恒生銀行
HANG SENG BANK

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

INTERIM RESULTS FOR 2024

Hang Seng Bank today reports financial results for the first half of 2024.

The Bank has demonstrated growth momentum and resilience amidst a challenging economic environment.

Profit before tax increased by 3% to HK$11,307m compared to the same period last year. Return on shareholders' equity reached 12.4% and earnings per share increased by 1%. As a result of business diversification, non-interest income increased by 4% year on year, while net interest income increased by 2%.

The Bank remains committed to delivering long-term value to our shareholders. The Directors have declared a second interim dividend of HK$1.20 per share. This brings the total distribution for the first half of 2024 to HK$2.40 per share, 9% higher than the same period last year. Coupled with the HK$3 billion share buy-back announced in Q2 2024, the total capital returns to shareholders amount to HK$7.6 billion, up 80% year on year.

Diana Cesar, Executive Director and Chief Executive of Hang Seng Bank said, "Over the long term, we are very confident on the outlook for Hong Kong, including the property market. We remain supportive of our customers and the Hong Kong economy which has gone through many cycles and proven to be resilient over the years. Our main focus, as always, is on supporting our customers. We are optimistic about the future."

Hang Seng Bank 2024 Interim Results - Highlights

- Net interest income up 2% to HK$15,483m (HK$15,191m for the first half of 2023 ('1H 2023')) with net interest margin widening by 20 basis points to 2.29% (2.09% for 1H 2023).
- Net operating income before change in expected credit losses and other credit impairment charges up 2% to HK$20,431m (HK$19,940m for 1H 2023).
- Operating profit up 5% to HK$11,396m (HK$10,858m for 1H 2023).
- Profit before tax up by 3% to HK$11,307m (HK$10,961m for 1H 2023).
- Profit attributable to shareholders up 1% to HK$9,893m (HK$9,827m for 1H 2023), and earnings per share up 1% to HK$5.04 per share (HK$4.99 per share for 1H 2023).
- Return on average ordinary shareholders' equity of 12.4% (12.8% for 1H 2023).
- Second interim dividend of HK$1.20 per share; total dividends of HK$2.40 per share for 1H 2024 (HK$2.20 per share for 1H 2023). Total capital returns to shareholders (including HK$3bn share buy-back) up 80% to HK$7.6bn (HK$4.2bn for 1H 2023).
- Common equity tier 1 ('CET1') capital ratio of 16.6%, tier 1 ('T1') capital ratio of 18.2% and total capital ratio of 19.7% at 30 June 2024 (CET1 capital ratio of 18.1%, T1 capital ratio of 19.9% and total capital ratio of 21.4% at 31 December 2023).
- Cost efficiency ratio of 36.8% (35.9% for 1H 2023).

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 Irene Lee, Chairman

Our first half of 2024 has been characterised by steady growth and resilience. This progress has enabled us to sustain momentum in the complicated macroeconomic environment that presents frequent challenges.

The government has introduced measures to support local small and medium sized enterprises (‘SMEs’), the backbone of Hong Kong’s economy. In alignment with these efforts, we have launched initiatives to assist our corporate clients. These have garnered positive feedback and recognition from the business community. We are pleased to be recognised as the Best SME’s Partner by the Hong Kong General Chamber of Small and Medium Business.

With economic recovery expected, it is essential for Hong Kong to maintain its status as a global finance hub and super-connector. Hang Seng Bank is pivotal in this effort.

As the largest exchange traded fund (‘ETF’) manager in Hong Kong, our solely owned subsidiary Hang Seng Investment Management Limited is expanding globally. This year, we launched the Hang Seng S&P 500 Index ETF and the Hang Seng Japan TOPIX 100 Index ETF. Our collaboration with Bualuang Securities in Thailand introduced two Depositary Receipts for our flagship ETFs. These initiatives continue to enhance Hong Kong’s position as an Asian ETF hub and showcase our financial market strength internationally.

This year marks the 55th anniversary of the Hang Seng Index. From a single index in 1969 to now over 2,200 indexes, Hang Seng Indexes has been instrumental in shaping Hong Kong’s capital markets. Our indexes serve as key benchmarks for Hong Kong’s economy, attracting international investors and bolstering the city’s position as a leading international finance hub. Notably, Hang Seng Indexes Company Limited (‘HSIL’) was the first offshore index compiler to incorporate Beijing Stock Exchange securities in their portfolio and also launched the Hang Seng China A Specialised & Sophisticated 50 Index, the first offshore index to incorporate securities from all three of mainland China’s stock exchanges. By enhancing connectivity between international investors and regional markets, HSIL continues to highlight Hong Kong’s prominence in the global financial landscape.

As the largest domestic bank in Hong Kong, we are deeply connected to our community. Our efforts to promote financial inclusion and customer protection were evident in the first half of 2024. We launched a territory-wide anti-fraud education campaign at the start of the year to raise customer awareness on rising threats and solutions on how best to protect their assets. Partnering with The Hong Kong Jockey Club, our Hang Seng Financial Volunteer Team plays a vital role in supporting 4,200 families in transitional housing by providing tailored savings plans and financial education.

Our commitment to the community and banking excellence has been acknowledged with the Financial Inclusion Initiative of the Year award and the Domestic Retail Bank of the Year award from Asian Banking & Finance magazine.

With over 90 years of heritage, we value long-term and sustainable growth and have the ambition to achieve net zero in our own operations by 2030. We equip our staff to better support clients in their green transformation, providing them with the tools and knowledge needed to make improvements.

We look to the future with optimism.

Review by Diana Cesar, Executive Director and Chief Executive

Summary of Performance

In a challenging macroeconomic environment, we have shown resilience and our growth momentum has been maintained.

Year-on-year, our profit before tax increased by 3% to HK$11,307m, and return on shareholders' equity reached 12.4%. Earnings per share increased by 1%.

We see solid underlying growth in our business. Net interest income increased by 2%. As part of our strategy to diversify income streams, non-interest income increased by 4% year on year. I am pleased to report that fee income for retail investment funds increased by 20% and insurance service results was up 16%.

With our enhanced capabilities, new-to-bank affluent customer base grew 147% year on year, the number of new private banking accounts increased by 15% and new account openings for mainland customers grew by 166%.

Over the long term, we are very confident on the outlook for Hong Kong, including the property market. We remain supportive of the commercial real estate sector which has gone through many cycles and proven to be resilient over many years.

Cash flow pressures for some of our Hong Kong commercial real estate ('CRE') borrowers have increased with the rise in interest rates. Our non-performing loans ratio increased to 5.32%. However, collateral levels remain strong and we have not seen a material impact on our financial performance. Our expected credit loss ('ECL') charges reduced by 22% year-on-year, amid a continuing reduction in our mainland China CRE exposure.

We anticipate that cash flow pressures will recede as interest rates reduce and economic growth picks up. Our approach continues to prepare us for the future while enabling us to support our customers during challenging times.

Our main focus, as always, is on supporting our customers.

Business Highlights

There are a number of breakthroughs in the first half worth highlighting.

On wealth,

- Hang Seng Investment launched the Hang Seng S&P 500 Index exchange-traded fund and the Hang Seng Japan TOPIX 100 Index ETF this year. In addition to our strong product range covering the China market, Hang Seng Investment has broadened its investment coverage to encompass the world's top three stock markets by market capitalisation – China, Japan and the United States.

- Hang Seng Insurance now ranks #3 in the market. Year-on-year growth in Insurance New Business Premium was 80%.

- We expanded our Wealth Management Connect offerings to over 320 products to enhance cross-boundary financial services within the Greater Bay Area ('GBA'). We added two new Cross-Boundary Wealth Management Centres and sales amount of Southbound investment products increased four-fold.

- Hang Seng Indexes Company Limited was the first offshore index compiler to incorporate Beijing Stock Exchange securities in their portfolio. With the launch of Hang Seng China A Specialised & Sophisticated 50 Index, Hang Seng Index was also the first offshore index to incorporate securities from all three of mainland China's stock exchanges. Our role as a bridge between international investors and the mainland market is notably strengthening.

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

On wholesale banking,

- We launched the HKD33 Billion SME Power Up Fund which offers diversified loan products and dedicated support to bolster Hong Kong SME's growth and digital transformation.

- We also introduced the HKD80 Billion Sustainability Power Up Fund to provide greater sustainable financing solutions to support businesses of all sizes in their environmental initiatives.

And on innovation,

- We continued to be a leading advocate of Central Bank Digital Currency ('CBDC') in Hong Kong. We are working closely with the Hong Kong Monetary Authority ('HKMA') on its wholesale CBDC project including exploring use cases for tokenised deposit solutions to shape industry standard for the tokenisation market.

- To support the expansion of cross-boundary applications for e-CNY, we offer top-up services to e-CNY wallets for personal banking customers in Hong Kong through the Faster Payment System ('FPS').

- We have expanded our public-private partnership with Hong Kong Cyberport Management Company to launch Hong Kong's first Index Innovation Lab, which aims to accelerate SME digital transformation, green development, and nurture Innovation & Technology talents in Hong Kong.

Dividend

The Directors have declared a second interim dividend of HK$1.20 per share. This brings the total distribution for the first half of 2024 to HK$2.40 per share, 9% higher than the same period last year.

Our focus on delivering long-term value to our shareholders remains. Coupled with the HK$3bn share buy-back announced in Q2 2024, the total capital returns to shareholders amounts to HK$7.6bn, up 80% year on year.

Financial Overview

We continue our growth trajectory in first half of 2024. In the context of elevated interest rates, net interest income was up 2% to HK$15,483m year on year, and net interest margin increased 20-basis-points to 2.29%.

