恒生銀行
HANG SENG BANK

2025
Interim Report

Contents

* Where possible, percentages in this section have been rounded to the nearest percentage point to facilitate easy reading. Percentage-based indicators remain at 1 or 2 decimal places as appropriate.

The abbreviations '$m' and '$bn' represent millions and billions of dollars respectively.

Results in Brief

	30 June 2025	30 June 2024
For the half-year ended	**HK$m**	HK$m
Net operating income before change in expected credit losses and other credit impairment charges	**20,975**	20,431
Operating profit	**8,549**	11,396
Profit before tax	**8,097**	11,307
Profit attributable to shareholders	**6,880**	9,893
	%	%
Return on average ordinary shareholders' equity	**7.9**	12.4
Cost efficiency ratio	**36.1**	36.8
	HK$	HK$
Earnings per share	**3.34**	5.04
Dividends per share	**2.60**	2.40

	At 30 June 2025	At 31 December 2024
At period-end	**HK$m**	HK$m
Shareholders' equity	**170,670**	169,522
Total assets	**1,821,680**	1,795,196
	%	%
Capital ratios		
– Common Equity Tier 1 ('CET1') Capital Ratio	**21.3**	17.7
– Tier 1 Capital Ratio	**23.3**	19.4
– Total Capital Ratio	**24.9**	20.8
Liquidity ratios		
– Liquidity coverage ratio	**311.0**	301.0
– Net stable funding ratio	**182.6**	181.0

Chairman's Statement

It is a great honour to be the Chairman of Hang Seng. I will continue to focus on priorities that will enable the Bank to remain at the heart of Hong Kong's development. Our legacy will continue.

My predecessor Ms Irene Lee worked hard to help Hang Seng successfully navigate a period of significant changes. I would like to extend my gratitude and will take forward the opportunity for growth inherent in the brand.

From a macro perspective, we have seen encouraging signs of recovery amidst challenges and uncertainties. Going forward we will face continuing pressures shaped by geo-political tensions and trade complexities. As Hong Kong's success is partly based on international trade flows, the impact cannot be ignored. I am pleased to report that Hang Seng is well-capitalised and has shown resilience and agility in diversifying our income streams. The concept of building a future-proved business has been a significant focus.

Within the local community, we are particularly keen to nurture the next generation by promoting financial literacy and additionally, supporting young customers so they are equipped for success. We are encouraged by the positive feedback we have received from the community so far.

The Greater Bay Area is becoming more integrated and to meet the needs of our customers, we have already enhanced our cross-boundary services. This includes offering seamless financial solutions for businesses and individuals. Considerable efforts have gone into training our staff on how to support customers and enable them to operate effectively on both sides of the boundary.

Looking ahead

Looking forward, it will be a pleasure to work closely with the Board, management team, our stakeholders and customers. In a difficult environment, we will be a place of stability that can be trusted and sensitive to both risks and opportunities.

Edward Cheng
Chairman
30 July 2025

As we all know, the first half of 2025 was demanding with ongoing uncertainties including trade tariffs, sustained high interest rates and prolonged downturn in the commercial property market. These have all adversely affected the broader economy.

Proactive risk management amidst uncertainties in outlook

As Hong Kong's largest domestic bank, we have an important role in supporting our customers and the local economy in general. We have maintained our priority to support our small and medium-sized enterprises ('SMEs') and real estate customers throughout these challenging times. Inevitably, we have adopted a prudent and proactive approach to managing risks.

To this extent, we have increased provisions and expected credit losses ('ECL') reached HK$4.9bn. This has impacted our profit before tax which declined by 28% year-on-year to HK$8.1bn.

Non-performing loans ('NPL') reached 6.69%, primarily due to ongoing credit pressure in the property sector. We believe this is appropriate and positions us well going forward.

Our capital base remains strong. Common equity tier 1 ('CET1') ratio stands at 21.3%, underpinned by our solid business fundamentals and profit-generating capabilities. This means we are able to manage future risks and opportunities whilst continuing to support our customers and deliver sustainable shareholder returns.

Revenue diversification offsets pressure from margin compression

Over the past six months, we have streamlined our organisation structure to improve operational efficiency. The simplified structure enables faster decision-making, better customer service, and effective cost control.

We have also made meaningful progress in diversifying our revenue streams and growing our target customer base. These efforts are already yielding notable results.

Net operating income before ECL rose by 3% year-on-year. As expected, net interest income was down 7% year-on-year. This was, however, more than compensated for by an increase of 34% year-on-year in fee and other income which was the result of our diversification strategy. Fee and other income now contributes to 31.6% of total revenue, up from 25.9% as at year-end 2024.

Retail Banking and Wealth business has been the key growth driver with a solid 43% year-on-year increase in Wealth income. Insurance Manufacturing and Asset Management Income also grew by 18% year-on-year. Of particular note, Hang Seng Insurance became the second largest life insurer by new business premiums with the same having grown by 57% year-on-year in the first quarter this year.

We have continued to expand our affluent customer base, with the number of customers increasing by 10% annually over the past three years. New account opening of Prestige Family+ increased by 51% year-on-year.

There has also been notable progress in our cross-boundary business. Both the total number of new mainland customers and also those holding a Prestige account with wealth relationships grew by 20% year-on-year.

In our Commercial Banking business, dedicated resources have been introduced to focus on banking customers from non-commercial real estate ('CRE') sectors. Our lending to the information technology sector grew by 37% over the past six months. Additionally, we optimised the window during the tariff negotiation period with trade finance balances growing 16% since the end of 2024. Finally, SME Digital Lending increased by 49% when compared with last year end.

As part of our efforts to support customers in their green transition, more than two thirds of our HK$80 Billion Sustainability Power Up Fund has been allocated, including our first Hong Kong green loan on acquisition of electric construction equipment. This helps reduce pollutant emissions and minimise noise at construction sites.

We have also strengthened our connectivity with Hang Seng China, providing cross-boundary services to our commercial customers. Southbound loan average balances grew by 43% compared to the end of last year.

We have continued to capture opportunities in Hong Kong's evolving economic landscape by enhancing our market presence.

Hang Seng Investment expanded its exchange-traded fund ('ETF') portfolio, having introduced Hong Kong's first passive equity ETF with monthly dividend payouts.

Hang Seng Indexes also launched two new Greater Bay Area indexes and the Association of Southeast Asian Nations ('ASEAN') index, further improving connectivity between the Hong Kong and mainland China capital markets. This uniquely offers an important benchmark for investors planning to invest in South East Asian markets.

Building on last year's collaboration with The Saudi Exchange, Hang Seng Indexes joined the Hong Kong Government's business delegation to the Middle East in May. During this visit, a new Heads of Terms agreement was signed with the Qatar Financial Centre, expanding financial connections between Hong Kong and the Middle East.

Strong capital position backs dividend policy

Our strong capital position enables us to maintain a consistent dividend policy. I am pleased to announce that the Directors have declared a second interim dividend of HK$1.30 per share.

This brings the total distribution for the first half of 2025 to HK$2.60 per share, 8% higher than the same period last year.

We intend to initiate share buy-back of up to HK$3bn.

Looking forward

We see early signs of recovery in the capital markets and a gradual improvement in the residential property sector. Whilst there are challenges, we are optimistic about Hong Kong's long-term growth prospects.

Diana Cesar
Executive Director and Chief Executive
30 July 2025

(Figures expressed in millions of Hong Kong dollars unless otherwise indicated)

FINANCIAL PERFORMANCE

Income Analysis

Summary of financial performance

1H 2025 compared with 1H 2024

In 1H 2025, the Group made notable progress in diversifying its revenue streams, leading to higher income from the wealth management business across multiple product classes. A surge in the Hong Kong stock market drove an increase in income from securities broking and related services, contributing to strong growth in net fee income, which was further supported by gains from financial instruments.

Net operating income before changes in expected credit losses maintained steady growth. However, credit impairment impacted overall financial performance. The Group continues to closely assess borrowers' repayment capacity to ensure adequate provisions, reinforcing long-term financial stability.

At the same time, the Group remains vigilant in monitoring trade tariffs, property market dynamics, and interest-rate movements, while exploring cross-boundary opportunities. With a strategic focus on digital transformation and sustainable finance, the Group is well-positioned for future growth.

Net interest income decreased by HK$1,144m, or 7%, to HK$14,339m. The decline was primarily driven by a 3% reduction in average gross customer loans and a lower market interest rate, notably the low Hong Kong Interbank Offered Rate ('HIBOR') rate, observed since May 2025. The proactive measures previously taken to manage product margins and long-term hedges implemented have helped to maintain interest stability. The commercial surplus remains elevated and is being deployed to high quality liquid assets with lower yields. As a result, net interest margin was down by 30 basis points to 1.99% compared with 1H 2024.

	Half-year ended 30 June 2025	*Half-year ended 30 June 2024*
Average interest-earning assets	**1,456,508**	1,362,204
Net interest spread	**1.67%**	1.83%
Net interest margin	**1.99%**	2.29%

Net fee income increased by HK$583m, or 23%, to HK$3,147m, mainly driven by a 60% rise in securities broking related services income. Furthermore, income from retail investment funds has grown by 23%. This demonstrates the effective implementation of the Bank's strategy in its wealth management business, positioning itself for sustained growth in a competitive market.

Net income/(loss) from financial instruments measured at fair value through profit or loss increased by HK$7,894m, or 280%, to HK$10,716m. Net trading income, net income/(expense) from financial instruments designated at fair value through profit or loss, and changes in fair value of other financial instruments mandatorily measured at fair value through profit or loss together increased by HK$1,085m or 189%, to HK$1,658m, mainly benefitting from the increased revenue generated by funding swap transactions, higher foreign exchange revenue due to elevated client activities, and reduced interest expenses on structured products.

Net income/(loss) from financial instruments measured at fair value through profit or loss attributable to insurance business increased by HK$6,809m to HK$9,058m; mainly reflecting fair value gains on debt securities due to the interest rate decrease, along with favourable fair value movement on equity securities as driven by the strong equity market. More than 90% of the insurance contract liabilities' balances is accounted for under the variable fee approach; as such, these fair value changes will be absorbed in the insurance contract liabilities through the line of insurance finance expense to reflect the attribution to policyholders. **Insurance service results** showed an increase of HK$170m, or 14%, to HK$1,357m. This increase mainly was reflected on the higher release of Contractual Services Margin ('CSM') due to growth of CSM balance as a result of new business growth and favourable economic variances.

Wealth management business income (mainly investment and insurance-related income) increased by HK$761m, or 23%, to HK$4,115m. The notable increase is primarily driven by robust investment services income, which increased by HK$691m, or 41%, to HK$2,374m. This growth is largely attributed to a surge in securities broking and related services. Additionally, both retail investment funds and structured investment products have experienced increases, reflecting the Bank's proactive strategy in exploring cross-boundary business opportunities as well as the continuous investment in meeting customer's wealth management needs. Life insurance business also improved by HK$74m, or 5%, to HK$1,621m.

	Half-year ended 30 June 2025	*Half-year ended 30 June 2024 (restated)[2]*
Investment services income[1]:		
– retail investment funds	**793**	646
– structured investment products	**783**	499
– securities broking and related services	**771**	506
– margin trading and others	**27**	32
	2,374	1,683
Life insurance:		
– net interest income	**155**	105
– investment returns (including share of associate's profits/(losses), net surplus/(deficit) on property revaluation and change in expected credit losses and other credit impairment charges)	**8,840**	2,044
– insurance finance income/(expenses)	**(9,667)**	(2,000)
– insurance service results	**1,357**	1,187
• insurance revenue	**2,071**	1,691
• insurance service expense	**(714)**	(504)
– other operating income/(loss)	**936**	211
	1,621	1,547
General insurance and others	**120**	124
	4,115	3,354

1 *Income from retail investment funds and securities broking and related services are net of fee expenses.*

2 *The comparative figures have been restated to reclassify the investment services income in accordance with the nature of products or services.*

Change in expected credit losses and other credit impairment charges were up by HK$3,361m to HK$4,861m, mainly contributed by the Hong Kong CRE sector, amounting to HK$2,540m for 1H 2025. The increase in ECL charges is primarily driven by an increase in allowances for new defaulted exposures, asset quality credit migration, the over-supply in non-residential properties which is putting continued downward pressure on rental and capital values, as well as updates to our models used for ECL calculations.

Gross impaired loans and advances increased from HK$51bn as at 31 December 2024 to HK$55bn as at 30 June 2025. This change mainly reflects downgrades net of write-offs in certain impaired corporate loans. Gross impaired loans and advances as a percentage of gross loans and advances to customers were 6.69% as of 30 June 2025, compared to 6.12% as of 31 December 2024 and 5.32% at 30 June 2024.

Operating expenses experienced a modest rise of HK$42m, or 1%, to HK$7,565m. This rise is largely due to higher staff costs and amortisation of intangible assets (mainly internally developed software), reflecting our stringent cost discipline aimed at enhancing operating efficiency, alongside our ongoing investments in both workforce development and technology.

Staff costs rose by 2%, driven by higher wages and salaries, as well as a rise in staff insurance premiums designed to enhance employee benefits. Meanwhile, amortisation of intangible assets increased by 14%, associated with the development costs of capitalised IT systems that fosters business growth and improves digital proficiency.

Full-time equivalent staff numbers by region	***At 30 June 2025***	*At 30 June 2024*
Hong Kong and others	**6,880**	6,987
Mainland China	**1,263**	1,409
	8,143	8,396

The cost efficiency ratio slightly decreased by 0.7 percentage points to 36.1%.

Net deficit on property revaluation rose by HK$207m, to HK$346m. Share of profits/(losses) of associate fell by HK$156m, mainly due to the decreased valuation of a property investment company.

1H 2025 compared with 2H 2024

Net operating income before change in expected credit losses and other credit impairment charges reduced by HK$131m, or 1%. The decrease was due to the decline in net interest income, partly offset by the growth in net fee income and net trading income. Operating profit decreased by HK$1,613m, or 16%. Profit attributable to shareholders decreased by HK$1,606m, or 19%, when compared with 2H 2024.

Net interest income decreased by HK$962m, or 6%, mainly due to the reduction in gross customer loans and lower market interest rates in 1H 2025. Net interest margin was down by 14 basis points to 1.99%.

Net fee income was up HK$395m, or 14%, attributing to higher customer transaction volumes, particularly in the securities broking-related services and retail investment funds.

Net trading income, net income/(loss) from financial instruments designated at fair value through profit or loss, and changes in fair value of other financial instruments mandatorily measured at fair value through profit or loss together increased by HK$1,187m or 252%, to HK$1,658m, mainly benefitting from higher revenue generated from structured products due to the interest rate drop, as well as fair value gains from trading assets.

Operating expenses reduced by HK$105m, or 1%, primarily due to a reduction in general and administrative expenses, partially offset by higher staff costs. Cost efficiency ratio improved from 36.3% to 36.1%, reflecting the Group's continuous focus on effectively managing operating expenses.

Total change in ECL increased by HK$1,588m to HK$4,861m, due to higher charges for Hong Kong CRE exposures, mainly reflecting the net charges of HK$1,375m for Stage 1 and Stage 2 ECL for unimpaired credit exposures compared with the net release of HK$445m in 2H 2024.

Segmental Analysis

	Hong Kong Business	*Insurance Manufacturing and Asset Management*	*Markets and Securities Services*	*Corporate Centre*	*Total*
Half-year ended 30 June 2025					
Profit/(loss) before tax	**6,435**	**1,479**	**604**	**(421)**	**8,097**
Share of profit/(loss) before tax	**79.5%**	**18.2%**	**7.5%**	**(5.2%)**	**100.0%**
Half-year ended 30 June 2024 (re-presented)					
Profit/(loss) before tax	9,738	1,335	529	(295)	11,307
Share of profit/(loss) before tax	86.1%	11.8%	4.7%	(2.6%)	100.0%

Hong Kong Business recorded a 0.4% year-on-year increase in total revenue to HK$17,723m. This was driven by growth in fee and other income, which was up by 31% year-on-year, partially offset by a 5% decline in net interest income.

	Half-year ended 30 June 2025	*Half-year ended 30 June 2024*
Net interest income	**14,046**	14,851
Fee and other income	**3,677**	2,810
– Retail Banking and Wealth	**2,658**	1,934
– Retail Banking	**466**	442
– Wealth	**2,071**	1,452
– Other	**121**	40
– Commercial Banking	**1,019**	876
– Wholesale Transaction Banking	**515**	482
– Credit and Lending	**236**	234
– Other	**268**	160
Total revenue	**17,723**	17,661

Retail Banking and Wealth ('RB&W') recorded a 6% year-on-year increase in total revenue, reaching HK$11,260m. This growth was primarily driven by a 37% year-on-year increase in fee and other income. Wealth income grew by an impressive 43%, while deposit balances increased by 11% year-on-year. As part of our portfolio diversification strategy, non-Hong Kong Dollar deposits rose by 21% year-on-year. New mortgage drawdowns surged by 79% compared to 2H 2024, maintaining our top-3 ranking by market share.

Customer growth remains a key strategic priority for our business. Over the past three years, our affluent customer base has grown by nearly 10% annually, with 76% of new affluent customers this year coming from the mainland. In 2025, the number of Prestige mainland Chinese customers with wealth relationships grew by 20% year-on-year. To further capitalise on this momentum, we unveiled our flagship Cross-Boundary Wealth Centre at our Hong Kong Main Branch in Central. Further investments in wealth management included the opening of a new Prestige Private Centre in Mongkok and a new 'sky branch' Wealth Centre in Tsim Sha Tsui in 2H 2025.

Building on this growth, we have continued to address the personal and family wealth management needs of our customers through innovative solutions. These include 'Wealth Master for Family' and 'Investors Like You', alongside the deployment of Avatar technology 'AI Mark'. These initiatives have significantly deepened wealth engagement, along with positive market sentiment, driving a 47% year-on-year increase in investment income. Income from Funds and Structured Product grew by 23% and 76% respectively, contributing to 12% year-on-year rise in Retail Investment Assets Under Management ('AUM'). Prestige Family + account openings also increased by 51% year-on-year.

To further enhance our service offerings and meet the needs of our diverse customer base, we became one of the first Banks to implement the linkage between mainland China's Internet Banking Payment System ('IBPS') and Hong Kong's Faster Payment System ('FPS'). This initiative caters to customers living, working or visiting the mainland. Additionally, we extended the Hong Kong Monetary Authority ('HKMA') Interbank Account Data Sharing ('IADS') service to all customers, enabling them to view deposit accounts from multiple banks on a single platform. Expanding physical accessibility, we piloted a new manned branch at Jordan Mass Transit Railway ('MTR') station with extended service hours tailored to the working population and expanded our foreign currency Automated Teller Machines ('ATM') coverage. Additional investments in MTR branches and a wider footprint are planned in the coming months.

Recognising the importance of customer security, safety and fraud prevention remains a core focus. We were among the first retail banks in Hong Kong to launch an interim Money Safe Account solution for customers aged 65 and above, providing enhanced fund protection. Starting in July, we introduced Anti-Fraud Specialists at 21 selected branches.

These efforts have been widely recognised within the industry, earning Hang Seng four Best Retail Bank-related awards, including honours from the Bloomberg Businessweek Financial Institution Awards and FinanceAsia Awards.

Commercial Banking ('CMB') reported an 8% year-on-year decline in total revenue, totaling HK$6,463m.

Geopolitical tensions and trade tariffs weakened the capital investments appetite, resulting in lower loan demand and margin compression, with interest income falling by 11% year-on-year. On the other hand, pre-emptive shipping due to the trade tariffs led to a momentary uplift in our trade finance business with balances rising 16% since the end of 2024, reflecting strong support for our trade customers. Our diversification efforts also led to a 16% year-on-year increase in fee and other income. Our comprehensive foreign exchange products and hedging solutions supported our customer's daily operations, driving growth in related income. We were also able to grow our wealth management services by supporting our customers in favourable market conditions.

We continue to deliver tailored solutions and accessible resources that address the unique challenges of local small and medium-sized enterprises ('SMEs'). Riding on our digital capability for SME Business Loans, we further launched the SME Trade solution with an end-to-end digital journey as an extended support to SMEs. Customers can now apply for trade finance solutions via Hang Seng Business e-Banking, gaining easier access to funds and improved cash flow.

In line with our focus on cross-boundary trade, the growing use of renminbi ('RMB') for international trade settlements presented significant opportunities. We were among the first Banks to lead RMB Trade Financing under the HKMA's Liquidity Facility Initiative, providing competitive trade and treasury solutions. This also shows our commitment to contributing to Hong Kong's development as a major offshore RMB market. Our cross-boundary connectivity with Hang Seng China strengthened, with average China southbound loan balances growing by 43% when compared to the last year-end.

As part of our efforts to support customers in their green transition, more than two thirds of our HK$80 Billion Sustainability Power Up Fund has been allocated, including our first Hong Kong green loan for acquisition of electric construction equipment, which also helps reduce pollutant emissions and minimise noise at construction sites. In April 2025, we also launched a Sustainability Power Up Team to help build an ESG ecosystem that supports our client's sustainability goals.

Our efforts in Commercial Banking have been recognised through several awards. These include 'HK Corporate Banking Sector – Commercial Bank of the Year (Excellence)' at Bloomberg Businessweek Financial Institution Awards 2025, 'Best in Treasury and Working Capital – SMEs' in both the Greater Bay Area and Hong Kong at The Asset Triple A Treasurise Awards 2025 and 'Hong Kong Domestic Trade Finance Bank of the Year' at the Asian Banking & Finance Wholesale Banking Awards for the third consecutive year. We also won 'Outstanding Digital Solution for SMEs' award at the ETnet FinTech Awards.

Insurance Manufacturing and Asset Management recorded a 18% year-on-year increase in total revenue to HK$1,914m.

Our insurance business achieved a 20% year-on-year increase in Contractual Service Margin ('CSM'), reaching HK$29bn as of June 2025, reflecting our efforts in building insurance solutions in order to meet our customers' needs, which has resulted in a favourable response to the launch of our new flagship product. In the first quarter of 2025, Hang Seng Insurance Company ('HSIC') recorded a 57% year-on-year growth in Life Insurance New Business Premium and secured the 2nd market position as a Life Insurer, which is up from 3rd last year. HSIC was also recognised with the 'Outstanding Award for Bancassurer of the Year' and 'Excellence Award for Digital Marketing Service' at the Bloomberg Businessweek Financial Awards 2025.

With increasing market demand for regular income products, Hang Seng Investment Management Limited ('HSVM') strengthened its leadership in Hong Kong's ETF market by launching the first passive equity ETF in Hong Kong that offers expected monthly dividend payouts. In January 2025, our collaborations with brokerage partners in Thailand have seen the launch of a sixth depositary receipt tracking a HSVM ETF on the Stock Exchange of Thailand. In July, HSVM introduced Hong Kong's first cross-listing active ETF in partnership with a renowned global asset manager. Additionally, HSVM published a whitepaper on ETF market development 'Catalyzing Growth: Understanding Hong Kong's ETF Market Landscape'.

These achievements were complemented by several accolades, including 'ETF Manager of the Year – HKSAR' and 'Best Asset Management Company (30 Years) – HKSAR' at the Asia Asset Management Best of the Best Awards 2025, along with six other industry recognitions received.

Markets and Securities Services reported a 10% year-on-year increase in total revenue, totaling HK$901m. Profit before tax grew by 14% to HK$604m.

Leveraging the HKMA's enhancement measures announced early this year, we expanded activities such as Offshore RMB repurchase ('Repo') using Northbound Bond Connect bonds as collateral as one of the Market Makers and initiated the HKMA RMB Trade Financing Liquidity Facility, offering lower-cost funds for RMB trade finance. We deepened product penetration among Bank's customers through close collaboration with RB&W and CMB teams, achieved 11% growth in our Bank-wide Sales foreign exchange revenue.

By successfully managing market volatility and capturing opportunities, Foreign Exchange and Option Trading achieved solid revenue growth of 24% year-on-year. Wealth products revenue across various asset classes surged by 79%, in particular, Equity-Linked Investments achieving 117% year-on-year growth. Additionally, our Repo Trading business expanded with reverse repo balances increasing 50% when compared with last year-end.

Balance sheet Analysis

Assets

Total assets increased by HK$26bn, or 1%, to HK$1,822bn compared with the 2024 year-end. The balance sheet saw modest expansion amid subdued loan demand. The Group proactively managed the balance sheet portfolios, and the surplus liquidity has been deployed mainly into high quality financial assets.

Customer loans and advances (net of allowances for ECL) decreased by HK$16bn, or 2%, to HK$803bn. The economic uncertainty discouraged credit demand by the businesses which contributed a decline in loan balances amid falling interest rates.

Loans for use in Hong Kong decreased by 2% due to the subdued loan demand and scheduled loan repayments. Lending to industrial, commercial, and financial sectors decreased by 4%, mainly due to the decline in lending for property development and property investment by 9% and 5% respectively, reflecting our de-risking results. Transport and transport equipment also decreased by 24% which was partially offset by growth in lending to the information technology sector, up by 37%.

