恒生銀行
HANG SENG BANK

2026 Interim Financial Report

Contents

Certain defined terms

This document comprises the Interim Financial Report 2026 for Hang Seng Bank Limited ('the Bank') and its subsidiaries (together 'the Group'). References to 'HASE', 'the Group' or 'the HASE Group' within this document mean Hang Seng Bank Limited together with its subsidiaries. Within this document, the Hong Kong Special Administrative Region of the People's Republic of China is referred to as 'Hong Kong'. The abbreviations 'HK$m' and 'HK$bn' represent millions and billions (thousands of millions) of Hong Kong dollars respectively.

Chinese translation

A Chinese translation of the Interim Financial Report 2026 is available.

The report is also available, in English and Chinese, on the Bank's website at www.hangseng.com.

本《2026年中期財務報告》備有中譯本。

本報告之中英文本亦載於本行之網站www.hangseng.com。

中英文本如有歧異，概以英文本為準。

Additional information

The Banking Disclosure Statement at 30 June 2026, which is prepared in accordance with the Banking (Disclosure) Rules made under section 60A of the Banking Ordinance and the Financial Institutions (Resolution) (Loss-absorbing Capacity Requirements – Banking Sector) Rules made under section 19(1) of the Financial Institutions (Resolution) Ordinance, will be published on our website at www.hangseng.com.

Financial highlights

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

For the half-year ended (re-presented)	30 June 2026 HK$m	30 June 2025 HK$m
Net operating income/(expense) before change in expected credit losses and other credit impairment charges	**21,786**	20,632
Operating profit	**11,443**	8,203
Profit before tax	**11,482**	8,097
Profit attributable to ordinary shareholders of the parent company	**9,877**	6,880
	%	%
Return on average ordinary shareholders' equity	**12.0**	7.9
Cost efficiency ratio	**36.7**	36.7

At period-end	At 30 June 2026 HK$m	At 31 December 2025 HK$m
Shareholders' equity	**153,953**	172,654
Total assets	**1,942,365**	1,819,113
	%	%
Capital ratios		
– Common Equity Tier 1 ('CET1') Capital Ratio	**21.1**	23.3
– Tier 1 Capital Ratio	**23.3**	25.5
– Total Capital Ratio	**24.9**	27.1

Financial review

The commentary in this financial review compares the Group's financial performance for the half-year ended 30 June 2026 with the half-year ended 30 June 2025 unless otherwise stated.

Results Commentary

The Group reported a profit before tax of HK$11,482m, an increase of HK$3,385m, or 42%.

Net interest income decreased by HK$613m, or 4%, to HK$13,726m, primarily reflecting the impact of lower market interest rates and margin pressure. The net interest margin contracted by 9 basis points to 1.90%, mainly due to the 14-basis-point decline in the contribution from net-free funds. The net interest spread increased by 5 basis points to 1.72%.

	Half-year ended 30 June 2026	Half-year ended 30 June 2025
Average interest-earning assets	**1,456,508**	1,456,508
Net interest spread	**1.72%**	1.67%
Net interest margin	**1.90%**	1.99%

Net fee income increased by HK$391m, or 12%, to HK$3,538m, primarily due to an increase in unit trust income, reflecting improved market sentiment for wealth products.

Net income/(loss) from financial instruments held for trading or managed on a fair value basis increased by HK$92m, or 6%, to HK$1,736m.

Net income/(loss) from assets and liabilities of insurance businesses, including related derivatives, measured at fair value through profit or loss increased by HK$799m, or 9% to HK$9,857m; mainly reflecting strong performance in equity market. As most of the insurance contracts are measured under the variable fee approach, these gains will be largely absorbed into the insurance contract liabilities through 'insurance finance expense', reflecting the attribution to policyholders.

Insurance service results increased by HK$254m, or 19%, to HK$1,611m, mainly reflecting a higher release of Contractual Services Margin ('CSM') driven by growth in the CSM balance propelled by new business growth.

Other operating income decreased by HK$345m, or 46%, to HK$409m, mainly due to a decrease in reinsurance income, partly offset by lower property revaluation deficit and higher dividend income from financial investments.

Change in expected credit losses and other credit impairment charges decreased by HK$2,506m, or 52%, to HK$2,355m compared with 2025 reflecting the improved credit performance relative to the prior period.

Total operating expenses increased by HK$420m, or 6%, to HK$7,988m, primarily driven by higher general and administrative expenses.

Share of profits/(losses) of an associate recorded a profit of HK$39m, compared with a loss of HK$106m in the same period last year.

Balance sheet commentary compared with 31 December 2025

Gross loans and advances to customers decreased by HK$5bn, to HK$802bn, mainly reflecting a reduction in outstanding loan balances to the property investment and other industrial, commercial and financial sectors. Gross impaired loans and advances decreased to HK$37bn at 30 June 2026, from HK$57bn at 31 December 2025. Gross impaired loans and advances as a percentage of gross loans and advances to customers improved to 4.63% at 30 June 2026, compared with 7.04% as 31 December 2025 and 6.69% at 30 June 2025. The change in expected credit losses as a percentage of gross loans and advances to customers was 2.19% compared with 2.38% at 31 December 2025.

Customer accounts increased by HK$37bn, or 3%, to HK$1,295bn from the end of 2025. At 30 June 2026, the advances-to-deposits ratio was 60.6%, compared with 62.6% at 31 December 2025.

Total shareholders' equity decreased by HK$19bn, or 11%, to HK$154bn, primarily attributable to dividend payments, partly offset by the current period's profit. Other reserves decreased by HK$3bn, or 12%, mainly reflecting the negative movement in financial assets at FVOCI and cash flow hedge reserve.

INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (unaudited)

Interim Condensed Consolidated Income Statement

(Expressed in millions of Hong Kong dollars)

	Half-year ended 30 June 2026	Half-year ended 30 June 2025 (re-presented)
Net interest income	**13,726**	14,339
Interest income	**23,364**	26,681
Interest expense	**(9,638)**	(12,342)
Net fee income	**3,538**	3,147
Fee income	**4,909**	4,559
Fee expense	**(1,371)**	(1,412)
Net income/(loss) from financial instruments held for trading or managed on a fair value basis	**1,736**	1,644
Net income/(loss) from assets and liabilities of insurance businesses, including related derivatives, measured at fair value through profit or loss	**9,857**	9,058
Insurance finance income/(expenses)	**(9,091)**	(9,667)
Insurance service results	**1,611**	1,357
– Insurance revenue	**2,343**	2,071
– Insurance service expense	**(732)**	(714)
Other operating income/(expense)	**409**	754
Net operating income/(expense) before change in expected credit losses and other credit impairment charges	**21,786**	20,632
Change in expected credit losses and other credit impairment charges	**(2,355)**	(4,861)
Net operating income	**19,431**	15,771
Employee compensation and benefits	**(3,037)**	(3,088)
General and administrative expenses	**(3,362)**	(2,904)
Depreciation and impairment of property, plant and equipment	**(890)**	(936)
Amortisation and impairment of intangible assets	**(699)**	(640)
Total operating expenses	**(7,988)**	(7,568)
Operating profit	**11,443**	8,203
Share of profits/(losses) of an associate	**39**	(106)
Profit before tax	**11,482**	8,097
Tax expense	**(1,606)**	(1,221)
Profit for the period	**9,876**	6,876
Profit attributable to:		
Ordinary shareholders of the parent company	**9,877**	6,880
Non-controlling interests	**(1)**	(4)

The notes on pages 11 to 24 form part of these Interim Condensed Consolidated Financial Statements.

INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (unaudited) (continued)

Interim Condensed Consolidated Statement of Comprehensive Income

(Expressed in millions of Hong Kong dollars)

	Half-year ended 30 June 2026	Half-year ended 30 June 2025
Profit for the period	**9,876**	6,876
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	**(666)**	1,188
– fair value (gains)/losses transferred to the income statement:		
— on hedged items	**420**	(541)
— on disposal	**(26)**	(21)
– expected credit losses/(recoveries) recognised in the income statement	**1**	2
– deferred taxes	**44**	(94)
Cash flow hedge reserve:		
– fair value gains/(losses) taken to equity	**371**	(6,555)
– fair value (gains)/losses transferred to the income statement	**(1,990)**	9,035
– deferred taxes	**267**	(409)
Exchange differences on translation of:		
– financial statements of overseas branches, subsidiaries and an associate	**597**	456
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	**(1)**	—
Equity instruments designated at FVOCI:		
– fair value gains/(losses) taken to equity	**(1,214)**	843
Property revaluation:		
– fair value gains/(losses)	**(132)**	(576)
– deferred taxes	**24**	98
Defined benefit plans:		
– actuarial gains/(losses) on defined benefit plan	**189**	(98)
– deferred taxes	**(31)**	16
Others	**1**	—
Other comprehensive income for the period, net of tax	**(2,146)**	3,344
Total comprehensive income for the period	**7,730**	10,220
Total comprehensive income for the period attributable to:		
– shareholders of the Bank	**7,731**	10,224
– non-controlling interests	**(1)**	(4)
	7,730	10,220

The notes on pages 11 to 24 form part of these Interim Condensed Consolidated Financial Statements.

INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (unaudited) (continued)

Interim Condensed Consolidated Balance Sheet

(Expressed in millions of Hong Kong dollars)

	note	**At 30 June 2026**	At 31 December 2025 (re-presented)
Assets			
Cash and balances at central banks		**10,525**	10,290
Trading assets		**29,313**	27,780
Derivatives	6	**16,408**	12,528
Financial assets mandatorily measured at fair value through profit or loss		**209,745**	200,786
Reverse repurchase agreements – non-trading		**126,795**	77,197
Loans and advances to banks		**22,867**	63,871
Loans and advances to customers	7	**784,450**	787,349
Financial investments		**509,146**	484,119
Amounts due from Group companies		**87,116**	53,094
Interest in an associate		**2,198**	2,196
Goodwill and intangible assets		**4,423**	4,484
Property, plant and equipment		**33,011**	34,147
Deferred tax assets		**5,849**	4,680
Prepayment, accrued income and other assets		**100,519**	56,592
Total assets		**1,942,365**	1,819,113
Liabilities			
Deposits by banks		**3,838**	6,515
Customer accounts		**1,294,662**	1,257,523
Repurchase agreements – non-trading		**87,903**	21,786
Trading liabilities		**11,540**	13,014
Derivatives	6	**11,417**	10,667
Financial liabilities designated at fair value		**38,898**	36,599
Certificates of deposit in issue		**9,468**	3,436
Amounts due to Group companies		**33,024**	27,309
Accruals and deferred income, other liabilities and provisions		**42,130**	36,150
Insurance contract liabilities		**248,684**	228,392
Current tax liabilities		**3,328**	1,120
Deferred tax liabilities		**3,481**	3,910
Total liabilities		**1,788,373**	1,646,421
Equity			
Share capital		**9,658**	9,658
Retained earnings		**114,501**	130,613
Other equity instruments		**11,587**	11,587
Other reserves		**18,207**	20,796
Total shareholders' equity		**153,953**	172,654
Non-controlling interests		**39**	38
Total equity		**153,992**	172,692
Total liabilities and equity		**1,942,365**	1,819,113

The notes on pages 11 to 24 form part of these Interim Condensed Consolidated Financial Statements.

INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (unaudited) (continued)

Interim Condensed Consolidated Statement of Changes in Equity

(Expressed in millions of Hong Kong dollars)

	Share capital	Other equity instruments	Retained earnings[1]	Other reserves: Property revaluation reserve	Other reserves: Financial assets at FVOCI reserve	Other reserves: Cash flow hedge reserve	Other reserves: Foreign exchange reserve	Other reserves: Other[2]	Total shareholders' equity	Non-controlling interests	Total equity
At 1 January 2026	**9,658**	**11,587**	**130,613**	**16,107**	**3,028**	**1,411**	**(380)**	**630**	**172,654**	**38**	**172,692**
Profit for the period	—	—	**9,877**	—	—	—	—	—	**9,877**	**(1)**	**9,876**
Other comprehensive income/(expenses) (net of tax)	—	—	**158**	**(108)**	**(1,441)**	**(1,352)**	**597**	—	**(2,146)**	—	**(2,146)**
Debt instruments at FVOCI	—	—	—	—	**(227)**	—	—	—	**(227)**	—	**(227)**
Equity instruments designated at FVOCI	—	—	—	—	**(1,214)**	—	—	—	**(1,214)**	—	**(1,214)**
Cash flow hedges	—	—	—	—	—	**(1,352)**	—	—	**(1,352)**	—	**(1,352)**
Change in fair value of financial liabilities designated at fair value upon initial recognition arising from changes in own credit risk	—	—	**(1)**	—	—	—	—	—	**(1)**	—	**(1)**
Property revaluation	—	—	—	**(108)**	—	—	—	—	**(108)**	—	**(108)**
Remeasurement of defined benefit asset/liability	—	—	**158**	—	—	—	—	—	**158**	—	**158**
Others	—	—	**1**	—	—	—	**597**	—	**598**	—	**598**
Total comprehensive income/(expenses) for the period	—	—	**10,035**	**(108)**	**(1,441)**	**(1,352)**	**597**	—	**7,731**	**(1)**	**7,730**
Dividends/ distributions to shareholders[3]	—	—	**(25,558)**	—	—	—	—	—	**(25,558)**	—	**(25,558)**
Movement in respect of share-based payment arrangements	—	—	**(24)**	—	—	—	—	**4**	**(20)**	—	**(20)**
Transfers and other movements[4]	—	—	**(565)**	**(297)**	—	—	—	**8**	**(854)**	**2**	**(852)**
At 30 June 2026	**9,658**	**11,587**	**114,501**	**15,702**	**1,587**	**59**	**217**	**642**	**153,953**	**39**	**153,992**

1 Retained earnings 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 2026, the Group is not required to restrict any reserves which can be distributed to shareholders (31 December 2025: HK$350m) as the impairment allowance for Stage 1 and Stage 2 loans and advances to customers exceeded the expected regulatory reserve balance.

2 Other reserves mainly comprise share-based payment 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 ultimate holding company.

3 Including distributions paid on perpetual subordinated loans classified as equity under HKFRS.

4 This includes the transfer from the property revaluation reserve to retained earnings in relation to depreciation of revalued properties.

Interim Condensed Consolidated Statement of Changes in Equity (continued)

(Expressed in millions of Hong Kong dollars)

(re-presented)				Other reserves							
	Share capital	Other equity instruments	Retained earnings	Property revaluation reserve	Financial assets at FVOCI reserve	Cash flow hedge reserve	Foreign exchange reserve	Other	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/(expenses) (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
Property revaluation	—	—	—	(478)	—	—	—	—	(478)	—	(478)
Remeasurement of defined benefit asset/liability	—	—	(82)	—	—	—	—	—	(82)	—	(82)
Others	—	—	—	—	—	—	456	—	456	—	456
Total comprehensive income/(expenses) for the period	—	—	6,798	(478)	1,377	2,071	456	—	10,224	(4)	10,220
Dividends/ distributions to shareholders	—	—	(9,065)	—	—	—	—	—	(9,065)	—	(9,065)
Movement in respect of share-based payment arrangements	—	—	(12)	—	—	—	—	1	(11)	—	(11)
Transfers and other movements	—	—	323	(323)	—	—	—	—	—	1	1
At 30 June 2025	9,658	11,587	127,434	16,472	3,575	1,921	(635)	658	170,670	39	170,709

Interim Condensed Consolidated Statement of Changes in Equity (continued)

(Expressed in millions of Hong Kong dollars)