Our balance sheet remains healthy. Compared to 31 December 2023, gross loan balances decreased slightly by 1% amid subdued credit activities under the prolonged high-interest rate environment. Customer deposits increased by 2%, mainly driven by growth in term deposits.

Net fee income declined by 4% to HK$2,564m due to lower loan-related fees as a result of subdued loan demand and higher credit card fee expenses incurred as we invested in the card rewards programmes. However, this was partially offset by our strong performance in retail investment funds, which grew by 20% year-on-year as a result of the launch of new capabilities to drive rigorous need-based wealth solutions.

In addition, there was a strong growth momentum in other non-interest income, mainly driven by a 14% increase in foreign exchange revenue generated from increased client activities, as well as an improvement of 16% or HK$162m in insurance services results.

Net operating income before change in ECL and other credit impairment charges grew by 2% to HK$20,431m.

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

ECL and other credit impairment charges decreased by 22% to HK$1,500m due to declining ECL charges under mainland China CRE exposure. As of 30 June 2024, gross impaired loans and advances as a percentage of gross loans and advances to customers was 5.32% compared to 2.83% at the end of last year. The Hong Kong CRE portfolio is however well-positioned as approximately two-third is secured by collaterals. Therefore collateral levels remain strong and we have not seen material impact on our financial performance.

Profitability remains one of our top priorities. Profit before tax increased by 3% year-on-year to HK$11,307m. Attributable profit also rose by 1% to HK$9,893m. Earnings per share grew by 1% to HK$5.04 per share. Return on average ordinary shareholders' equity was 12.4%, compared with 12.8% for the first half and 9.8% for the second half of 2023. Return on average total assets was 1.2%, up from 1.1% for the same period last year.

As of 30 June 2024, our capital positions remain strong with CET 1 capital ratio at 16.6%, a T1 capital ratio of 18.2% and total capital ratio of 19.7%. Our liquidity coverage ratio was 262.2%, comfortably above the statutory requirement. Our HK$3bn share buy-back programme is on track to complete and we will consider all options in returning surplus capital to our shareholders.

Conclusion

Our strategy on growth, innovation, and sustainability is yielding tangible results. The increase in profits, return on equity, and earnings per share reflects our growth momentum.

With our prudent risk management approach, robust cost control and proactive business diversification, we have proven to be resilient and future-proof. Our solid capital position also allows us to continue supporting our customers through different economic cycles whilst creating long-term value for our shareholders.

We are optimistic about the future.

On a final note, I would like to express heartfelt thanks to my colleagues for their passion and contributions as we re-orient Hang Seng to meet new challenges. Their dedication ensures that we always place our customers' needs and shareholder returns at the very heart of all decisions and actions.

Results Summary

In the first half of 2024 ('1H 2024'), the benefits of economic recovery were hampered by market concerns over a prolonged high interest rate environment. The Group continued to strengthen its net interest income by dynamically managing its assets and liabilities. Together with the growth in retail investment funds and customer-driven trading activities, the results exhibited a stable path of advancement.

Compared with the second half of 2023 ('2H 2023'), the Group achieved a 24% increase in profit before tax primarily due to a 65% reduction in expected credit losses charges as well as strong non-interest income growth to buffer the decline in net interest income.

Compared to 1H 2023, **net operating income before change in expected credit losses ('ECL') and other credit impairment charges** was HK$20,431m, up 2%. Net interest income rose by 2% as a result of higher market interest rates. Non-interest income grew by 4% predominantly driven by higher income from trading activities, retail investment funds, and life insurance businesses. The change in ECL decreased by HK$424m to HK$1,500m, mainly reflecting a reduction in ECL charges for wholesale Stage 3 customers, partly offset by the lower net releases of Stage 1 and Stage 2 exposure in 1H 2024. Operating expenses increased by 5% compared with 1H 2023. **Operating profit** increased by 5% to HK$11,396m. **Profit before tax** rose by 3% to HK$11,307m and **profit attributable to shareholders** was up by 1% at HK$9,893m.

Net interest income grew by HK$292m, or 2%, to HK$15,483m, supported by a 20-basis-point increase in the net interest margin, attributable mainly to the Group proactively managing its assets and liabilities under the high interest rate environment. The net interest spread increased by 11 basis points to 1.83%. Average interest-earning assets declined by HK$101bn, or 7%, to HK$1,362bn due to subdued loan demand and a lower average balance of financial investments. Average interest-bearing liabilities also decreased by 7% due to the attentive management in customer deposits balance and certificates of deposit in issue.

Figures in HK$m	***Half-year ended 30 June 2024***	*Half-year ended 30 June 2023*
Average interest-earning assets	**1,362,204**	1,463,375
Net interest spread	**1.83%**	1.72%
Net interest margin	**2.29%**	2.09%

Net fee income decreased by HK$102m, or 4%, to HK$2,564m. Income from retail investment funds increased by 20%, reflecting the strong fund sales in the first half as a result of the launch of new capabilities to drive rigorous need-based wealth solutions. However, this favourable impact was more than offset by the decrease in credit facilities fees due to subdued loan demand. Fee expenses rose by 4%, mainly due to higher card processing and interchange fees, along with expenses invested in card rewards programmes.

Net income/(loss) from financial instruments measured at fair value through profit or loss decreased by HK$3,288m, or 54% to HK$2,822m. Net trading income, net income/(expenses) 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$236m, or 70%, to HK$573m. The increase was primarily driven by the higher foreign exchange ('FX') revenue generated from increased client activities, coupled with enhanced net interest income from trading positions.

Net income/(expense) from assets and liabilities of insurance business, including related derivatives, measured at fair value through profit or loss reduced by HK$3,524m, or 61%, to HK$2,249m. While a favorable equity performance was noted due to improved economy, fair value losses on debt securities were reported during the period due to an interest rate increase as compared to gains in last period due to opposite interest rate movement. There is an offsetting impact within the associated insurance liability reported in Insurance finance expenses to reflect the attribution to policyholders. Accordingly, **Insurance finance income/(expenses)** recorded a decrease of HK$3,454m, or 63%, to HK$2,000m, offsetting return on investment assets backing insurance contracts. **Insurance service results** showed an increase of HK$162m, or 16%, to HK$1,187m, mainly reflected the higher release of Contractual Service Margin ('CSM') due to growth of CSM balance coming from new business growth and favourable experience variances.

Wealth management business income (mainly investment and insurance related income) increased by HK$58m, or 2%, to HK$3,177m, primarily contributed by the strong growth in retail investment funds and life insurance income and partly offset by the decrease in structured investment products income.

Figures in HK$m	***Half-year ended 30 June 2024***	*Half-year ended 30 June 2023*
Investment services income[1]:		
– retail investment funds	**620**	519
– structured investment products[2]	**186**	315
– securities broking and related services[3]	**668**	657
– margin trading and others	**32**	29
	1,506	1,520
Life insurance:		
– net interest income	**105**	19
– non-interest income/(expenses)	**211**	167
– investment returns on life insurance funds (including share of associate's profits/(losses), net surplus/(deficit) on property revaluation backing insurance contracts and change in expected credit losses and other credit impairment charges)	**2,044**	5,713
– insurance finance income/(expenses)	**(2,000)**	(5,454)
– insurance service results	**1,187**	1,025
• insurance revenue	**1,691**	1,396
• insurance service expense	**(504)**	(371)
	1,547	1,470
General insurance and others	**124**	129
	3,177	3,119

[1] Income from retail investment funds and securities broking and related services are net of fee expenses.
[2] It includes profits generated from the selling of structured investment products in issue, which are reported under net income/(loss) from financial instruments measured at fair value through profit or loss.
[3] It includes income generated from the sales of third-party structured investment products, which is reported under net fee income.

Change in expected credit losses and other credit impairment charges decreased by HK$424m, or 22%, to HK$1,500m compared with 1H 2023, mainly due to the reduction in ECL charges for impaired mainland China CRE exposures. Overall mainland China CRE exposure reduced by 21% to HK$28bn compared with 2023 year-end.

Change in ECL (Stages 1 to 3) for Wealth and Personal Banking decreased by HK$142m to HK$167m. Commercial Banking also recorded reduced change in ECL (Stages 1 to 3) by HK$347m to HK$1,203m.

Gross impaired loans and advances increased from HK$25bn as at 31 December 2023 to HK$46bn as at 30 June 2024. This change reflects downgrades in certain impaired corporate loans impacted by continued elevated rates. Gross impaired loans and advances as a percentage of gross loans and advances to customers were 5.32% as of 30 June 2024 compared to 2.83% as of 31 December 2023. The Hong Kong CRE portfolio is however well-positioned as approximately two-third is secured by collaterals, and collateral levels remain strong. Therefore, we have not seen materials impact on our financial performance.

Operating expenses increased by HK$367m, or 5%, to HK$7,523m. The rise in general and administrative expenses was driven by processing service fees to support business growth, and our continued investment in technology to enhance digital capabilities. Amortisation of intangible assets increased by 28%, reflecting the higher capitalised IT systems development costs. Staff costs slightly increased by 2% compared with 1H 2023.

Full-time equivalent staff numbers by region	***At 30 June 2024***	*At 30 June 2023*
Hong Kong and others	**6,987**	7,093
Mainland China	**1,409**	1,537
	8,396	8,630

The cost efficiency ratio moved up by 0.9 percentage points to 36.8%.

1H 2024 compared with 2H 2023

Net operating income before change in expected credit losses and other credit impairment charges reduced by HK$451m, or 2%, to HK$20,431m, driven by the 9% decrease in net interest income, partially offset by a 31% growth in non-interest income. With the 65% decrease in ECL charges in 1H 2024, operating profit improved by HK$2,308m, or 25%. Profit attributable to shareholders increased by HK$1,872m, or 23%, compared with 2H 2023.