Lending to individuals remained flat. Loans and advances for the purchase of flats under the Government Home Ownership Scheme, Private Sector Participation Scheme and Tenants Purchase Scheme grew by 5%, reflecting loan drawdowns to finance property purchases. Credit card advances decreased by 7%.

Trade finance lending increased by 16%. Loans for use outside Hong Kong were down by 3%, due mainly to decreased lending by the Group's mainland banking subsidiary.

Liabilities and equity

Customer deposits increased by HK$33bn, or 3%, to HK$1,300bn from the end of 2024. Demand, current and savings accounts as a percentage of total customer deposits increased from 49.5% at 31 December 2024 to 56.2% at 30 June 2025, reflecting the growth of our customer base as well as less customer demand for time deposits as a result of drop in HIBOR rates. At 30 June 2025, the advances-to-deposits ratio was 61.8%, compared with 64.7% at 31 December 2024.

	At 30 June 2025	*At 31 December 2024*
Customer loans and advances (net of allowances for ECL)	**803,356**	819,136
Customer deposits, including structured deposits	**1,299,986**	1,267,021
Advances-to-deposits ratio	**61.8%**	64.7%

At 30 June 2025, shareholders' equity increased by HK$1bn, or 1%, to HK$171bn, driven by an increase in cash flow hedge reserves of HK$2bn and financial assets at FVOCI reserves of HK$1bn, mainly reflecting the interest rate movements of hedging derivatives and the fair value gains in equity and debt instruments. The decrease in retained profits of HK$2bn, or 2%, reflecting the excess of dividends over profit accumulated in the period.

Risk

Principal risks and uncertainties

The Group continuously monitors and identifies risks. Our principal risks are credit risk, treasury risk, market risk, resilience risk, regulatory compliance risk, financial crime risk, model risk and insurance risk. The description of principal risks and a summary of our current policies and practices regarding the management of risk are set out in the 'Risk' section of the 2024 Annual Report.

We have maintained a consistent approach to risk management throughout our history, helping to ensure we protect customers' funds, lend responsibly and support economies.

We remain committed to investing in the reliability and resilience of our technology systems and critical services.

We have strengthened our due diligence and monitoring capabilities with respect to the financial stability of our third parties to help ensure they deliver the standard of services we require to provide resilient services to our customers. We do so to help protect our customers and counterparties, and to help ensure that we minimise any disruption to our services. In our approach of defending against these threats, we invest in business and technical controls to help us detect, prevent, manage and recover from issues in a timely manner within our risk appetite.

Risk Management

We recognise that the primary role of risk management is to help protect our customers, business, colleagues, shareholders and the communities that we serve, while ensuring we are able to support our strategy and provide sustainable growth.

All our people are responsible for the management of risk, with the ultimate accountability residing with the Board. Our Risk and Compliance function, led by the Chief Risk and Compliance Officer, plays an important role in reinforcing our culture and values. We are focused on creating an environment that encourages our people to speak up and do the right thing.

The Risk and Compliance function is independent from the businesses, including our sales and trading functions, to provide challenge, oversight and appropriate balance in risk/return decisions.

We aim to use a comprehensive risk management approach across the organisation and across all risk types, underpinned by our culture and values. This is outlined in our risk management framework, including the key principles and practices that we employ in managing material risks. The framework fosters continuous monitoring, promotes risk awareness and encourages sound operational and strategic decision making. It also supports a consistent approach to identifying, assessing, managing and reporting the risks we accept and incur in our activities. We continue to enhance our approach to managing risk.

Risk appetite

Risk Appetite ('RA') is defined as the aggregate risks that the Group is comfortable taking to achieve our strategic objectives. RA also defines the risks that are not tolerated in order to operate effectively. RA supports senior management in taking actions to ensure strategic growth within desired risk and remediate unacceptable risk, while monitoring exposure which may impact our customers or lead to sub-optimal returns to shareholders, regulatory censure or reputational damage.

Key developments in the first half of 2025

We have continued to manage risks related to macroeconomic and geopolitical uncertainties, as well as the commercial real estate ('CRE') sector and other key risks described in this section.

In the first half of 2025, we enhanced our risk management in the following areas:

- We enhanced our processes, framework and controls to improve the oversight of our material third parties. We have strengthened our due diligence and monitoring capabilities with respect to the financial stability of our third parties to better manage our supply chain and operational resilience. We will continue to assess and manage our operational resilience.

- We continued to embed climate considerations across the organisation through risk policy and guideline updates, further development of our risk metrics to help monitor and manage exposures, and participated in the review of HSBC Group climate risk models to enhance the internal climate scenario analysis capabilities.

- We have been utilising industry-leading technology and advanced analytics capabilities to improve our ability to identify suspicious activities and prevent financial crime. We will continue to evaluate technological solutions to improve our capabilities in the detection and prevention of financial crime.

- We continued to embed our regulatory management systems focused on horizon scanning, regulatory mapping, and regulatory content for our inventory.

Areas of Special Interest

During the first half of 2025, a number of areas were identified and considered as part of our top and emerging risks because of the effect they may have on the Group. We placed particular focus in this section on geopolitical and macroeconomic risks.

Geopolitical and macroeconomic risk

Over the remainder of 2025, tariffs are expected to become an increasing headwind to global growth.

Risks to the global economy remain elevated due to the uncertainty over US trade policy and countermeasures to tariffs. High uncertainty may impact financial markets and further erode confidence, while higher tariffs could disrupt supply chains and reduce global trade.

Tariffs, supply chain disruptions and reduced trade may also negatively impact fee income and demand for financing, although the reconfiguration of supply chains may also present new opportunities for investment and growth.

We remain subject to interest rate risk, which can affect net interest income, the fair value of our assets and liabilities, and overall financial performance.

In Hong Kong, our operations have been and continue to be exposed to fluctuations in HIBOR, which has experienced heightened volatility due to recent capital market activity and changing investor risk appetite.

The US Federal Reserve paused its cycle of interest rate cuts to assess the impact of tariff policies on consumer prices and inflation expectations.

Fiscal policies across many of our major markets remain broadly supportive of growth. Policymakers in mainland China have expanded the range of their support to the economy, including through directed government spending and lower interest rates.

Areas of Special Interest *(continued)*

Geopolitical and macroeconomic risk *(continued)*

The geopolitical environment has continued to increase in complexity. The ongoing conflict in the Middle East and the Russia-Ukraine war remain key sources of uncertainty, which may impact the Group and our customers, including through increased market volatility and supply chain disruptions. Heightened strategic competition between the US and China is also affecting the configuration of global supply chains.

Existing and additional sanctions, trade restrictions, counter-sanctions and other retaliatory measures relating to geopolitical tensions may adversely affect the Group, its customers and the markets in which the Group operates.

Commercial real estate conditions remain challenging in Hong Kong and mainland China. In Hong Kong, the over-supply of non-residential properties continued to put downward pressure on rental and capital values. In mainland China, government stimulus has yet to trigger material improvement in buyer sentiment. For further details on market conditions, please refer to later sections on mainland China and Hong Kong commercial real estate.

In the first half of 2025, management adjustments to expected credit losses ('ECL') were applied to reflect sector or portfolio risks that are not fully captured by our models. We continue to monitor, and seek to manage, the potential implications of all the above developments on our customers and our business.

Mitigating actions

- We continue to monitor, and seek to manage, the potential impacts of all the above developments on our customers and our business.
- We closely monitor the geopolitical and economic developments in key markets and sectors and actively manage our credit portfolio through enhanced monitoring, thematic reviews, internal stress tests, etc.
- We continue to support our customers and manage risk and exposures as appropriate.
- We continue to seek to manage sanctions and trade restrictions through the use of reasonably designed policies, procedures and controls, which are subject to ongoing enhancements.

(a) Credit Risk

Credit risk is the risk of financial loss if a customer or counterparty fails to meet an obligation under a contract. It arises principally from direct lending, trade finance and leasing business, but also from certain other products, such as guarantees and credit derivatives or from holding assets in the form of debt securities.

There were no material changes to the policies and practices for the management of credit risk in the first half of 2025.

A summary of our current policies and practices for the management of credit risk is set out in 'Credit risk management' on pages 48 to 51 of the 2024 Annual Report.

Maximum exposure to credit risk before collateral held or other credit enhancements

Our credit exposure is spread across a broad range of asset classes, including but not limited to derivatives, trading assets, loans and advances and financial investments. The following table presents the maximum exposure to credit risk from balance sheet and off-balance sheet financial instruments, before taking account of any collateral held or other credit enhancements (unless such credit enhancements meet accounting offsetting requirements). For financial assets recognised on the balance sheet, the maximum exposure to credit risk equals their carrying amount; for financial guarantees and similar contracts granted, it is the maximum amount that we would have to pay if the guarantees were called upon. For loan commitments and other credit-related commitments, it is generally the full amount of the committed facilities.

	At 30 June 2025	*At 31 December 2024*
Cash and balances at central banks	**9,720**	10,433
Trading assets	**38,511**	39,613
Derivative financial instruments	**14,578**	20,201
Financial assets mandatorily measured at fair value through profit or loss	**123,200**	114,368
Reverse repurchase agreements – non-trading	**56,283**	33,479
Placings with and advances to banks	**85,228**	76,221
Loans and advances to customers	**803,356**	819,136
Financial investments	**521,070**	536,745
Other assets	**35,179**	28,815
Financial guarantees and other credit related contingent liabilities[1]	**20,114**	22,848
Loan commitments and other credit related commitments	**494,523**	495,092
	2,201,762	2,196,951

1 *Performance and other guarantees were included.*

(a) ***Credit Risk*** *(continued)*

The following table provides an overview of the Group's credit risk by stage and industry, and the associated ECL coverage. The financial assets recorded in each stage have the following characteristics:

Stage 1: These financial assets are unimpaired and without significant increase in credit risk on which a 12-month allowance for ECL is recognised.

Stage 2: A significant increase in credit risk has been experienced on these financial assets since initial recognition for which a lifetime ECL is recognised.

Stage 3: There is objective evidence of impairment and the financial assets are therefore considered to be in default or otherwise credit-impaired on which a lifetime ECL is recognised.

POCI: Financial assets that are purchased or originated at a deep discount are seen to reflect the incurred credit losses on which a lifetime ECL is recognised.

Summary of credit risk (excluding debt instruments measured at FVOCI) by stage distribution and ECL coverage

	Gross carrying/nominal amount [1]					*Allowance for ECL*					*ECL coverage (%)*				
	Stage 1	*Stage 2*	*Stage 3*	*POCI* [2]	*Total*	*Stage 1*	*Stage 2*	*Stage 3*	*POCI*	*Total*	*Stage 1*	*Stage 2*	*Stage 3*	*POCI*	*Total*
Loans and advances to customers at amortised cost	639,437	125,451	54,674	147	819,709	(683)	(3,754)	(11,837)	(79)	(16,353)	0.11%	2.99%	21.65%	53.74%	1.99%
– personal	368,810	14,282	1,410	–	384,502	(346)	(901)	(235)	–	(1,482)	0.09%	6.31%	16.67%	N/A	0.39%
– corporate and commercial	246,209	108,784	53,264	147	408,404	(300)	(2,843)	(11,602)	(79)	(14,824)	0.12%	2.61%	21.78%	53.74%	3.63%
– non-bank financial institutions	24,418	2,385	–	–	26,803	(37)	(10)	–	–	(47)	0.15%	0.42%	N/A	N/A	0.18%
Placings with and advances to banks at amortised cost	85,047	184	–	–	85,231	(3)	–	–	–	(3)	0.00%	0.00%	N/A	N/A	0.00%
Other financial assets measured at amortised cost	181,453	2,376	13	–	183,842	(44)	(7)	(5)	–	(56)	0.02%	0.29%	38.46%	N/A	0.03%
Loans and other credit-related commitments	336,784	22,801	18	–	359,603	(87)	(64)	–	–	(151)	0.03%	0.28%	0.00%	N/A	0.04%
– personal	243,309	2,808	13	–	246,130	(4)	–	–	–	(4)	0.00%	0.00%	0.00%	N/A	0.00%
– corporate and commercial	74,257	19,626	5	–	93,888	(78)	(64)	–	–	(142)	0.11%	0.33%	0.00%	N/A	0.15%
– non-bank financial institutions	19,218	367	–	–	19,585	(5)	–	–	–	(5)	0.03%	0.00%	N/A	N/A	0.03%
Financial guarantee and similar contracts	418	186	–	–	604	–	(4)	–	–	(4)	0.00%	2.15%	N/A	N/A	0.66%
– personal	1	–	–	–	1	–	–	–	–	–	0.00%	N/A	N/A	N/A	0.00%
– corporate and commercial	25	186	–	–	211	–	(4)	–	–	(4)	0.00%	2.15%	N/A	N/A	1.90%
– non-bank financial institutions	392	–	–	–	392	–	–	–	–	–	0.00%	N/A	N/A	N/A	0.00%
At 30 June 2025	**1,243,139**	**150,998**	**54,705**	**147**	**1,448,989**	**(817)**	**(3,829)**	**(11,842)**	**(79)**	**(16,567)**	**0.07%**	**2.54%**	**21.65%**	**53.74%**	**1.14%**

1 *Represents the maximum amount at risk should the contracts be fully drawn upon and clients default.*

2 *Purchased or originated credit-impaired ('POCI').*

3 *The shift of gross carrying value between Stage 1 and Stage 2 arose from higher average PD for the remaining term at the reporting date, reflecting updates to our PD models. These were compared with the PD calculated at origination. Change in credit quality also led to transfer from Stage 1 to Stage 2.*

***(a) Credit Risk** (continued)*

Summary of credit risk (excluding debt instruments measured at FVOCI) by stage distribution and ECL coverage *(continued)*

	Gross carrying/nominal amount[1]					Allowances for ECL					ECL coverage (%)				
	Stage 1	Stage 2	Stage 3	POCI[2]	Total	Stage 1	Stage 2	Stage 3	POCI	Total	Stage 1	Stage 2	Stage 3	POCI	Total
Loans and advances to customers at amortised cost	706,478	74,667	50,822	142	832,109	(683)	(2,472)	(9,764)	(54)	(12,973)	0.10%	3.31%	19.21%	38.03%	1.56%
– personal	373,719	11,418	1,220	–	386,357	(355)	(922)	(209)	–	(1,486)	0.09%	8.07%	17.13%	N/A	0.38%
– corporate and commercial	298,586	63,184	49,602	142	411,514	(291)	(1,550)	(9,555)	(54)	(11,450)	0.10%	2.45%	19.26%	38.03%	2.78%
– non-bank financial institutions	34,173	65	–	–	34,238	(37)	–	–	–	(37)	0.11%	0.00%	N/A	N/A	0.11%
Placings with and advances to banks at amortised cost	76,007	216	–	–	76,223	(2)	–	–	–	(2)	0.00%	0.00%	N/A	N/A	0.00%
Other financial assets measured at amortised cost	201,352	1,078	6	–	202,436	(20)	(3)	–	–	(23)	0.01%	0.28%	0.00%	N/A	0.01%
Loans and other credit-related commitments	336,998	13,135	181	–	350,314	(65)	(61)	–	–	(126)	0.02%	0.46%	0.00%	N/A	0.04%
– personal	241,539	4,998	5	–	246,542	(5)	–	–	–	(5)	0.00%	0.00%	0.00%	N/A	0.00%
– corporate and commercial	81,378	8,137	176	–	89,691	(57)	(61)	–	–	(118)	0.07%	0.75%	0.00%	N/A	0.13%
– non-bank financial institutions	14,081	–	–	–	14,081	(3)	–	–	–	(3)	0.02%	N/A	N/A	N/A	0.02%
Financial guarantee and similar contracts	1,550	348	–	–	1,898	(1)	(2)	–	–	(3)	0.06%	0.57%	N/A	N/A	0.16%
– personal	1	–	–	–	1	–	–	–	–	–	0.00%	N/A	N/A	N/A	0.00%
– corporate and commercial	1,161	348	–	–	1,509	(1)	(2)	–	–	(3)	0.09%	0.57%	N/A	N/A	0.20%
– non-bank financial institutions	388	–	–	–	388	–	–	–	–	–	0.00%	N/A	N/A	N/A	0.00%
At 31 December 2024	1,322,385	89,444	51,009	142	1,462,980	(771)	(2,538)	(9,764)	(54)	(13,127)	0.06%	2.84%	19.14%	38.03%	0.90%

1 *Represents the maximum amount at risk should the contracts be fully drawn upon and clients default.*

2 *Purchased or originated credit-impaired ('POCI').*

Measurement uncertainty and sensitivity analysis of ECL estimates

The recognition and measurement of ECL involve the use of significant judgement and estimation. We form multiple economic scenarios based on economic forecasts and distributional estimates, apply these assumptions to credit risk models to estimate future credit losses, and probability-weight the results to determine an unbiased ECL estimate.

Management assessed the current economic environment, reviewed the latest economic forecasts and discussed key risks before selecting the economic scenarios and their weightings.

Management judgemental adjustments are used to capture significant late breaking events, data and model limitations, model deficiencies and expert credit judgements where modelled allowance for ECL does not fully reflect the identified risks and related uncertainty.

(a) Credit Risk *(continued)*

Measurement uncertainty and sensitivity analysis of ECL estimates *(continued)*

Methodology

At 30 June 2025, four scenarios were used to capture the latest economic expectations and to articulate management's view of the range of risks and potential outcomes. Each scenario is updated with the latest economic forecasts and distributional estimates each quarter.

Three scenarios, the Upside, Central and Downside, are drawn from consensus forecasts, market data and distributional estimates of the entire range of economic outcomes. Consensus estimates are deployed as conditioning variables in a proprietary expansion of the scenario variables. The fourth scenario, the Downside 2, represents management's view of severe downside risks.

The consensus Central scenario is deemed the 'most likely' scenario, and usually attracts the largest probability weighting. The consensus outer scenarios represent short-term cyclical deviations from the Central scenario, where variable paths converge back to long-term trend expectations.

The fourth scenario, Downside 2, is narrative-driven and explores a more extreme economic outcome than those captured by the consensus scenarios. In this scenario variables do not, by design, revert to long-term trend expectations and may instead explore alternative states of equilibrium, where economic variables move permanently away from past trends.

The consensus Downside and the consensus Upside scenarios are each constructed to be consistent with a 20% and 10% probability respectively. The Downside 2 is constructed to a 5% probability. The Central scenario is assigned the remaining 65% probability. This weighting scheme is deemed appropriate for the unbiased estimation of ECL in most circumstances. However, management may depart from this probability-based scenario weighting approach when the economic outlook and forecasts are determined to be particularly uncertain and risks are elevated.

Scenarios produced to calculate ECL are aligned to the Group's top and emerging risks.

Description of Economic Scenarios

The economic assumptions presented in this section are with reference to external forecasts and estimates for the purpose of calculating ECL.

Forecasts may change and remain subject to uncertainty. Outer scenarios are designed to capture potential crystallisation of key economic and financial risks and alternative paths for economic variables.

The scenarios used to calculate ECL are described below.

(a) ***Credit Risk*** *(continued)*

Measurement uncertainty and sensitivity analysis of ECL estimates *(continued)*

The consensus Central scenario

The Central scenario reflects expectations for slower growth across our key markets, relative to the fourth quarter of 2024. The deterioration reflects the anticipated effect of greater policy uncertainty and higher US tariff rates on trade, investment and employment.

The exceptions are mainland China and Hong Kong, where forecasts have improved. Recent data in these markets has suggested that while tariffs and subdued consumer confidence will remain as headwinds in the months ahead, official support for the respective economies will ensure that the downturn is less pronounced than previously expected, amid strong fiscal support and increasingly supportive monetary conditions.

The key features of our Central scenario are:

- GDP growth rates in our key markets are expected to slow in 2025 and 2026 compared to 2024.

- Consistent with weaker expected growth, Hong Kong unemployment has increased to 3.5% and it is forecasted to remain stable in 2025, but still low by historical standards.

- In Hong Kong and mainland China, inflation is expected to remain subdued amid weak domestic demand and continued strong manufacturing growth in mainland China.

- Housing market conditions also remain mixed, with prices expected to remain depressed in Hong Kong and mainland China. High inventory levels remain the biggest drag on residential property and this is expected to lead to price declines in 2025 and 2026.

- Challenging conditions are also forecast to continue in certain segments of the commercial property sector in our key markets. Structural changes to demand in the office segment in particular have driven lower valuations.

- Policy interest rates in key markets are forecast to gradually decline further in 2025 and 2026. In the longer term, they are expected to remain at a higher level than in recent years.

The Central scenario was created with forecasts available in May, and reviewed continually until the end of June 2025. In accordance with Group's scenario framework, a probability weight of 65% has been assigned to the Central scenario.

***(a) Credit Risk** (continued)*

Measurement uncertainty and sensitivity analysis of ECL estimates *(continued)*

The consensus Central scenario *(continued)*

The following table describes key macroeconomic variables and the probabilities assigned in the consensus Central scenario.

Central scenario	***Hong Kong*** *%*	***Mainland China*** *%*
GDP growth		
annual average growth rate: 2025	1.8	4.3
annual average growth rate: 2026	2.1	4.1
annual average growth rate: 2027	2.4	4.0
annual average growth rate: 2028	2.4	3.9
annual average growth rate: 2029	2.4	3.8
5-year average (3Q 2025 – 2Q 2030)	2.2	3.9
Unemployment rate		
annual average: 2025	3.2	5.2
annual average: 2026	3.1	5.1
annual average: 2027	3.1	5.1
annual average: 2028	3.0	5.0
annual average: 2029	3.0	5.0
5-year average (3Q 2025 – 2Q 2030)	3.1	5.1
House price growth		
annual average growth rate: 2025	(5.3)	(5.9)
annual average growth rate: 2026	(1.2)	(1.5)
annual average growth rate: 2027	4.2	0.6
annual average growth rate: 2028	3.0	2.7
annual average growth rate: 2029	2.6	2.9
5-year average (3Q 2025 – 2Q 2030)	1.6	0.7
Probability	65	65

Note: The annual average growth rate refers to full year average. The 5-year average is computed by using the projection of time period from 3Q 2025 to 2Q 2030.

The consensus Upside scenario

Compared with the Central scenario, the consensus Upside scenario features stronger economic activity in the near term, before converging to long-run trend expectations. It also incorporates lower unemployment and higher asset prices than incorporated in the Central scenario.

The scenario is consistent with a number of key upside risk themes. These include a rollback of tariff measures, deregulation, a de-escalation in geopolitical tensions as the Russia-Ukraine conflict moves quickly towards a conclusion and tensions in the Middle East subside, and an improvement in the US-China relationship.

(a) ***Credit Risk*** *(continued)*

Measurement uncertainty and sensitivity analysis of ECL estimates *(continued)*

The consensus Upside scenario *(continued)*

The following table describes key macroeconomic variables and the probabilities assigned in the consensus Upside scenario.

Consensus Upside scenario best outcome

	Hong Kong		***Mainland China***	
	%		*%*	
GDP growth (%, Start-to-peak)[1]	19.1	2Q30	28.5	2Q30
Unemployment rate (%, Min)[1]	2.7	2Q27	4.6	2Q27
House price index (%, Start-to-peak)[1]	19.8	2Q30	9.4	2Q30
Probability		10		10

[1] *'Start-to-peak' is the cumulative change to the highest level of the series during the 20-quarter projection from 3Q25 to 2Q30. '%, Min' is the lowest projected unemployment rate in the scenario.*

Downside scenarios

Downside scenarios explore the intensification and crystallisation of a number of key economic and financial risks.

The scenarios are modelled so that economic shocks drive consumption and investment lower and commodity prices fall. The nature of the shock varies with the evolution of the risk profile of each country.

Interest rates are lower in the downside scenarios compared with the Central scenario.

Key downside risks include:

- an increase in protectionist policies, as countries that impose tariffs are met with countermeasures. This lowers investment, complicates international supply chains and reduces trade flows; and

- continued differences between the US and China, which affects economic confidence, and the global goods trade and supply chains for critical technologies.

The consensus Downside scenario

In the consensus Downside scenario, economic activity is weaker compared with the Central scenario and the impact of tariffs on the global economy are worse than expected. In this scenario, GDP declines, unemployment rates rise, and asset prices fall. The scenario features an increase in tariffs over and above those assumed in the Central scenario and an escalation of geopolitical tensions. The scenario also features with inflation declines more quickly compared with the Central scenario, as tariffs are assumed to drive a drop in US import demand. Rising unemployment and falling commodity prices also weigh.

The following table describes key macroeconomic variables and the probabilities assigned in the consensus Downside scenario.