(re-presented)				Other reserves							
	Share capital	Other equity instruments	Retained earnings	Property revaluation reserve	Financial assets at FVOCI reserve	Cash flow hedge reserve	Foreign exchange reserve	Other	Total shareholders' equity	Non-controlling interests	Total equity
At 1 July 2025	9,658	11,587	127,434	16,472	3,575	1,921	(635)	658	170,670	39	170,709
Profit for the period	—	—	8,882	—	—	—	—	—	8,882	(1)	8,881
Other comprehensive income/(expenses) (net of tax)	—	—	201	(63)	(547)	(510)	254	(8)	(673)	—	(673)
Debt instruments at FVOCI	—	—	—	—	(118)	—	—	—	(118)	—	(118)
Equity instruments designated at FVOCI	—	—	—	—	(429)	—	—	—	(429)	—	(429)
Cash flow hedges	—	—	—	—	—	(510)	—	—	(510)	—	(510)
Change in fair value of financial liabilities designated at fair value upon initial recognition arising from changes in own credit risk	—	—	—	—	—	—	—	(8)	(8)	—	(8)
Property revaluation	—	—	—	(63)	—	—	—	—	(63)	—	(63)
Remeasurement of defined benefit asset/liability	—	—	201	—	—	—	—	—	201	—	201
Others	—	—	—	—	—	—	254	—	254	—	254
Total comprehensive income/(expenses) for the period	—	—	9,083	(63)	(547)	(510)	254	(8)	8,209	(1)	8,208
Dividends/ distributions to shareholders	—	—	(5,122)	—	—	—	—	—	(5,122)	—	(5,122)
Movement in respect of share-based payment arrangements	—	—	(7)	—	—	—	—	(20)	(27)	—	(27)
Share buy-back	—	—	(1,079)	—	—	—	—	—	(1,079)	—	(1,079)
Transfers and other movements	—	—	304	(302)	—	—	1	—	3	—	3
At 31 December 2025	9,658	11,587	130,613	16,107	3,028	1,411	(380)	630	172,654	38	172,692

INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (unaudited) (continued)

Interim Condensed Consolidated Statement of Cash Flows

(Expressed in millions of Hong Kong dollars)

	Half-year ended 30 June 2026	Half-year ended 30 June 2025 (re-presented)
Profit before tax	11,482	8,097
Adjustments for non-cash items:		
Depreciation, amortisation and impairment	1,589	1,576
Net (gain)/loss from investing activities	(28)	(21)
Share of (profits)/losses of an associate	(39)	106
Change in expected credit losses gross of recoveries and other credit impairment charges	2,458	4,955
Provisions	293	86
Share-based payment expense	16	22
Other non-cash items included in profit before tax	(21,218)	(16,912)
Change in operating assets	(74,866)	(28,270)
Change in operating liabilities	122,488	32,343
Elimination of exchange differences	(1,120)	(19,830)
Contributions paid to defined benefit plans	(31)	(35)
Tax paid	(551)	(152)
Net cash from operating activities	40,473	(18,035)
Purchase of financial investments	(371,229)	(515,351)
Proceeds from the sale and maturity of financial investments	357,796	507,288
Purchase of property, plant and equipment	(102)	(189)
Net investment in intangible assets	(627)	(612)
Net cash from investing activities	(14,162)	(8,864)
Issue of subordinated liabilities	2,493	—
Redemption of subordinated liabilities	—	(6,240)
Dividends/ distributions to shareholders	(25,558)	(9,065)
Net cash from financing activities	(23,065)	(15,305)
Net increase/(decrease) in cash and cash equivalents	3,246	(42,204)
Cash and cash equivalents at 1 January	140,151	150,580
Exchange differences in respect of cash and cash equivalents	844	4,608
Cash and cash equivalents at 30 June[1]	144,241	112,984

Interest received in the first half of 2026 was HK$21,391m (first half of 2025: HK$22,186m), interest paid in the first half of 2026 was HK$11,242m (first half of 2025: HK$13,966m) and dividends received in the first half of 2026 was HK$113m (first half of 2025: HK$5m).

1 At 30 June 2026, HK$9,691m (2025: HK$16,341m) was not available for use by the Group due to a range of restrictions, including currency exchange and other restrictions.

NOTES ON THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (unaudited)

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

1 Basis of preparation

The Interim Condensed Consolidated Financial Statements of Hang Seng Bank Limited ('the Bank') and its subsidiaries ('the Group') have been prepared 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 should be read in conjunction with the consolidated financial statements for the year ended 31 December 2025, 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 2025.

The comparative figures in this Interim Financial Report have been re-presented where practicable, to align with the presentation adopted by the immediate holding company following the Bank's transition from a listed company to a wholly-owned subsidiary of The Hongkong and Shanghai Banking Corporation Limited upon the completion of the privatisation in January 2026.

The information in this Interim Financial Report 2026 is unaudited and does not constitute statutory accounts.

2 Material accounting policies

Except as described below, the accounting policies applied in preparing this Interim Condensed Consolidated Financial Statements are the same as those applied in preparing the consolidated financial statements for the year ended 31 December 2025, as disclosed in the 2025 Annual Report.

Standards applied during the half-year ended 30 June 2026

On 1 January 2026, the Group adopted Amendments to HKFRS 9 'Financial Instruments' and HKFRS 7 'Financial Instruments: Disclosures'. 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. These amendments had no material effect on the Group.

Future accounting developments

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 might have a significant impact on presenting information in the financial statements, in particular the income statement. The Group is currently assessing impact and data readiness.

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

2 Material accounting policies (continued)

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 2025, which are stated in note 1 of the 2025 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.

4 Dividends/Distributions

(a) Dividends to ordinary shareholders

	Half-year ended 30 June 2026		Half-year ended 30 June 2025	
	per share HK$	**HK$m**	per share HK$	HK$m
First interim	**2.05**	**3,832**	1.30	2,447
Special dividend	**8.38**	**15,697**	—	—
Second interim	**1.58**	**2,959**	1.30	2,445
	12.01	**22,488**	2.60	4,892

The Directors of the Bank declared a second interim dividend in respect of the year ending 31 December 2026 of HK$1.58 per ordinary share (HK$2,959m).

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

	Half-year ended 30 June 2026	Half-year ended 30 June 2025
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)	**243**	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**	354
	597	595

5 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'.

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;

– **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 properties 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.

