恒生銀行
HANG SENG BANK

Stock codes: 11 (HKD counter) and 80011 (RMB counter)

# INTERIM RESULTS FOR 2025

Hang Seng Bank today announced its financial results for the first half of 2025, demonstrating notable progress in business diversification despite a challenging macroeconomic environment.

Fee and other income rose by 34% year on year, accounting for 31.6% of total revenue, driven by strong growth in wealth management and investment services. The Bank's strategic focus on diversifying revenue has supported a 3% increase in net operating income before expected credit losses ('ECL') to HK$20,975m.

In light of the ongoing uncertainties including the threat of trade tariffs, sustained high interest rates and prolonged downturn in the commercial property market, the Bank prudently increased provisions, with ECL recorded at HK$4,861m. Gross impaired loans and advances stood at HK$55bn as of 30 June 2025.

Profit before tax for the period was HK$8,097m (HK$11,307m in 1H 2024). Earnings per share were HK$3.34, with a return on average ordinary shareholders' equity of 7.9%. The Bank maintains a strong capital base, with its common equity tier 1 ('CET1') capital ratio at 21.3% as of 30 June 2025.

The Directors have declared a second interim dividend of HK$1.30 per share bringing the total payout for the first half of 2025 to HK$2.60 per share, 8% higher than the same period last year. We intend to initiate a share buy-back of up to HK$3bn.

Diana Cesar, Executive Director and Chief Executive of Hang Seng Bank, said: "Despite an uncertain market, our business remains resilient, underpinned by our long-term strategy to diversify our revenue sources and expand our customer base. We continue to manage risks prudently while building a strong foundation for future growth. Signs of recovery are emerging, we are optimistic about long-term opportunities in Hong Kong. Our focus remains on building a future-ready business by investing in talent and cutting-edge digital capabilities. With our resilient profit-generating capabilities, we are confident to navigate challenges with agility and position ourselves for sustainable growth."

**Hang Seng Bank 2025 Interim Results - Highlights**

- Net operating income before change in expected credit losses and other credit impairment charges ('total revenue') up 3% to HK$20,975m (HK$20,431m in 1H 2024).
- Operating profit down 25% to HK$8,549m (HK$11,396m in 1H 2024).
- Profit before tax down 28% to HK$8,097m (HK$11,307m in 1H 2024).
- Profit attributable to shareholders down 30% to HK$6,880m (HK$9,893m in 1H 2024).
- Earnings per share down 34% to HK$3.34 per share (HK$5.04 per share in 1H 2024).
- Return on average ordinary shareholders' equity of 7.9% (12.4% in 1H 2024).
- Second interim dividend of HK$1.30 per share; total dividends of HK$2.60 per share in 1H 2025 (HK$2.40 per share in 1H 2024). We intend to initiate a share buy-back of up to HK$3bn, which we expect to complete within six months.
- Common equity tier 1 ('CET1') capital ratio of 21.3%, tier 1 ('T1') capital ratio of 23.3% and total capital ratio of 24.9% at 30 June 2025 (CET1 capital ratio of 17.7%, T1 capital ratio of 19.4% and total capital ratio of 20.8% at 31 December 2024).
- Cost efficiency ratio of 36.1% (36.8% in 1H 2024).

*Within this document, the Hong Kong Special Administrative Region of the People's Republic of China has been referred to as 'Hong Kong', the Hang Seng Bank Limited as 'the Bank' and its subsidiaries as 'the Group'. The abbreviations 'HK$m' and 'HK$bn' represent millions and billions of Hong Kong dollars respectively.*

* *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.*

**Comment by Edward Cheng, Chairman**

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.

**Review by Diana Cesar, Executive Director and Chief Executive**

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.

**Review by Diana Cesar, Executive Director and Chief Executive** (continued)

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 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.

## Results Summary

### 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.

| Figures in HK$m | **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.

| Figures in HK$m | **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.

**Consolidated Balance Sheet and Key Ratios**

**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.

| Figures in HK$m | **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.

**Key ratios**

**Return on average total assets** was 0.8% (1.2% in 1H 2024). **Return on average ordinary shareholders' equity** was 7.9% (12.4% in 1H 2024).

At 30 June 2025, the **CET1 capital ratio**, **T1 capital ratio** and **total capital ratio** was 21.3%, 23.3% and 24.9%, respectively, well above the regulatory requirement.