Net interest income reduced by HK$1,621m, or 9%, mainly due to the higher interest expenses in 1H 2024 resulting from the migration of current and savings accounts (‘CASA’) to time deposits as the interest rates environment remained high. Despite the declining market interest rates against 2H 2023, interest income remained largely stable under the Group’s treasury management. **Non-interest income** gained momentum to grow by HK$1,170m, or 31%, primarily reflecting high performance from the life insurance business and customer-driven trading activities. **Changes in expected credit losses and other credit impairment charges** decreased in 1H 2024 amid a continuing reduction in our mainland China CRE exposure. Total change in **ECL** decreased by HK$2,824m to HK$1,500m, due to lower charges for impaired credit exposures in 1H 2024 compared to 2H 2023. ECL charges mainly reflected the downgrade of certain corporate customers in the current period.

Interim Condensed Consolidated Balance Sheet and Key Ratios

Assets

Total assets increased by HK$16bn, or 1%, to HK$1,708bn compared with 2023 year-end. The Group maintained resilient business momentum in targeted segments and progressed with its strategy of enhancing long-term profitability through sustainable and diversified growth.

Customer loans and advances (net of allowances for ECL) decreased by HK$11bn, or 1%, to HK$850bn. The decrease in loan balances reflected dampened credit demand in an elevated interest rates environment. Loans for use in Hong Kong remained relatively constant. Lending to industrial, commercial and financial sectors increased by 1% while lending to individuals decreased by 1%. With a softened property market, residential mortgages decreased by 1%. Credit card advances also registered a drop of 6%. Trade finance lending grew by 4%. Loans for use outside Hong Kong reduced by 6%, due mainly to decreased lending granted by the Group's Hong Kong office.

Financial assets mandatorily measured at fair value and financial investments increased by HK$8bn and HK$10bn respectively, reflecting the growth in commercial surplus, coupled with increased fund deployment to placings with and advances to banks.

Liabilities and equity

Customer deposits increased by HK$24bn, or 2%, to HK$1,205bn from the end of 2023. CASA as a percentage of total customer deposits decreased from 53.3% at 2023 year-end to 51.1% as at 30 June 2024, reflecting continued migration of deposits from CASA to time deposits under a high interest rate environment. As at 30 June 2024, the advances-to-deposits ratio was 70.5%, compared with 72.9% at 31 December 2023.

Figures in HK$m	***At 30 June 2024***	*At 31 December 2023*
Customer loans and advances (net of allowances for ECL)	**849,601**	860,406
Customer deposits, including structured deposits	**1,204,774**	1,180,611
Advances-to-deposits ratio	**70.5%**	72.9%

As at 30 June 2024, shareholders' equity reduced by HK$2bn, or 1%, to HK$166bn, driven by a slight decrease in retained profits of HK$1bn, or 1%, reflecting the net impact of the share buy-back programme and profit accumulation after the appropriation of dividends paid during the period.

Key ratios

Return on average total assets was 1.2% (1.1% for 1H 2023). **Return on average ordinary shareholders' equity** was 12.4% (12.8% for 1H 2023).

As at 30 June 2024, the **CET1 capital ratio**, **T1 capital ratio** and **total capital ratio** were 16.6%, 18.2% and 19.7% respectively, well above the regulatory requirement.

Under the Banking (Liquidity) Rules, the average **liquidity coverage ratio ('LCR')** was 277.2% and 276.8% for the quarters ended 30 June 2024 and 31 March 2024 respectively. The average LCR was 245.0% and 276.7% for the corresponding quarters in 2023. For both years, the Group maintained a strong average LCR that was higher than the statutory requirement of 100%. The LCR on 30 June 2024 was 262.2% compared with 260.7% on 31 December 2023. The period-end **net stable funding ratio ('NSFR')** was 168.2% and 171.7% for the quarters ended 30 June 2024 and 31 March 2024 respectively, more than the regulatory requirement of 100%. The period-end NSFR was 161.4% and 163.6% for the corresponding quarters in 2023.

Dividends

The Directors have declared a second interim dividend of HK$1.20 per share, which will be payable on 5 September 2024 to shareholders on the register as of 15 August 2024. Together with the first interim dividend, the total distribution for 1H 2024 will be HK$2.40 per share.

Coupled with the HK$3bn share buy-back announced in Q2 2024, the total capital returns to shareholders amount to HK$7.6bn, up 80% year on year. Our focus on delivering long-term value to our shareholders remains.

Figures in HK$m	*Wealth and Personal Banking*	*Commercial Banking*	*Global Banking*	*Global Markets*	*Other [1]*	*Total*
Half-year ended 30 June 2024						
Net interest income/(expense)	**8,402**	**4,503**	**1,318**	**789**	**471**	**15,483**
Net fee income/(expense)	**1,601**	**615**	**158**	**(22)**	**212**	**2,564**
Net income/(loss) from financial instruments measured at fair value through profit or loss	**2,436**	**135**	**(3)**	**790**	**(536)**	**2,822**
Gains less losses from financial investments	**—**	**—**	**—**	**14**	**—**	**14**
Dividend income	**—**	**—**	**—**	**—**	**6**	**6**
Insurance finance income/(expenses)	**(2,000)**	**—**	**—**	**—**	**—**	**(2,000)**
Insurance service results	**1,187**	**—**	**—**	**—**	**—**	**1,187**
– of which: – Insurance revenue	***1,691***	**—**	**—**	**—**	**—**	***1,691***
– Insurance service expense	***(504)***	**—**	**—**	**—**	**—**	***(504)***
Other operating income/(losses)	**185**	**1**	**2**	**—**	**167**	**355**
Net operating income/(loss) before change in expected credit losses and other credit impairment charges	**11,811**	**5,254**	**1,475**	**1,571**	**320**	**20,431**
– of which: – external	***382***	***4,650***	***4,467***	***10,649***	***283***	***20,431***
– inter-segment	***11,429***	***604***	***(2,992)***	***(9,078)***	***37***	**—**
Change in expected credit losses and other credit impairment charges	**(167)**	**(1,203)**	**(126)**	**(4)**	**—**	**(1,500)**
Net operating income/(loss)	**11,644**	**4,051**	**1,349**	**1,567**	**320**	**18,931**
Operating expenses *	**(4,534)**	**(1,750)**	**(413)**	**(362)**	**(464)**	**(7,523)**
Impairment loss on intangible assets	**—**	**—**	**—**	**—**	**(12)**	**(12)**
Operating profit/(loss)	**7,110**	**2,301**	**936**	**1,205**	**(156)**	**11,396**
Net surplus/(deficit) on property revaluation	**—**	**—**	**—**	**—**	**(139)**	**(139)**
Share of profits/(losses) of associate	**50**	**—**	**—**	**—**	**—**	**50**
Profit/(loss) before tax	**7,160**	**2,301**	**936**	**1,205**	**(295)**	**11,307**
Share of profit/(loss) before tax	**63.3%**	**20.4%**	**8.3%**	**10.6%**	**(2.6%)**	**100.0%**
* Depreciation/amortisation included in operating expenses	**(404)**	**(6)**	**(1)**	**(1)**	**(1,112)**	**(1,524)**
As at 30 June 2024						
Total assets	**610,476**	**266,744**	**220,783**	**589,170**	**21,280**	**1,708,453**
-of which: Gross loans and advances to customers	***392,128***	***268,141***	***204,590***	**—**	**—**	***864,859***
Total liabilities	**1,091,269**	**273,662**	**62,108**	**86,322**	**28,725**	**1,542,086**
-of which: Customer deposits [2]	***882,811***	***263,838***	***58,125***	**—**	**—**	***1,204,774***
Interest in an associate	**2,376**	**—**	**—**	**—**	**—**	**2,376**
Half-year ended 30 June 2024						
– securities broking and related services	**623**	**41**	**—**	**12**	**—**	**676**
– retail investment funds	**624**	**6**	**—**	**—**	**—**	**630**
– insurance	**30**	**97**	**39**	**—**	**—**	**166**
– account services	**152**	**83**	**4**	**—**	**—**	**239**
– remittances	**24**	**83**	**16**	**—**	**—**	**123**
– cards	**1,511**	**13**	**—**	**—**	**(2)**	**1,522**
– credit facilities	**6**	**131**	**72**	**—**	**—**	**209**
– imports/exports	**—**	**101**	**11**	**—**	**—**	**112**
– other	**30**	**71**	**17**	**7**	**214**	**339**
Fee income	**3,000**	**626**	**159**	**19**	**212**	**4,016**
Fee expense	**(1,399)**	**(11)**	**(1)**	**(41)**	**—**	**(1,452)**
Net fee income/(expense)	**1,601**	**615**	**158**	**(22)**	**212**	**2,564**