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

5 Segmental analysis (continued)

(a) Segmental result

	Hong Kong Business	Insurance Manufacturing and Asset Management	Markets and Securities Services	Corporate Centre[1]	Total
Half-year ended 30 June 2026					
Net interest income/(expense)	14,154	173	169	(770)	13,726
Net fee income/(expense)	2,982	245	(20)	331	3,538
Net income/(loss) from financial instruments held for trading or managed on a fair value basis	265	(664)	1,400	735	1,736
Net income/(loss) from assets and liabilities of insurance businesses, including related derivatives, measured at fair value through profit or loss	—	9,857	—	—	9,857
Insurance finance income/(expenses)	—	(9,091)	—	—	(9,091)
Insurance service results	19	1,592	—	—	1,611
– Insurance revenue	24	2,319	—	—	2,343
– Insurance service expense	(5)	(727)	—	—	(732)
Other operating income/(expense)	642	250	(523)	40	409
Net operating income/(expense) before change in expected credit losses and other credit impairment charges	18,062	2,362	1,026	336	21,786
– External	15,742	2,389	3,279	376	21,786
– Inter-segment	2,320	(27)	(2,253)	(40)	—
Change in expected credit losses and other credit impairment charges	(2,353)	(2)	—	—	(2,355)
Net operating income	15,709	2,360	1,026	336	19,431
Operating expenses	(6,859)	(411)	(288)	(430)	(7,988)
Operating profit/(loss)	8,850	1,949	738	(94)	11,443
Share of profits/(losses) of an associate	—	39	—	—	39
Profit/(loss) before tax	8,850	1,988	738	(94)	11,482
Share of profit/(loss) before tax	77.1%	17.3%	6.4%	(0.8%)	100.0%
As at 30 June 2026					
Total assets	1,368,688	268,662	277,393	27,622	1,942,365
– of which: Loans and advances to customers	784,419	—	31	—	784,450
Total liabilities	1,406,464	256,393	114,056	11,460	1,788,373
– of which: Customer accounts	1,294,662	—	—	—	1,294,662
Interest in an associate	—	2,198	—	—	2,198

NOTES ON THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (unaudited) (continued)

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

5 Segmental analysis (continued)

(a) Segmental result (continued)

(re-presented)	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 held for trading or managed on a fair value basis	876	(142)	819	91	1,644
Net income/(loss) from assets and liabilities of insurance businesses, including related derivatives, measured at fair value through profit or loss	—	9,221	—	(163)	9,058
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/(expense)	90	793	39	(168)	754
Net operating income/(expense) before change in expected credit losses and other credit impairment charges	17,723	1,914	901	94	20,632
– External	17,289	1,778	1,361	204	20,632
– 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	94	15,771
Operating expenses	(6,432)	(324)	(297)	(515)	(7,568)
Operating profit/(loss)	6,435	1,585	604	(421)	8,203
Share of profits/(losses) of an 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 31 December 2025					
Total assets	1,404,481	246,388	138,301	29,943	1,819,113
– of which: Loans and advances to customers	787,349	—	—	—	787,349
Total liabilities	1,336,761	234,720	43,891	31,049	1,646,421
– of which: Customer accounts	1,257,502	21	—	—	1,257,523
Interest in an associate	—	2,196	—	—	2,196

1 Including inter-segment elimination, of which total assets eliminated was approximately HK$3.5bn as at 30 June 2026 (HK$2.0bn as at 31 December 2025) and total liabilities eliminated was approximately HK$2.0bn as at 30 June 2026 (HK$2.7bn as at 31 December 2025).

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

5 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 2026					
Net operating income/(expense) before change in expected credit losses and other credit impairment charges	**20,810**	**939**	**44**	**(7)**	**21,786**
Profit/(loss) before tax	**11,261**	**221**	**—**	**—**	**11,482**
At 30 June 2026					
Total assets	**1,850,788**	**103,484**	**8,957**	**(20,864)**	**1,942,365**
Total liabilities	**1,706,127**	**86,340**	**7,322**	**(11,416)**	**1,788,373**
Interest in an associate	**2,198**	**—**	**—**	**—**	**2,198**
Non-current assets[2]	**36,249**	**1,180**	**5**	**—**	**37,434**
(re-presented)					
Half-year ended 30 June 2025					
Net operating income/(expense) before change in expected credit losses and other credit impairment charges	19,626	931	80	(5)	20,632
Profit/(loss) before tax	8,223	(118)	(8)	—	8,097
At 31 December 2025					
Total assets	1,726,884	103,804	9,114	(20,689)	1,819,113
Total liabilities	1,562,681	87,484	7,497	(11,241)	1,646,421
Interest in an associate	2,196	—	—	—	2,196
Non-current assets[2]	37,408	1,215	8	—	38,631

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 property, plant and equipment, and goodwill and intangible assets.

6 Derivatives

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.