(a) Credit Risk *(continued)*

Measurement uncertainty and sensitivity analysis of ECL estimates *(continued)*

The consensus Downside scenario *(continued)*

Consensus Downside scenario worst outcome

	Hong Kong %		*Mainland China* %	
GDP growth (%, Start-to-trough)[1]	(4.2)	1Q26	(2.9)	4Q25
Unemployment rate (%, Max)[1]	4.5	1Q27	6.7	2Q27
House price index (%, Start-to-trough)[1]	(6.9)	1Q26	(10.0)	1Q27
Probability		20		20

1 *'Start-to-trough' is the cumulative change to the lowest level of the series during the 20-quarter projection from 3Q25 to 2Q30. '%, Max' is the highest projected unemployment rate in the scenario.*

Downside 2 scenario

The Downside 2 scenario features a deep global recession and reflects management's view of the tail of the economic distribution. It incorporates the crystallisation of a number of risks simultaneously, including significant increases in tariffs globally. In the scenario, confidence evaporates and the sharp fall in demand leads to a steep decline in commodity and asset prices, and unemployment also increases rapidly.

The following table describes key macroeconomic variables and the probabilities assigned in the Downside 2 scenario.

Downside 2 scenario worst outcome

	Hong Kong %		*Mainland China* %	
GDP growth (%, Start-to-trough)[1]	(10.8)	1Q27	(6.3)	3Q26
Unemployment rate (%, Max)[1]	6.7	2Q26	6.9	2Q27
House price index (%, Start-to-trough)[1]	(22.1)	2Q29	(27.7)	3Q27
Probability		5		5

1 *'Start-to-trough' is the cumulative change to the lowest level of the series during the 20-quarter projection from 3Q25 to 2Q30. '%, Max' is the highest projected unemployment rate in the scenario.*

Scenario weightings

Scenarios are calibrated to probabilities that are determined with reference to consensus probability distributions. Management may then choose to vary weights if they assess that the calibration lags more recent events, or does not reflect their view of the distribution of economic and geopolitical risk. Management's view of the scenarios and weights takes into consideration the relationship of the consensus scenarios to both internal and external assessments of risk.

In reviewing the economic environment, the level of risk and uncertainty, management has considered both global and market specific factors.

In the second quarter of 2025, key considerations around uncertainty attached to the Central scenario projections focused on:

- US import tariffs and bilateral tariff escalations globally and the impact to trade and manufacturing supply chains;
- the outlook for real estate markets, particularly in Hong Kong and mainland China; and
- geopolitical risks, including tensions in the Middle East and the Russia-Ukraine conflict.

(a) Credit Risk *(continued)*

Measurement uncertainty and sensitivity analysis of ECL estimates *(continued)*

Scenario weightings *(continued)*

For the second quarter of 2025, scenario weights were adjusted to the downside to reflect greater risk and uncertainty around the Central scenario projection. Management assessed that a change to the global scenario weightings was appropriate given elevated market measures of volatility and policy uncertainty.

In light of the Israel-Iran conflict in the Middle East, management monitored developments and assessed potential implications. Given the limited consequences for global markets, including oil, and the swift subsequent de-escalation, no additional action was deemed necessary for economic scenario and weights.

Critical accounting estimates and judgements

The calculation of ECL under HKFRS 9 involves significant judgements, assumptions and estimates at 30 June 2025. These include:

- the selection and configuration of economic scenarios, given constant change in economic conditions and distribution of economic risks; and

- estimating the economic effects of those scenarios on ECL where similar observable historical conditions cannot be captured by the credit risk models.

How economic scenarios are reflected in the calculation of ECL

The methodologies for the application of forward economic guidance into the calculation of ECL for wholesale and retail portfolios are set out on pages 59 to 60 of the 2024 Annual Report. Models are used to reflect economic scenarios in ECL estimates. These models are based largely on historical observations and correlations with default.

Economic forecasts and ECL model responses to these forecasts are subject to a degree of uncertainty. The models continue to be supplemented by management judgemental adjustments where required.

Management judgemental adjustments and other adjustments

In the context of HKFRS 9, management judgemental adjustments and other adjustments are typically short-term increases or decreases to the modelled ECL at either a customer, segment or portfolio level, where management believes allowance do not sufficiently reflect the credit risk/ECL at the reporting date. These can relate to risks or uncertainties which are not reflected in the models and/or to any late breaking events with significant uncertainty, subject to management review and challenge.

This includes refining model inputs and outputs and using adjustments to ECL based on management judgement and quantitative analysis for impacts that are difficult to model.

The effect of management judgemental adjustments are considered for both balances and ECL when determining whether or not a significant increase in credit risk has occurred and is allocated to stage where appropriate. This is in accordance with the internal adjustments framework.

The drivers of management judgemental adjustments continue to evolve with the economic environment, and as new risks emerge.

In addition to management judgemental adjustments, there are also 'Other adjustments', which are made to address process limitations and data/model deficiencies and can also include where appropriate, the impact of new models where governance has sufficiently progressed to allow a reasonable estimate of ECL allowance to be incorporated into the total reported ECL.

(a) Credit Risk *(continued)*

Measurement uncertainty and sensitivity analysis of ECL estimates *(continued)*

Management judgemental adjustments and other adjustments *(continued)*

Management judgemental adjustments and other adjustments are reviewed under the governance process for HKFRS 9 (as detailed in the section Credit risk management on pages 48 to 51 of the 2024 Annual Report). Review and challenge focus on the rationale and quantum of the adjustments with further review by the second line of defence where significant. For some management judgemental adjustments, internal frameworks establish the conditions under which these adjustments should no longer be required and as such are considered as part of the governance process. This internal governance process allows management judgemental adjustments to be reviewed regularly and, where possible, to reduce the reliance on these through model recalibration or redevelopment, as appropriate.

'Management judgemental adjustments' and 'Other adjustments' constitute the total value of adjustments to modelled allowance for ECL and are set out in the following table.

	30 June 2025			31 December 2024		
	Retail	Wholesale[2]	Total	Retail	Wholesale[2]	Total
Modelled ECL (A)[3]	1,487	2,546	4,033	1,434	2,120	3,554
Corporate lending adjustments	—	128	128	—	(268)	(268)
Other credit judgements	26	—	26	23	—	23
Total management judgemental adjustments (B)[4]	26	128	154	23	(268)	(245)
Other adjustments (C)[5]	—	798	798	34	206	240
Final ECL (A+B+C)[6]	1,513	3,472	4,985	1,491	2,058	3,549

1 *Figures presented in the table reflect increases or (decreases) to ECL, respectively.*

2 *The wholesale portfolio corresponds to adjustments to the performing portfolio (Stage 1 and Stage 2).*

3 *Refers to probability-weighted allowance for ECL before any adjustments are applied.*

4 *Refers to adjustments that are applied where management believes allowance for ECL does not sufficiently reflect the credit risk/expected credit losses of any given portfolio at the reporting date. These can relate to risks or uncertainties that are not reflected in the model, and/or to any late-breaking events.*

5 *Refers to adjustments to allowance for ECL made to address process limitations, data/model deficiencies, and can also include, where appropriate, the impact of new models where governance has sufficiently progressed to allow an accurate estimate of ECL allowance to be incorporated into the total reported ECL. At 30 June 2025, a qualitative industry sector framework adjustment increased the Wholesale portfolio allowance for ECL HK$411m.*

6 *As presented within our internal credit risk governance (see page 49 of Annual Report 2024).*

(a) Credit Risk *(continued)*

Measurement uncertainty and sensitivity analysis of ECL estimates *(continued)*

Management judgemental adjustments and other adjustments *(continued)*

In the wholesale portfolio, management judgemental adjustments were an increase to modelled allowance for ECL of HK$128m at 30 June 2025 (31 December 2024: HK$268m decrease). The increase in adjustment compared with 31 December 2024, is mostly to reflect heightened uncertainty in specific sectors and geographies, including real estate sector adjustment increases in Hong Kong. Compared with 31 December 2024, total management judgemental adjustments increased by HK$396m at 30 June 2025.

In the retail portfolio, management judgemental adjustments were an increase to modelled allowance for ECL of HK$26m at 30 June 2025 (31 December 2024: HK$23m). For other adjustments relating to model performance in December 2024, adjustment was demised due to completion of model implementation.

Economic scenarios sensitivity analysis of ECL estimates

Management considered the sensitivity of the ECL outcome against the economic forecasts as part of the ECL governance process by recalculating the allowance for ECL under each scenario described above for selected portfolios, applying a 100% weighting to each scenario in turn. The weighting is reflected in both the determination of a significant increase in credit risk and the measurement of the resulting allowances.

The allowance for ECL calculated for the Upside and Downside scenarios should not be taken to represent the upper and lower limits of possible actual ECL outcomes. The impact of defaults that might occur in future under different economic scenarios is captured by recalculating ECL for loans at the balance sheet date.

There is a particularly high degree of estimation uncertainty in numbers representing tail risk scenarios when assigned a 100% weighting.

For wholesale credit risk exposures, the sensitivity analysis excludes ECL and financial instruments related to defaulted obligors because the measurement of ECL is relatively more sensitive to credit factors specific to the obligor than future economic scenarios. Therefore, it is impracticable to separate the effect of macroeconomic factors in individual assessments.

For retail credit risk exposures, the impact from sensitivity analysis is mainly from unsecured portfolios which are sensitive to macroeconomic variables predictions.

Wholesale and Retail sensitivity

The wholesale and retail sensitivity tables present the 100% weighted results. These exclude portfolios held by the insurance business and small portfolios and as such cannot be directly compared to personal and wholesale lending presented in other credit risk tables. Additionally, in both the wholesale and retail analysis, the comparative period results for Downside 2 scenarios are not directly comparable to the current period, because they reflect different risk profiles relative with the Consensus scenarios for the period end.

The wholesale and retail sensitivity analysis is stated inclusive of management judgemental adjustments, as appropriate to each scenario.

(a) Credit Risk *(continued)*

Measurement uncertainty and sensitivity analysis of ECL estimates *(continued)*

Wholesale and Retail sensitivity *(continued)*

For both retail and wholesale portfolios, the gross carrying amount of financial instruments are the same under each scenario. For exposures with similar risk profile and product characteristics, the sensitivity impact is therefore largely the result of changes in macroeconomic assumptions.

Wholesale analysis

HKFRS 9 ECL sensitivity to future economic conditions[1,3]

ECL of financial instruments subject to significant measurement uncertainty[2]	30 June 2025		31 December 2024	
	Hong Kong	Mainland China	Hong Kong	Mainland China
Reported ECL	2,710	716	1,636	404
Central scenario	2,583	636	1,501	346
Upside scenario	2,101	479	1,071	237
Downside scenario	3,054	989	2,541	668
Downside 2 scenario	4,549	1,492	4,513	1,429

1 *Excludes ECL and financial instruments on defaulted obligors because the measure of ECL is relatively more sensitive to credit factors specific to the obligor than future economic scenarios.*

2 *Includes off-balance sheet financial instruments that are subject to significant measurement uncertainty.*

3 *ECL sensitivity is calculated by applying a 100% weighting to each scenario described above, and then applying judgemental overlays where determined appropriate.*

Retail analysis

HKFRS 9 ECL sensitivity to future economic conditions[1,3]

	30 June 2025		31 December 2024	
ECL of loans and advances to customers[2]	Hong Kong	Mainland China	Hong Kong	Mainland China
Reported ECL	1,315	74	1,311	57
Central scenario	1,268	53	1,239	46
Upside scenario	1,243	51	1,213	45
Downside scenario	1,365	87	1,336	63
Downside 2 scenario	2,065	180	3,564	155

1 *ECL sensitivities exclude portfolios utilising less complex modelling approaches.*

2 *ECL sensitivity includes only on-balance sheet financial instruments to which HKFRS 9 impairment requirements are applied.*

3 *ECL sensitivity is calculated by applying a 100% weighting to each scenario described above, and then applying judgemental overlays where determined appropriate.*

At 30 June 2025, the most significant level of ECL sensitivity was observed in Hong Kong driven by the relative size of the portfolio. Hong Kong mortgages had low levels of reported ECL due to secured nature. Credit cards and other unsecured lending are more sensitive to economic forecasts, and therefore reflected the highest level of ECL sensitivity during the first half of 2025.

(a) ***Credit Risk*** *(continued)*

Reconciliation of changes in gross carrying/nominal amount and allowances for placings with and advances to banks and loans and advances to customers, including loan commitments and financial guarantees

	Non credit – impaired				*Credit – impaired*				*Total*	
	Stage 1		*Stage 2*		*Stage 3*		*POCI[1]*			
	Gross carrying/ nominal amount	*Allowance for ECL*	*Gross carrying/ nominal amount*	*Allowance for ECL*	*Gross carrying/ nominal amount*	*Allowance for ECL*	*Gross carrying/ nominal amount*	*Allowance for ECL*	*Gross carrying/ nominal amount*	*Allowance for ECL*
At 1 January 2025	**1,121,033**	**(751)**	**88,366**	**(2,535)**	**51,003**	**(9,764)**	**142**	**(54)**	**1,260,544**	**(13,104)**
Transfers of financial instruments:										
– transfers from Stage 1 to Stage 2	(100,115)	116	100,115	(116)	–	–	–	–	–	–
– transfers from Stage 2 to Stage 1	7,883	(207)	(7,883)	207	–	–	–	–	–	–
– transfers to Stage 3	(166)	2	(7,259)	242	7,425	(244)	–	–	–	–
– transfers from Stage 3	26	(4)	63	(1)	(89)	5	–	–	–	–
Net remeasurement of ECL arising from transfer of stage	–	139	–	(204)	–	(4)	–	–	–	(69)
Changes due to modifications not derecognised	–	–	–	–	(3)	–	–	–	(3)	–
New financial assets originated and purchased[2]	178,663	(127)	10,291	(369)	–	–	–	–	188,954	(496)
Assets derecognised (including final repayments)	(132,755)	36	(9,823)	224	(1,313)	109	–	–	(143,891)	369
Changes to risk parameters – further lending/(repayments)	(19,179)	71	(25,683)	131	(1,938)	515	–	–	(46,800)	717
Changes to risk parameters – credit quality	–	236	–	(1,548)	–	(3,473)	–	(20)	–	(4,805)
Changes to model used for ECL calculation	–	(279)	–	160	–	–	–	–	–	(119)
Assets written off	–	–	–	–	(1,660)	1,660	–	–	(1,660)	1,660
Foreign exchange and others	3,683	(5)	435	(13)	1,267	(641)	5	(5)	5,390	(664)
At 30 June 2025	**1,059,073**	**(773)**	**148,622**	**(3,822)**	**54,692**	**(11,837)**	**147**	**(79)**	**1,262,534**	**(16,511)**

	Total
Change in ECL in income statement (charge)/release for the period	(4,403)
Add: Recoveries	94
Add: Modification losses on contractual cash flows that did not result in derecognition	(3)
Add/(less): Others	(481)
Total ECL (charge)/release for the period	**(4,793)**

***(a) Credit Risk** (continued)*

Reconciliation of changes in gross carrying/nominal amount and allowances for placings with and advances to banks and loans and advances to customers, including loan commitments and financial guarantees *(continued)*

	At 30 June 2025		*For the half-year ended 30 June 2025*
	Gross carrying/ nominal amount	*Allowance for ECL*	*ECL (charge)/ release*
Placings with and advances to banks and loans and advances to customers, including loan commitments and financial guarantees	1,262,534	(16,511)	(4,793)
Other financial assets measured at amortised cost	183,842	(56)	(15)
Forward forward deposit placed	2,613	—	—
Summary of financial instruments to which the impairment requirements in HKFRS 9 are applied	1,448,989	(16,567)	(4,808)
Debt instruments measured at FVOCI[3]	437,318	(8)	(2)
Performance and other guarantees	18,207	(72)	(51)
Total allowances for ECL/total consolidated income statement ECL charge for the period	1,904,514	(16,647)	(4,861)

1 *Purchased or originated credit-impaired ('POCI') represented distressed restructuring.*

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

3 *For the purposes of this disclosure, gross carrying value is defined as the amortised cost of a financial asset, before adjusting for any loss allowances. As such, the gross carrying value of debt instruments at FVOCI as presented above will not reconcile to the Interim Condensed Consolidated Balance Sheet as it excludes fair value gains and losses.*

4 *The shift of gross carrying value between Stage 1 and Stage 2 arose from higher average PD for the remaining term at the reporting date, reflecting updates to our PD models. These were compared with the PD calculated at origination. Change in credit quality also led to transfer from Stage 1 to Stage 2.*

5 *The financial information included in this table forms part of the Interim Condensed Consolidated Financial Statements which have been reviewed by PricewaterhouseCoopers.*

(a) ***Credit Risk*** *(continued)*

Reconciliation of changes in gross carrying/nominal amount and allowances for placings with and advances to banks and loans and advances to customers, including loan commitments and financial guarantees *(continued)*

	Non credit – impaired				Credit – impaired				Total	
	Stage 1		Stage 2		Stage 3		POCI[1]			
	Gross carrying/ nominal amount	Allowance for ECL	Gross carrying/ nominal amount	Allowance for ECL	Gross carrying/ nominal amount	Allowance for ECL	Gross carrying/ nominal amount	Allowance for ECL	Gross carrying/ nominal amount	Allowance for ECL
At 1 January 2024	1,125,306	(798)	155,555	(3,840)	24,635	(9,158)	117	–	1,305,613	(13,796)
Transfers of financial instruments:										
– transfers from Stage 1 to Stage 2	(42,560)	63	42,560	(63)	–	–	–	–	–	–
– transfers from Stage 2 to Stage 1	37,999	(539)	(37,999)	539	–	–	–	–	–	–
– transfers to Stage 3	(4,801)	48	(32,477)	1,245	37,278	(1,293)	–	–	–	–
– transfers from Stage 3	1	–	29	(3)	(30)	3	–	–	–	–
Net remeasurement of ECL arising from transfer of stage	–	207	–	(113)	–	(11)	–	–	–	83
Changes due to modifications not derecognised	–	–	–	–	(45)	–	–	–	(45)	–
New financial assets originated and purchased[2]	272,609	(223)	6,313	(209)	–	–	–	–	278,922	(432)
Assets derecognised (including final repayments)	(224,777)	134	(58,959)	488	(970)	13	–	–	(284,706)	635
Changes to risk parameters – further lending/(repayments)	(38,592)	163	13,783	156	(6,233)	371	3	–	(31,039)	690
Changes in risk parameters – credit quality	–	95	–	(621)	–	(4,714)	–	(33)	–	(5,273)
Changes to model used for ECL calculation	–	35	–	(125)	–	–	–	–	–	(90)
Assets written off	–	–	–	–	(6,317)	6,317	–	–	(6,317)	6,317
Foreign exchange and others	(4,152)	64	(439)	11	2,685	(1,292)	22	(21)	(1,884)	(1,238)
At 31 December 2024	1,121,033	(751)	88,366	(2,535)	51,003	(9,764)	142	(54)	1,260,544	(13,104)

	Total
Change in ECL in income statement (charge)/release for the year	(4,387)
Add: Recoveries	179
Add: Modification losses on contractual cash flows that did not result in derecognition	(45)
Add/(less): Others	(553)
Total ECL (charge)/release for the year	(4,806)

(a) Credit Risk *(continued)*

Reconciliation of changes in gross carrying/nominal amount and allowances for placings with and advances to banks and loans and advances to customers, including loan commitments and financial guarantees *(continued)*

	At 31 December 2024		*For the year ended 31 December 2024*
	Gross carrying/ nominal amount	*Allowance for ECL*	*ECL (charge)/ release*
Placings with and advances to banks and loans and advances to customers, including loan commitments and financial guarantees	1,260,544	(13,104)	(4,806)
Other financial assets measured at amortised cost	202,436	(23)	28
Summary of financial instruments to which the impairment requirements in HKFRS 9 are applied	1,462,980	(13,127)	(4,778)
Debt instruments measured at FVOCI[3]	407,065	(5)	(2)
Performance and other guarantees	20,950	(21)	7
Total allowances for ECL/total consolidated income statement ECL charge for the year	1,890,995	(13,153)	(4,773)

1 *Purchased or originated credit-impaired ('POCI') represented distressed restructuring.*

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

3 *For the purposes of this disclosure, gross carrying value is defined as the amortised cost of a financial asset, before adjusting for any loss allowances. As such, the gross carrying value of debt instruments at FVOCI as presented above will not reconcile to the Consolidated Balance Sheet as it excludes fair value gains and losses.*

(a) ***Credit Risk*** *(continued)*

Credit quality of financial instruments

The five credit quality classifications defined in the table below each encompass a range of granular internal credit rating grades assigned to wholesale and retail lending businesses and the external ratings attributed by external agencies to debt securities, as shown in the table below. Under HKFRS 9 retail lending credit quality is based on a 12-month point-in-time ('PIT') probability-weighted PD. The credit quality classifications for wholesale lending are unchanged and are based on internal credit risk ratings.

	Sovereign debt securities and bills	*Other debt securities and bills*	*Wholesale lending*		*Retail lending*	
Credit Quality classification[1,2]	*External credit rating*	*External credit rating*	*Internal credit rating*	*12-month Basel probability of default %*	*Internal credit rating*	*12-month probability-weighted PD %*
Strong	BBB and above	A- and above	CRR1 to CRR2	0-0.169	Band 1 and 2	0-0.500
Good	BBB- to BB	BBB+ to BBB-	CRR3	0.170-0.740	Band 3	0.501-1.500
Satisfactory	BB- to B and unrated	BB+ to B and unrated	CRR4 to CRR5	0.741-4.914	Band 4 and 5	1.501-20.000
Sub-standard	B- to C	B- to C	CRR6 to CRR8	4.915-99.999	Band 6	20.001-99.999
Credit-impaired	Default	Default	CRR9 to CRR10	100	Band 7	100

1 *Customer risk rating ('CRR').*

2 *12-month point-in-time ('PIT') probability-weighted probability of default ('PD').*

Quality classification definitions:

- *Strong exposures demonstrate a strong capacity to meet financial commitments, with negligible or low probability of default and/or low levels of expected loss.*
- *Good exposures require closer monitoring and demonstrate a good capacity to meet financial commitments, with low default risk.*
- *Satisfactory exposures require closer monitoring and demonstrate an average-to-fair capacity to meet financial commitments, with moderate default risk.*
- *Sub-standard exposures require varying degrees of special attention and default risk is of greater concern.*
- *Credit-impaired exposures have been assessed as described on note 2(j) on the Consolidated Financial Statements in 2024 Annual Report.*

(a) Credit Risk (continued)

Credit quality of financial instruments *(continued)*

Distribution of financial instruments to which the impairment requirements in HKFRS 9 are applied, by credit quality and stage distribution

	Gross carrying/notional amount							
	Strong	Good	Satisfactory	Sub-standard	Credit-impaired	Total	Allowance for ECL	Net
Loans and advances to customers at amortised cost	452,208	128,499	160,589	23,592	54,821	819,709	(16,353)	803,356
– Stage 1	449,004	101,666	88,316	451	–	639,437	(683)	638,754
– Stage 2	3,204	26,833	72,273	23,141	–	125,451	(3,754)	121,697
– Stage 3	–	–	–	–	54,674	54,674	(11,837)	42,837
– POCI	–	–	–	–	147	147	(79)	68
Placings with and advances to banks at amortised cost	84,236	995	–	–	–	85,231	(3)	85,228
– Stage 1	84,052	995	–	–	–	85,047	(3)	85,044
– Stage 2	184	–	–	–	–	184	–	184
– Stage 3	–	–	–	–	–	–	–	–
– POCI	–	–	–	–	–	–	–	–
Other financial assets measured at amortised cost	161,228	14,962	7,575	64	13	183,842	(56)	183,786
– Stage 1	161,194	13,154	7,105	–	–	181,453	(44)	181,409
– Stage 2	34	1,808	470	64	–	2,376	(7)	2,369
– Stage 3	–	–	–	–	13	13	(5)	8
– POCI	–	–	–	–	–	–	–	–
Loan and other credit-related commitments[2]	270,960	49,098	39,150	377	18	359,603	(151)	359,452
– Stage 1	268,212	39,251	29,262	59	–	336,784	(87)	336,697
– Stage 2	2,748	9,847	9,888	318	–	22,801	(64)	22,737
– Stage 3	–	–	–	–	18	18	–	18
– POCI	–	–	–	–	–	–	–	–
Financial guarantees and similar contracts[2]	395	27	182	–	–	604	(4)	600
– Stage 1	394	15	9	–	–	418	–	418
– Stage 2	1	12	173	–	–	186	(4)	182
– Stage 3	–	–	–	–	–	–	–	–
– POCI	–	–	–	–	–	–	–	–
At 30 June 2025	969,027	193,581	207,496	24,033	54,852	1,448,989	(16,567)	1,432,422
Debt instruments at FVOCI[1]								
– Stage 1	437,316	2	–	–	–	437,318	(8)	437,310
– Stage 2	–	–	–	–	–	–	–	–
– Stage 3	–	–	–	–	–	–	–	–
– POCI	–	–	–	–	–	–	–	–
At 30 June 2025	437,316	2	–	–	–	437,318	(8)	437,310

1 *For the purposes of this disclosure, gross carrying value is defined as the amortised cost of a financial asset, before adjusting for any loss allowances. As such, the gross carrying value of debt instruments at FVOCI as presented above will not reconcile to the figure shown in the Interim Condensed Consolidated Balance Sheet as it excludes fair value gains and losses.*