Under the Banking (Liquidity) Rules, the average **liquidity coverage ratio ('LCR')** was 335.0% and 328.7% for the quarters ended 30 June 2025 and 31 March 2025 respectively. The average LCR was 277.2% and 276.8% for the corresponding quarters in 2024. For both years, the Group maintained a strong average LCR that was higher than the statutory requirement of 100%. The LCR at 30 June 2025 was 311.0% compared with 301.0% at 31 December 2024. The period-end **net stable funding ratio ('NSFR')** was 182.6% and 180.1% for the quarters ended 30 June 2025 and 31 March 2025 respectively, more than the regulatory requirement of 100%. The period-end NSFR was 168.2% and 171.7% for the corresponding quarters in 2024.

**Dividends**

The Directors have declared a second interim dividend of HK$1.30 per share, which will be payable on 4 September 2025 to shareholders on the register as of 14 August 2025. Together with the first interim dividends, the total distribution in 1H 2025 will be HK$2.60 per share (HK$2.40 per share in 1H 2024). We intend to initiate a share buy-back of up to HK$3bn, which we expect to complete within six months.

| Figures in HK$m | 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** |

| Figures in HK$m<br>(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 |

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.

**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.

| Figures in HK$m | 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.

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

Details of dividends payable to shareholders of the Bank attributable to the profit for the period are set out on page 25 (Note 9).

| Figures in HK$m | **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 |

| Figures in HK$m | Notes | **At 30 June 2025** | At 31 December 2024 |
|---|---|---|---|
| **ASSETS** | | | |
| Cash and balances at central banks | | **9,720** | 10,433 |
| Trading assets | 11 | **38,531** | 39,640 |
| Derivative financial instruments | | **14,578** | 20,201 |
| Financial assets mandatorily measured at fair value through profit or loss | 12 | **189,498** | 164,557 |
| Reverse repurchase agreements – non-trading | | **56,283** | 33,479 |
| Placings with and advances to banks | | **85,228** | 76,221 |
| Loans and advances to customers | 13 | **803,356** | 819,136 |
| Financial investments | 15 | **526,380** | 541,155 |
| Interest in an associate | | **2,179** | 2,321 |
| Investment properties | | **10,732** | 11,220 |
| Premises, plant and equipment | | **23,749** | 24,943 |
| Intangible assets | | **4,445** | 4,465 |
| Other assets | | **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 | 16 | **1,273,909** | 1,238,224 |
| Repurchase agreements – non-trading | | **15,465** | 19,387 |
| Trading liabilities | | **16,425** | 18,093 |
| Derivative financial instruments | | **16,936** | 13,517 |
| Financial liabilities designated at fair value | 17 | **36,387** | 38,636 |
| Certificates of deposit in issue | | **2,291** | 4,948 |
| Other liabilities | | **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 | | **21,272** | 27,475 |
| **Total liabilities** | | **1,650,971** | 1,625,632 |
| | | | |
| **Equity** | | | |
| Share capital | | **9,658** | 9,658 |
| Retained profits | | **127,434** | 129,390 |
| Other equity instruments | | **11,587** | 11,587 |
| Other reserves | | **21,991** | 18,887 |
| **Total shareholders' equity** | 18 | **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 |

## For the half-year ended 30 June 2025

| Figures in HK$m | Share capital | Other equity instruments | Retained profits[1] | Other reserves: Premises revaluation reserve | Other reserves: Financial assets at FVOCI reserve | Other reserves: Cash flow hedge reserve | Other reserves: Foreign exchange reserve | Other reserves: 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.

For the half-year ended 30 June 2024

| | | | | Other reserves | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|
| Figures in HK$m | **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 |

## Notes to the Financial Statements

### 1. Net interest income

| Figures in HK$m | **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 |

### 2. Net fee income

| Figures in HK$m | **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 |

**Notes to the Financial Statements** (continued)

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

| Figures in HK$m | **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 |

## 4. Other operating income/(loss)

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

**Notes to the Financial Statements** (continued)

## 5. Change in expected credit losses and other credit impairment charges

| Figures in HK$m | **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 |

## 6. Operating expenses

| Figures in HK$m | **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 | **705** | 734 |
| Depreciation of right-of-use assets | **228** | 228 |
| Amortisation of intangible assets | **640** | 562 |
| | **7,565** | 7,523 |
| Cost efficiency ratio | **36.1%** | 36.8% |

**Notes to the Financial Statements** (continued)

## 7. Tax expense

Taxation in the Interim Condensed Consolidated Income Statement represents:

| Figures in HK$m | **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.