Figures in HK$m	*Wealth and Personal Banking*	*Commercial Banking*	*Global Banking*	*Global Markets*	*Other* [1]	*Total*
Half-year ended 30 June 2023						
Net interest income/(expense)	8,047	4,444	1,306	604	790	15,191
Net fee income/(expense)	1,697	638	169	(22)	184	2,666
Net income/(loss) from financial instruments measured at fair value through profit or loss	5,950	88	(35)	801	(694)	6,110
Gains less losses from financial investments	—	—	—	2	—	2
Dividend income	—	—	—	—	16	16
Insurance finance income/(expenses)	(5,454)	—	—	—	—	(5,454)
Insurance service results	1,025	—	—	—	—	1,025
– of which: – Insurance revenue	*1,396*	—	—	—	—	*1,396*
– Insurance service expense	*(371)*	—	—	—	—	*(371)*
Other operating income/(losses)	235	3	—	—	146	384
Net operating income/(loss) before change in expected credit losses and other credit impairment charges	11,500	5,173	1,440	1,385	442	19,940
– of which: – external	*1,967*	*6,127*	*3,813*	*8,720*	*(687)*	*19,940*
– inter-segment	*9,533*	*(954)*	*(2,373)*	*(7,335)*	*1,129*	—
Change in expected credit losses and other credit impairment charges	(309)	(1,550)	(71)	5	1	(1,924)
Net operating income/(loss)	11,191	3,623	1,369	1,390	443	18,016
Operating expenses *	(4,252)	(1,796)	(389)	(351)	(368)	(7,156)
Impairment loss on intangible assets	—	—	—	—	(2)	(2)
Operating profit/(loss)	6,939	1,827	980	1,039	73	10,858
Net surplus/(deficit) on property revaluation	—	—	—	—	(1)	(1)
Share of profits/(losses) of associate	104	—	—	—	—	104
Profit/(loss) before tax	7,043	1,827	980	1,039	72	10,961
Share of profit/(loss) before tax	64.2%	16.7%	8.9%	9.5%	0.7%	100.0%
* Depreciation/amortisation included in operating expenses	(409)	(6)	(1)	(1)	(975)	(1,392)
As at 31 December 2023						
Total assets	605,718	278,658	207,882	578,704	21,132	1,692,094
-of which: Gross loans and advances to customers	*399,878*	*278,055*	*196,106*	—	—	*874,039*
Total liabilities	1,066,147	266,297	60,266	101,330	29,870	1,523,910
-of which: Customer deposits [2]	*867,583*	*255,937*	*57,091*	—	—	*1,180,611*
Interest in an associate	2,363	—	—	—	—	2,363
Half-year ended 30 June 2023						
– securities broking and related services	618	36	1	11	—	666
– retail investment funds	520	6	—	—	—	526
– insurance	90	94	37	—	—	221
– account services	128	73	3	—	—	204
– remittances	44	80	16	—	—	140
– cards	1,484	13	—	—	—	1,497
– credit facilities	10	154	77	—	—	241
– imports/exports	—	116	15	—	—	131
– other	134	79	22	11	184	430
Fee income	3,028	651	171	22	184	4,056
Fee expense	(1,331)	(13)	(2)	(44)	—	(1,390)
Net fee income/(expense)	1,697	638	169	(22)	184	2,666

[1] Including inter-segment elimination, of which total assets amounted to HK$30.6bn as at 30 June 2024 (HK$29.0bn as at 31 December 2023) and total liabilities amounted to HK$21.1bn as at 30 June 2024 (HK$19.5bn as at 31 December 2023).
[2] Customer deposits balances include current, savings and other deposit accounts, as well as structured deposits.

Wealth and Personal Banking ('WPB') recorded a 3% year-on-year increase in net operating income before change in ECL and other credit impairment charges to HK$11,811m. This was driven by growth in net interest income, which was up by 4% year-on-year. Both operating profit and profit before tax increased by 2% to HK$7,110m and HK$7,160m respectively. Despite a weaker sentiment in the stock market, our investment services and insurance businesses still witnessed a 5% growth in income year-on-year and 24% growth compared with 2H 2023.

Customer growth remains one of our key strategic priorities; we achieved a 14% year-on-year increase in our affluent segment with new-to-bank affluent customers growing 147% year-on-year. With an increased demand in wealth management within the high net worth segment, we recorded a 15% year-on-year growth on new private banking accounts.

During the period, Hang Seng was recognised as the Domestic Retail Bank of the Year at the Asia Banking & Finance ('ABG') Retail Banking Awards and the Retail Bank of the Year at the Bloomberg Business week Financial Institution Awards. We launched our Everyday Banking marketing campaign in April featuring Payday+, with new payroll service and banking offers, and generated 12% and 42% year-on-year growth on the Preferred Banking base and new-to-bank customers respectively.

To meet the growing demand for wealth management services in the Greater Bay Area ('GBA'), we now have nine cross-boundary Wealth Management Centres in key GBA cities. The cross-boundary Wealth Management Centres in Hong Kong house our league of wealth management experts offering express account openings and an array of wealth management services. New account openings for mainland customers increased by 166% year-on-year. Hang Seng also offers seamless top-up services to e-CNY wallets for personal banking customers in Hong Kong through the Faster Payment System ('FPS') since May 2024. Our non-Hong Kong Dollar deposit grew by 17% year-on-year, backed by 15% increase in our active transactional foreign exchange customers.

With strong travel sentiment and growing consumer spending overseas, we launched a new credit card, the Travel+ Visa Signature, featuring travel propositions with unrivalled benefits and rewards to cater our customers' needs. To expand cross-boundary and overseas payment options, we also introduced a brand-new Multi-Currency ('MCY') Debit Card which enables customers to better manage cash transactions in 12 major currencies. Additionally, the brand-new Global Money+ service launched in early July 2024, enables fee-free international fund transfers to over 50 countries in the recipient's local currency in as fast as 1 working day.

We accelerated the development of our wealth management business and launched new capabilities like 'Wealth Master' which empowers our sales staff to conduct portfolio rebalancing and diversification for our customers more effectively, and also help drive rigorous need-based wealth discussions and outcomes. As a result, this brings our active retail customers with investment transactions (excluding Securities & Government Bonds) recorded a 41% year-on-year growth. Together with the continual enhancement on product suites, our life insurance business achieved 126% year-on-year growth in New Business Contractual Service Margin ('NB CSM'). Contractual Service Margin ('CSM') balance, grew by 12% to HK$24.4bn. In the first quarter of 2024, Hang Seng achieved an 80% year-on-year growth in Life Insurance New Business Premiums and secured the 3rd market position as a Life Insurer, which is up by 3 places from 6th last year. The same level of sales momentum continued in the second quarter.

In April 2024, Hang Seng Investment Management Limited ('HSVM'), the largest ETF manager in Hong Kong in terms of assets under management ('AUM'), launched the first-ever 'Hang Seng S&P 500 Index ETF' in the Hong Kong Market. Leveraging Hong Kong's pivotal role as a super-connector between mainland China and the world, the collaboration between HSVM and 'KGI Securities Thailand' led to the launch of two additional Depositary Receipts ('DR') on the Stock Exchange of Thailand in January 2024, investing in the Tracker Fund of Hong Kong ('TraHK') and Hang Seng TECH Index ETF respectively. With HSVM's active participation in different cross-border initiatives, TraHK achieved another record high AUM during the first half of 2024.

Continuous enhancements were made to enrich our digital platform and offerings. Riding on our proprietary credit card rewards programme (+ Fun Dollars), we further extended redemption channels at over 150,000 local retail outlets through AlipayHK's mobile wallet. We also uplifted our channel capabilities by further digitalising our investment account opening and products journeys like structured notes and Capital Protected Investment Deposit ('CPI'). These initiatives contributed to a 172% year-on-year increase in investment accounts opening through mobile and significant growth of our mobile active customer base by 13% year-on-year with 21 awards received from The Digital Banker, ETNet and other issuers in the first half of the year.

The public's concerns for safety and fraud prevention remains at the core of our design. We have since revamped the security functions in our mobile platform to bring alive a centralised hub for 'settings and security', allowing easy accessibility for customers to take control of their accounts. Various functions include report suspicious transactions, report and replace lost cards, block or unblock cards, Card-Not-Present ('CNP') limit control etc., can be retrieved conveniently through our mobile app.

Commercial Banking ('CMB') recorded 2% year-on-year growth in net operating income before change in ECL and other credit impairment charges to HK$5,254m. Both operating profit and profit before tax increased by 26% to HK$2,301m.

We continue to support our customers, and by facilitating customer's daily operations via a convenient, safe and tailored payment solutions, a 8% growth in related income and a 3% uplift in customer deposits balance were recorded. We are also able to capture the market window and grow our wealth management income, of which keyman insurance and investment income increased by 24% and 6% respectively.

As a trusted partner to support customer in capturing business opportunities, we have set up the HKD33 Billion Small to Medium Enterprises ('SME') Power Up Fund to empower SMEs with various financing solutions and to enable customer's business growth in Hong Kong as well as the Greater Bay Area. To smoothen related loan applications, we have enhanced our online platform for a fully digital application process featuring digital ID verification and an e-Sign function. Customers can now receive approval-in-principle results in as fast as 10 seconds through making their applications online.

The HKD80 Billion Sustainability Power Up Fund is designed to assist customers in improving their Environment, Social and Governance ('ESG') performance and their transition towards a net-zero economy. We are aware of the challenges SMEs encounter when pursuing their ESG agendas. In order to uplift customer experience and provide incentives, we have engaged with the Hong Kong Quality Assurance Agency to launch the SME Green Equipment Financing Assessment Platform, an exclusive digital platform to provide faster assessment at a lower cost. The platform covers assessment in six areas including renewable energy, water management, wastage management, pollution prevention, green transportation and energy efficiency.

Our Business e-Banking is not only an online platform for daily transaction banking management, but also a key customer communication channel with data-led capabilities to target the right customers with the appropriate services. Customers can now enjoy improved digital engagement experiences by knowing more on their 'best-fit' banking solutions and exclusive offers from the Bank, leading to a year-on-year growth in active mobile and internet banking users by 36% and 8% respectively.

Our outstanding services have been recognised with several awards, including 'Best Payments Bank in Hong Kong' and 'Best FX Bank in Hong Kong' from Transaction Finance Awards 2024, 'Best in Treasury and Working Capital – SME' from The Asset Triple A Awards 2024. We also won 'Hong Kong Domestic Trade Finance Bank of the Year' and 'Hong Kong Domestic Digital Payment Initiatives of the Year' from Asian Banking & Finance Banking Awards.

Global Banking ('GB') reported a 2% year-on-year growth in net operating income before change in ECL and other credit impairment charges to HK$1,475m. Both operating profit and profit before tax slightly dropped by 4% to HK$936m.