2 *Figures do not include commitments and financial guarantee contracts not subject to impairment requirements under HKFRS 9. As such, the amounts do not agree with the figures shown in note 34(a) of the Interim Condensed Consolidated Financial Statements.*

3 *The financial information included in this table forms part of the Interim Condensed Consolidated Financial Statements which have been reviewed by PricewaterhouseCoopers.*

(a) ***Credit Risk*** *(continued)*

Credit quality of financial instruments *(continued)*

Distribution of financial instruments to which the impairment requirements in HKFRS 9 are applied, by credit quality and stage distribution *(continued)*

	Gross carrying/notional amount							
	Strong	*Good*	*Satisfactory*	*Sub-standard*	*Credit-impaired*	*Total*	*Allowance for ECL*	*Net*
Loans and advances to customers at amortised cost	465,309	122,793	165,397	27,646	50,964	832,109	(12,973)	819,136
– Stage 1	461,564	118,603	125,317	994	–	706,478	(683)	705,795
– Stage 2	3,745	4,190	40,080	26,652	–	74,667	(2,472)	72,195
– Stage 3	–	–	–	–	50,822	50,822	(9,764)	41,058
– POCI	–	–	–	–	142	142	(54)	88
Placings with and advances to banks at amortised cost	75,953	248	22	–	–	76,223	(2)	76,221
– Stage 1	75,737	248	22	–	–	76,007	(2)	76,005
– Stage 2	216	–	–	–	–	216	–	216
– Stage 3	–	–	–	–	–	–	–	–
– POCI	–	–	–	–	–	–	–	–
Other financial assets measured at amortised cost	184,513	11,292	6,581	44	6	202,436	(23)	202,413
– Stage 1	184,505	11,232	5,615	–	–	201,352	(20)	201,332
– Stage 2	8	60	966	44	–	1,078	(3)	1,075
– Stage 3	–	–	–	–	6	6	–	6
– POCI	–	–	–	–	–	–	–	–
Loan and other credit-related commitments[2]	261,586	44,551	43,211	785	181	350,314	(126)	350,188
– Stage 1	260,224	40,846	35,545	383	–	336,998	(65)	336,933
– Stage 2	1,362	3,705	7,666	402	–	13,135	(61)	13,074
– Stage 3	–	–	–	–	181	181	–	181
– POCI	–	–	–	–	–	–	–	–
Financial guarantees and similar contracts[2]	550	458	738	152	–	1,898	(3)	1,895
– Stage 1	550	454	546	–	–	1,550	(1)	1,549
– Stage 2	–	4	192	152	–	348	(2)	346
– Stage 3	–	–	–	–	–	–	–	–
– POCI	–	–	–	–	–	–	–	–
At 31 December 2024	987,911	179,342	215,949	28,627	51,151	1,462,980	(13,127)	1,449,853
Debt instruments at FVOCI[1]								
– Stage 1	407,063	2	–	–	–	407,065	(5)	407,060
– Stage 2	–	–	–	–	–	–	–	–
– Stage 3	–	–	–	–	–	–	–	–
– POCI	–	–	–	–	–	–	–	–
At 31 December 2024	407,063	2	–	–	–	407,065	(5)	407,060

1 *For the purposes of this disclosure, gross carrying value is defined as the amortised cost of a financial asset, before adjusting for any loss allowances. As such, the gross carrying value of debt instruments at FVOCI as presented above will not reconcile to the figure shown in the Interim Condensed Consolidated Balance Sheet as it excludes fair value gains and losses.*

2 *Figures do not include commitments and financial guarantee contracts not subject to impairment requirements under HKFRS 9. As such, the amounts do not agree with the figures shown in note 34(a) of the Interim Condensed Consolidated Financial Statements.*

(a) Credit Risk *(continued)*

Credit quality of financial instruments *(continued)*

Mainland China Commercial Real Estate

The following table presents the Group's total exposure to borrowers classified in the mainland China Commercial real estate ('CRE') sector where the ultimate parent is based in mainland China, as well as all CRE exposures booked on mainland China balance sheets.

CRE lending includes the financing of corporate and institutional customers who are investing primarily in income-producing assets and, to a lesser extent, in their construction and development. The exposures in the table are related to companies whose primary activities are focused on these activities. However, in addition to our normal definition of CRE, this table includes financing provided to a corporate or financial entity for the purchase or financing of a property which supports the overall operations of the business. This provides a more comprehensive view of our mainland China CRE exposures. The exposures at 30 June 2025 are split by country/territory and credit quality including allowances for ECL by stage.

(a) ***Credit Risk*** *(continued)*

Credit quality of financial instruments *(continued)*

Mainland China Commercial Real Estate *(continued)*

	At 30 June 2025			At 31 December 2024		
	Hong Kong	Mainland China	Total	Hong Kong	Mainland China	Total
Loans and advances to customers[1]	9,352	6,504	15,856	10,975	7,002	17,977
Guarantees issued and others[2]	—	—	—	—	—	—
Total mainland China CRE exposure	9,352	6,504	15,856	10,975	7,002	17,977
Distribution of mainland China CRE exposure by credit quality						
– Strong	—	1,790	1,790	94	1,137	1,231
– Good	43	1,197	1,240	755	1,046	1,801
– Satisfactory	762	1,507	2,269	776	3,245	4,021
– Sub-standard	833	1,058	1,891	983	409	1,392
– Credit-impaired	7,714	952	8,666	8,367	1,165	9,532
	9,352	6,504	15,856	10,975	7,002	17,977
Allowance by ECL by credit quality						
– Strong	—	5	5	—	2	2
– Good	1	6	7	—	6	6
– Satisfactory	3	24	27	1	48	49
– Sub-standard	229	452	681	196	158	354
– Credit-impaired	2,975	346	3,321	3,101	393	3,494
	3,208	833	4,041	3,298	607	3,905
Allowance by ECL by stage						
– Stage 1	1	25	26	—	26	26
– Stage 2	232	462	694	197	188	385
– Stage 3	2,896	346	3,242	3,047	393	3,440
– POCI	79	—	79	54	—	54
	3,208	833	4,041	3,298	607	3,905
ECL coverage %	34.3	12.8	25.5	30.1	8.7	21.7

1 *Amounts represent gross carrying amount.*

2 *Amounts represent nominal amount.*

(a) Credit Risk *(continued)*

Credit quality of financial instruments *(continued)*

Mainland China Commercial Real Estate *(continued)*

The mainland China commercial real estate portfolio continues to face challenges as market fundamentals remain weak with heightened refinancing risk. The portfolio of loans booked in Hong Kong remains impacted by these challenges but continues to reduce due to repayments and write-offs. ECL allowances are primarily held against unsecured exposures but are broadly stable.

Approximately one-third of the performing exposure in the mainland China CRE portfolio booked in Hong Kong is lending to state-owned enterprises and relatively strong privately-owned enterprises. This is reflected in the relatively low allowances for ECL in this part of the portfolio.

The onshore portfolio booked in mainland China remains of higher credit quality, with lower ECL allowances reflecting collateral held. The portfolio continues to rebalance in favour of Strong rated borrowers.

Market conditions nevertheless remain weak. Government stimulus measures have not yet triggered a meaningful recovery in underlying demand for housing, although some stabilisation is seen in certain cities. Financing conditions and liquidity for borrowers operating in the real estate sector therefore remain constrained, particularly for privately-owned enterprises. A full recovery is likely to be protracted and dependent on a sustained improvement in underlying sentiment, as well as further government support.

Hong Kong Commercial Real Estate

The following table presents the Group's CRE lending booked in Hong Kong and not fall under the mainland China CRE sector. The exposures are split by stage and credit quality.

	At 30 June 2025	*At 31 December 2024*
Gross loans and advances to customers by stage		
– Stage 1	**31,957**	81,274
– Stage 2	**66,851**	29,438
– Stage 3	**25,012**	19,806
– POCI	**—**	—
Total[1]	**123,820**	130,518
Allowance for ECL	**4,194**	1,654
Gross loans and advances to customers by credit quality		
– Strong	**15,062**	20,161
– Good	**30,310**	33,911
– Satisfactory	**38,936**	39,880
– Sub-standard	**14,500**	16,760
– Credit-impaired	**25,012**	19,806
Total	**123,820**	130,518

1 *The shift of gross carrying value between Stage 1 and Stage 2 arose from higher average PD for the remaining term at the reporting date, reflecting updates to our PD models. These were compared with the PD calculated at origination. Change in credit quality also led to transfer from Stage 1 to Stage 2.*

(a) Credit Risk (continued)

Credit quality of financial instruments *(continued)*

Hong Kong Commercial Real Estate *(continued)*

The Hong Kong CRE portfolio (excluding exposure to mainland China borrowers) saw further negative migration in the first half of 2025 as a result of ongoing market challenges. This was predominantly driven by a continued deterioration in the secured book which accounts for 63% of the total portfolio (31 December 2024: 61%).

Sub-standard and Credit-impaired exposures increased to HK$39.5bn (31 December 2024: HK$36.6bn), of which 95% is secured. As at 30 June 2025, the weighted average LTV:

- Of performing exposures rated Sub-standard was 45% (31 December 2024: 49%); There is immaterial exposure of HK$18m with an LTV of greater than 70% (31 December 2024: HK$1.1bn);

- Of Credit-impaired exposures was 71% (31 December 2024: 60%). Within this portfolio, HK$8.1bn has an LTV of greater than 70% (31 December 2024: HK$5.9bn).

Collateral information and LTV calculation is based on total limits, inclusive of off-balance sheet commitments, of HK$148bn as of 30 June 2025 (31 December 2024: HK$164bn).

The unsecured portfolio remained stable in size and quality, with limited Credit-impaired levels and 93% rated Strong or Good (31 December 2024: 93%). Unsecured exposures are typically granted to strong, listed Hong Kong CRE developers, which commonly are members of conglomerate groups with diverse cashflows.

Market conditions are expected to remain challenging overall although the residential property market has benefited from the relaxation of government restrictions, with a continued stabilisation in transaction levels observed since 2024. Commercial property nevertheless faces continued downward pressure as oversupply continues to negatively impact both rents and capital values. Collateral buffers decrease as valuations are updated in line with our existing practice. This resulted in higher levels of ECL allowances in the first half of 2025, particularly in the Credit-impaired portfolio. ECL allowances were also driven by a combination of continued negative migration and impact from model changes. Whilst the recent reduction in HIBOR should provide short-term liquidity and debt serviceability relief to borrowers operating in this sector, property price pressure is likely to persist until economic conditions and sentiment improve. Further credit migrations are therefore expected in the second half of 2025.

We continue to closely assess and manage the risk in the portfolio, including through portfolio reviews and stress testing. Vulnerable borrowers, including those with debt serviceability challenges and higher LTV levels, are subject to heightened monitoring and management.

(b) Treasury Risk

Treasury risk is the risk of having insufficient capital, liquidity or funding resources to meet financial obligations and satisfy regulatory requirements, including the risk of an adverse impact on earnings or capital due to structural or transactional foreign exchange exposures and changes in market interest rates, together with pension and insurance risk.

We intend to initiate a share buy-back of up to HK$3bn, which we expect to complete within six months.

Capital Risk

A summary of our risk management approach and processes are set out on pages 80 to 83 of our 2024 Annual Report.

The Bank is primarily a provider of equity capital to its subsidiaries. These investments are substantially funded by the Bank's own capital, issuance and profit retention. The Bank seeks to maintain a prudent balance between the composition of its capital and that of its investment in subsidiaries.

The Group uses the advanced internal ratings-based ('IRB') approach and the foundation IRB approach to calculate its credit risk for the majority of its non-securitisation exposures. For collective investment scheme exposures, the Group uses the look-through approach to calculate the risk-weighted amount. For counterparty credit risk, the Group uses standardised (counterparty credit risk) approach to calculate its default risk exposures for derivatives, and the comprehensive approach for securities financing transactions. For credit valuation adjustment ('CVA'), the Group uses reduced basic CVA approach to calculate CVA capital charge. The Group uses the standardised (market risk) approach to calculate its market risk capital charge and the standardised operational risk approach to calculate its operational risk capital charge.

(b) Treasury Risk (continued)

Capital Risk *(continued)*

Capital Base

The following table sets out the composition of the Group's capital base under Banking (Capital) Rules at 30 June 2025 and 31 December 2024. A more detailed breakdown of the capital position and a full reconciliation between the Group's accounting and regulatory balance sheets will be available in the Banking Disclosure Statement in the Regulatory Disclosures section of our website www.hangseng.com.

	At 30 June 2025	At 31 December 2024
Common Equity Tier 1 ('CET1') Capital		
Shareholders' equity	153,948	152,799
– Shareholders' equity per balance sheet	170,670	169,522
– Additional Tier 1 ('AT1') perpetual capital instruments	(11,587)	(11,587)
– Unconsolidated subsidiaries	(5,135)	(5,136)
Non-controlling interests	—	—
– Non-controlling interests per balance sheet	39	42
– Non-controlling interests in unconsolidated subsidiaries	(39)	(42)
Regulatory deductions to CET1 capital	(34,623)	(32,394)
– Cash flow hedge reserve	(1,655)	134
– Changes in own credit risk on fair valued liabilities	(1)	(1)
– Property revaluation reserves*	(21,591)	(22,736)
– Regulatory reserve	—	(734)
– Intangible assets	(3,480)	(3,498)
– Defined benefit pension fund assets	(177)	(269)
– Deferred tax assets net of deferred tax liabilities	(428)	(389)
– Valuation adjustments	(147)	(161)
– Excess of total expected loss amount over total eligible provisions under the IRB approach	(7,144)	(4,740)
Total CET1 Capital	119,325	120,405
AT1 Capital		
Total AT1 capital before and after regulatory deductions	11,587	11,587
– Perpetual capital instruments	11,587	11,587
Total AT1 Capital	11,587	11,587
Total Tier 1 ('T1') Capital	130,912	131,992
Tier 2 ('T2') Capital		
Total T2 capital before regulatory deductions	9,886	10,507
– Property revaluation reserves*	9,716	10,231
– Impairment allowances and regulatory reserve eligible for inclusion in T2 capital	170	276
Regulatory deductions to T2 capital	(1,045)	(1,045)
– Significant capital investments in unconsolidated financial sector entities	(1,045)	(1,045)
Total T2 Capital	8,841	9,462
Total Capital	139,753	141,454

* *Includes the revaluation surplus on investment properties which is reported as part of retained profits and related adjustments made in accordance with the Banking (Capital) Rules issued by the HKMA.*

***(b) Treasury Risk** (continued)*

Capital Risk *(continued)*

Risk-weighted assets by risk type	***At 30 June 2025***	*At 31 December 2024*
Credit risk	**498,447**	595,975
Market risk	**14,497**	14,749
Operational risk	**48,008**	69,358
Total	**560,952**	680,082

Capital ratios (as a percentage of risk-weighted assets)

The capital ratios on consolidated basis calculated in accordance with the Banking (Capital) Rules are as follows:

	At 30 June 2025	*At 31 December 2024*
CET1 capital ratio	**21.3%**	17.7%
T1 capital ratio	**23.3%**	19.4%
Total capital ratio	**24.9%**	20.8%

Regulatory capital ratios at 30 June 2025 are calculated based on the Basel III Final Reform package which was implemented in Hong Kong on 1 January 2025. Prior period ratios have not been restated.

In addition, the capital ratios of all tiers as of 30 June 2025 would be reduced by approximately 0.4 percentage point after the prospective second interim dividend payment for 2025 (31 December 2024: reduced by approximately 0.9 percentage point after the prospective fourth interim dividend payment for 2024). The following table shows the pro-forma basis position of the capital ratios after the prospective interim dividend.

	Pro-forma At 30 June 2025	*Pro-forma At 31 December 2024*
CET1 capital ratio	**20.8%**	16.8%
T1 capital ratio	**22.9%**	18.5%
Total capital ratio	**24.5%**	19.9%

Dividend policy

Objective

The Bank's medium to long term dividend objective is to maintain steady dividends in light of profitability, regulatory requirements, growth opportunities and the operating environment. Its roadmap is designed to generate increasing shareholders' value through strategic business growth. The Bank would balance solid yields with the longer-term reward of sustained share price appreciation.

(b) Treasury Risk *(continued)*

Capital Risk *(continued)*

Dividend policy *(continued)*

Considerations

Unless under special circumstances, the Bank has established a target dividend payout ratio of 70% for 2025 with the commitment to prioritise growth opportunities while delivering sustainable capital returns to our shareholders in the form of ordinary dividends and additional shareholder distributions, if appropriate.

The Bank will periodically review this dividend policy, and the declaration of dividends is made at the discretion of the Board, which will take into account all relevant factors including the following:

- regulatory requirements;
- financial results;
- level of distributable reserves;
- general business conditions and strategies;
- strategic business plan and capital plan;
- statutory and regulatory restrictions on dividend payment; and
- any other factors the Board may deem relevant.

Phasing and Timing

Under normal circumstances and if the Board determines to declare a dividend at its discretion, dividends would be declared on a quarterly basis. The phasing of dividends would be planned on a prudent basis to allow for any unforeseen events, which might arise towards the end of an accounting period. Phasing of dividends would also take account of the volatility of the Bank's profits.

Liquidity and funding risk

There have been no changes to liquidity and funding risk methodology in the first half of 2025. See pages 84 to 86 of our 2024 Annual Report for further details.

(b) Treasury Risk *(continued)*

Liquidity and funding risk *(continued)*

Liquidity information

The Group is required to calculate its LCR and NSFR on a consolidated basis in accordance with rule 11(1) of The Banking (Liquidity) Rules ('BLR') and to maintain both LCR and NSFR of not less than 100%.

The average LCRs for the reportable periods are as follows:

	Quarter ended			
	30 Jun 2025	**31 Mar 2025**	30 Jun 2024	31 Mar 2024
Average LCR	**335.0%**	**328.7%**	277.2%	276.8%

The Group maintained a strong LCR of 311.0% at 30 June 2025 (31 December 2024: 301.0%) which is well above the statutory requirement. The average LCR increased to 335.0% for the quarter ended 30 June 2025, mainly reflecting the increase in commercial surplus.

The composition of the Group's high quality liquid assets ('HQLA') as defined under Schedule 2 of the BLR is shown as below. The majority of the HQLA held by the Group are Level 1 assets which consist mainly of government debt securities.

	Weighted amount (average value) at quarter ended			
	30 Jun 2025	**31 Mar 2025**	30 Jun 2024	31 Mar 2024
Level 1 assets	**464,938**	**479,390**	393,516	379,665
Level 2A assets	**37,005**	**31,163**	10,125	10,378
Level 2B assets	**4,949**	**4,592**	3,544	3,187
Total weighted amount of HQLA	**506,892**	**515,145**	407,185	393,230

The NSFRs at the reportable quarter-end are as follows:

	At quarter ended			
	30 Jun 2025	**31 Mar 2025**	30 Jun 2024	31 Mar 2024
NSFR	**182.6%**	**180.1%**	168.2%	171.7%

The funding position of the Group remained strong for the first half of 2025. The period end NSFR were 182.6% and 180.1% for the quarters ended 30 June and 31 March 2025 respectively, compared with 168.2% and 171.7% for the quarters ended 30 June and 31 March 2024 respectively.

To comply with the Banking (Disclosure) Rules, the details of liquidity information will be found in the Regulatory Disclosures section of our website www.hangseng.com.

(b) Treasury Risk *(continued)*

Interest Rate Risk in the Banking Book

Interest rate risk in the banking book is the risk of an adverse impact to earnings or capital due to changes in market interest rates. It is generated by our non-traded assets and liabilities, specifically loans, deposits and financial instruments that are not held for trading intent or held in order to hedge positions held with trading intent. Interest rate risk that can be economically hedged may be transferred to the Markets Treasury. Hedging is generally executed through interest rate derivatives or fixed-rate government bonds. Any interest rate risk that Markets Treasury cannot economically hedge is not transferred and will remain within the global business where the risks originate.

The following tables set out the assessed impact to a hypothetical base case projection of our NII under an immediate shock of 100bps to the current market-implied path of interest rates across all currencies on 1 July 2025 (effects in the coming 12 months).

The sensitivities shown represent a hypothetical simulation of the base case income, assuming a static balance sheet and no management actions from Markets Treasury.

The sensitivity analysis performed in the case of a down-shock does not include floors to market rates. However, floors have been maintained for deposits and loans to customers where this is contractual or where negative rates would not be applied.

An immediate interest rate rise of 100bps would increase projected NII for the 12 months to 30 June 2026 by HK$1,461m. An immediate interest rate fall of 100bps would decrease projected NII for the 12 months to 30 June 2026 by HK$2,597m.

NII sensitivity to an instantaneous change in yield curves (12 months) by currency:

	Change in July 2025 to June 2026 (based on balance sheet at 30 June 2025)		*Change in January 2025 to December 2025 (based on balance sheet at 31 December 2024)*	
	100bp parallel increase	***100bp parallel decrease***	*100bp parallel increase*	*100bp parallel decrease*
– HKD	**664**	**(1,331)**	612	(923)
– USD	**70**	**(305)**	(67)	(111)
– other	**727**	**(961)**	943	(1,105)
Total	**1,461**	**(2,597)**	1,488	(2,139)

(c) Market Risk

Market risk is the risk of adverse financial impact on trading activities arising from changes in market parameters, such as interest rates, foreign exchange rates, asset prices, volatilities, correlations and credit spreads.

A summary of the Group's current policies and practices for the management of market risk is set out in 'Market Risk' section on pages 91 to 95 of the 2024 Annual Report.

Market risk in the first half of 2025

There were no material changes to the policies and practices for the management of market risk in the first half of 2025.

We continued to manage market risk prudently in the first half of 2025. Main sensitivity exposures and VaR remained within appetite as the business pursued its core market-making activity in support of our customers. Market risk was managed using a complementary set of risk measures and limits, including stress testing and scenario analysis.

Trading portfolios

VaR of the trading portfolios

Trading VaR predominantly resides within Global Markets. Interest rate risks were the main drivers of trading VaR. The VaR for trading activity on 30 June 2025 was lower comparing to that on 30 June 2024, mainly driven by interest rate trading portfolio.

The table below shows the Group's trading VaR for the following periods.

	At 30 June 2025	Minimum during the first half of 2025	Maximum during the first half of 2025	Average for the first half of 2025	At 30 June 2024	Minimum during the first half of 2024	Maximum during the first half of 2024	Average for the first half of 2024
VaR								
Trading	25	18	41	26	51	32	55	43
Foreign exchange trading	13	8	19	12	32	6	35	20
Interest rate trading	26	18	42	28	72	33	74	54
Credit spread trading	2	1	3	1	1	—	3	1
Portfolio diversification	(15)	N/A	N/A	(15)	(54)	N/A	N/A	(32)

(d) Insurance manufacturing operation risk

Overview

There have been no material changes to the policies and practices for the management of risks arising in our insurance operation described on pages 104 to 111 of the 2024 Annual Report.