**Notes to the Financial Statements** (continued)

## 8. 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).

## 9. Dividends/Distributions

| | **Half-year ended 30 June 2025** | | Half-year ended 30 June 2024 | |
|---|---|---|---|---|
| | **HK$ per share** | **HK$m** | HK$ per share | HK$m |
| (a) Dividends to ordinary shareholders | | | | |
| 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 |
| (b) Distributions to holders of AT1 capital instruments classified as equity | | | | |
| Coupons paid on AT1 capital instruments | | **595** | | 282 |

## 10. 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'.

**Notes to the Financial Statements** (continued)

**10. Segmental analysis** (continued)

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;

– **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

The profit before tax contributed by each business segment, and further analysis and discussion on business segments can be found in the ‘Segmental analysis’ section on page 11.

(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’.

## **Notes to the Financial Statements** (continued)

### **10. Segmental analysis** (continued)

(b) Information by geographical region (continued)

| Figures in HK$m | **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.

**Notes to the Financial Statements** (continued)

## 11. Trading assets

| Figures in HK$m | **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 |

## 12. Financial assets mandatorily measured at fair value through profit or loss

| Figures in HK$m | **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 |

## 13. Loans and advances to customers

| Figures in HK$m | **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% |

## **Notes to the Financial Statements** (continued)

### 14. 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] | | | |
| Figures in HK$m | 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[3]** | **(4,793)** |

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 The provision for ECL balance at 30 June 2025 and total ECL charges for the period does not include ECL related to other financial assets measured at amortised cost, debt instruments at FVOCI and performance and other guarantees. The corresponding total ECL balances and ECL charges amount to HK$136m and HK$68m (30 June 2024: HK$76m and releases of HK$10m) respectively.
4 The shift of gross carrying value between stage 1 and stage 2 arose from higher average probability of default ('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.

## Notes to the Financial Statements (continued)

### 15. Financial investments

| Figures in HK$m | **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 |

### 16. Current, savings and other deposit accounts

| Figures in HK$m | **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 | **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 |

### 17. Financial liabilities designated at fair value

| Figures in HK$m | **At 30 June 2025** | At 31 December 2024 |
|---|---|---|
| Certificates of deposit in issue | **5,818** | 7,549 |
| Structured deposits | **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 |

**Notes to the Financial Statements** (continued)

## 18. Total shareholders' equity

| Figures in HK$m | **At 30 June 2025** | At 31 December 2024 |
|---|---|---|
| Share capital | **9,658** | 9,658 |
| Retained profits | **127,434** | 129,390 |
| Other equity instruments | **11,587** | 11,587 |
| Premises revaluation reserve | **16,472** | 17,273 |
| Cash flow hedge reserve | **1,921** | (150) |
| Financial assets at FVOCI reserve | **3,575** | 2,198 |
| Other reserves | **23** | (434) |
| Total reserves | **161,012** | 159,864 |
| Total shareholders' equity | **170,670** | 169,522 |
| Annualised return on average ordinary shareholders' equity for the half-year ended | **7.9%** | 12.4% |

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.

## 19. Contingent liabilities, contractual commitments and guarantees

| Figures in HK$m | **At 30 June 2025** | At 31 December 2024 |
|---|---|---|
| **Contingent liabilities and financial guarantee contracts** | | |
| – Financial guarantees | **604** | 1,898 |
| – Performance and other guarantees | **19,510** | 20,950 |
| | **20,114** | 22,848 |
| **Commitments** | | |
| – 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 |

## 20. Event after the 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 we expect to complete within six months.

## 1. Overdue loans and advances to customers

Loans and advances to customers that are more than three months overdue and their expression as a percentage of gross loans and advances to customers are as follows:

| | At 30 June 2025 | | At 31 December 2024 | |
|---|---|---|---|---|
| | **HK$m** | **%** | HK$m | % |
| Gross loans and advances which have been overdue with respect to either principal or interest for periods of: | | | | |
| – more than three months but not more than six months | **5,269** | **0.64** | 5,616 | 0.67 |
| – more than six months but not more than one year | **11,281** | **1.38** | 9,616 | 1.16 |
| – more than one year | **19,541** | **2.38** | 12,458 | 1.50 |
| | **36,091** | **4.40** | 27,690 | 3.33 |

## 2. Rescheduled loans and advances to customers

Rescheduled loans and advances to customers and their expression as a percentage of gross loans and advances to customers are as follows:

| | At 30 June 2025 | | At 31 December 2024 | |
|---|---|---|---|---|
| | **HK$m** | **%** | HK$m | % |
| Rescheduled loans and advances to customers | **4,433** | **0.54** | 7,608 | 0.91 |