Our customer loans and advances recorded a 4% growth as compared to last year-end despite softer loan demand in the market, reflecting impact of our focused efforts to support our customers. By offering tailored trade financing solutions and leveraging bank guarantees and trade finance risk participation to meet client's diverse needs throughout the trade cycle, our average trade loan balance in Hong Kong grew 34% year-on-year. We are also dedicated to broaden our asset portfolio via active bond management, supported by a 46% growth in our bond balance as compared to last year-end.

Leveraging our strong customer relationships, we have taken proactive steps to diversify our revenue stream through timely and increased sales activities to capture business opportunities, resulting in a robust growth of 17% in non-interest income. Our Debt Capital Market Origination team has extended the coverage to a wider spectrum of fixed income instruments.

Playing to the strength of our cross-boundary team connectivity, we provided total solutions in banking, wealth management and advisory services to address the diverse financial needs of large corporations across Hong Kong and mainland China.

To enhance the operational efficiency of our clients from different sectors, we employed technology to offer innovative digital cash management solutions to address their specific needs.

By adopting a client-centric approach and offering comprehensive sustainable finance solutions to support client's low-carbon transition, we continued to build momentum in commercialising sustainability under the ever-evolving business landscape.

Global Markets ('GM') reported a 13% year-on-year growth in net operating income before change in ECL and other credit impairment charges to HK$1,571m. Operating profit and profit before tax both increased by 16% to HK$1,205m.

Net interest income recorded year-on-year growth of 31% and non-interest income remained stable in 1H 2024. We maintained good business momentum and successfully captured market opportunities. Our Repo business achieved solid revenue growth of 68% year-on-year by expanding its portfolio by 36%. We achieved growth in our wealth products, turnover was up by 54% in capital protected investments and our Callable CD delivered solid growth, with a year-on-year growth of 22% in turnover.

Through close collaboration with other business units and supporting sales campaigns on various channels, switching loan currencies to lower client's interest cost, we achieved a 14% growth in our Bankwide sales foreign exchange revenue.

Figures in HK$m	note	**Half-year ended 30 June 2024**	Half-year ended 30 June 2023
Interest income[1]		**30,826**	28,507
Interest expense		**(15,343)**	(13,316)
Net interest income	1	**15,483**	15,191
Fee income		**4,016**	4,056
Fee expense		**(1,452)**	(1,390)
Net fee income	2	**2,564**	2,666
Net income/(loss) from financial instruments measured at fair value through profit or loss	3	**2,822**	6,110
Gains less losses from financial investments		**14**	2
Dividend income		**6**	16
Insurance finance income/(expenses)		**(2,000)**	(5,454)
Insurance service results		**1,187**	1,025
– Insurance revenue		**1,691**	1,396
– Insurance service expense		**(504)**	(371)
Other operating income/(losses)	4	**355**	384
Net operating income before change in expected credit losses and other credit impairment charges		**20,431**	19,940
Change in expected credit losses and other credit impairment charges	5	**(1,500)**	(1,924)
Net operating income		**18,931**	18,016
Employee compensation and benefits		**(3,024)**	(2,952)
General and administrative expenses		**(2,975)**	(2,812)
Depreciation expenses		**(962)**	(954)
Amortisation of intangible assets		**(562)**	(438)
Operating expenses	6	**(7,523)**	(7,156)
Impairment loss on intangible assets		**(12)**	(2)
Operating profit		**11,396**	10,858
Net surplus/(deficit) on property revaluation		**(139)**	(1)
Share of profits/(losses) of associate		**50**	104
Profit before tax		**11,307**	10,961
Tax expense	7	**(1,419)**	(1,139)
Profit for the period		**9,888**	9,822
Profit attributable to:			
Shareholders of the Bank		**9,893**	9,827
Non-controlling interests		**(5)**	(5)
(Figures in HK$)			
Earnings per share - basic and diluted	8	**5.04**	4.99

[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.*

Details of dividends payable to shareholders of the Bank attributable to the profit for the period are set out on page 24 (Note 9).

Figures in HK$m	**Half-year ended 30 June 2024**	Half-year ended 30 June 2023 *(re-presented)*[1]
Profit for the period	**9,888**	9,822
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	**(184)**	(158)
– fair value (gains)/losses transferred to the income statement:		
— on hedged items	**310**	136
— on disposal	**(14)**	(2)
– expected credit losses/(recoveries) recognised in the income statement	**4**	(4)
– deferred taxes	**(24)**	4
Cash flow hedge reserve:		
– fair value gains/(losses) taken to equity	**3,368**	1,133
– fair value (gains)/losses transferred to the income statement	**(3,420)**	(764)
– deferred taxes	**9**	(61)
Exchange differences on translation of:		
– financial statements of overseas branches, subsidiaries and associate	**(360)**	(742)
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)**	12
– deferred taxes	**—**	(2)
Equity instruments designated at FVOCI:		
– fair value gains/(losses) taken to equity	**73**	(169)
Premises:		
– unrealised surplus/(deficit) on revaluation of premises	**85**	612
– deferred taxes	**(15)**	(104)
Defined benefit plans:		
– actuarial gains/(losses) on defined benefit plans	**248**	115
– deferred taxes	**(41)**	(19)
Others	**(34)**	—
Other comprehensive income for the period, net of tax	**3**	(13)
Total comprehensive income for the period	**9,891**	9,809
Total comprehensive income for the period attributable to:		
– shareholders of the Bank	**9,896**	9,814
– non-controlling interests	**(5)**	(5)
	9,891	9,809

[1] Where applicable, the exchange differences have been included as part of the respective items for the current period's presentation, whereas those exchange differences were separately presented in the prior period. Correspondingly, the comparative figures have been re-presented to conform with current period's presentation.

Figures in HK$m	note	**At 30 June 2024**	At 31 December 2023
ASSETS			
Cash and balances at central banks		**10,198**	10,564
Trading assets	11	**40,294**	44,018
Derivative financial instruments		**17,006**	14,959
Financial assets mandatorily measured at fair value through profit or loss	12	**164,832**	156,872
Reverse repurchase agreements – non-trading		**25,778**	30,202
Placings with and advances to banks		**96,064**	83,756
Loans and advances to customers	13	**849,601**	860,406
Financial investments	15	**415,341**	405,792
Interest in an associate		**2,376**	2,363
Investment properties		**11,833**	12,000
Property, plant and equipment		**26,349**	27,075
Intangible assets		**4,365**	4,335
Other assets		**44,416**	39,752
Total assets		**1,708,453**	1,692,094
LIABILITIES AND EQUITY			
Liabilities			
Deposits from banks		**11,102**	19,707
Current, savings and other deposit accounts	16	**1,169,784**	1,153,062
Repurchase agreements – non-trading		**20,320**	12,767
Trading liabilities		**18,994**	35,227
Derivative financial instruments		**11,863**	14,478
Financial liabilities designated at fair value	17	**50,728**	45,633
Certificates of deposit in issue		**7,305**	9,857
Other liabilities		**37,846**	33,759
Insurance contract liabilities		**180,189**	167,264
Current tax liabilities		**2,670**	990
Deferred tax liabilities		**3,794**	3,675
Subordinated liabilities		**27,491**	27,491
Total liabilities		**1,542,086**	1,523,910
Equity			
Share capital		**9,658**	9,658
Retained profits		**125,322**	126,624
Other equity instruments		**11,731**	11,744
Other reserves		**19,609**	20,105
Total shareholders' equity	18	**166,320**	168,131
Non-controlling interests		**47**	53
Total equity		**166,367**	168,184
Total equity and liabilities		**1,708,453**	1,692,094

For the half-year ended 30 June 2024

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 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 instrument [3]	—	**(4,700)**	—	—	—	—	—	—	**(4,700)**	—	**(4,700)**
Issue of new AT1 capital instrument [3]	—	**4,687**	—	—	—	—	—	—	**4,687**	—	**4,687**
Dividends paid [4]	—	—	**(8,400)**	—	—	—	—	—	**(8,400)**	—	**(8,400)**
Coupons paid on AT1 capital instruments	—	—	**(282)**	—	—	—	—	—	**(282)**	—	**(282)**
Movement in respect of share-based payment arrangements	—	—	**(5)**	—	—	—	—	**(2)**	**(7)**	—	**(7)**
Share buy-back [5]	—	—	**(3,005)**	—	—	—	—	—	**(3,005)**	—	**(3,005)**
Others	—	—	—	—	—	—	—	—	—	**(1)**	**(1)**
Transfers [6]	—	—	**324**	**(324)**	—	—	—	—	—	—	—
At 30 June 2024	**9,658**	**11,731**	**125,322**	**18,271**	**1,744**	**(139)**	**(931)**	**664**	**166,320**	**47**	**166,367**

[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 2024, the effect of this requirement is to restrict the amount of reserves which can be distributed by the Group to shareholders by HK$437m (31 December 2023: nil).

[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] In the first half of 2024, the Bank has redeemed and repaid the AT1 capital instrument of US$600m and issued new AT1 capital instrument of US$600m.

[4] Dividends paid represented the payment of fourth interim dividend of 2023 and the first interim dividend of 2024 amounted to HK$6,118m and HK$2,282m respectively.

[5] In April 2024, the Bank announced an automatic share buy-back programme of up to HK$3.0bn, which is expected to complete by September 2024. As at 30 June 2024, there was unused amount of HK$1.0bn recognised as financial liability.

[6] This includes transfers from the premises revaluation reserve to retained earnings in relation to depreciation of revalued properties, and in 2H 2023, it also included the transfer from financial assets at FVOCI reserve to retained earnings in relation to the disposal loss of equity investments at FVOCI.