NOTES ON THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (unaudited) (continued)

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

6 Derivatives (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	**1,298,933**	**174,060**	**1,472,993**	**6,073**	**2,275**	**8,348**	**5,580**	**862**	**6,442**
Interest rate	**620,139**	**93,469**	**713,608**	**3,816**	**1,215**	**5,031**	**3,413**	**165**	**3,578**
Equity	**37,215**	**—**	**37,215**	**800**	**—**	**800**	**1,345**	**—**	**1,345**
Commodity and other	**50,279**	**—**	**50,279**	**2,229**	**—**	**2,229**	**52**	**—**	**52**
At 30 June 2026	**2,006,566**	**267,529**	**2,274,095**	**12,918**	**3,490**	**16,408**	**10,390**	**1,027**	**11,417**
Foreign exchange	1,249,746	147,988	1,397,734	4,279	888	5,167	4,521	840	5,361
Interest rate	642,868	101,906	744,774	4,269	2,369	6,638	3,802	354	4,156
Equity	13,179	—	13,179	82	—	82	290	—	290
Commodity and other	14,857	—	14,857	641	—	641	860	—	860
At 31 December 2025	1,920,650	249,894	2,170,544	9,271	3,257	12,528	9,473	1,194	10,667

7 Loans and advances to customers

	At 30 June 2026	At 31 December 2025
Gross loans and advances to customers	**801,982**	806,538
Less: Allowances for expected credit losses	**(17,532)**	(19,189)
	784,450	787,349
Expected credit losses as a percentage of gross loans and advances to customers	**2.19%**	2.38%
Gross impaired loans and advances	**37,146**	56,809
Gross impaired loans and advances as a percentage of gross loans and advances to customers	**4.63%**	7.04%

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.

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

7 Loans and advances to customers (continued)

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	**672,231**	**92,605**	**36,872**	**274**	**801,982**	**(692)**	**(3,117)**	**(13,580)**	**(143)**	**(17,532)**	**0.10%**	**3.37%**	**36.83%**	**52.19%**	**2.19%**
– personal	**373,664**	**15,025**	**1,651**	**—**	**390,340**	**(384)**	**(977)**	**(253)**	**—**	**(1,614)**	**0.10%**	**6.50%**	**15.32%**	**N/A**	**0.41%**
– corporate and commercial	**268,024**	**77,571**	**35,221**	**274**	**381,090**	**(285)**	**(2,140)**	**(13,327)**	**(143)**	**(15,895)**	**0.11%**	**2.76%**	**37.84%**	**52.19%**	**4.17%**
– non-bank financial institutions	**30,543**	**9**	**—**	**—**	**30,552**	**(23)**	**—**	**—**	**—**	**(23)**	**0.08%**	**0.00%**	**N/A**	**N/A**	**0.08%**
Loans and advances to banks at amortised cost	**22,870**	**—**	**—**	**—**	**22,870**	**(3)**	**—**	**—**	**—**	**(3)**	**0.01%**	**N/A**	**N/A**	**N/A**	**0.01%**
Other financial assets measured at amortised cost	**309,587**	**398**	**7**	**—**	**309,992**	**(29)**	**(1)**	**(1)**	**—**	**(31)**	**0.01%**	**0.25%**	**14.29%**	**N/A**	**0.01%**
Loans and other credit-related commitments	**305,150**	**6,930**	**39**	**—**	**312,119**	**(55)**	**(30)**	**—**	**—**	**(85)**	**0.02%**	**0.43%**	**0.00%**	**N/A**	**0.03%**
– personal	**244,223**	**2,868**	**9**	**—**	**247,100**	**(4)**	**—**	**—**	**—**	**(4)**	**0.00%**	**0.00%**	**0.00%**	**N/A**	**0.00%**
– corporate and commercial	**42,878**	**4,051**	**30**	**—**	**46,959**	**(49)**	**(30)**	**—**	**—**	**(79)**	**0.11%**	**0.74%**	**0.00%**	**N/A**	**0.17%**
– non-bank financial institutions	**18,049**	**11**	**—**	**—**	**18,060**	**(2)**	**—**	**—**	**—**	**(2)**	**0.01%**	**0.00%**	**N/A**	**N/A**	**0.01%**
Financial guarantee and similar contracts	**46**	**167**	**—**	**—**	**213**	**—**	**(7)**	**—**	**—**	**(7)**	**0.00%**	**4.19%**	**N/A**	**N/A**	**3.29%**
– personal	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**N/A**	**N/A**	**N/A**	**N/A**	**N/A**
– corporate and commercial	**46**	**167**	**—**	**—**	**213**	**—**	**(7)**	**—**	**—**	**(7)**	**0.00%**	**4.19%**	**N/A**	**N/A**	**3.29%**
– non-bank financial institutions	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**N/A**	**N/A**	**N/A**	**N/A**	**N/A**
At 30 June 2026	**1,309,884**	**100,100**	**36,918**	**274**	**1,447,176**	**(779)**	**(3,155)**	**(13,581)**	**(143)**	**(17,658)**	**0.06%**	**3.15%**	**36.79%**	**52.19%**	**1.22%**
(re-presented)															
Loans and advances to customers at amortised cost	653,569	96,160	56,605	204	806,538	(662)	(2,760)	(15,639)	(128)	(19,189)	0.10%	2.87%	27.63%	62.75%	2.38%
– personal	373,041	13,291	1,443	—	387,775	(384)	(1,019)	(253)	—	(1,656)	0.10%	7.67%	17.53%	N/A	0.43%
– corporate and commercial	251,687	82,850	55,162	204	389,903	(253)	(1,741)	(15,386)	(128)	(17,508)	0.10%	2.10%	27.89%	62.75%	4.49%
– non-bank financial institutions	28,841	19	—	—	28,860	(25)	—	—	—	(25)	0.09%	0.00%	N/A	N/A	0.09%
Loans and advances to banks at amortised cost	63,872	—	—	—	63,872	(1)	—	—	—	(1)	0.00%	N/A	N/A	N/A	0.00%
Other financial assets measured at amortised cost	230,473	767	14	—	231,254	(34)	(1)	(5)	—	(40)	0.01%	0.13%	35.71%	N/A	0.02%
Loans and other credit-related commitments	288,859	8,533	37	—	297,429	(68)	(29)	—	—	(97)	0.02%	0.34%	0.00%	N/A	0.03%
– personal	240,556	2,803	10	—	243,369	(5)	—	—	—	(5)	0.00%	0.00%	0.00%	N/A	0.00%
– corporate and commercial	42,469	5,719	27	—	48,215	(61)	(29)	—	—	(90)	0.14%	0.51%	0.00%	N/A	0.19%
– non-bank financial institutions	5,834	11	—	—	5,845	(2)	—	—	—	(2)	0.03%	0.00%	N/A	N/A	0.03%
Financial guarantee and similar contracts	42	181	—	—	223	—	(2)	—	—	(2)	0.00%	1.10%	N/A	N/A	0.90%
– personal	1	—	—	—	1	—	—	—	—	—	0.00%	N/A	N/A	N/A	0.00%
– corporate and commercial	41	181	—	—	222	—	(2)	—	—	(2)	0.00%	1.10%	N/A	N/A	0.90%
– non-bank financial institutions	—	—	—	—	—	—	—	—	—	—	N/A	N/A	N/A	N/A	N/A
At 31 December 2025	1,236,815	105,641	56,656	204	1,399,316	(765)	(2,792)	(15,644)	(128)	(19,329)	0.06%	2.64%	27.61%	62.75%	1.38%