## 3. Gross loans and advances to customers by industry sector

The analysis of gross loans and advances to customers by industry sector based on categories and definitions used by the HKMA is as follows:

| Figures in HK$m | **At 30 June 2025** | At 31 December 2024 |
|---|---|---|
| **Gross loans and advances to customers for use in Hong Kong** | | |
| **Industrial, commercial and financial sectors** | | |
| Property development | **45,700** | 50,219 |
| Property investment | **111,103** | 116,513 |
| Financial concerns | **2,794** | 3,002 |
| Stockbrokers | **797** | 1,009 |
| Wholesale and retail trade | **22,464** | 22,156 |
| Manufacturing | **21,686** | 20,747 |
| Transport and transport equipment | **10,119** | 13,275 |
| Recreational activities | **59** | 59 |
| Information technology | **16,001** | 11,680 |
| Other | **59,227** | 64,673 |
| | **289,950** | 303,333 |
| **Individuals** | | |
| Loans and advances for the purchase of flats under the Government Home Ownership Scheme, Private Sector Participation Scheme and Tenants Purchase Scheme | **46,618** | 44,324 |
| Loans and advances for the purchase of other residential properties | **257,293** | 258,023 |
| Credit card loans and advances | **27,468** | 29,693 |
| Other | **31,820** | 31,075 |
| | **363,199** | 363,115 |
| **Total gross loans and advances for use in Hong Kong** | **653,149** | 666,448 |
| **Trade finance** | **35,507** | 30,506 |
| **Gross loans and advances for use outside Hong Kong** | **131,053** | 135,155 |
| **Gross loans and advances to customers** | **819,709** | 832,109 |

## 4. Capital management

The following tables show the capital base, risk-weighted assets and capital ratios on a consolidated basis that is specified by the HKMA under the requirements of section 3C(1) of the Banking (Capital) Rules.

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 the 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.

The basis of consolidation for the calculation of capital ratios under the Banking (Capital) Rules follows the basis of consolidation for financial reporting with the exclusion of subsidiaries which are 'regulated financial entities' (e.g. insurance and securities companies) as defined by the Banking (Capital) Rules. The investment cost of these unconsolidated regulated financial entities is deducted from the capital base subject to certain thresholds as determined in accordance with Part 3 of the Banking (Capital) Rules.

## 4. Capital management (continued)

### (a) Capital base

| Figures in HK$m | **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[1] | **(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[1] | **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 |

1 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.

## 4. Capital management (continued)

### (b) Risk-weighted assets by risk type

| Figures in HK$m | **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 |

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

The capital ratios on a 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% |

### (d) Leverage ratio

| Figures in HK$m | **At 30 June 2025** | At 31 December 2024 |
|---|---|---|
| Leverage ratio | **7.9%** | 8.0% |
| T1 capital | **130,912** | 131,992 |
| Exposure measure | **1,663,015** | 1,657,571 |

## 5. Liquidity information

The Group is required under rule 11(1) of the Banking (Liquidity) Rules to calculate its LCR and NSFR on a consolidated basis. From 1 January 2019, the Group is required to maintain an LCR of not less than 100%. The LCR for the reportable periods are as follows:

| | Average LCR for | |
|---|---|---|
| | Quarter ended 30 June | Quarter ended 31 March |
| **2025** | **335.0%** | **328.7%** |
| 2024 | 277.2% | 276.8% |

The LCR as at 30 June 2025 was 311.0% compared with 301.0% at 31 December 2024.

The Group is required to maintain the NSFR of not less than 100% and the NSFR at the reportable quarter-end are as follows:

| | Quarter ended 30 June | Quarter ended 31 March |
|---|---|---|
| **2025** | **182.6%** | **180.1%** |
| 2024 | 168.2% | 171.7% |

## 1. Statutory financial statements and accounting policies

The information in this announcement is unaudited and does not constitute statutory financial statements.

Certain financial information in this announcement is extracted from the interim report prepared under Hong Kong Accounting Standard ('HKAS') 34 'Interim Financial Reporting' issued by the Hong Kong Institute of Certified Public Accountants ('HKICPA'). The interim report was reviewed by Audit Committee. The Board of Directors of the Bank has approved the interim report on 30 July 2025.

The financial information relating to the year ended 31 December 2024 that is included in this announcement does not constitute the Group'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 HKMA.

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 this report; and did not contain a statement under sections 406(2), 407(2) or (3) of the Hong Kong Companies Ordinance (Cap.622).

The accounting policies and methods of computation adopted by the Group for this announcement are consistent with those described on pages 193 to 208 of the 2024 Annual Report. Changes in the reportable segments from the new organisation structure are detailed in page 25.

### Standards applied during the half-year ended 30 June 2025

There were no new standards applied during the half-year ended 30 June 2025. During the periods, the Group adopted a number of amendments to standards which had an insignificant effect on the interim condensed consolidated financial statements of the Group.

