking	Personal Banking	Treasury	Others	Total
External net interest income/(expense)	2,510,568	(3,911,779)	6,103,356	(188)	4,701,957
Inter-segment net interest income/(expense)	(1,829,608)	4,844,812	(3,015,204)	–	–
Net interest income	680,960	933,033	3,088,152	(188)	4,701,957
Other operating income/(expense)	180,466	425,025	(192,841)	1,271	413,921
Total operating income	861,426	1,358,058	2,895,311	1,083	5,115,878
Change in expected credit losses	(231,393)	(30,238)	(71,049)	(2,383)	(335,063)
Other operating expense					
– Depreciation and amortization	(1,801)	(106,233)	(12)	(5,079)	(113,125)
– Others	(81,092)	(679,735)	(40,622)	(6,141)	(807,590)
Profit/(loss) before tax	547,140	541,852	2,783,628	(12,520)	3,860,100
Income tax expense	–	–	–	(637,286)	(637,286)
Net profit/(loss) for the period	547,140	541,852	2,783,628	(649,806)	3,222,814
As at 30 June 2024					
Segment assets	150,055,488	63,256,084	224,331,823	–	437,643,395
Unallocated assets	–	–	–	392,916	392,916
Total assets	150,055,488	63,256,084	224,331,823	392,916	438,036,311
Segment liabilities	(63,478,835)	(283,779,627)	(31,632,593)	–	(378,891,055)
Unallocated liabilities	–	–	–	(1,320,458)	(1,320,458)
Total liabilities	(63,478,835)	(283,779,627)	(31,632,593)	(1,320,458)	(380,211,513)

34 NON-ADJUSTING EVENT AFTER REPORTING PERIOD

In July 2025, the Bank has reached a restructuring agreement with a borrower. The restructuring involves the full discharge and release of the existing debt of the borrower in exchange for the issuance of certain amount of the new debt instruments to the Bank. The Bank derecognized the original loan approximately HK\$3,629 million of the borrower and recognized the new debt instruments at fair value in accordance with the agreement in July 2025.

Bank of Communications (Hong Kong) Limited

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