For the half-year ended 30 June 2023

				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 2023	9,658	11,744	118,717	18,338	1,737	(816)	(122)	677	159,933	65	159,998
Profit for the period	—	—	9,827	—	—	—	—	—	9,827	(5)	9,822
Other comprehensive income (net of tax)	—	—	96	508	(193)	308	(742)	10	(13)	—	(13)
Debt instruments at FVOCI	—	—	—	—	(24)	—	—	—	(24)	—	(24)
Equity instruments designated at FVOCI	—	—	—	—	(169)	—	—	—	(169)	—	(169)
Cash flow hedges	—	—	—	—	—	308	—	—	308	—	308
Change in fair value of financial liabilities designated at fair value upon initial recognition arising from changes in own credit risk	—	—	—	—	—	—	—	10	10	—	10
Property revaluation	—	—	—	508	—	—	—	—	508	—	508
Actuarial gains on defined benefit plans	—	—	96	—	—	—	—	—	96	—	96
Others	—	—	—	—	—	—	(742)	—	(742)	—	(742)
Total comprehensive income for the period	—	—	9,923	508	(193)	308	(742)	10	9,814	(5)	9,809
Dividends paid	—	—	(5,927)	—	—	—	—	—	(5,927)	—	(5,927)
Coupons paid on AT1 capital instruments	—	—	(282)	—	—	—	—	—	(282)	—	(282)
Movement in respect of share-based payment arrangements	—	—	(4)	—	—	—	—	(15)	(19)	—	(19)
Others	—	—	—	—	—	—	—	—	—	(3)	(3)
Transfers	—	—	308	(308)	—	—	—	—	—	—	—
At 30 June 2023	9,658	11,744	122,735	18,538	1,544	(508)	(864)	672	163,519	57	163,576

Notes to the Financial Statements

1. Net interest income

Figures in HK$m	***Half-year ended 30 June 2024***	*Half-year ended 30 June 2023*
Interest income arising from:		
– financial assets measured at amortised cost	**24,471**	23,722
– financial assets measured at FVOCI	**6,355**	4,785
	30,826	28,507
Interest expense arising from financial liabilities measured at amortised cost	**(15,343)**	(13,316)
Net interest income	**15,483**	15,191

2. Net fee income

Figures in HK$m	***Half-year ended 30 June 2024***	*Half-year ended 30 June 2023*
– securities broking and related services	**676**	666
– retail investment funds	**630**	526
– insurance	**166**	221
– account services	**239**	204
– remittances	**123**	140
– cards	**1,522**	1,497
– credit facilities	**209**	241
– imports/exports	**112**	131
– other	**339**	430
Fee income	**4,016**	4,056
Fee expense	**(1,452)**	(1,390)
	2,564	2,666

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 2024***	*Half-year ended 30 June 2023*
Net trading income	**1,554**	1,096
– trading income	**1,553**	1,113
– other trading expense from ineffective fair value hedges	**1**	(17)
Net income/(expense) from financial instruments designated at fair value through profit or loss	**(999)**	(758)
Net income/(expense) from assets and liabilities of insurance businesses, including related derivatives, measured at fair value through profit or loss	**2,249**	5,773
– financial assets/liabilities held to meet liabilities under insurance contracts	**2,255**	5,775
– liabilities to customers under investment contracts	**(6)**	(2)
Changes in fair value of other financial instruments mandatorily measured at fair value through profit or loss	**18**	(1)
	2,822	6,110

4. Other operating income/(losses)

Figures in HK$m	***Half-year ended 30 June 2024***	*Half-year ended 30 June 2023*
Rental income from investment properties	**179**	156
Income/(expenses) arising from reinsurance contracts held	**180**	115
Net gains/(losses) from disposal of fixed assets	**(5)**	(1)
Others	**1**	114
	355	384

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 2024***	*Half-year ended 30 June 2023*
Loans and advances to banks and customers	**1,533**	1,984
– new allowances net of allowance releases	**1,582**	2,001
– recoveries of amounts previously written off	**(101)**	(77)
– other movements	**52**	60
Loan commitments and guarantees	**(28)**	(50)
Other financial assets	**(5)**	(10)
	1,500	1,924

6. Operating expenses

Figures in HK$m	***Half-year ended 30 June 2024***	*Half-year ended 30 June 2023 (re-presented)* [1]
Employee compensation and benefits:		
– salaries and other costs	**3,191**	3,023
– retirement benefit costs	**247**	253
Total employee compensation and benefits	**3,438**	3,276
Less: Cost directly attributable to insurance business	**(414)**	(324)
	3,024	2,952
General and administrative expenses:		
– rental expenses	**9**	10
– other premises and equipment	**1,038**	960
– marketing and advertising expenses	**259**	241
– other operating expenses	**1,853**	1,760
Total general and administrative expenses	**3,159**	2,971
Less: Cost directly attributable to insurance business	**(184)**	(159)
	2,975	2,812
Depreciation of premises, plant and equipment	**734**	715
Depreciation of right-of-use assets	**228**	239
Amortisation of intangible assets	**562**	438
	7,523	7,156
Cost efficiency ratio	**36.8%**	35.9%

[1] *The disclosure has been enhanced to disclose additional information on the nature and function of the expenses. Comparatives have been re-presented accordingly. There has been no change in the respective sub-total amounts.*

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 2024***	*Half-year ended 30 June 2023*
Current tax - provision for Hong Kong profits tax		
– Tax for the period	**1,722**	1,213
– Adjustment in respect of prior periods	**—**	5
Current tax - taxation outside Hong Kong		
– Tax for the period	**8**	15
– Adjustment in respect of prior periods	**(68)**	—
Deferred tax		
– Origination and reversal of temporary differences	**(243)**	(94)
Total tax expense	**1,419**	1,139

The current tax provision is based on the estimated assessable profit for the first half of 2024, and is determined for the Bank and its subsidiaries operating in Hong Kong SAR by using the Hong Kong profits tax rate of 16.5% (the same as in 2023). For subsidiaries and branches operating in other jurisdictions, the appropriate tax rates prevailing in the relevant countries/regions 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.

8. Earnings per share – basic and diluted

The calculation of basic and diluted earnings per share for the 1H 2024 is based on earnings of HK$9,611m (HK$9,545m for the 1H 2023), 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 1,906,825,147 shares (1H 2023: 1,911,842,736 shares).

9. Dividends/Distributions

	Half-year ended 30 June 2024		*Half-year ended 30 June 2023*	
	HK$ per share	***HK$m***	*HK$ per share*	*HK$m*
(a) Dividends to ordinary shareholders				
First interim	**1.20**	**2,282**	1.10	2,103
Second interim	**1.20**	**2,275**	1.10	2,103
	2.40	**4,557**	2.20	4,206
(b) Distributions to holders of AT1 capital instruments classified as equity				
Coupons paid on AT1 capital instruments		**282**		282

Notes to the Financial Statements *(continued)*

10. Segmental analysis

Hong Kong Financial Reporting Standard 8 ('HKFRS 8') requires segmental disclosure to be based on the way that the Group's chief operating decision maker regards and manages the Group, with the amounts reported for each reportable segment being the measures reported to the Group's chief operating decision maker for the purpose of assessing segmental performance and making decisions about operating matters. To align with the internal reporting information, the Group has presented the following five reportable segments.

- **Wealth and Personal Banking** 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, insurance, investment and a variety of wealth management options;
- **Commercial Banking** provides a comprehensive suite of products and services to corporate, commercial, and small and medium sized enterprises ('SME') clients. This includes corporate lending, trade and receivable finance, payments and cash management, treasury and foreign exchange, distribution of general and key-person insurance, investment services, and corporate wealth management;
- **Global Banking** delivers custom financial solutions to major corporate and institutional clients, utilising a long-term relationship management strategy. Services include general and transaction banking, corporate lending, deposits, and cash management;
- **Global Markets** offers tailored solutions and services across foreign exchange, bullion, equities, fixed income, and securities financing. It also manages the funding, liquidity position of the Group, and other market risk positions arising from banking and client activities;
- **Other** mainly represents the Group's holdings of premises apart from outlets dedicated for Wealth and Personal Banking, investment properties, equity shares and subordinated debt funding as well as central support and functional costs with associated recoveries.

(a) Segmental result

For segmental reporting purposes, revenue allocation reflects the benefits of capital and other funding resources distributed to the business segments through internal capital allocation and fund transfer pricing mechanisms. Costs of central support services and functions are allocated based on cost drivers that reflect or correlate with service usage. Premises owned by the Bank but not dedicated to WPB are included under the 'Other' segment. When these premises are utilised by business segments, a notional rent is charged to those segments with reference to market rates.

Notes to the Financial Statements *(continued)*

10. Segmental analysis *(continued)*

The profit before tax contributed by each business segment is detailed in the table provided. Further analysis and discussion on business segments can be found in the 'Segmental analysis' section on page 11.

(a) Segmental result *(continued)*

Figures in HK$m	*Wealth and Personal Banking*	*Commercial Banking*	*Global Banking*	*Global Markets*	*Other*	*Total*
Half-year ended 30 June 2024						
Profit/(loss) before tax	**7,160**	**2,301**	**936**	**1,205**	**(295)**	**11,307**
Share of profit/(loss) before tax	**63.3%**	**20.4%**	**8.3%**	**10.6%**	**(2.6%)**	**100.0%**
Half-year ended 30 June 2023						
Profit/(loss) before tax	7,043	1,827	980	1,039	72	10,961
Share of profit/(loss) before tax	64.2%	16.7%	8.9%	9.5%	0.7%	100.0%

(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'.