The following table shows the composition of assets and liabilities by type of contract:

Balance sheet of insurance manufacturing subsidiary by type of contract[5]

	Life direct participating contracts[1]	*Life other[2]*	*Other contracts[3]*	*Shareholders' assets and liabilities*	*Total*
At 30 June 2025					
Financial assets:					
– financial assets mandatorily measured at fair value through profit or loss	177,371	8,934	51	2,725	189,081
– derivative	223	11	—	—	234
– financial investments	—	—	149	9,698	9,847
– other financial assets[4]	8,928	450	72	1,595	11,045
Total financial assets	186,522	9,395	272	14,018	210,207
Insurance contract assets	—	3	—	—	3
Reinsurance contract assets	—	13,733	—	—	13,733
Other assets and investment properties	5,534	284	2	4,759	10,579
Total assets	192,056	23,415	274	18,777	234,522
Liabilities under investment contracts designated at fair value	—	—	237	—	237
Insurance contract liabilities	204,456	10,298	—	—	214,754
Reinsurance contract liabilities	—	1,131	—	—	1,131
Deferred tax	—	—	—	10	10
Derivative financial instruments	456	23	—	1	480
Other liabilities	2,285	115	13	4,070	6,483
Total liabilities	207,197	11,567	250	4,081	223,095
Total equity	—	—	—	11,427	11,427
Total liabilities and equity	207,197	11,567	250	15,508	234,522

1 *Life direct participating contracts are measured under the variable fee approach measurement model.*

2 *Life other contracts are measured under the general measurement model. Life other contracts mainly include protection type contracts as well as reinsurance contracts. The reinsurance contracts primarily provide diversification benefits over the life direct participating contracts.*

3 *Other contracts includes investment contracts for which the Group does not bear significant insurance risk.*

4 *Comprise mainly loans and advances to banks, cash and inter-company balances with other non-insurance legal entities.*

5 *Balance sheet of insurance manufacturing operations is shown before elimination of inter-company transactions with the Bank's non-insurance operations.*

(d) Insurance manufacturing operation risk *(continued)*

Balance sheet of insurance manufacturing subsidiary by type of contract[5] *(continued)*

	Life direct participating contracts[1]	*Life other[2]*	*Other contracts[3]*	*Shareholders' assets and liabilities*	*Total*
At 31 December 2024					
Financial assets:					
– financial assets mandatorily measured at fair value through profit or loss	155,400	8,680	43	100	164,223
– derivative	152	8	—	1	161
– financial investments	—	—	186	8,698	8,884
– other financial assets[4]	9,576	535	40	1,071	11,222
Total financial assets	165,128	9,223	269	9,870	184,490
Insurance contract assets	—	3	—	—	3
Reinsurance contract assets	—	12,867	—	—	12,867
Other assets and investment properties	5,843	318	3	3,966	10,130
Total assets	170,971	22,411	272	13,836	207,490
Liabilities under investment contracts designated at fair value	—	—	245	—	245
Insurance contract liabilities	178,475	9,970	—	—	188,445
Reinsurance contract liabilities	—	1,002	—	—	1,002
Deferred tax	—	—	—	10	10
Derivative financial instruments	151	9	—	—	160
Other liabilities	3,382	187	1	2,914	6,484
Total liabilities	182,008	11,168	246	2,924	196,346
Total equity	—	—	—	11,144	11,144
Total liabilities and equity	182,008	11,168	246	14,068	207,490

1 *Life direct participating contracts are measured under the variable fee approach measurement model.*

2 *Life other contracts are measured under the general measurement model. Life other contracts mainly include protection type contracts as well as reinsurance contracts. The reinsurance contracts primarily provide diversification benefits over the life direct participating contracts.*

3 *Other contracts includes investment contracts for which the Group does not bear significant insurance risk.*

4 *Comprise mainly loans and advances to banks, cash and inter-company balances with other non-insurance legal entities.*

5 *Balance sheet of insurance manufacturing operations is shown before elimination of inter-company transactions with the Bank's non-insurance operations.*

(unaudited)
(Expressed in millions of Hong Kong dollars)

Interim Condensed Consolidated Income Statement

	note	Half-year ended 30 June 2025	Half-year ended 30 June 2024
Interest income[1]		**26,681**	30,826
Interest expense		**(12,342)**	(15,343)
Net interest income	4	**14,339**	15,483
Fee income		**4,559**	4,016
Fee expense		**(1,412)**	(1,452)
Net fee income	5	**3,147**	2,564
Net income/(loss) from financial instruments measured at fair value through profit or loss	6	**10,716**	2,822
Gains less losses from financial investments	7	**21**	14
Dividend income	8	**5**	6
Insurance finance income/(expenses)		**(9,667)**	(2,000)
Insurance service results		**1,357**	1,187
– Insurance revenue		**2,071**	1,691
– Insurance service expense		**(714)**	(504)
Other operating income/(loss)	9	**1,057**	355
Net operating income before change in expected credit losses and other credit impairment charges[2]		**20,975**	20,431
Change in expected credit losses and other credit impairment charges	10	**(4,861)**	(1,500)
Net operating income		**16,114**	18,931
Employee compensation and benefits		**(3,088)**	(3,024)
General and administrative expenses		**(2,904)**	(2,975)
Depreciation expenses		**(933)**	(962)
Amortisation of intangible assets		**(640)**	(562)
Operating expenses	11	**(7,565)**	(7,523)
Impairment loss on intangible assets		**—**	(12)
Operating profit		**8,549**	11,396
Net surplus/(deficit) on property revaluation		**(346)**	(139)
Share of profits/(losses) of associate		**(106)**	50
Profit before tax		**8,097**	11,307
Tax expense	12	**(1,221)**	(1,419)
Profit for the period		**6,876**	9,888
Profit attributable to:			
Shareholders of the Bank		**6,880**	9,893
Non-controlling interests		**(4)**	(5)
(Figures in HK$)			
Earnings per share – basic and diluted	13	**3.34**	5.04

1 *Interest income is calculated using the effective interest method and comprises interest recognised on financial assets measured at either amortised cost or fair value through other comprehensive income.*

2 *Net operating income before change in expected credit losses and other credit impairment charges, also referred to as total revenue.*

The notes on pages 54 to 83 form part of these Interim Condensed Consolidated Financial Statements.

(Expressed in millions of Hong Kong dollars)

Interim Condensed Consolidated Statement of Comprehensive Income

	Half-year ended 30 June 2025	*Half-year ended 30 June 2024*
Profit for the period	**6,876**	9,888
Other comprehensive income		
Items that will be reclassified subsequently to the profit or loss when specific conditions are met:		
Debt instruments at fair value through other comprehensive income ('FVOCI') reserve:		
– fair value gains/(losses) taken to equity	**1,188**	(184)
– fair value (gains)/losses transferred to the income statement:		
– on hedged items	**(541)**	310
– on disposal	**(21)**	(14)
– expected credit losses/(recoveries) recognised in the income statement	**2**	4
– deferred taxes	**(94)**	(24)
Cash flow hedge reserve:		
– fair value gains/(losses) taken to equity	**(6,555)**	3,368
– fair value (gains)/losses transferred to the income statement	**9,035**	(3,420)
– deferred taxes	**(409)**	9
Exchange differences on translation of:		
– financial statements of overseas branches, subsidiaries and an associate	**456**	(360)
Items that will not be reclassified subsequently to the profit or loss:		
Change in fair value of financial liabilities designated at fair value upon initial recognition arising from changes in own credit risk:		
– fair value gains/(losses) taken to equity	**—**	(2)
Equity instruments designated at FVOCI:		
– fair value gains/(losses) taken to equity	**843**	73
Premises:		
– unrealised surplus/(deficit) on revaluation of premises	**(576)**	85
– deferred taxes	**98**	(15)
Defined benefit plans:		
– actuarial gains/(losses) on defined benefit plans	**(98)**	248
– deferred taxes	**16**	(41)
Others	**—**	(34)
Other comprehensive income for the period, net of tax	**3,344**	3
Total comprehensive income for the period	**10,220**	9,891
Total comprehensive income for the period attributable to:		
– shareholders of the Bank	**10,224**	9,896
– non-controlling interests	**(4)**	(5)
	10,220	9,891

The notes on pages 54 to 83 form part of these Interim Condensed Consolidated Financial Statements.

Interim Condensed Consolidated Balance Sheet

	note	*At 30 June 2025*	*At 31 December 2024*
ASSETS			
Cash and balances at central banks	16	**9,720**	10,433
Trading assets	17	**38,531**	39,640
Derivative financial instruments	18	**14,578**	20,201
Financial assets mandatorily measured at fair value through profit or loss	19	**189,498**	164,557
Reverse repurchase agreements – non-trading		**56,283**	33,479
Placings with and advances to banks	20	**85,228**	76,221
Loans and advances to customers	21	**803,356**	819,136
Financial investments	22	**526,380**	541,155
Interest in an associate	23	**2,179**	2,321
Investment properties	24	**10,732**	11,220
Premises, plant and equipment	24	**23,749**	24,943
Intangible assets	25	**4,445**	4,465
Other assets	26	**57,001**	47,425
Total assets		**1,821,680**	1,795,196
LIABILITIES AND EQUITY			
Liabilities			
Deposits from banks		**6,995**	14,279
Current, savings and other deposit accounts	27	**1,273,909**	1,238,224
Repurchase agreements – non-trading		**15,465**	19,387
Trading liabilities	28	**16,425**	18,093
Derivative financial instruments	18	**16,936**	13,517
Financial liabilities designated at fair value	29	**36,387**	38,636
Certificates of deposit in issue		**2,291**	4,948
Other liabilities	30	**38,751**	57,399
Insurance contract liabilities		**214,954**	188,481
Current tax liabilities		**3,693**	1,476
Deferred tax liabilities		**3,893**	3,717
Subordinated liabilities	31	**21,272**	27,475
Total liabilities		**1,650,971**	1,625,632
Equity			
Share capital	32	**9,658**	9,658
Retained profits		**127,434**	129,390
Other equity instruments	33	**11,587**	11,587
Other reserves		**21,991**	18,887
Total shareholders' equity		**170,670**	169,522
Non-controlling interests		**39**	42
Total equity		**170,709**	169,564
Total equity and liabilities		**1,821,680**	1,795,196

Diana Ferreira CESAR Executive Director and Chief Executive
SAW Say Pin Executive Director and Chief Financial Officer

The notes on pages 54 to 83 form part of these Interim Condensed Consolidated Financial Statements.

(Expressed in millions of Hong Kong dollars)

Interim Condensed Consolidated Statement of Changes in Equity

				Other reserves							
	Share capital	*Other equity instruments*	*Retained profits*[1]	*Premises revaluation reserve*	*Financial assets at FVOCI reserve*	*Cash flow hedge reserve*	*Foreign exchange reserve*	*Others*[2]	*Total shareholders' equity*	*Non-controlling interests*	*Total equity*
At 1 January 2025	9,658	11,587	129,390	17,273	2,198	(150)	(1,091)	657	169,522	42	169,564
Profit for the period	–	–	6,880	–	–	–	–	–	6,880	(4)	6,876
Other comprehensive income (net of tax)	–	–	(82)	(478)	1,377	2,071	456	–	3,344	–	3,344
Debt instruments at FVOCI	–	–	–	–	534	–	–	–	534	–	534
Equity instruments designated at FVOCI	–	–	–	–	843	–	–	–	843	–	843
Cash flow hedges	–	–	–	–	–	2,071	–	–	2,071	–	2,071
Change in fair value of financial liabilities designated at fair value upon initial recognition arising from changes in own credit risk	–	–	–	–	–	–	–	–	–	–	–
Property revaluation	–	–	–	(478)	–	–	–	–	(478)	–	(478)
Actuarial loss on defined benefit plans	–	–	(82)	–	–	–	–	–	(82)	–	(82)
Others	–	–	–	–	–	–	456	–	456	–	456
Total comprehensive income for the period	–	–	6,798	(478)	1,377	2,071	456	–	10,224	(4)	10,220
Dividends paid[3]	–	–	(8,470)	–	–	–	–	–	(8,470)	–	(8,470)
Coupon paid on AT1 capital instruments	–	–	(595)	–	–	–	–	–	(595)	–	(595)
Movement in respect of share-based payment arrangements	–	–	(12)	–	–	–	–	1	(11)	–	(11)
Others	–	–	–	–	–	–	–	–	–	1	1
Transfers[4]	–	–	323	(323)	–	–	–	–	–	–	–
At 30 June 2025	9,658	11,587	127,434	16,472	3,575	1,921	(635)	658	170,670	39	170,709

1 *Retained profits are the cumulative net earnings of the Group that have not been paid out as dividends, but retained to be reinvested in the business. To satisfy the provisions of the Hong Kong Banking Ordinance and local regulatory requirements for prudential supervision purposes, the Group is required to earmark a 'regulatory reserve' from retained profits. Movements in the reserve are made directly through retained earnings. As at 30 June 2025, the Group is not required to restrict any reserves which can be distributed to shareholders (31 December 2024: HK$734m) as the impairment allowance for Stage 1 and Stage 2 loans and advances to customers exceeded the expected regulatory reserve balance.*

2 *Other reserves comprise share-based payment reserve and own credit risk reserve. The share-based payment reserve is used to record the amount relating to share awards and options granted to employees of the Group by the ultimate holding company. The own credit risk reserve is for the change in fair value of financial liabilities designated at fair value upon initial recognition arising from changes in own credit risk.*

3 *Dividends paid represented the payment of fourth interim dividend of 2024 and the first interim dividend of 2025 amounted to HK$6,023m and HK$2,447m respectively.*

4 *This includes transfers from the premises revaluation reserve to retained earnings in relation to depreciation of revalued properties.*

Interim Condensed Consolidated Statement of Changes in Equity *(continued)*

				Other reserves							
	Share capital	*Other equity instruments*	*Retained profits*	*Premises revaluation reserve*	*Financial assets at FVOCI reserve*	*Cash flow hedge reserve*	*Foreign exchange reserve*	*Others*	*Total shareholders' equity*	*Non-controlling interests*	*Total equity*
At 1 January 2024	9,658	11,744	126,624	18,525	1,579	(96)	(571)	668	168,131	53	168,184
Profit for the period	–	–	9,893	–	–	–	–	–	9,893	(5)	9,888
Other comprehensive income (net of tax)	–	–	173	70	165	(43)	(360)	(2)	3	–	3
Debt instruments at FVOCI	–	–	–	–	92	–	–	–	92	–	92
Equity instruments designated at FVOCI	–	–	–	–	73	–	–	–	73	–	73
Cash flow hedges	–	–	–	–	–	(43)	–	–	(43)	–	(43)
Change in fair value of financial liabilities designated at fair value upon initial recognition arising from changes in own credit risk	–	–	–	–	–	–	–	(2)	(2)	–	(2)
Property revaluation	–	–	–	70	–	–	–	–	70	–	70
Actuarial gains on defined benefit plans	–	–	207	–	–	–	–	–	207	–	207
Others	–	–	(34)	–	–	–	(360)	–	(394)	–	(394)
Total comprehensive income for the period	–	–	10,066	70	165	(43)	(360)	(2)	9,896	(5)	9,891
Redemption and repayment of AT1 capital instruments	–	(4,700)	–	–	–	–	–	–	(4,700)	–	(4,700)
Issue of new AT1 capital instruments	–	4,687	–	–	–	–	–	–	4,687	–	4,687
Dividends paid	–	–	(8,400)	–	–	–	–	–	(8,400)	–	(8,400)
Coupon paid on AT1 capital instruments	–	–	(282)	–	–	–	–	–	(282)	–	(282)
Movement in respect of share-based payment arrangements	–	–	(5)	–	–	–	–	(2)	(7)	–	(7)
Share buy-back	–	–	(3,005)	–	–	–	–	–	(3,005)	–	(3,005)
Others	–	–	–	–	–	–	–	–	–	(1)	(1)
Transfers	–	–	324	(324)	–	–	–	–	–	–	–
At 30 June 2024	9,658	11,731	125,322	18,271	1,744	(139)	(931)	664	166,320	47	166,367
At 1 July 2024	9,658	11,731	125,322	18,271	1,744	(139)	(931)	664	166,320	47	166,367
Profit for the period	–	–	8,486	–	–	–	–	–	8,486	(5)	8,481
Other comprehensive income (net of tax)	–	–	163	(674)	454	(11)	(160)	–	(228)	–	(228)
Debt instruments at FVOCI	–	–	–	–	109	–	–	–	109	–	109
Equity instruments designated at FVOCI	–	–	–	–	345	–	–	–	345	–	345
Cash flow hedges	–	–	–	–	–	(11)	–	–	(11)	–	(11)
Change in fair value of financial liabilities designated at fair value upon initial recognition arising from changes in own credit risk	–	–	–	–	–	–	–	–	–	–	–
Property revaluation	–	–	–	(674)	–	–	–	–	(674)	–	(674)
Actuarial gains on defined benefit plans	–	–	129	–	–	–	–	–	129	–	129
Others	–	–	34	–	–	–	(160)	–	(126)	–	(126)
Total comprehensive income for the period	–	–	8,649	(674)	454	(11)	(160)	–	8,258	(5)	8,253
Redemption and repayment of AT1 capital instruments	–	(7,044)	–	–	–	–	–	–	(7,044)	–	(7,044)
Issue of new AT1 capital instruments	–	6,900	–	–	–	–	–	–	6,900	–	6,900
Dividends paid	–	–	(4,523)	–	–	–	–	–	(4,523)	–	(4,523)
Coupon paid on AT1 capital instruments	–	–	(417)	–	–	–	–	–	(417)	–	(417)
Movement in respect of share-based payment arrangements	–	–	(4)	–	–	–	–	(7)	(11)	–	(11)
Share buy-back	–	–	(1)	–	–	–	–	–	(1)	–	(1)
Others	–	–	40	–	–	–	–	–	40	–	40
Transfers	–	–	324	(324)	–	–	–	–	–	–	–
At 31 December 2024	9,658	11,587	129,390	17,273	2,198	(150)	(1,091)	657	169,522	42	169,564

(Expressed in millions of Hong Kong dollars)

Interim Condensed Consolidated Statement of Cash Flows

	Half-year ended 30 June 2025	*Half-year ended 30 June 2024*
Profit before tax	**8,097**	11,307
Adjustments for non-cash items:		
Depreciation and amortisation	**1,573**	1,524
Net interest income	**(14,339)**	(15,483)
Dividend income	**(5)**	(6)
Gains less losses from financial investments	**(21)**	(14)
Share of (profits)/losses of associate	**106**	(50)
Net (surplus)/deficit on property revaluation	**346**	139
Change in expected credit losses and other credit impairment charges	**4,861**	1,500
Impairment loss on intangible assets	**—**	12
Loans and advances written off net of recoveries	**(1,566)**	(968)
Elimination of exchange differences and other non-cash items	**(22,632)**	4,775
Changes in operating assets and liabilities		
Change in trading assets	**1,109**	3,724
Change in derivative financial instruments	**9,042**	(4,662)
Change in financial assets mandatorily measured at fair value through profit or loss	**(25,708)**	(8,865)
Change in reverse repurchase agreements – non-trading maturing after one month	**(20,542)**	(736)
Change in placings with and advances to banks maturing after one month	**(17,844)**	(4,118)
Change in loans and advances to customers	**12,400**	9,180
Change in financial investments of insurance business	**(4,091)**	110
Change in other assets	**265**	(1,776)
Change in repurchase agreements – non-trading	**(3,922)**	7,553
Change in deposits from banks	**(7,284)**	(8,605)
Change in current, savings and other deposit accounts	**35,685**	16,722
Change in trading liabilities	**(1,668)**	(16,233)
Change in financial liabilities designated at fair value	**(2,249)**	5,095
Change in certificates of deposit in issue	**(2,657)**	(2,552)
Change in other liabilities	**(1,250)**	4,396
Change in insurance contract liabilities	**26,473**	12,925
Interest received	**22,186**	26,858
Interest paid	**(13,189)**	(16,353)
Dividends received from financial investments	**(44)**	(9)
Tax paid	**(152)**	—
Net cash from operating activities	**(17,020)**	25,390
Purchase of financial investments	**(515,351)**	(399,174)
Proceeds from sale or redemption of financial investments	**507,288**	383,984
Purchase of property, plant and equipment and intangible assets	**(801)**	(757)
Net cash from investing activities	**(8,864)**	(15,947)
Interest paid for subordinated liabilities	**(777)**	(908)
Redemption of subordinated liabilties	**(6,240)**	—
Principal and interest elements of lease payments	**(238)**	(264)
Dividends paid	**(8,470)**	(8,400)
Share buy-back	**—**	(1,951)
Coupons paid to holder on AT1 capital instruments	**(595)**	(282)
Net cash from financing activities	**(16,320)**	(11,805)
Net increase/(decrease) in cash and cash equivalents	**(42,204)**	(2,362)
Cash and cash equivalents at 1 January	**150,580**	97,191
Exchange differences in respect of cash and cash equivalents	**4,608**	(1,477)
Cash and cash equivalents at 30 June	**112,984**	93,352

Interim Condensed Consolidated Statement of Cash Flows *(continued)*

	Half-year ended 30 June 2025	Half-year ended 30 June 2024
Cash and cash equivalents comprise[1]:		
– Cash and balances at central banks	**9,720**	10,198
– Balances with banks	**4,677**	5,749
– Items in the course of collection from other banks	**4,269**	4,429
– Placings with and advances to banks maturing within one month	**31,293**	32,888
– Reverse repurchase agreements with banks maturing within one month	**21,303**	8,715
– Treasury bills	**41,062**	33,743
– Net settlement accounts and cash collateral to banks within one month	**6,850**	2,748
– Less: items in the course of transmission to other banks	**(6,190)**	(5,118)
	112,984	93,352

1 *At 30 June 2025, the amount of cash and cash equivalents that was not available for use by the Group was HK$16,341m (30 June 2024: HK$9,013m), of which HK$4,816m (30 June 2024: HK$4,538m) was related to mandatory deposits at central banks.*

1 Basis of preparation

The Interim Condensed Consolidated Financial Statements of Hang Seng Bank Limited ('the Bank') and all its subsidiaries ('the Group') have been prepared in accordance with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited and in compliance with Hong Kong Accounting Standard ('HKAS') 34, '*Interim Financial Reporting*', issued by the Hong Kong Institute of Certified Public Accountants ('HKICPA'). The Interim Condensed Consolidated Financial Statements were reviewed by the Audit Committee. The Board of Directors of the Bank has approved the Interim Condensed Consolidated Financial Statements on 30 July 2025.

The Interim Condensed Consolidated Financial Statements should be read in conjunction with the consolidated financial statements for the year ended 31 December 2024, which have been prepared in accordance with HKFRS Accounting Standards.

The preparation of the Interim Condensed Consolidated Financial Statements in conformity with HKAS 34 requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses on a year to date basis. Actual results may differ from these estimates. In preparing the Interim Condensed Consolidated Financial Statements, the significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial statements for the year ended 31 December 2024.

The following disclosures in the Risk sections form an integral part of the Interim Condensed Consolidated Financial Statements:

- Reconciliation of changes in gross carrying/nominal amount and allowances for placings with and advances to banks and loans and advances to customers, including loan commitments and financial guarantees; and

- Distribution of financial instruments to which the impairment requirements in HKFRS 9 are applied, by credit quality and stage distribution.

In accordance with the Group's policy to provide disclosures that help stakeholders to understand the Group's performance, financial position and changes thereto, the information provided in the Notes on the Interim Condensed Consolidated Financial Statements and the risk disclosures in the Risk section goes beyond the minimum levels required by accounting standards, statutory and regulatory requirements.

The Interim Condensed Consolidated Financial Statements are unaudited, but has been reviewed by PricewaterhouseCoopers ('PwC') 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 HKICPA. PwC's independent review report to the Board of Directors is included on page 84.

2 Accounting policies

The accounting policies applied in prepared this Interim Condensed Consolidated Financial Statements are the same as those applied in preparing the consolidated financial statements for the year ended 31 December 2024, as disclosed in the 2024 Annual Report. Changes in the reportable segments from the new organisation structure are detailed in Note 15.

Standards applied during the half-year ended 30 June 2025

There were no new standards or amendments to standards that had a material effect on these Interim Condensed Consolidated Financial Statements.

Future accounting developments

Amendments to HKFRS 9 'Financial Instruments' and HKFRS 7 'Financial Instruments: Disclosures'

In August 2024, the HKICPA issued Amendments to HKFRS 9 '*Financial Instruments*' and HKFRS 7 '*Financial Instruments: Disclosures*', effective for annual reporting periods beginning on or after 1 January 2026. In addition to guidance as to when certain financial liabilities can be deemed settled when using an electronic payment system, the amendments also provide further clarifications regarding the classification of financial assets that contain contractual terms that change the timing and amount of contractual cash flows, including those arising from ESG-related contingencies, and financial assets with certain non-recourse features. The Group is undertaking an assessment of the potential impact.

HKFRS 18 'Presentation and Disclosure in Financial Statements'

In July 2024, the HKICPA issued HKFRS 18 '*Presentation and Disclosure in Financial Statements*', effective for annual reporting periods beginning on or after 1 January 2027. The new accounting standard aims to give users of financial statements more transparent and comparable information about a company's financial performance. It will replace HKAS 1 '*Presentation of Financial Statements*' but carries over many requirements from this HKAS unchanged. In addition, there are three sets of new requirements relating to the structure of the income statement, management defined performance measures and the aggregation and disaggregation of information.

While HKFRS 18 will not change recognition criteria or measurement bases, it is expected to have an impact on presenting information in the financial statements, in particular the income statement. The Group is currently assessing impact and data readiness.

Use of estimates and judgements

Management believes that the Group's critical accounting estimates and judgements are those which relate to the impairment of amortised cost and FVOCI debt financial assets, the valuation of financial instruments, interest in an associate and insurance contract liabilities. There was no major change in the current period to the critical estimates and judgements applied in 2024, which are stated in note 1 of the 2024 Annual Report.

3 Basis of consolidation

These Interim Condensed Consolidated Financial Statements cover the consolidated position of the Group, unless otherwise stated, and include the attributable share of the results and reserves of its associate. For regulatory reporting, the basis of consolidation is different from the basis of consolidation for accounting purposes. They are disclosed under the 'Risk' section.