### Use of estimates and judgements

Further information on summary of material accounting policies, use of estimates and judgements and future accounting developments are set out in the accounting policies of the Group's 2024 Annual Report.

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## 2. Future accounting standard development

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 electronic payment system, the amendments also provide further clarifications regarding the classification of financial assets that contain contractual terms that change the timing or amount of contractual cash flows, including those arise from ESG-related contingencies, and financial assets with certain non-recourse features. The Group is undertaking an assessment of the potential impact.

## 2. Future accounting standard development (continued)

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 an entity'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 financial information.

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

## 3. Substantial Interests in Share Capital

The register maintained by the Bank pursuant to section 336 of the Securities and Futures Ordinance ('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.

## 4. Register of Shareholders

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 for 2025, 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. 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. Ordinary shares of the Bank will be traded ex-dividend as from Tuesday, 12 August 2025.

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## 5. 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.

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## 6. 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 HKMA. 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 on The Stock Exchange of Hong Kong Limited 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.

## 7. Board of Directors

As at 30 July 2025, the Board of Directors of the Bank comprises Edward Cheng Wai Sun* (Chairman), Diana Cesar (Chief Executive), Cordelia Chung*, Kathleen Gan Chieh Huey#, Clement Kwok King Man*, Patricia Lam Sze Wan*, David Liao Yi Chien#, Lin Huey Ru*, Saw Say Pin (Chief Financial Officer), Wang Xiao Bin* and Catherine Zhou Rong#.

* Independent Non-executive Directors
\# Non-executive Directors

## 8. Announcement and Interim Report

This announcement is available on the website of Hong Kong Exchanges and Clearing Limited and the Bank's website (www.hangseng.com) on Wednesday, 30 July 2025. The 2025 Interim Report will be published on the aforesaid websites and despatched to shareholders at or about the end of August 2025.

## 9. Regulatory Disclosures

To comply with the Banking (Disclosure) Rules and Financial Institutions (Resolution) (Loss-absorbing Capacity Requirements – Banking Sector) Rules (referred to as 'Rules'), the Bank has set up a 'Regulatory Disclosures' section on its website (www.hangseng.com) to house the information related to the disclosure requirements in a document 'Banking Disclosure Statement' required by the Rules. The Banking Disclosure Statement, together with the disclosures in the Group's Interim Report, contained all the disclosures required by the Rules issued by the HKMA.

## 10. Cautionary statement regarding forward-looking statements

This announcement may contain projections, estimates, forecasts, targets, commitments, ambitions, opinions, prospects, results, returns and forward-looking statements with respect to the financial condition, results of operations, capital position, strategy and business of the Group which can be identified by the use of forward-looking terminology such as 'may', 'will', 'should', 'expect', 'anticipate', 'project', 'estimate', 'seek', 'intend', 'target' or 'believe' or the negatives thereof or other variations thereon or comparable terminology (together, 'forward-looking statements'), including the strategic priorities and any financial, investment and capital targets and ESG commitments described herein.

Any such forward-looking statements are not a reliable indicator of future performance, as they may involve significant stated or implied assumptions and subjective judgements which may or may not prove to be correct. There can be no assurance that any of the matters set out in forward-looking statements are attainable, will actually occur or will be realised or are complete or accurate. The assumptions and judgements may prove to be incorrect and involve known and unknown risks, uncertainties, contingencies and other important factors, many of which are outside the control of the Group.

Actual achievements, results, performance or other future events or conditions may differ materially from those stated, implied and/or reflected in any forward-looking statements due to a variety of risks, uncertainties and other factors (including without limitation those which are referable to general market or economic conditions, regulatory changes, increased volatility in interest rates and inflation levels and other macroeconomic risks, geopolitical tensions or as a result of data limitations and changes in applicable methodologies in relation to ESG related matters).

Any such forward-looking statements are based on the beliefs, expectations and opinions of the Group at the date the statements are made, and the Group does not assume, and hereby disclaims, any obligation or duty to update, revise or supplement them if circumstances or management's beliefs, expectations or opinions should change. For these reasons, recipients should not place reliance on, and are cautioned about relying on, any forward-looking statements. No representations or warranties, expressed or implied, are given by or on behalf of the Group as to the achievement or reasonableness of any projections, estimates, forecasts, targets, prospects or returns contained herein.

Additional detailed information concerning important factors, including but not limited to ESG related factors, that could cause actual results to differ materially from this announcement is available in the Group's Annual Report 2024 for the year ended 31 December 2024 and Interim Report 2025 for the six months ended 30 June 2025.

By Order of the Board

**Cheung Ka Ki**
Company Secretary and Head of Corporate Governance

Hong Kong, 30 July 2025