The above tables do not include balances due from Group companies.

1 Represents the maximum amount at risk should the contracts be fully drawn upon and clients default.
2 Purchased or originated credit-impaired ('POCI').

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

8 Contingent liabilities, contractual commitments and guarantees

(a) Off-balance sheet contingent liabilities and commitments

	At 30 June 2026	At 31 December 2025
Contingent liabilities and financial guarantee contracts	**20,729**	21,461
Commitments[1]	**524,795**	495,708

1 Included HK$312,119m of commitments at 30 June 2026 (31 December 2025 (re-presented): HK$297,429m) 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.

9 Related Party Transactions

The Group entered into transactions with its fellow subsidiaries in the normal course of business, including the acceptance and placement of interbank deposits, correspondent banking transactions and off-balance sheet transactions. The Bank also acted as agent for the distribution of retail investment funds for fellow subsidiaries and paid professional fees for services provided by fellow subsidiaries.

During the first half of 2026, the Bank sold a portfolio of loans to the Hongkong and Shanghai Banking Corporation Limited for total consideration of HK$11.0bn, conducted on arm’s length terms.

The Group shared the costs of certain IT projects and also used certain processing services of fellow subsidiaries. These costs are reported under 'General and administrative expenses' in the income statement.

The Group routinely enters into related party transactions with other entities in the HSBC Group. These include transactions to facilitate third-party transactions with customers, transactions for internal risk management, and other transactions relevant to Group processes. These transactions and the above outstanding balances arose in the ordinary course of business and on substantially the same terms, including interest rates and security, as for comparable transactions with third-party counterparties.

All other related party transactions that took place in the half-year ended 30 June 2026 were similar in nature to those disclosed in the 2025 Annual Report.

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

10 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 2026 are consistent with those applied for the 2025 Annual Report.

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

	At 30 June 2026						At 31 December 2025					
	Fair value hierarchy						Fair value hierarchy					
	Level 1	**Level 2**	**Level 3**	**Third-party total**	**Amounts with HSBC entities***	**Total**	Level 1	Level 2	Level 3	Third-party total	Amounts with HSBC entities*	Total
Assets												
Trading assets	**24,006**	**5,307**	**—**	**29,313**	**50,189**	**79,502**	23,683	4,054	43	27,780	24,912	52,692
Derivatives	**301**	**12,427**	**—**	**12,728**	**3,680**	**16,408**	333	7,394	—	7,727	4,801	12,528
Financial assets mandatorily measured at fair value through profit or loss	**73,677**	**90,365**	**45,703**	**209,745**	**—**	**209,745**	63,515	93,973	43,298	200,786	—	200,786
Financial investments	**312,187**	**52,119**	**570**	**364,876**	**—**	**364,876**	287,852	81,757	989	370,598	—	370,598
Liabilities												
Trading liabilities	**11,540**	**—**	**—**	**11,540**	**—**	**11,540**	13,014	—	—	13,014	—	13,014
Derivatives	**21**	**8,364**	**—**	**8,385**	**3,032**	**11,417**	98	7,645	—	7,743	2,924	10,667
Financial liabilities designated at fair value	**—**	**33,662**	**5,236**	**38,898**	**—**	**38,898**	—	29,620	6,979	36,599	—	36,599

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

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**	**Financial liabilities designated at fair value**	**Derivatives**
At 30 June 2026						
Transfer from Level 1 to Level 2	**4,417**	**97**	**3,040**	**—**	**—**	**—**
Transfer from Level 2 to Level 1	**9,746**	**56**	**2,378**	**—**	**—**	**—**
At 31 December 2025						
Transfer from Level 1 to Level 2	10,512	49	4,761	—	—	—
Transfer from Level 2 to Level 1	37,876	1,331	11,325	—	—	—

Transfers between levels of the fair value hierarchy are deemed to occur at the end of each quarter.