Figures in HK$m	*Hong Kong*	*Mainland China*	*Others*	*Inter-region elimination*	*Total*
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 30 June 2024					
Total assets	**1,615,099**	**108,742**	**15,572**	**(30,960)**	**1,708,453**
Total liabilities	**1,456,739**	**92,875**	**13,961**	**(21,489)**	**1,542,086**
Interest in an associate	**2,376**	—	—	—	**2,376**
Non-current assets[1]	**41,220**	**1,311**	**16**	—	**42,547**
Half-year ended 30 June 2023					
Net operating income/(loss) before change in expected credit losses and other credit impairment charges	18,464	1,420	102	(46)	19,940
Profit before tax	10,101	803	57	—	10,961
At 31 December 2023					
Total assets	1,597,338	106,606	17,541	(29,391)	1,692,094
Total liabilities	1,437,280	90,678	15,855	(19,903)	1,523,910
Interest in an associate	2,363	—	—	—	2,363
Non-current assets[1]	41,955	1,432	23	—	43,410

[1] 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 2024***	*At 31 December 2023*
Treasury bills	**19,079**	18,191
Other debt securities	**21,151**	25,757
Investment funds/equity shares	**26**	33
Reverse repurchase agreements	**38**	37
	40,294	44,018

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

Figures in HK$m	***At 30 June 2024***	*At 31 December 2023*
Treasury bills	**1,053**	1,958
Other debt securities	**120,115**	116,993
Equity shares	**10,974**	8,125
Investment funds	**31,900**	28,963
Other	**790**	833
	164,832	156,872

13. Loans and advances to customers

Figures in HK$m	***At 30 June 2024***	*At 31 December 2023*
Gross loans and advances to customers	**864,859**	874,039
Less: Allowances for expected credit losses	**(15,258)**	(13,633)
	849,601	860,406
Expected credit losses as a percentage of gross loans and advances to customers	**1.76%**	1.56%
Gross impaired loans and advances	**46,032**	24,749
Gross impaired loans and advances as a percentage of gross loans and advances to customers	**5.32%**	2.83%

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	Allowances for ECL	Gross carrying/ nominal amount	Allowances for ECL	Gross carrying/ nominal amount	Allowances for ECL	Gross carrying/ nominal amount	Allowances for ECL	Gross carrying/ nominal amount	Allowances for ECL
At 1 January 2024	**1,125,306**	**(798)**	**155,555**	**(3,840)**	**24,635**	**(9,158)**	**117**	**—**	**1,305,613**	**(13,796)**
Transfers of financial instruments:										
- transfers from Stage 1 to Stage 2	**(47,142)**	**77**	**47,142**	**(77)**	**—**	**—**	**—**	**—**	**—**	**—**
- transfers from Stage 2 to Stage 1	**47,313**	**(338)**	**(47,313)**	**338**	**—**	**—**	**—**	**—**	**—**	**—**
- transfers to Stage 3	**(3,574)**	**3**	**(20,981)**	**971**	**24,555**	**(974)**	**—**	**—**	**—**	**—**
- transfers from Stage 3	**10**	**(2)**	**28**	**(2)**	**(38)**	**4**	**—**	**—**	**—**	**—**
Net remeasurement of ECL arising from transfer of stage	**—**	**124**	**—**	**(133)**	**—**	**(7)**	**—**	**—**	**—**	**(16)**
New financial assets originated and purchased[2]	**177,578**	**(110)**	**2,716**	**(75)**	**—**	**—**	**—**	**—**	**180,294**	**(185)**
Assets derecognised (including final repayments)	**(131,230)**	**47**	**(17,537)**	**188**	**(414)**	**13**	**—**	**—**	**(149,181)**	**248**
Changes to risk parameters - further lending/(repayments)	**(23,541)**	**94**	**(779)**	**184**	**(3,715)**	**18**	**5**	**—**	**(28,030)**	**296**
Changes in risk parameters - credit quality	**—**	**151**	**—**	**(588)**	**—**	**(1,261)**	**—**	**(3)**	**—**	**(1,701)**
Assets written off	**—**	**—**	**—**	**—**	**(1,069)**	**1,069**	**—**	**—**	**(1,069)**	**1,069**
Foreign exchange and others	**(2,722)**	**35**	**(334)**	**9**	**1,963**	**(1,352)**	**—**	**—**	**(1,093)**	**(1,308)**
At 30 June 2024	**1,141,998**	**(717)**	**118,497**	**(3,025)**	**45,917**	**(11,648)**	**122**	**(3)**	**1,306,534**	**(15,393)**

	Total
Change in ECL in income statement (charge)/ release for the period	**(1,358)**
Add: Recoveries	**101**
Add/(less): Others	**(253)**
Total ECL (charge)/ release for the period[3]	**(1,510)**

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 2024.
3 The provision for ECL balance at 30 June 2024 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$76m and releases of HK$10m (30 June 2023: HK$46m and releases of HK$10m) respectively.

Notes to the Financial Statements *(continued)*

15. Financial investments

Figures in HK$m	***At 30 June 2024***	*At 31 December 2023*
Financial investments measured at FVOCI		
– treasury bills	**271,511**	221,746
– other debt securities	**82,166**	79,548
– equity shares	**4,085**	4,060
	357,762	305,354
Debt instruments measured at amortised cost		
– treasury bills	**773**	41,293
– other debt securities	**56,830**	59,159
Less: Allowances for expected credit losses	**(24)**	(14)
	57,579	100,438
	415,341	405,792

16. Current, savings and other deposit accounts

Figures in HK$m	***At 30 June 2024***	*At 31 December 2023*
Current, savings and other deposit accounts:		
– as stated in Interim Condensed Consolidated Balance Sheet	**1,169,784**	1,153,062
– structured deposits reported as financial liabilities designated at fair value	**34,990**	27,549
	1,204,774	1,180,611
By type:		
– demand and current accounts	**77,842**	82,597
– savings accounts	**537,531**	546,220
– time and other deposits	**589,401**	551,794
	1,204,774	1,180,611

17. Financial liabilities designated at fair value

Figures in HK$m	***At 30 June 2024***	*At 31 December 2023*
Certificates of deposit in issue	**13,588**	14,646
Structured deposits	**34,990**	27,549
Other structured debt securities in issue	**1,890**	3,174
Liabilities to customers under investment contracts	**260**	264
	50,728	45,633

Notes to the Financial Statements *(continued)*

18. Shareholders' equity

Figures in HK$m	***At 30 June 2024***	*At 31 December 2023*
Share capital	**9,658**	9,658
Retained profits	**125,322**	126,624
Other equity instruments	**11,731**	11,744
Premises revaluation reserve	**18,271**	18,525
Cash flow hedging reserve	**(139)**	(96)
Financial assets at FVOCI reserve	**1,744**	1,579
Other reserves	**(267)**	97
Total reserves	**156,662**	158,473
Total shareholders' equity	**166,320**	168,131
Annualised return on average ordinary shareholders' equity for the half-year ended	**12.4%**	9.8%

During the first half of 2024, the total number of ordinary shares repurchased was 19,002,600 shares. Of the repurchased shares, 3,313,900 shares were awaiting cancellation as at 30 June 2024. Except for the share buy-back, 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 2024. There was no purchase, sale or redemption by the Bank or any of its subsidiaries, of the listed securities during the first half of 2023.

19. Contingent liabilities, contractual commitments and guarantees

Figures in HK$m	***At 30 June 2024***	*At 31 December 2023*
Contingent liabilities and financial guarantee contracts		
– Financial guarantees	**2,020**	1,882
– Performance and other guarantees	**20,058**	21,087
– Other contingent liabilities	**5**	4
	22,083	22,973
Commitments		
– Documentary credits and short-term trade-related transactions	**1,832**	3,422
– Forward asset purchases and forward forward deposits placed	**14,741**	15,087
– Undrawn formal standby facilities, credit lines and other commitments to lend	**474,682**	485,123
	491,255	503,632

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	***2024***	*At 31 December*	*2023*
	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	**3,213**	**0.37**	2,416	0.28
– more than six months but not more than one year	**3,844**	**0.44**	5,321	0.61
– more than one year	**13,777**	**1.59**	7,602	0.87
	20,834	**2.40**	15,339	1.76

Overdue loans and advances to customers increased by HK$5,495m, or 36%, to HK$20,834m compared with the end of 2023. Overdue loans and advances to customers as a percentage of gross loans and advances to customers stood at 2.40% at 30 June 2024 compared with 1.76% at the year end of 2023. The increase mainly reflected the impaired loans which have been overdue more than three months during 1H 2024 but not overdue or overdue less than 3 months at the year end of 2023.

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	***2024***	*At 31 December*	*2023*
	HK$m	***%***	*HK$m*	*%*
Rescheduled loans and advances to customers	**8,510**	**0.98**	**2,083**	**0.24**

Rescheduled loans and advances to customers increased by HK$6.4bn to HK$8.5bn when compared with 2023 year-end.

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 2024***	*At 31 December 2023*
Gross loans and advances to customers for use in Hong Kong		
Industrial, commercial and financial sectors		
Property development	**56,035**	54,622
Property investment	**122,689**	127,978
Financial concerns	**2,909**	2,527
Stockbrokers	**—**	200
Wholesale and retail trade	**21,250**	19,879
Manufacturing	**24,938**	20,410
Transport and transport equipment	**12,599**	12,727
Recreational activities	**231**	280
Information technology	**11,486**	10,111
Other	**68,643**	67,428
	320,780	316,162
Individuals		
Loans and advances for the purchase of flats under the Government Home Ownership Scheme, Private Sector Participation Scheme and Tenants Purchase Scheme	**44,557**	44,601
Loans and advances for the purchase of other residential properties	**262,369**	265,670
Credit card loans and advances	**28,940**	30,814
Other	**31,077**	31,303
	366,943	372,388
Total gross loans and advances for use in Hong Kong	**687,723**	688,550
Trade finance	**34,314**	33,139
Gross loans and advances for use outside Hong Kong	**142,822**	152,350
Gross loans and advances to customers	**864,859**	874,039

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 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 risks, 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 market risk, the Group uses an internal models approach to calculate its general market risk for the risk categories of interest rate and foreign exchange (including gold) exposures and the standardised (market risk) approach for calculating other market risk positions. For operational risk, the Group uses the standardised (operational risk) approach to calculate its operational risk.