4 Net interest income

	Half-year ended 30 June 2025	Half-year ended 30 June 2024
Interest income arising from:		
– financial assets measured at amortised cost	**19,418**	24,471
– financial assets measured at FVOCI	**7,263**	6,355
	26,681	30,826
Interest expense arising from financial liabilities measured at amortised cost	**(12,342)**	(15,343)
Net interest income	**14,339**	15,483
of which:		
– interest income from impaired financial assets	**1,090**	554
– interest expense from subordinated liabilities	**(718)**	(892)

5 Net fee income

	Half-year ended 30 June 2025	Half-year ended 30 June 2024
– securities broking and related services	**1,084**	676
– retail investment funds	**781**	630
– insurance	**158**	166
– account services	**248**	239
– remittances	**122**	123
– cards	**1,446**	1,522
– credit facilities	**219**	209
– imports/exports	**118**	112
– other	**383**	339
Fee income	**4,559**	4,016
Fee expense	**(1,412)**	(1,452)
	3,147	2,564
of which:		
Net fee income on financial assets that are not at fair value through profit or loss (other than amounts included in determining the effective interest rate)	**706**	695
– fee income	**2,040**	2,093
– fee expense	**(1,334)**	(1,398)
Net fee income on trust and other fiduciary activities where the Group holds or invests on behalf of its customers	**445**	404
– fee income	**558**	456
– fee expense	**(113)**	(52)

6 Net income/(loss) from financial instruments measured at fair value through profit or loss

	Half-year ended 30 June 2025	*Half-year ended 30 June 2024*
Net trading income	**2,296**	1,554
– trading income	**2,290**	1,553
– other trading expense from ineffective fair value hedges	**6**	1
Net income/(expense) from financial instruments designated at fair value through profit or loss	**(634)**	(999)
Net income/(expense) from assets and liabilities of insurance businesses, including related derivatives, measured at fair value through profit or loss	**9,058**	2,249
– financial assets/liabilities held to meet liabilities under insurance contracts	**9,072**	2,255
– liabilities to customers under investment contracts	**(14)**	(6)
Changes in fair value of other financial instruments mandatorily measured at fair value through profit or loss	**(4)**	18
	10,716	2,822

7 Gains less losses from financial investments

	Half-year ended 30 June 2025	*Half-year ended 30 June 2024*
Net gains/(losses) from disposal of debt securities measured at FVOCI	**21**	14

8 Dividend income

	Half-year ended 30 June 2025	*Half-year ended 30 June 2024*
Dividend income for financial investments measured at FVOCI:		
– unlisted investments	**5**	6

9 Other operating income/(loss)

	Half-year ended 30 June 2025	*Half-year ended 30 June 2024*
Rental income from investment properties	**173**	179
Income/(expense) arising from reinsurance contracts held	**923**	180
Net losses from disposal of fixed assets	**(1)**	(5)
Others	**(38)**	1
	1,057	355

10 Change in expected credit losses and other credit impairment charges

	Half-year ended 30 June 2025	Half-year ended 30 June 2024
Loans and advances to banks and customers	**4,738**	1,533
– new allowances net of allowance releases	**4,863**	1,582
– recoveries of amounts previously written off	**(94)**	(101)
– other movements	**(31)**	52
Loan commitments and guarantees	**106**	(28)
Other financial assets	**17**	(5)
	4,861	1,500

11 Operating expenses

	Half-year ended 30 June 2025	Half-year ended 30 June 2024
Employee compensation and benefits:		
– salaries and other costs	**3,263**	3,191
– retirement benefit costs	**252**	247
– of which: defined benefit scheme	**54**	58
– of which: defined contribution scheme	**198**	189
Total employee compensation and benefits	**3,515**	3,438
Less: Cost directly attributable to insurance business	**(427)**	(414)
	3,088	3,024
General and administrative expenses:		
– rental expenses	**7**	9
– other premises and equipment	**1,044**	1,038
– marketing and advertising expenses	**189**	259
– other operating expenses	**1,887**	1,853
Total general and administrative expenses	**3,127**	3,159
Less: Cost directly attributable to insurance business	**(223)**	(184)
	2,904	2,975
Depreciation of premises, plant and equipment (note 24)	**705**	734
Depreciation of right-of-use assets	**228**	228
Amortisation of intangible assets	**640**	562
	7,565	7,523
Cost efficiency ratio[1]	**36.1%**	36.8%

1 *Cost efficiency ratio is operating expenses divided by net operating income before change in expected credit losses and other credit impairment charges.*

12 Tax expense

(a) *Taxation in the Interim Condensed Consolidated Income Statement*

	Half-year ended 30 June 2025	Half-year ended 30 June 2024
Current tax – provision for Hong Kong profits tax		
– Tax for the period	**2,203**	1,722
– Adjustment in respect of prior periods	**157**	—
Current tax – taxation outside Hong Kong		
– Tax for the period	**9**	8
– Adjustment in respect of prior periods	**—**	(68)
Deferred tax		
– Origination and reversal of temporary differences	**(1,148)**	(243)
Total tax expense	**1,221**	1,419

The current tax provision is based on the estimated assessable profit for the first half of 2025, and is determined for the Bank and its subsidiaries operating in the Hong Kong SAR by using the Hong Kong profits tax rate of 16.5% (2024: 16.5%). For subsidiaries and branches operating in other jurisdictions, the appropriate tax rates prevailing in the relevant countries are used. Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised. The Group applies the exception to recognising and disclosing information about deferred tax assets and liabilities related to Pillar Two income taxes, as provided in the amendments to HKAS 12 issued in July 2023.

On 28 May 2025, the bill for the implementation of the Global Anti-Base Erosion Rules and the Hong Kong Minimum Top-up Tax ('HKMTT') was passed by the Hong Kong Legislative Council. HKMTT has taken effect for a fiscal year beginning on or after 1 January 2025. Under these rules, a top-up tax liability is expected to arise since the effective tax rate of the Group's operations in Hong Kong is expected to be lower than 15%, driven primarily by income from tax-exempt instruments.

13 Earnings per share – basic and diluted

The calculation of basic and diluted earnings per share for the first half of 2025 is based on earnings of HK$6,285m (HK$9,611m in 1H 2024), which has been adjusted for the AT1 capital instrument related deductions, and on the weighted average number of ordinary shares in issue, excluding own shares held, of 1,882,267,536 shares (1H 2024: 1,906,825,147 shares).

14 Dividends/Distributions

(a) *Dividends to ordinary shareholders*

	Half-year ended 30 June 2025		Half-year ended 30 June 2024	
	per share HK$	HK$m	per share HK$	HK$m
First interim	**1.30**	**2,447**	1.20	2,282
Second interim	**1.30**	**2,447**	1.20	2,275
	2.60	**4,894**	2.40	4,557

On 30 July 2025, the Directors of the Bank declared a second interim dividend in respect of the year ending 31 December 2025 of HK$1.30 per ordinary share, a distribution of approximately HK$2,447m. This distribution will be paid on 4 September 2025. No liability is recognised in the Interim Condensed Consolidated Financial Statements in respect of this dividend.

14 Dividends/Distributions *(continued)*

(b) *Distributions to holders of AT1 capital instruments classified as equity*

	Half-year ended 30 June 2025	Half-year ended 30 June 2024
US$600 million fixed to floating rate perpetual capital instrument (coupon rate at 6.00% and then three-month US dollar LIBOR plus 4.06% from the first call date)	—	282
US$900 million fixed to floating rate perpetual capital instrument (coupon rate at 6.875% per annum before March 2030 and then US treasury rate plus 3.298% per annum from March 2030)	**241**	—
US$600 million fixed to floating rate perpetual capital instrument (coupon rate at 7.50% per annum before the first call date and then compounded SOFR plus 3.24% per annum from the first call date)	**354**	—
	595	282

15 Segmental analysis

The Operating Committee is considered the Chief Operating Decision Maker ('CODM') for the purpose of identifying the Group's operating segments. Operating segment results are assessed by the CODM on the basis of performance measured in accordance with Hong Kong Financial Reporting Standards ('HKFRS'). Although the CODM reviews information on a number of bases, business performance is assessed and capital resources are allocated by operating segments, and the segmental analysis is presented based on segments as assessed under HKFRS 8 '*Operating Segments*'.

Our operations are closely integrated and, accordingly, the presentation of data includes internal allocations of certain items of income and expense. These allocations include the costs of certain support services and global functions to the extent that they can be meaningfully attributed to operational business lines and geographical regions. While such allocations have been made on a systematic and consistent basis, they necessarily involve a degree of subjectivity. Costs which are not allocated to other operating segments are included in the 'Corporate Centre'.

Where relevant, income and expense amounts presented include the results of inter-segment funding along with inter-company and inter-business line transactions. All such transactions are undertaken on arm's length terms. The intra-group elimination items for the operating segments are presented in the 'Corporate Centre'.

Effective from 1 January 2025, aligning to our internal reporting to CODM, our operating segments and reportable segments are as follows:

- **Hong Kong Business** comprises of Retail Banking and Wealth ('RB&W') and Commercial Banking ('CMB') business across all the operating geographical regions. RB&W offers an extensive array of products and services tailored to the personal banking, consumer lending, and wealth management requirements of individual customers. These services typically encompass current and savings accounts, time deposits, mortgage and personal loans, credit cards, distribution of insurance, investment and a variety of wealth management options. CMB provides a comprehensive suite of products and financial solutions to corporate, institutional, commercial, and small and medium-sized enterprises ('SME') clients. This includes corporate lending, trade and receivable finance, transaction banking and cash management, treasury and foreign exchange, distribution of general and key-person insurance, investment services, and corporate wealth management;

- **Insurance Manufacturing and Asset Management** provides life insurance services to individual and corporate customers as well as investment management services covering retail funds and exchange traded funds to institutional and private clients;

15 Segmental analysis *(continued)*

– **Markets and Securities Services** offers tailored solutions and services across foreign exchange, bullion, equities, fixed income, and securities financing;

– **Corporate Centre** mainly represents the Group's holdings of premises apart from outlets dedicated for RB&W, investment properties, equity shares and subordinated debt funding as well as central support and functional costs with associated recoveries.

(a) Segmental result

	Hong Kong Business	Insurance Manufacturing and Asset Management	Markets and Securities Services	Corporate Centre[1]	Total
Half-year ended 30 June 2025					
Net interest income/(expense)	14,046	157	56	80	14,339
Net fee income/(expense)	2,711	195	(13)	254	3,147
Net income/(loss) from financial instruments measured at fair value through profit or loss	845	9,079	859	(67)	10,716
Gains less losses from financial investments	22	–	(1)	–	21
Dividend income	–	–	–	5	5
Insurance finance income/(expenses)	(1)	(9,666)	–	–	(9,667)
Insurance service results	1	1,356	–	–	1,357
– Insurance revenue	33	2,038	–	–	2,071
– Insurance service expense	(32)	(682)	–	–	(714)
Other operating income/(loss)	99	793	–	165	1,057
Net operating income before change in expected credit losses and other credit impairment charges[4]	17,723	1,914	901	437	20,975
– External	17,289	1,778	1,361	547	20,975
– Inter-segment	434	136	(460)	(110)	–
Change in expected credit losses and other credit impairment charges	(4,856)	(5)	–	–	(4,861)
Net operating income	12,867	1,909	901	437	16,114
Operating expenses	(6,432)	(324)	(297)	(512)	(7,565)
Impairment loss on intangible assets	–	–	–	–	–
Operating profit/(loss)	6,435	1,585	604	(75)	8,549
Net surplus/(deficit) on property revaluation	–	–	–	(346)	(346)
Share of profits/(losses) of associate	–	(106)	–	–	(106)
Profit/(loss) before tax	6,435	1,479	604	(421)	8,097
Share of profit/(loss) before tax	79.5%	18.2%	7.5%	(5.2%)	100.0%
As at 30 June 2025					
Total assets	1,455,221	234,676	97,924	33,859	1,821,680
– of which: Gross loans and advances to customers	819,709	–	–	–	819,709
Total liabilities	1,351,678	223,157	43,243	32,893	1,650,971
– of which: Customer deposits[2]	1,299,965	21	–	–	1,299,986
Interest in an associate	–	2,179	–	–	2,179

15 Segmental analysis *(continued)*

(a) ***Segmental result*** *(continued)*

(re-presented)[3]	*Hong Kong Business*	*Insurance Manufacturing and Asset Management*	*Markets and Securities Services*	*Corporate Centre*[1]	*Total*
Half-year ended 30 June 2024					
Net interest income/(expense)	14,851	108	53	471	15,483
Net fee income/(expense)	2,196	166	(10)	212	2,564
Net income/(loss) from financial instruments measured at fair value through profit or loss	506	2,073	779	(536)	2,822
Gains less losses from financial investments	14	—	—	—	14
Dividend income	—	—	—	6	6
Insurance finance income/(expenses)	8	(2,008)	—	—	(2,000)
Insurance service results	2	1,185	—	—	1,187
– Insurance revenue	42	1,649	—	—	1,691
– Insurance service expense	(40)	(464)	—	—	(504)
Other operating income/(loss)	84	104	—	167	355
Net operating income before change in expected credit losses and other credit impairment charges[4]	17,661	1,628	822	320	20,431
– External	17,420	1,471	1,257	283	20,431
– Inter-segment	241	157	(435)	37	—
Change in expected credit losses and other credit impairment charges	(1,500)	—	—	—	(1,500)
Net operating income	16,161	1,628	822	320	18,931
Operating expenses	(6,423)	(343)	(293)	(464)	(7,523)
Impairment loss on intangible assets	—	—	—	(12)	(12)
Operating profit/(loss)	9,738	1,285	529	(156)	11,396
Net surplus/(deficit) on property revaluation	—	—	—	(139)	(139)
Share of profits/(losses) of associate	—	50	—	—	50
Profit/(loss) before tax	9,738	1,335	529	(295)	11,307
Share of profit/(loss) before tax	86.1%	11.8%	4.7%	(2.6%)	100.0%
As at 31 December 2024					
Total assets	1,463,565	211,687	87,337	32,607	1,795,196
– of which: Gross loans and advances to customers	832,109	—	—	—	832,109
Total liabilities	1,338,972	198,752	50,133	37,775	1,625,632
– of which: Customer deposits[2]	1,266,999	22	—	—	1,267,021
Interest in an associate	—	2,321	—	—	2,321

15 Segmental analysis *(continued)*

(a) ***Segmental result*** *(continued)*

[1] *Including inter-segment elimination, of which total assets eliminated was approximately HK$4.5bn as at 30 June 2025 (HK$3.7bn as at 31 December 2024) and total liabilities eliminated was approximately HK$2.8bn as at 30 June 2025 (HK$2.1bn as at 31 December 2024).*

[2] *Customer deposits balances include current, savings and other deposit accounts, as well as structured deposits.*

[3] *Effective from 1 January 2025, the Group's reportable segments will comprise three new businesses – Hong Kong Business, Insurance Manufacturing and Asset Management, and Markets and Securities Services, along with Corporate Centre. These will replace our previously reported operating segments up to 31 December 2024. Comparatives have been re-presented to conform with current period's presentation.*

[4] *Net operating income before change in expected credit losses and other credit impairment charges, also referred to as total revenue.*

15 Segmental analysis *(continued)*

(b) Information by geographical region

The geographical regions in this analysis are classified by the location of the principal operations of the subsidiary companies or, in the case of the Bank itself, by the location of the branches responsible for reporting the results or advancing the funds. Consolidation adjustments made in preparing the Group's financial statements upon consolidation are included in the 'Inter-region elimination'.

	Hong Kong[1]	Mainland China	Others	Inter-region elimination	Total
Half-year ended 30 June 2025					
Net operating income/(loss) before change in expected credit losses and other credit impairment charges	**19,969**	**931**	**80**	**(5)**	**20,975**
Profit before tax	**8,223**	**(118)**	**(8)**	**—**	**8,097**
At 30 June 2025					
Total assets	**1,734,894**	**103,876**	**18,435**	**(35,525)**	**1,821,680**
Total liabilities	**1,572,268**	**87,923**	**16,852**	**(26,072)**	**1,650,971**
Interest in an associate	**2,179**	**—**	**—**	**—**	**2,179**
Non-current assets[2]	**37,672**	**1,230**	**24**	**—**	**38,926**
Half-year ended 30 June 2024					
Net operating income/(loss) before change in expected credit losses and other credit impairment charges	19,358	993	87	(7)	20,431
Profit before tax	11,040	244	23	—	11,307
At 31 December 2024					
Total assets	1,702,417	108,673	18,481	(34,375)	1,795,196
Total liabilities	1,540,658	92,997	16,888	(24,911)	1,625,632
Interest in an associate	2,321	—	—	—	2,321
Non-current assets[2]	39,356	1,254	18	—	40,628

1 *This represents Hong Kong as a geographical region and is different from Hong Kong Business defined for the Group's segmental analysis.*

2 *Non-current assets consist of investment properties, premises, plant and equipment, intangible assets and right-of-use assets.*

16 Cash and balances at central banks

	At 30 June 2025	At 31 December 2024
Cash in hand	**5,383**	6,241
Balances at central banks	**4,337**	4,192
	9,720	10,433

17 Trading assets

	At 30 June 2025	At 31 December 2024
Treasury bills	**17,484**	19,897
Other debt securities	**14,528**	19,716
Debt securities	**32,012**	39,613
Investment funds/equity shares	**20**	27
Reverse repurchase agreements	**6,499**	—
	38,531	39,640

18 Derivative financial instruments

The Group transacts derivatives for three primary purposes: to create risk management solutions for clients, to manage the portfolio risk arising from client business, and to manage and hedge the Group's own risks. Derivatives (except for derivatives which are designated as effective hedging instruments) are held for trading. Within the held for trading classification are two types of derivative instruments: those used in sales and trading activities, and those used for risk management purposes but for various reasons do not meet the qualifying criteria for hedge accounting. The second category includes derivatives managed in conjunction with financial instruments designated at fair value.

The Group's derivative activities give rise to significant open positions in portfolios of derivatives. These positions are managed constantly to ensure that they remain within acceptable risk levels. When entering into derivative transactions, the Group employs the same credit risk management framework to assess and approve potential credit exposures that it uses for traditional lending.

18 Derivative financial instruments *(continued)*

The following table shows the notional contract amounts and fair value of assets and liabilities by each class of derivatives.

	Notional contract amount			*Fair value – Assets*			*Fair value – Liabilities*		
	Trading	*Hedging*	*Total*	*Trading*	*Hedging*	*Total*	*Trading*	*Hedging*	*Total*
Foreign exchange	**1,397,867**	**128,514**	**1,526,381**	**5,189**	**314**	**5,503**	**6,750**	**4,063**	**10,813**
Interest rate	**709,971**	**114,133**	**824,104**	**5,434**	**2,843**	**8,277**	**4,949**	**597**	**5,546**
Equity and other	**49,660**	**—**	**49,660**	**798**	**—**	**798**	**577**	**—**	**577**
At 30 June 2025	**2,157,498**	**242,647**	**2,400,145**	**11,421**	**3,157**	**14,578**	**12,276**	**4,660**	**16,936**
Foreign exchange	1,125,256	73,288	1,198,544	8,029	3,553	11,582	6,409	8	6,417
Interest rate	707,550	102,586	810,136	6,707	1,323	8,030	6,110	463	6,573
Equity and other	26,543	—	26,543	589	—	589	527	—	527
At 31 December 2024	1,859,349	175,874	2,035,223	15,325	4,876	20,201	13,046	471	13,517

19 Financial assets mandatorily measured at fair value through profit or loss

	At 30 June 2025	*At 31 December 2024*
Treasury bills	**157**	924
Other debt securities	**122,312**	112,669
Equity shares	**19,513**	12,802
Investment funds	**46,785**	37,387
Other	**731**	775
	189,498	164,557

20 Placings with and advances to banks

	At 30 June 2025	*At 31 December 2024*
Balances with banks	**4,677**	4,129
Placings with and advances to banks maturing within one month	**31,293**	40,677
Placings with and advances to banks maturing after one month but less than one year	**47,299**	29,476
Placings with and advances to banks maturing after one year	**1,962**	1,941
Less: Allowances for expected credit losses	**(3)**	(2)
	85,228	76,221
of which:		
Placings with and advances to central banks	**6,681**	8,147

21 Loans and advances to customers

	At 30 June 2025	At 31 December 2024
Gross loans and advances to customers	**819,709**	832,109
Less: Allowances for expected credit losses	**(16,353)**	(12,973)
	803,356	819,136
Expected credit losses as a percentage of gross loans and advances to customers	**1.99%**	1.56%
Gross impaired loans and advances	**54,821**	50,964
Gross impaired loans and advances as a percentage of gross loans and advances to customers	**6.69%**	6.12%

22 Financial investments

	At 30 June 2025	At 31 December 2024
Financial investments measured at FVOCI		
– treasury bills	**324,868**	312,094
– other debt securities	**113,316**	94,612
– equity shares	**5,310**	4,410
	443,494	411,116
Debt instruments measured at amortised cost		
– treasury bills	**4,662**	66,591
– other debt securities	**78,246**	63,451
Less: Allowances for expected credit losses	**(22)**	(3)
	82,886	130,039
	526,380	541,155

There were no overdue financial investments at 30 June 2025 and 31 December 2024 for the Group. The Group did not hold any asset-backed securities, mortgage-backed securities and collateralised debt obligations.

23 Interest in an associate

	At 30 June 2025	At 31 December 2024
Share of net assets	**2,179**	2,321

24 Property, plant and equipment

	At 30 June 2025	At 31 December 2024
Premises	21,392	22,442
Plant and equipment	1,564	1,602
Other right of use assets	793	899
Premises, plant and equipment	23,749	24,943
Investment properties	10,732	11,220
	34,481	36,163

Movement in owned property, plant and equipment

	Premises	Investment properties	Plant and equipment	Total
Cost or valuation:				
At 1 January 2025	22,442	11,220	4,652	38,314
Additions	—	10	179	189
Disposals and write-offs	—	—	(219)	(219)
Elimination of accumulated depreciation on revalued premises	(487)	—	—	(487)
Surplus/(Deficit) on revaluation:				
– credited/(charged) to premises revaluation reserve	(584)	—	—	(584)
– debited to income statement	(3)	(498)	—	(501)
Exchange adjustments and other	24	—	3	27
At 30 June 2025	21,392	10,732	4,615	36,739
Accumulated depreciation:				
At 1 January 2025	—	—	(3,050)	(3,050)
Charge for the period (note 11)	(487)	—	(218)	(705)
Attributable to assets sold or written off	—	—	218	218
Elimination of accumulated depreciation on revalued premises	487	—	—	487
Exchange adjustments and other	—	—	(1)	(1)
At 30 June 2025	—	—	(3,051)	(3,051)
Net book value at 30 June 2025	21,392	10,732	1,564	33,688
Representing:				
– measure at cost	—	—	1,564	1,564
– measure at valuation	21,392	10,732	—	32,124
	21,392	10,732	1,564	33,688

24 Property, plant and equipment *(continued)*

Movement in owned property, plant and equipment *(continued)*

	Premises	*Investment properties*	*Plant and equipment*	*Total*
Cost or valuation:				
At 1 January 2024	24,268	12,000	4,415	40,683
Additions	—	4	144	148
Disposals and write-offs	—	—	(98)	(98)
Elimination of accumulated depreciation on revalued premises	(501)	—	—	(501)
Surplus/(Deficit) on revaluation:				
– credited/(charged) to premises revaluation reserve	91	—	—	91
– debited to income statement	—	(248)	—	(248)
Transfer	(79)	76	—	(3)
Exchange adjustments and other	(21)	1	(8)	(28)
At 30 June 2024	23,758	11,833	4,453	40,044
Accumulated depreciation:				
At 1 January 2024	—	—	(2,758)	(2,758)
Charge for the period (note 11)	(504)	—	(230)	(734)
Attributable to assets sold or written off	—	—	93	93
Elimination of accumulated depreciation on revalued premises	501	—	—	501
Transfer	3	—	—	3
Exchange adjustments and other	—	—	5	5
At 30 June 2024	—	—	(2,890)	(2,890)
Net book value at 30 June 2024	23,758	11,833	1,563	37,154
Representing:				
– measure at cost	—	—	1,563	1,563
– measure at valuation	23,758	11,833	—	35,591
	23,758	11,833	1,563	37,154

24 Property, plant and equipment *(continued)*

Movement in owned property, plant and equipment *(continued)*

	Premises	*Investment properties*	*Plant and equipment*	*Total*
Cost or valuation:				
At 1 July 2024	23,758	11,833	4,453	40,044
Additions	—	11	268	279
Disposals and write-offs	—	—	(67)	(67)
Elimination of accumulated depreciation on revalued premises	(500)	—	—	(500)
Surplus/(Deficit) on revaluation:				
– credited/(charged) to premises revaluation reserve	(804)	—	—	(804)
– debited to income statement	(2)	(623)	—	(625)
Transfer	—	—	—	—
Exchange adjustments and other	(10)	(1)	(2)	(13)
At 31 December 2024	22,442	11,220	4,652	38,314
Accumulated depreciation:				
At 1 July 2024	—	—	(2,890)	(2,890)
Charge for the period (note 11)	(500)	—	(225)	(725)
Attributable to assets sold or written off	—	—	63	63
Elimination of accumulated depreciation on revalued premises	500	—	—	500
Exchange adjustments and other	—	—	2	2
At 31 December 2024	—	—	(3,050)	(3,050)
Net book value at 31 December 2024	22,442	11,220	1,602	35,264
Representing:				
– measure at cost	—	—	1,602	1,602
– measure at valuation	22,442	11,220	—	33,662
	22,442	11,220	1,602	35,264

25 Intangible assets

	At 30 June 2025	*At 31 December 2024*
Internally developed software	**4,045**	4,062
Acquired software	**71**	74
Goodwill	**329**	329
	4,445	4,465

26 Other assets

	At 30 June 2025	At 31 December 2024
Items in the course of collection from other banks	4,269	3,634
Bullion	3,709	2,194
Prepayments and accrued income	7,027	7,099
Acceptances and endorsements	9,784	8,690
Less: Allowances for expected credit losses	(27)	(16)
Retirement benefits assets	177	287
Reinsurance contract assets	13,733	12,867
Settlement accounts	2,205	3,091
Cash collateral	8,950	3,148
Other	7,174	6,431
	57,001	47,425

Other included 'Assets held for sale' of HK$282m (31 December 2024: HK$353m).