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

10 Fair value of financial instruments (continued)

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

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	Financial liabilities designated at fair value	Derivatives
At 30 June 2026						
Investment funds and equity shares	**570**	**—**	**34,973**	**—**	**—**	**—**
Debt securities	**—**	**—**	**10,730**	**—**	**—**	**—**
Structured notes	**—**	**—**	**—**	**—**	**5,236**	**—**
	570	**—**	**45,703**	**—**	**5,236**	**—**
At 31 December 2025						
Investment funds and equity shares	989	—	32,805	—	—	—
Debt securities	—	43	10,493	—	—	—
Structured notes	—	—	—	—	6,979	—
	989	43	43,298	—	6,979	—

Movement in Level 3 financial instruments

	Assets				Liabilities	
	Financial investments	Trading assets	Financial assets mandatorily measured at fair value through profit or loss	Derivatives	Financial liabilities designated at fair value	Derivatives
At 1 January 2026	**989**	**43**	**43,298**	**—**	**6,979**	**—**
Total gains or losses recognised in profit or loss						
– net income/(loss) from financial instruments measured at fair value through profit or loss	**—**	**(12)**	**849**	**—**	**(16)**	**—**
Total gains or losses recognised in other comprehensive income						
– fair value gains/(losses)	**(419)**	**—**	**—**	**—**	**—**	**—**
– exchange differences	**—**	**—**	**1**	**—**	**2**	**—**
Purchases	**—**		**7,201**	**—**	**—**	**—**
Issues/deposit taking	**—**	**—**	**—**	**—**	**7,887**	**—**
Sales	**—**	**(28)**	**(21)**	**—**	**—**	**—**
Settlements	**—**	**(3)**	**(5,997)**	**—**	**(9,513)**	**—**
Transfers out	**—**	**—**	**(1,343)**	**—**	**(340)**	**—**
Transfers in	**—**	**—**	**1,715**	**—**	**237**	**—**
At 30 June 2026	**570**	**—**	**45,703**	**—**	**5,236**	**—**
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	**—**	**—**	**273**	**—**	**9**	**—**

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

10 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	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)	—

For the first half of 2026, there was transfer in/out to level 3 financial assets mandatorily measured at fair value through profit or loss which are primarily attributable to re-assessment of the observability of valuation inputs and price transparency. 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.

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

	At 30 June 2026				At 31 December 2025			
	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	**1,751**	**(1,751)**	**21**	**(29)**	1,641	(1,641)	54	(54)
Debt securities	**582**	**(582)**	**—**	**—**	574	(574)	—	—
	2,333	**(2,333)**	**21**	**(29)**	2,215	(2,215)	54	(54)

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.

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

10 Fair value of financial instruments (continued)

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

Quantitative information about significant unobservable inputs in Level 3 valuations

	Valuation technique(s)	Unobservable input(s)	Range At 30 June 2026			Range At 31 December 2025		
Assets								
Investment funds and equity shares[1]	Net asset value	Current Value/Cost	**0**	**to**	**30**	0	to	36
Debt securities	Discount cash flow	Credit Spread	**(2.41)%**	**to**	**4.70 %**	(2.22)%	to	4.58 %
	Market proxy	Bid quotes	**89.01**	**to**	**123.76**	25.46	to	118.96
Liabilities								
Structured notes	Option model	Equity Volatility	**5.38 %**	**to**	**121.40 %**	5.35 %	to	89.44 %
		Equity Correlation	**44.05 %**	**to**	**99.58 %**	55.00 %	to	83.04 %
		FX Volatility	**3.82 %**	**to**	**28.16 %**	3.50 %	to	21.89 %

1 'Investment funds and equity shares' includes private equity and private equity fund, primarily held as part of our Insurance business.

The table above lists the key unobservable inputs to Level 3 financial instruments, and provides the range of those inputs as at 30 June 2026. Detailed description of the categories of key unobservable inputs are set out in note 44(a) of the Group's 2025 Annual Report.

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

	At 30 June 2026 Carrying amount	At 30 June 2026 Fair value	At 31 December 2025 (re-presented) Carrying amount	At 31 December 2025 (re-presented) Fair value
Assets[1]				
Reverse repurchase agreements – non-trading	**126,795**	**126,205**	77,197	77,181
Loans and advances to banks	**22,867**	**22,867**	63,871	63,871
Loans and advances to customers	**784,450**	**764,771**	787,349	764,801
Financial investments – at amortised cost	**144,270**	**143,029**	113,521	113,879
Liabilities[1]				
Deposits by banks	**3,838**	**3,838**	6,515	6,515
Customer accounts	**1,294,662**	**1,294,655**	1,257,523	1,257,523
Repurchase agreements – non-trading	**87,903**	**87,891**	21,786	21,786
Certificates of deposit in issue	**9,468**	**9,470**	3,436	3,436

1 Amounts with HSBC Group entities are not included here.

The fair values above are stated at a specific date and may be significantly different from the amounts which will actually be paid on the maturity or settlement dates of the instruments. In many cases, it would not be possible to realise immediately the estimated fair values given the size of the portfolios measured. Accordingly, these fair values do not represent the value of these financial instruments to the group as a going concern.

Other financial instruments not carried at fair value are typically short-term in nature or re-priced to current market rates frequently. Accordingly, their carrying amounts are reasonable approximations of fair values. They include cash and balances at central banks, other financial assets and other financial liabilities, all of which are measured at amortised cost.

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

11 Interim Financial Report and statutory financial statements

The financial information relating to the year ended 31 December 2025 that is included in this Interim Financial Report 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 2025. 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 2025, which includes the statutory financial statements, can be obtained from the Bank's website (www.hangseng.com).

The Banking Disclosure Statement, together with the disclosures in the Group's Interim Financial 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).

12 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.

13 Event after the balance sheet date

Subsequent to the balance sheet date, the Bank agreed to hold an uncommitted deemed financing exposure of up to HK$118.5bn until early 2027 which is not expected to have a significant impact to the financial statements.

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