27 Current, savings and other deposit accounts

	At 30 June 2025	At 31 December 2024
Current, savings and other deposit accounts:		
– as stated in Interim Condensed Consolidated Balance Sheet	1,273,909	1,238,224
– structured deposits reported as financial liabilities designated at fair value (note 29)	26,077	28,797
	1,299,986	1,267,021
By type:		
– demand and current accounts	88,141	74,446
– savings accounts	642,030	552,299
– time and other deposits	569,815	640,276
	1,299,986	1,267,021

28 Trading liabilities

	At 30 June 2025	At 31 December 2024
Short positions in securities	16,425	18,093

29 Financial liabilities designated at fair value

	At 30 June 2025	At 31 December 2024
Certificates of deposit in issue	**5,818**	7,549
Structured deposits (note 27)	**26,077**	28,797
Other structured debt securities in issue	**4,255**	2,045
Liabilities to customers under investment contracts	**237**	245
	36,387	38,636

At 30 June 2025, the accumulated gain/loss in fair value attributable to changes in own credit risk for financial liabilities designated at fair value was insignificant (31 December 2024: accumulated gain/loss was insignificant).

30 Other liabilities

	At 30 June 2025	At 31 December 2024
Items in the course of transmission to other banks	**6,190**	4,449
Accruals	**7,599**	8,777
Acceptances and endorsements	**9,784**	8,690
Reinsurance contract liabilities	**1,131**	1,002
Retirement benefit liabilities	**7**	—
Settlement accounts	**2,967**	19,737
Cash collateral	**3,464**	6,619
Lease liabilities	**790**	902
Other	**6,819**	7,223
	38,751	57,399

31 Subordinated liabilities

Nominal value	Description	At 30 June 2025	At 31 December 2024
HK$5,460 million	Floating rate subordinated loan due May 2028, callable from 2027[1]	**5,460**	5,460
HK$4,680 million	Floating rate subordinated loan due June 2029, callable from 2028[2]	**4,680**	4,680
HK$6,240 million	Floating rate subordinated loan due June 2026, callable from 2025[3]	**—**	6,240
US$400 million	Floating rate subordinated loan due June 2030, callable from 2029[4]	**3,140**	3,105
HK$5,000 million	Floating rate subordinated loan due November 2027, callable from 2026[5]	**4,996**	4,994
HK$3,000 million	Floating rate subordinated loan due June 2028, callable from 2027[6]	**2,996**	2,996
		21,272	27,475
Representing: – measured at amortised cost		**21,272**	27,475

[1] *Interest rate at three-month HK dollar HIBOR plus 1.425 per cent per annum, payable quarterly, to the maturity date.*

[2] *Interest rate at three-month HK dollar HIBOR plus 1.564 per cent per annum, payable quarterly, to the maturity date.*

[3] *The instrument was redeemed on 13 June 2025.*

[4] *Interest rate at compounded SOFR plus 2.0478 per cent per annum, payable quarterly, to the maturity date.*

[5] *Interest rate at three-month HK dollar HIBOR plus 1.000 per cent per annum, payable quarterly, to the maturity date.*

[6] *Interest rate at three-month HK dollar HIBOR plus 1.680 per cent per annum, payable quarterly, to the maturity date.*

The Bank has not had any defaults of principal, interest or other breaches with respect to its debt instruments during the first half of 2025 (2024: Nil).

32 Share capital

Ordinary shares issued and fully paid:	**2025** number of shares	**2025** HK$m	2024 number of shares	2024 HK$m
At 1 January	**1,882,267,536**	**9,658**	1,911,842,736	9,658
Less: Share repurchased and cancelled	**—**	**—**	(29,575,200)	—
At 30 June/31 December	**1,882,267,536**	**9,658**	1,882,267,536	9,658

During 2024, the total number of ordinary shares repurchased and cancelled was 29,575,200. Except for the share buy-back in 2024, there was no purchase, sale or redemption by the Bank, or any of its subsidiaries, of the Bank's listed securities during the period ended 30 June 2025 and year 2024.

33 Other equity instruments

Nominal value	Description	*At 30 June 2025*	*At 31 December 2024*
US$900 million	Fixed to floating rate perpetual capital instrument callable from September 2029[1]	**6,947**	6,947
US$600 million	Fixed to floating rate perpetual capital instrument callable from June 2029[2]	**4,640**	4,640
		11,587	11,587

1 *Coupon rate is 6.875% per annum, payable semi-annually before March 2030, and then US treasury rate plus 3.298 per cent per annum, payable semi-annually, from March 2030.*

2 *Coupon rate is 7.50% per annum, payable annually before the first call date, and then compounded SOFR plus 3.24 per cent per annum, payable quarterly, from the first call date.*

The additional tier 1 capital instruments above are held by our immediate holding company. They, which are qualified as loss-absorbing capacity, are perpetual and subordinated. The coupon payments of these capital instruments may be cancelled at the sole discretion of the Bank. The capital instruments will be written down at the point of non-viability on the occurrence of a trigger event as defined in the Banking (Capital) Rules. They rank higher than ordinary shares in the event of a winding-up.

34 Contingent liabilities, contractual commitments and guarantees

(a) Off-balance sheet contingent liabilities and commitments

	At 30 June 2025	At 31 December 2024
Contingent liabilities and financial guarantee contracts		
Financial guarantees[1]	**604**	1,898
Performance and other guarantees[2]	**19,510**	20,950
	20,114	22,848
Commitments[3]		
Documentary credits and short-term trade-related transactions	**1,555**	2,353
Forward asset purchases and forward forward deposits placed	**17,618**	12,991
Undrawn formal standby facilities, credit lines and other commitments to lend	**475,350**	479,748
	494,523	495,092

1 *Financial guarantees are contracts that require the issuer to make specified payments to reimburse the holder for a loss incurred because a specified debtor fails to make payment when due in accordance with the original or modified terms of a debt instrument. The amounts in the above table are nominal principal amounts.*

2 *Performance and other guarantees include re-insurance letters of credit related to particular transactions, trade-related letters of credit issued without provision for the issuing entity to retain title to the underlying shipment, performance bonds, bid bonds, standby letters of credit and other transaction-related guarantees.*

3 *Included HK$359,603m of commitments at 30 June 2025 (31 December 2024: HK$350,314m) to which the impairment requirements in HKFRS 9 are applied where the Group has become party to an irrevocable commitment.*

The above table discloses the nominal principal amounts of commitments (excluding capital commitments), guarantees and other contingent liabilities, which represents the amounts at risk should contracts be fully drawn upon and clients default. As a significant portion of guarantees and commitments is expected to expire without being drawn upon, the total of the nominal principal amounts is not representative of future liquidity requirements.

(b) Contingencies

There is no material litigation expected to result in a significant adverse effect on the financial position of the Group, either collectively or individually. Management believes that adequate provisions have been made in respect of such litigation.

35 Other commitments

Capital commitments

At 30 June 2025, capital commitments, mainly related to the commitment for renovation of branches and offices, were HK$165m (31 December 2024: HK$212m).

36 Material related party transactions

All related party transactions that took place in the half-year 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 Group in the half-year ended 30 June 2025.

37 Fair value of financial instruments

(a) Fair value of financial instruments carried at fair value

The accounting policies, control framework and hierarchy used to determine fair values in 30 June 2025 are consistent with those applied for the 2024 Annual Report.

The following table provides an analysis of financial instruments carried at fair value and bases of valuation:

	Fair value hierarchy					
	Quoted market price Level 1	*Using observable inputs Level 2*	*With significant unobservable inputs Level 3*	*Third party total*	*Amounts with HSBC entities**	*Total*
Recurring fair value measurements						
At 30 June 2025						
Assets						
Trading assets	**28,098**	**4,070**	**93**	**32,261**	**6,270**	**38,531**
Derivative financial instruments	**395**	**8,331**	**—**	**8,726**	**5,852**	**14,578**
Financial assets mandatorily measured at fair value through profit or loss	**54,644**	**90,765**	**44,089**	**189,498**	**—**	**189,498**
Financial investments	**382,364**	**60,100**	**1,030**	**443,494**	**—**	**443,494**
Liabilities						
Trading liabilities	**16,425**	**—**	**—**	**16,425**	**—**	**16,425**
Derivative financial instruments	**53**	**12,706**	**—**	**12,759**	**4,177**	**16,936**
Financial liabilities designated at fair value	**—**	**27,591**	**8,796**	**36,387**	**—**	**36,387**
At 31 December 2024						
Assets						
Trading assets	32,210	7,430	—	39,640	—	39,640
Derivative financial instruments	373	14,290	—	14,663	5,538	20,201
Financial assets mandatorily measured at fair value through profit or loss	35,080	99,250	30,227	164,557	—	164,557
Financial investments	324,523	85,593	1,000	411,116	—	411,116
Liabilities						
Trading liabilities	18,093	—	—	18,093	—	18,093
Derivative financial instruments	84	9,288	—	9,372	4,145	13,517
Financial liabilities designated at fair value	—	24,237	14,399	38,636	—	38,636

* *Included derivative contracts transacted with HSBC entities which are mainly classified within Level 2 of the valuation hierarchy.*

37 Fair value of financial instruments *(continued)*

(a) Fair value of financial instruments carried at fair value (continued)

Transfers between Level 1 and Level 2 fair values

	Assets				Liabilities		
	Financial investments	Trading assets	Financial assets mandatorily measured at fair value through profit or loss	Derivatives	Trading liabilities	Financial liabilities designated at fair value	Derivatives
At 30 June 2025							
Transfer from Level 1 to Level 2	**2,565**	**48**	**1,763**	**—**	**—**	**—**	**—**
Transfer from Level 2 to Level 1	**20,413**	**1,025**	**6,813**	**—**	**—**	**—**	**—**
At 31 December 2024							
Transfer from Level 1 to Level 2	25,865	1,015	2,000	—	—	—	—
Transfer from Level 2 to Level 1	15,643	571	3,755	—	—	—	—

Transfers between levels of the fair value hierarchy are deemed to occur at the end of each quarter. Transfers into and out of levels of the fair value hierarchy are primarily attributable to changes in observability of valuation inputs and price transparency.

Financial instruments measured at fair value using a valuation technique with significant unobservable inputs – Level 3

	Assets				Liabilities		
	Financial investments	Trading assets	Financial assets mandatorily measured at fair value through profit or loss	Derivatives	Trading liabilities	Financial liabilities designated at fair value	Derivatives
At 30 June 2025							
Investment funds and equity shares	**1,030**	**—**	**29,840**	**—**	**—**	**—**	**—**
Debt securities	**—**	**93**	**14,249**	**—**	**—**	**—**	**—**
Structured notes	**—**	**—**	**—**	**—**	**—**	**8,796**	**—**
	1,030	**93**	**44,089**	**—**	**—**	**8,796**	**—**
At 31 December 2024							
Investment funds and equity shares	1,000	—	27,614	—	—	—	—
Debt securities	—	—	2,613	—	—	—	—
Structured notes	—	—	—	—	—	14,399	—
	1,000	—	30,227	—	—	14,399	—

37 Fair value of financial instruments *(continued)*

(a) Fair value of financial instruments carried at fair value (continued)

Movement in Level 3 financial instruments

	Assets				Liabilities		
	Financial Investments	Trading Assets	Financial assets mandatorily measured at fair value through profit or loss	Derivatives	Trading Liabilities	Financial liabilities designated at fair value	Derivatives
At 1 January 2025	1,000	—	30,227	—	—	14,399	—
Total gains or losses recognised in profit or loss							
– net income/(loss) from financial instruments measured at fair value through profit or loss	—	22	1,528	—	—	(12)	—
Total gains or losses recognised in other comprehensive income							
– fair value gains/(losses)	30	—	—	—	—	—	—
– exchange differences	—	—	1	—	—	8	—
Purchases	—	71	3,871	—	—	—	—
Issues/deposit taking	—	—	—	—	—	15,588	—
Sales	—	—	(58)	—	—	—	—
Settlements	—	—	(3,023)	—	—	(20,961)	—
Transfers out	—	—	—	—	—	(375)	—
Transfers in	—	—	11,543	—	—	149	—
At 30 June 2025	1,030	93	44,089	—	—	8,796	—
Unrealised gains or losses recognised in profit or loss relating to those assets and liabilities held at the end of reporting period							
– net income/(loss) from financial instruments measured at fair value through profit or loss	—	22	755	—	—	(3)	—

The transfers in of Level 3 financial assets mandatorily measured at fair value through profit or loss of HK$11.5bn mainly represents a movement of debt securities from Level 2 reflecting enhancements to the application of the levelling methodology. The transfer in/out of Level 3 financial liabilities designated at fair value reflected the change in observability of FX and equity volatility for pricing the instrument.

37 Fair value of financial instruments *(continued)*

(a) Fair value of financial instruments carried at fair value (continued)

Movement in Level 3 financial instruments (continued)

	Assets				Liabilities		
	Financial Investments	*Trading Assets*	*Financial assets mandatorily measured at fair value through profit or loss*	*Derivatives*	*Trading Liabilities*	*Financial liabilities designated at fair value*	*Derivatives*
At 1 January 2024	1,072	—	27,475	—	—	13,749	—
Total gains or losses recognised in profit or loss							
– net income/(loss) from financial instruments measured at fair value through profit or loss	—	—	130	—	—	22	—
Total gains or losses recognised in other comprehensive income							
– fair value gains/(losses)	(155)	—	—	—	—	—	—
– exchange differences	—	—	—	—	—	86	—
Purchases	—	—	6,221	—	—	—	—
Issues/deposit taking	—	—	—	—	—	28,885	—
Sales	—	—	(18)	—	—	—	—
Settlements	—	—	(5,206)	—	—	(23,551)	—
Transfers out	—	—	(472)	—	—	(55)	—
Transfers in	—	—	—	—	—	28	—
At 30 June 2024	917	—	28,130	—	—	19,164	—
Unrealised gains or losses recognised in profit or loss relating to those assets and liabilities held at the end of reporting period							
– net income/(loss) from financial instruments measured at fair value through profit or loss	—	—	(630)	—	—	(32)	—

37 Fair value of financial instruments *(continued)*

(a) Fair value of financial instruments carried at fair value (continued)

Movement in Level 3 financial instruments (continued)

	Assets				Liabilities		
	Financial Investments	*Trading Assets*	*Financial assets mandatorily measured at fair value through profit or loss*	*Derivatives*	*Trading Liabilities*	*Financial liabilities designated at fair value*	*Derivatives*
At 1 July 2024	917	—	28,130	—	—	19,164	—
Total gains or losses recognised in profit or loss							
– net income/(loss) from financial instruments measured at fair value through profit or loss	—	—	465	—	—	(20)	—
Total gains or losses recognised in other comprehensive income							
– fair value gains/(losses)	83	—	—	—	—	—	—
– exchange differences	—	—	—	—	—	56	—
Purchases	—	—	3,970	—	—	—	—
Issues/deposit taking	—	—	—	—	—	21,736	—
Sales	—	—	(140)	—	—	—	—
Settlements	—	—	(2,198)	—	—	(26,412)	—
Transfers out	—	—	—	—	—	(146)	—
Transfers in	—	—	—	—	—	21	—
At 31 December 2024	1,000	—	30,227	—	—	14,399	—
Unrealised gains or losses recognised in profit or loss relating to those assets and liabilities held at the end of reporting period							
– net income/(loss) from financial instruments measured at fair value through profit or loss	—	—	(76)	—	—	24	—

37 Fair value of financial instruments *(continued)*

(a) Fair value of financial instruments carried at fair value *(continued)*

Effect of changes in significant unobservable assumptions to reasonably possible alternatives

The key unobservable inputs to Level 3 financial instruments include volatility and correlation for structured notes and deposits valued using option models, bid quotes for corporate bonds valued using approaches that take into account of market comparables, and multiple items for investment funds and equity shares and strategic investments. In the absence of an active market, the fair value of investment funds and equity shares and strategic investments is estimated on the basis of an analysis of the investee's financial position and results, risk profile, prospects and other factors, as well as by reference to market valuations for similar entities quoted in an active market, or the price at which similar companies have changed ownership. The change in fair values due to changes in reasonably possible alternative assumptions for these unobservable inputs is not significant.

Favourable and unfavourable changes are determined on the basis of sensitivity analysis. The sensitivity analysis aims to measure a range of fair values consistent with the application of a 95% confidence interval. Methodologies take account of the nature of the valuation technique employed, the availability and reliability of observable proxies and historical data. When the available data is not amenable to statistical analysis, the quantification of uncertainty is judgemental, but remains guided by the 95% confidence interval. The sensitivity of Level 3 fair values to reasonably possible alternative assumptions is not significant.

Sensitivity of Level 3 fair values to reasonably possible alternative assumptions by instrument type

	At 30 June 2025				At 31 December 2024			
	Reflected in profit or loss		Reflected in OCI		Reflected in profit or loss		Reflected in OCI	
	Favourable changes	Unfavourable changes	Favourable changes	Unfavourable changes	Favourable changes	Unfavourable changes	Favourable changes	Unfavourable changes
Investment funds and equity shares	**1,492**	**(1,492)**	**96**	**(96)**	1,381	(1,381)	67	(67)
Debt securities	**771**	**(771)**	**–**	**–**	183	(183)	–	–
	2,263	**(2,263)**	**96**	**(96)**	1,564	(1,564)	67	(67)

When the fair value of a financial instrument is affected by more than one unobservable assumption, the above table reflects the most favourable or the most unfavourable change from varying the assumptions individually.

37 Fair value of financial instruments *(continued)*

(a) Fair value of financial instruments carried at fair value (continued)

Effect of changes in significant unobservable assumptions to reasonably possible alternatives *(continued)*

Quantitative information about significant unobservable inputs in Level 3 valuations

			Range	
	Valuation technique(s)	*Unobservable input(s)*	*At 30 June 2025*	*At 31 December 2024*
Assets				
Investment funds and equity shares	See footnote 1	See footnote 1		
Debt securities	Discount cash flow	Credit Spread	**-2.11% to 4.84%**	-2.19% to 5.02%
	Market proxy	Bid quotes	**8.08 to 8.93**	N/A
Liabilities				
Structured notes	Option model	Equity Volatility	**13.29% to 63.54%**	8.95% to 69.87%
		Equity Correlation	**55.00% to 87.65%**	41.53% to 87.65%
		FX Volatility	**5.02% to 18.74%**	4.56% to 17.44%

1 *Given the bespoke nature of the analysis in respect of each private equity holding, it is not practical to quote a range of key unobservable inputs. The valuation approach includes using a range of inputs that include company specific financials, traded comparable companies multiples, published net asset values and qualitative assumptions, which are not directly comparable or quantifiable.*

The table above lists the key unobservable inputs to Level 3 financial instruments, and provides the range of those inputs as at 30 June 2025. Detailed description of the categories of key unobservable inputs are set out in note 49(a) of the Group's 2024 Annual Report.

(b) Fair value of financial instruments not carried at fair value

The following table provides an analysis of the fair value of financial instruments not measured at fair value on the Interim Condensed Consolidated Balance Sheet. For all other instruments, the fair value is equal to the carrying value.

	At 30 June 2025		*At 31 December 2024*	
	Carrying amount	*Fair value*	*Carrying amount*	*Fair value*
Financial Assets				
Reverse repurchase agreements – non-trading	**56,283**	**56,393**	33,479	33,470
Placings with and advances to banks	**85,228**	**85,228**	76,221	76,223
Loans and advances to customers	**803,356**	**794,369**	819,136	795,652
Financial investments – at amortised cost	**82,886**	**82,877**	130,039	129,209
Financial Liabilities				
Deposits from banks	**6,995**	**6,995**	14,279	14,279
Current, savings and other deposit accounts	**1,273,909**	**1,273,990**	1,238,224	1,239,100
Repurchase agreements – non-trading	**15,465**	**15,476**	19,387	19,387
Certificates of deposit in issue	**2,291**	**2,292**	4,948	4,948
Subordinated liabilities	**21,272**	**21,606**	27,475	27,922

Other financial instruments not carried at fair value are typically short-term in nature or reprice to current market rates frequently. Accordingly, their carrying amounts are reasonable approximations of their fair values. The bases for measuring the fair values of financial instruments that are not carried at fair value are explained in note 49(b) of the Group's 2024 Annual Report.

38 Interim Condensed Consolidated Financial Statements and statutory financial statements

The financial information relating to the year ended 31 December 2024 that is included in these Interim Condensed Consolidated Financial Statements does not constitute the Bank's statutory financial statements for that year but is extracted from those financial statements which have been delivered 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) and to the Hong Kong Monetary Authority.

The auditor has reported on those statutory financial statements for the year ended 31 December 2024. 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 Annual Report for the year ended 31 December 2024, which includes the statutory financial statements, can be obtained from the Bank's website (www.hangseng.com) and the website of Hong Kong Exchanges and Clearing Limited (www.hkexnews.hk).

The Banking Disclosure Statement, together with the disclosures in the Group's Interim Report, contained all the disclosures required by the Banking (Disclosure) Rules issued by the HKMA. The disclosures as required under the Banking (Disclosure) Rules can be viewed in the Banking Disclosure Statement that is available in the Regulatory Disclosures section of the Bank's website (www.hangseng.com).

39 Immediate and ultimate holding companies

The immediate and ultimate holding companies of the Bank are The Hongkong and Shanghai Banking Corporation Limited (incorporated in Hong Kong) and HSBC Holdings plc (incorporated in England) respectively.

40 Event after balance sheet date

The Bank intends to initiate a share buy-back to purchase its ordinary shares up to a maximum consideration of HK$3bn, which is expected to complete within six months.

REPORT ON REVIEW OF INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS TO THE BOARD OF DIRECTORS OF HANG SENG BANK LIMITED

(incorporated in Hong Kong with limited liability)

Introduction

We have reviewed the interim condensed consolidated financial statements set out on pages 47 to 83, which comprises the interim condensed consolidated balance sheet of Hang Seng Bank Limited (the 'Bank') and its subsidiaries (together, the 'Group') as at 30 June 2025 and the interim condensed consolidated income statement, the interim condensed consolidated statement of comprehensive income, the interim condensed consolidated statement of changes in equity and the interim condensed consolidated statement of cash flows for the six-month period then ended, and notes, comprising material accounting policy information and other explanatory information[1]. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim condensed consolidated financial statements to be in compliance with the relevant provisions thereof and Hong Kong Accounting Standard 34 '*Interim Financial Reporting*' as issued by the Hong Kong Institute of Certified Public Accountants (the 'HKICPA'). The directors of the Bank are responsible for the preparation and presentation of these interim condensed consolidated financial statements in accordance with Hong Kong Accounting Standard 34 '*Interim Financial Reporting*' as issued by the HKICPA. Our responsibility is to express a conclusion on these interim condensed consolidated financial statements based on our review 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.

1 *Certain required disclosures as described in note 1 on the interim condensed consolidated financial statements have been presented elsewhere in the Interim Report 2025, rather than in the notes on the interim condensed consolidated financial statements. These are cross-referenced from the interim condensed consolidated financial statements and are identified as reviewed.*

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 HKICPA. A review of interim condensed consolidated financial statements consists of making inquiries, 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 condensed consolidated financial statements of the Group are not prepared, in all material respects, in accordance with Hong Kong Accounting Standard 34 '*Interim Financial Reporting*' as issued by the HKICPA.

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, 30 July 2025

Corporate Governance Principles and Practices

The Bank is committed to maintaining and upholding high standards of corporate governance with a view to safeguarding the interests of its shareholders, customers, employees and other stakeholders. The Bank has followed the module on 'Corporate Governance of Locally Incorporated Authorised Institutions' under the Supervisory Policy Manual issued by the Hong Kong Monetary Authority. The Bank has also fully complied with all the principles of good corporate governance and code provisions; and adopted the recommended best practices, where appropriate, set out in the Corporate Governance Code contained in Appendix C1 of the Rules Governing the Listing of Securities ('Listing Rules') on The Stock Exchange of Hong Kong Limited ('Stock Exchange') throughout the six months ended 30 June 2025.

The Bank aims to achieve governance excellence in all respects and to be in line with international and local corporate governance best practices. The Bank has been constantly reviewing and enhancing its corporate governance framework by referring to market trend as well as guidelines and requirements issued by regulatory authorities. Throughout the first six months of 2025, the Bank has continued implementing governance initiatives within the Group to streamline and enhance the oversight framework of the parent/subsidiaries for reporting efficiency and quality.

The Audit Committee of the Bank has reviewed the results of the Bank for the six months ended 30 June 2025.

Highlights for the First Half of 2025

The Bank embraces good corporate governance as one of its core values and as the foundation of achieving consistent and sustainable performance. During the six months ended 30 June 2025, we have been continuously enhancing our corporate governance practices:

- **Hybrid Annual General Meeting:** The annual general meeting of the Bank was held on 8 May 2025 ('2025 AGM') in the form of a hybrid meeting, allowing shareholders of the Bank to attend the 2025 AGM in person at the Bank's Headquarters or to join via the live online webcast system. Attending via the online platform allowed the shareholders to view the live meeting proceedings, attend the 2025 AGM, submit questions by text and vote online in real-time. The hybrid 2025 AGM allowed for a more flexible and inclusive way for shareholders to participate in the meeting either in-person or online and exchange views with the Board. All Directors were available at the 2025 AGM to answer questions from shareholders about the business and performance of the Bank.

- **Board Diversity:** The Board possesses an appropriate balance of skills, diversity, experience, competencies, professional expertise and personal qualities as set out in the Board Diversity Policy which helps to enable us to deliver our strategy in line with our purpose, values and cultures, enriches board discussions and provides invaluable insights when addressing complex global challenges. The Bank maintains a high level of female board representation of around 72% among Hong Kong listed companies.

- **Independent Leadership:** Our Independent Non-executive Directors demonstrates strong independent leadership and sufficient time commitment with less than 6-year tenure and six listed issuer directorships. The Board conducts continuous board refreshment. Edward CHENG Wai Sun, an Independent Non-executive Director of the Bank, has succeeded Irene LEE Yun Lien after the conclusion of the 2025 AGM. The appointment adds executive experience in banking. It also provides an opportunity to add deep business and cultural expertise that the Board identified as a priority.

- **Adoption of the New Articles of Association:** The Bank received strong support from the shareholders with high percentage of votes at the 2025 AGM approving the adoption of a new set of articles of association of the Bank ('New Articles of Association'). The New Articles of Association ties in with the latest legal and regulatory requirements of (i) the Companies (Amendment) Ordinance 2025 which came into operation on 17 April 2025; and (ii) the expanded paperless listing regime and electronic dissemination of corporate communications by listed issuers and the relevant amendments made to the Listing Rules which took effect on 31 December 2023.

- **Corporate Governance Initiatives:** Throughout the first half of 2025, the Bank has continued implementing several governance initiatives including (i) review of the Stock Exchange consultation conclusions on Corporate Governance Code and related Listing Rules; (ii) annual evaluation of Board effectiveness; (iii) semi-annual review of the skills matrix of the Board members; (iv) 2024 ESG Report and Climate Strategy with Net Zero Transition Plan for 2025; (v) internal control and governance of continuing connected transactions; and (vi) update of the Code for Securities Transactions by Directors of the Bank.

The Code for Securities Transactions by Directors

The Bank has adopted a Code for Securities Transactions by Directors on terms no less than the required standards as set out in the Model Code for Securities Transactions by Directors of Listed Issuers (set out in Appendix C3 to the Listing Rules) with periodic review. Specific enquiries have been made with all Directors who have confirmed that they have complied with the Bank's Code for Securities Transactions by Directors throughout the six months ended 30 June 2025.

Changes in Directors' Information

Changes in Directors' Information since the date of the Annual Report 2024 of the Bank or (as the case may be) the date of announcement for the appointment of Director issued by the Bank subsequent to the date of the Annual Report 2024, and up to the date of release of the interim results of the Bank which are required to be disclosed pursuant to Rule 13.51(2) and Rule 13.51B(1) of the Listing Rules, are set out below.

Edward CHENG Wai Sun GBS JP

Re-designation
- Hang Seng Bank Limited(1) (re-designated as the Chairman of the Board of Directors and the Nomination Committee)

Cessation of appointments
- Culture Commission (Member)

Diana Ferreira CESAR JP

Cessation of appointments
- Hang Seng Indexes Company Limited (Chairman of Hang Seng Index Advisory Committee)
- University Grants Committee (Member)

Cordelia CHUNG

New appointments
- Arup Group Limited (Member of Board Remuneration Committee; Member of Nominations Committee)

Re-designation
- Arup Group Limited (re-designated from Member of Risk Committee to Chairman of Risk Committee)

Cessation of appointments
- Arup Group Limited (Member of Assurance Committee; Member of Leadership Appointments Committee)

Kathleen GAN Chieh Huey

New appointments
- The Hongkong and Shanghai Banking Corporation Limited (Chief Risk and Compliance Officer, Asia and Middle East)

Cessation of appointments
- HSBC Holdings plc(1) (Group Financial and Business Integration Lead)

Clement KWOK King Man

New appointments

- Shui On Land Limited[1] (Independent Non-executive Director; Member of Audit and Risk Committee; Member of Strategy Committee)

Cessation of appointments

- The Hongkong and Shanghai Hotels, Limited[1] (Executive Director and Advisor to the CEO)

Patricia LAM Sze Wan

Cessation of appointments

- Hang Seng School of Commerce (Director)
- The Hang Seng University of Hong Kong (Governor)

David LIAO Yi Chien JP

Cessation of appointments

- The Hongkong and Shanghai Banking Corporation Limited (Member of Asset, Liability and Capital Management Committee; Member of Risk Management Meeting)

LIN Huey Ru

New appointments

- Bassett & Walker International, Inc. (Operating name: Trade Cafe Group) (Independent Non-executive Director)

WANG Xiao Bin

New appointments

- Transport International Holdings Limited[1] (Member of Nomination Committee)

Catherine ZHOU Rong

Cessation of appointments

- MP Payments Group Limited (Executive Director)

Notes:

(1) The securities of these companies are listed on a securities market in Hong Kong or overseas.

(2) Updated biographical details of the Bank's Directors are also available on the website of the Bank (https://www.hangseng.com/en-hk/about/board-of-directors/).

(3) Irene LEE Yun Lien stepped down as an Independent Non-executive Chairman of the Board, and ceased to be the Chairman of the Nomination Committee, and a member of the Audit Committee, the Risk Committee and the Remuneration Committee of the Bank, all with effect from the conclusion of the AGM on 8 May 2025.

Other than those disclosed above, there is no other information required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules.

Directors' and Alternate Chief Executives' Interests

As at 30 June 2025, the interests of the Directors and Alternate Chief Executives in the shares, underlying shares of equity derivatives and debentures of the Bank and its associated corporations (all within the meaning of Part XV of the Securities and Futures Ordinance ('SFO')) disclosed in accordance with the Listing Rules were detailed below.

Interests in shares

	Personal Interests (held as beneficial owner)	Family Interests (interests of spouse or child under 18)	Corporate Interests (interests of controlled corporation)	Other Interests	Total Interests	Total Interests as % of the relevant shares in issue/issued share capital
Number of ordinary shares in the Bank						
Director:						
Kathleen GAN Chieh Huey	2,500	–	–	–	2,500	0.00
Number of ordinary shares of US$0.50 each in HSBC Holdings plc						
Directors:						
Diana Ferreira CESAR	375,930	–	–	136,810[1]	512,740	0.00
Kathleen GAN Chieh Huey	212,893	–	–	147,032[1]	359,925	0.00
Patricia LAM Sze Wan	367,270	–	–	–	367,270	0.00
David LIAO Yi Chien	990,861	–	–	597,174[1]	1,588,035	0.00
SAW Say Pin	78,549	–	–	23,450[1]	101,999	0.00
Catherine ZHOU Rong	526,008	–	–	270,876[1]	796,884	0.00
Alternate Chief Executives:						
Kathy CHEUNG Ka Wai	47,988	–	–	21,983[1]	69,971	0.00
Vivien CHIU Wai Man	8,737[2]	79,570[3]	–	11,139[1]	99,446	0.00
Rannie LEE Wah Lun	56,382	–	–	22,669[1]	79,051	0.00

Interests in debentures of associated corporation of the Bank

	Personal Interests (held as beneficial owner)	Family Interests (interests of spouse or child under 18)	Corporate Interests (interests of controlled corporation)	Other Interests	Total Interests
Perpetual subordinated contingent convertible securities issued by HSBC Holdings plc					
Alternate Chief Executive:					
Vivien CHIU Wai Man	–	US$300,000[3]	–	–	US$300,000

Notes:

[1] These included interests in conditional awards of ordinary shares of US$0.50 each in HSBC Holdings plc under the HSBC Share Plans made in favour of Directors and Alternate Chief Executives.

[2] These included 1,933 ordinary shares in HSBC Holdings plc jointly held by Vivien CHIU Wai Man and her family member.

[3] Vivien CHIU Wai Man's spouse had interests in the total amount of US$300,000 of perpetual subordinated contingent convertible securities issued by HSBC Holdings plc. These perpetual subordinated contingent convertible securities would be converted into 79,570 ordinary shares in HSBC Holdings plc upon the occurrence of capital adequacy trigger event. Ms CHIU's family interests set out in the table under 'Interests in shares' and the table under 'Interests in debentures of associated corporation of the Bank' represented the same interests.

Conditional Awards of Shares

As at 30 June 2025, the interests of the Directors and Alternate Chief Executives in the conditional awards of ordinary shares of US$0.50 each in HSBC Holdings plc made in favour of them under various HSBC Share Plans were as follows:

	Awards held as at 1 January 2025	Awards made during the Director's/ Alternate Chief Executive's term of office in the first half of the year	Awards released/ forfeited during the Director's/ Alternate Chief Executive's term of office in the first half of the year	Awards held as at 30 June 2025[1]
Directors:				
Diana Ferreira CESAR	133,779	63,151	60,120	136,810
Kathleen GAN Chieh Huey	149,882	64,139	66,989	147,032
David LIAO Yi Chien	596,377	180,329	179,532	597,174
SAW Say Pin	31,556	19,388	27,577	23,450
Catherine ZHOU Rong	247,801	140,683	117,608	270,876
Alternate Chief Executives:				
Kathy CHEUNG Ka Wai	21,343	17,106	16,466	21,983
Vivien CHIU Wai Man	10,395	5,108	4,364	11,139
Rannie LEE Wah Lun	21,591	18,248	17,170	22,669

Note:

(1) This included additional shares arising from scrip dividends, if any.

The interests of Kathy CHEUNG Ka Wai, Vivien CHIU Wai Man, Kathleen GAN Chieh Huey and SAW Say Pin in ordinary shares of HSBC Holdings plc under the HSBC International Employee Share Purchase Plan have been included in their 'Personal Interests' disclosed in the table under 'Interests in shares'.

All the interests stated above represented long positions. As at 30 June 2025, no short positions were recorded in the Register of Directors' and Alternate Chief Executives' Interests and Short Positions required to be kept under section 352 of the SFO.

No right to subscribe for equity or debt securities of the Bank has been granted by the Bank to, nor have any such rights been exercised by, any person during the six months ended 30 June 2025.

Substantial Interests in Share Capital

The register maintained by the Bank pursuant to section 336 of the SFO recorded that, as at 30 June 2025, the following corporations had interests or short positions of 5% or more in the shares or underlying shares (as defined in the SFO) in the Bank set opposite their respective names:

Name of Corporations	Capacity in which Ordinary Shares were held	Number of Ordinary Shares Interested (Percentage of total)[2]
The Hongkong and Shanghai Banking Corporation Limited	Beneficial owner/Custodian	1,191,484,902[1] (62.83%)
HSBC Asia Holdings Limited	Interest of controlled corporations	1,191,484,902[1] (62.83%)
HSBC Holdings plc	Interest of controlled corporations	1,195,511,509[1] (63.04%)

Notes:

(1) The Hongkong and Shanghai Banking Corporation Limited is a wholly-owned subsidiary of HSBC Asia Holdings Limited, which in turn is a wholly-owned subsidiary of HSBC Holdings plc. Accordingly, HSBC Asia Holdings Limited and HSBC Holdings plc were deemed to be interested in the ordinary shares in which The Hongkong and Shanghai Banking Corporation Limited was shown to be interested.

HSBC Holdings plc filed the corporate substantial shareholder notice (the 'Notice') on 21 June 2024 that on 18 June 2024, the number of the Bank's ordinary shares interested by HSBC Holdings plc, HSBC Asia Holdings Limited and The Hongkong and Shanghai Banking Corporation Limited were detailed above.

(2) The percentage represents the number of the Bank's ordinary shares interested divided by the total number of the Bank's issued ordinary shares as at the date on the Notice.

All the interests stated above represented long positions. As at 30 June 2025, no short positions were recorded in the Register of Interests in Shares and Short Positions required to be kept under section 336 of the SFO.

Purchase, Sale or Redemption of the Bank's Listed Securities

There was no purchase, sale or redemption by the Bank, or any of its subsidiaries, of the Bank's listed securities during the first half of 2025.

Remuneration and Staff Development

There have been no material changes to the information disclosed in the Annual Report 2024 in respect of the remuneration of employees, remuneration policies and staff development.

Financial Calendar

2025 Interim Results

Announcement date	30 July 2025

2025 Second Interim Dividend

Announcement date	30 July 2025
Ex-dividend date	12 August 2025
Latest time for lodging share transfer documents for registration	13 August 2025 (Not later than 4:30 pm)
Book close and record date	14 August 2025
Payment date	4 September 2025

2025 Interim Report

To be despatched to shareholders	At or about the end of August 2025

Dividend

The Board declares the payment of a second interim dividend for 2025 of HK$1.30 per share. The second interim dividend will be payable in cash on Thursday, 4 September 2025 to shareholders whose names appear on the Register of Shareholders of the Bank on Thursday, 14 August 2025.

The Register of Shareholders of the Bank will be closed on Thursday, 14 August 2025, for the purpose of determining the shareholders' entitlement to the second interim dividend, on which date no transfer of shares can be registered. In order to qualify for the second interim dividend, all transfer documents accompanied by the relevant share certificates must be lodged with the Bank's Share Registrar, Computershare Hong Kong Investor Services Limited, at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, for registration not later than 4:30 pm on Wednesday, 13 August 2025. Ordinary shares of the Bank will be traded ex-dividend as from Tuesday, 12 August 2025.

Electronic Communication

This Interim Report, in English and Chinese versions, is available on the Bank's website (www.hangseng.com) and the website of Hong Kong Exchanges and Clearing Limited ('HKEX') (www.hkexnews.hk).

Shareholders are encouraged to access the Bank's corporate communications electronically via the Bank's website to help protect the environment. Shareholders may ask for this Interim Report in printed form (English and/or Chinese versions) at any time, free of charge, by giving the Bank c/o the Bank's Share Registrar reasonable notice in writing or by email to hangseng@computershare.com.hk. Shareholders may also complete and return the request form (available on the Bank's website under "Corporate Governance – Communication with Shareholders" in "About Hang Seng" section).

The Board

Independent Non-executive Chairman
Edward CHENG Wai Sun GBS JP

Executive Directors
Diana Ferreira CESAR JP (Chief Executive)
SAW Say Pin (Chief Financial Officer)

Non-executive Directors
Kathleen GAN Chieh Huey
David LIAO Yi Chien JP
Catherine ZHOU Rong

Independent Non-executive Directors
Cordelia CHUNG
Clement KWOK King Man
Patricia LAM Sze Wan
LIN Huey Ru
WANG Xiao Bin

Committees

Audit Committee
Clement KWOK King Man (Chairman)
Edward CHENG Wai Sun GBS JP
WANG Xiao Bin

Remuneration Committee
Cordelia CHUNG (Chairman)
Edward CHENG Wai Sun GBS JP
Patricia LAM Sze Wan

Risk Committee
WANG Xiao Bin (Chairman)
Edward CHENG Wai Sun GBS JP
LIN Huey Ru

Nomination Committee
Edward CHENG Wai Sun GBS JP (Chairman)
Diana Ferreira CESAR JP
Cordelia CHUNG
Patricia LAM Sze Wan
David LIAO Yi Chien JP

Notes:

(1) Terms of Reference of the Bank's Audit Committee, Remuneration Committee, Risk Committee and Nomination Committee are available on the websites of the Bank and HKEX. The Bank's Operating Committee has been established by the Chief Executive and replaced Executive Committee.

(2) List of Directors identifying their role and function is available on the websites of the Bank and HKEX.

Company Secretary
Maggie CHEUNG Ka Ki

Registered Office
83 Des Voeux Road Central, Hong Kong
Website: www.hangseng.com
Email: hangseng@computershare.com.hk

Stock Codes
The Stock Exchange of Hong Kong Limited:
11 (HKD counter) and 80011 (RMB counter)

Share Registrar
Computershare Hong Kong Investor Services Limited
Shops 1712-1716, 17th Floor, Hopewell Centre
183 Queen's Road East, Wanchai, Hong Kong

Depositary*
BNY Mellon Shareowner Services
PO Box 43006
Providence, RI 02940-3078, USA
Website: www.computershare.com/investor
Email: shrrelations@cpushareownerservices.com

* The Bank offers investors in the United States a Sponsored Level-1 American Depositary Receipts Programme through The Bank of New York Mellon Corporation.

This 2025 Interim Report contains certain forward-looking statements with respect to the Group's financial condition; results of operations and business, including the strategic priorities; financial, investment and capital targets; and ESG ambitions, targets, and commitments described herein.

Statements that are not historical facts, including statements about the Group's beliefs and expectations, are forward-looking statements. Words such as 'may', 'will', 'should', 'expects', 'targets', 'anticipates', 'intends', 'plans', 'believes', 'seeks', 'estimates', 'potential' and 'reasonably possible', or the negative thereof, other variations thereon or similar expressions are intended to identify forward-looking statements. These statements are based on current plans, information, data, estimates and projections, and therefore undue reliance should not be placed on them. Forward-looking statements speak only as of the date they are made. The Group makes no commitment to revise or update any forward-looking statements to reflect events or circumstances occurring or existing after the date of any forward-looking statements. Written and/or oral forward-looking statements may also be made in the periodic reports to the relevant regulators in Hong Kong, summary financial statements to shareholders, offering circulars and prospectuses, press releases and other written materials, and in oral statements made by the Group's Directors, officers or employees to third parties, including financial analysts. Forward-looking statements involve inherent risks and uncertainties. Readers are cautioned that a number of factors could cause actual results to differ, in some instances materially, from those anticipated or implied in any forward-looking statement. These include, but are not limited to:

- changes in general economic conditions in the markets in which we operate, such as new, continuing or deepening recessions, prolonged inflationary pressures and fluctuations in employment levels and the creditworthiness of customers beyond those factored into consensus forecasts; the Russia-Ukraine war and the conflict in the Middle East and their impact on global economies and the markets where the Group operates, which could have a material adverse effect on (among other things) our financial condition, results of operations, prospects, liquidity, capital position and credit ratings; deviations from the market and economic assumptions that form the basis for our ECL measurements (including, without limitation, as a result of the Russia-Ukraine war and the conflict in the Middle East, inflationary pressures, commodity price changes, and ongoing developments in the commercial real estate sectors in mainland China and Hong Kong); potential changes in the Group's dividend policy; changes and volatility in foreign exchange rates and interest rates levels, including the adverse effect of the recent decline in HIBOR and the accounting impact resulting from financial reporting in respect of hyperinflationary economies; volatility in equity markets; lack of liquidity in wholesale funding or capital markets, which may affect our ability to meet our obligations under financing facilities or to fund new loans, investments and businesses; geopolitical tensions or diplomatic developments producing social instability or legal uncertainty, such as the Russia-Ukraine war or the conflict in the Middle East (including the continuation or escalation thereof) and the related imposition of sanctions, export-control and trade restrictions, supply chain restrictions and disruptions (including as a result of any potential further escalation of the conflict between Iran and Israel), sustained increases in energy prices and key commodity prices, claims of human rights violations, diplomatic tensions between China and the US, which may extend to and involve other countries and territories, and developments in Hong Kong and Taiwan, alongside other potential areas of tension, which may adversely affect the Group by creating regulatory, reputational and market risks; the efficacy of government, customer, and the Group's actions in managing and mitigating ESG risks, in particular climate risk, nature-related risks and human rights risks, and in supporting the global transition to net zero carbon emissions, each of which can impact the Group both directly and indirectly through our customers and which may result in potential financial and non-financial impacts; illiquidity and downward price pressure in national real estate markets; adverse changes in central banks' policies with respect to the provision of liquidity support to financial markets; heightened market concerns over sovereign creditworthiness in over-indebted countries; adverse changes in the funding status of public or private defined benefit pensions; societal shifts in customer financing and investment needs, including consumer perception as to the continuing availability of credit; exposure to counterparty risk, including third parties using us as a conduit for illegal activities without our knowledge; the discontinuation of certain key IBORs and the transition of the remaining legacy IBOR contracts to near risk-free benchmark rates, which continues to expose the Group to some financial and non-financial risks; and price competition in the market segments we serve;

- changes in government policy and regulation, including trade and tariff policies, as well as monetary, interest rate and other policies of central banks and other regulatory authorities in the principal markets in which we operate and the consequences thereof (including, without limitation, actions taken as a result of changes in government following national elections and the trade policies announced by the US and potential countermeasures that may be adopted by countries, including in the markets where the Group operates); initiatives to change the size, scope of activities and interconnectedness of financial institutions in connection with the implementation of stricter regulation of financial institutions in key markets worldwide; revised capital and liquidity benchmarks, which could serve to deleverage bank balance sheets and lower returns available from the current business model and portfolio mix; changes to tax laws and tax rates applicable to the Group, including the imposition of levies or taxes designed to change business mix and risk appetite; the practices, pricing or responsibilities of financial institutions serving their consumer markets; expropriation, nationalisation, confiscation of assets and changes in legislation relating to foreign ownership; changes in government approach and regulatory treatment in relation to ESG disclosures and reporting requirements, and the current lack of a single standardised regulatory approach to ESG across all sectors and markets; general changes in government policy that may significantly influence investor decisions; the costs, effects and outcomes of regulatory reviews, actions or litigation, including any additional compliance requirements; and the effects of competition in the markets where we operate including increased competition from non-bank financial services companies; and

- factors specific to the Group, including our success in adequately identifying the risks we face, such as the incidence of loan losses or delinquency, and managing those risks (through account management, hedging and other techniques); our ability to achieve our financial, investment, capital and ESG ambitions, targets, and commitments (including the positions set forth in our thermal coal phase-out policy and our energy policy and our targets to reduce our on-balance sheet financed emissions and, where applicable, facilitated emissions in our portfolio of selected high-emitting sectors), which may result in our failure to achieve any of the expected outcomes of our strategic priorities; evolving regulatory requirements and the development of new technologies, including artificial intelligence, affecting how we manage model risk; model limitations or failure, including, without limitation, the impact that high inflationary pressures and interest rates have had on the performance and usage of financial models, which may require us to hold additional capital, incur losses and/or use compensating controls, such as judgemental post-model adjustments, to address model limitations; changes to the judgements, estimates and assumptions we base our financial statements on; changes in our ability to meet the requirements of regulatory stress tests; a reduction in the credit ratings assigned to us or any of our subsidiaries, which could increase the cost or decrease the availability of our funding and affect our liquidity position and net interest margin; changes to the reliability and security of our data management, data privacy, information and technology infrastructure, including threats from cyber-attacks, which may impact our ability to service clients and may result in financial loss, business disruption and/or loss of customer services and data; the accuracy and effective use of data, including internal management information that may not have been independently verified; changes in insurance customer behaviour and insurance claim rates; our dependence on loan payments and dividends from subsidiaries to meet our obligations; changes in our reporting frameworks and accounting standards, which have had and may continue to have a material impact on the way we prepare our financial statements; our ability to successfully execute planned strategic acquisitions and disposals; our success in adequately integrating acquired businesses into our business; our ability to successfully execute and implement the announced strategic reorganisation of the Group; changes in our ability to manage third-party, fraud, financial crime and reputational risks inherent in our operations; employee misconduct, which may result in regulatory sanctions and/or reputational or financial harm; changes in skill requirements, ways of working and talent shortages, which may affect our ability to recruit and retain senior management and an inclusive and skilled workforce; and changes in our ability to develop sustainable finance and ESG-related products consistent with the evolving expectations of our regulators, and our capacity to measure the environmental and social impacts from our financing activity (including as a result of data limitations and changes in methodologies), which may affect our ability to achieve our ESG ambitions, targets and commitments, including our net zero ambition, our targets to reduce on-balance sheet financed emissions and, where applicable, facilitated emissions in our portfolio of selected high-emitting sectors and the positions set forth in our thermal coal phase-out policy and our energy policy, and increase the risk of greenwashing. Effective risk management depends on, among other things, our ability through stress testing and other techniques to prepare for events that cannot be captured by the statistical models it uses; our success in addressing operational, legal and regulatory, and litigation challenges; and other risks and uncertainties we identify in our 'Risk' section in this 2025 Interim Report.

Additional detailed information concerning important factors, including but not limited to ESG-related factors, that could cause actual results to differ materially from those anticipated or implied in any forward-looking statement in this 2025 Interim Report is available in our Annual Report for the year ended 31 December 2024.

This 2025 Interim Report contains a number of images, graphics, text boxes and credentials which aim to give a high-level overview of certain elements of our disclosures and to improve accessibility for readers. These images, graphics, text boxes and credentials are designed to be read within the context of the 2025 Interim Report as a whole.

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