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 2024***	*At 31 December 2023*
Common Equity Tier 1 ('CET1') Capital		
Shareholders' equity	**149,659**	151,744
– Shareholders' equity per balance sheet	**166,320**	168,131
– Additional Tier 1 ('AT1') perpetual capital instruments	**(11,731)**	(11,744)
– Unconsolidated subsidiaries	**(4,930)**	(4,643)
Non-controlling interests	–	–
– Non-controlling interests per balance sheet	**47**	53
– Non-controlling interests in unconsolidated subsidiaries	**(47)**	(53)
Regulatory deductions to CET1 capital	**(33,423)**	(29,485)
– Cash flow hedge reserve	**84**	37
– Changes in own credit risk on fair valued liabilities	**(1)**	(4)
– Property revaluation reserves[1]	**(24,177)**	(24,570)
– Regulatory reserve	**(437)**	–
– Intangible assets	**(3,413)**	(3,388)
– Defined benefit pension fund assets	**(128)**	–
– Deferred tax assets net of deferred tax liabilities	**(407)**	(481)
– Valuation adjustments	**(160)**	(153)
– Excess of total expected loss amount over total eligible provisions under the IRB approach	**(4,784)**	(926)
Total CET1 Capital	**116,236**	122,259
AT1 Capital		
Total AT1 capital before and after regulatory deductions	**11,731**	11,744
– Perpetual capital instruments	**11,731**	11,744
Total AT1 Capital	**11,731**	11,744
Total Tier 1 ('T1') Capital	**127,967**	134,003
Tier 2 ('T2') Capital		
Total T2 capital before regulatory deductions	**11,077**	11,275
– Property revaluation reserves[1]	**10,880**	11,056
– Impairment allowances and regulatory reserve eligible for inclusion in T2 capital	**197**	219
Regulatory deductions to T2 capital	**(1,045)**	(1,045)
– Significant capital investments in unconsolidated financial sector entities	**(1,045)**	(1,045)
Total T2 Capital	**10,032**	10,230
Total Capital	**137,999**	144,233

[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 2024***	*At 31 December 2023*
Credit risk	**617,728**	592,283
Market risk	**18,001**	19,898
Operational risk	**65,542**	62,088
Total	**701,271**	674,269

(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 2024	*At 31 December 2023*
CET1 capital ratio	**16.6%**	18.1%
T1 capital ratio	**18.2%**	19.9%
Total capital ratio	**19.7%**	21.4%

In addition, the capital ratios of all tiers as of 30 June 2024 would be reduced by approximately 0.3 percentage point after the prospective second interim dividend payment for 2024 (31 December 2023: reduced by approximately 0.9 percentage point after the prospective fourth interim dividend payment for 2023). The following table shows the pro-forma basis position of the capital ratios after the prospective interim dividend.

	Pro-forma At 30 June 2024	*Pro-forma At 31 December 2023*
CET1 capital ratio	**16.3%**	17.2%
T1 capital ratio	**17.9%**	19.0%
Total capital ratio	**19.4%**	20.5%

(d) Leverage ratio

Figures in HK$m	***At 30 June 2024***	*At 31 December 2023*
Leverage ratio	**8.1%**	8.5%
T1 capital	**127,967**	134,003
Exposure measure	**1,575,287**	1,568,958

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*
2024	**277.2%**	**276.8%**
2023	245.0%	276.7%

The LCR as at 30 June 2024 was 262.2% compared with 260.7% at 31 December 2023.

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*
2024	**168.2%**	**171.7%**
2023	161.4%	163.6%

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 31 July 2024.

The financial information relating to the year ended 31 December 2023 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 2023. 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).

Except as described below, the accounting policies and methods of computation adopted by the Group for this announcement are consistent with those described on pages 193 to 210 of the 2023 Annual Report.

Standards applied during the half-year ended 30 June 2024

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

Use of estimates and judgements

Further information on summary of significant accounting policies, use of estimates and judgements and future accounting developments are set out in the accounting policies of the Group's 2023 Annual Report.

2. Future accounting standard development

Amendments to HKAS 21 'Lack of Exchangeability'
In September 2023, the HKICPA published amendments to HKAS 21 'Lack of Exchangeability' effective from 1 January 2025. The Group is undertaking an assessment of the potential impact.

2. Future accounting standard development *(continued)*

Hong Kong Financial Reporting Standard ('HKFRS') 18 'Presentation and Disclosure in Financial Statements'

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

While HKFRS 18 will not change recognition criteria or measurement bases, it is expected to have an impact on presenting information in the financial statements, in particular the income statement. The Group is currently assessing data readiness and undertaking a gap analysis to achieve clarity before developing a more detailed implementation plan.

New standards and amendments to IFRS Accounting Standards

The IASB has published a number of standards and amendments to IFRS Accounting Standards which are effective from 1 January 2026 and 2027, which have not yet been adopted for use by the HKICPA. There are no significant differences between IFRS Accounting Standards and Hong Kong Financial Reporting Standards ('HKFRS'), and the HKICPA has a policy to converge with IFRS Accounting Standards.

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

In May 2024, the IASB issued Amendments to IFRS 9 'Financial Instruments' and IFRS 7 'Financial Instruments: Disclosures', effective for annual reporting periods beginning on or after 1 January 2026. The amendments include clarifications on how ESG-linked features could affect the assessment of contractual cash flows. Further, the amendments provide clarification on the date on which a financial asset or a financial liability is derecognised. The Group is currently assessing the potential impact.

IFRS 19 'Subsidiaries without Public Accountability: Disclosures'

In May 2024, the IASB issued IFRS 19 'Subsidiaries without Public Accountability: Disclosures', effective for annual reporting periods beginning on or after 1 January 2027. The new accounting standard aims at simplifying financial reporting for eligible subsidiary companies by allowing reduced disclosures. The Group is currently assessing whether this would be applicable to any subsidiaries of the group and will consider stakeholder's information needs when deciding whether IFRS 19 will be applied within those entities.

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 2024, 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.
(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 30 June 2024 (i.e. 1,896,154,036 ordinary shares).

All the interests stated above represented long positions. As at 30 June 2024, 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, 15 August 2024, for the purpose of determining the shareholders’ entitlement to the second interim dividend for 2024, 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, 14 August 2024. The second interim dividend will be payable in cash on Thursday, 5 September 2024 to shareholders whose names appear on the Register of Shareholders of the Bank on Thursday, 15 August 2024. Ordinary shares of the Bank will be traded ex-dividend as from Tuesday, 13 August 2024.

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

In April 2024, the Bank commenced the Automatic Share Buy-back Programme to buy back up to HK$3bn of its ordinary shares on The Stock Exchange of Hong Kong Limited ('Stock Exchange'), details of which was announced on 9 April 2024.

During the six months ended 30 June 2024, the Bank bought back 19,002,600 ordinary shares on the Stock Exchange at an aggregate consideration (excluding expenses) of approximately HK$1,986m and 15,688,700 ordinary shares were subsequently cancelled. The remaining 3,313,900 ordinary shares bought back were cancelled on 9 July 2024.

Details of the ordinary shares bought back are set out below:

Month	Number of Ordinary Shares bought back	Purchase price per Ordinary Share Highest	Lowest	Average	Aggregate consideration (excluding expenses)
		HK$	*HK$*	*HK$*	*HK$*
April 2024	7,534,000	105.00	93.90	99.04	746,194,325.64
May 2024	6,654,700	117.20	102.90	109.32	727,507,403.23
June 2024	4,813,900	111.40	99.90	106.51	512,745,608.22
	19,002,600				1,986,447,337.09

Save as disclosed above, 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 2024.

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 throughout the six months ended 30 June 2024.

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 2024, the Bank has also implemented several governance initiatives within the Group to streamline the oversight framework of the parent/subsidiaries for reporting efficiency and quality enhancement.

The Audit Committee of the Bank has reviewed the results of the Bank for the six months ended 30 June 2024.

7. Board of Directors

As at 31 July 2024, the Board of Directors of the Bank comprises Irene Y L Lee* (Chairman), Diana Cesar (Chief Executive), Cordelia Chung*, Kathleen C H Gan#, Clement K M Kwok*, Patricia S W Lam*, David Y C Liao#, Huey Ru Lin*, Say Pin Saw and Xiao Bin Wang*.

* 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, 31 July 2024. The 2024 Interim Report will be published on the aforesaid websites and despatched to the shareholders at or about the end of August 2024.

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, ESG related matters, 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', 'plan', 'believe', 'potential' or 'reasonably possible', 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 any ESG targets, commitments and ambitions 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 and government policy changes, increased volatility in interest rates and inflation levels and other macroeconomic risks, geopolitical tensions such as the Russia-Ukraine war and the Israel-Hamas war and potential further escalations, specific economic developments, such as the uncertain performance of the commercial real estate sector in mainland China, or as a result of data limitations and changes in applicable methodologies in relation to ESG related matters).

10. Cautionary statement regarding forward-looking statements *(continued)*

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, commitments, ambitions, 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 our Annual Report 2023 for the year ended 31 December 2023 and our Interim Report 2024 for the six months ended 30 June 2024.

By Order of the Board

Cheung Ka Ki
Company Secretary and Head of Corporate Governance

Hong Kong, 31 July 2024

恒生銀行有限公司
Hang Seng Bank Limited
Incorporated in Hong Kong with limited liability
Registered Office and Head Office: 83 Des Voeux Road Central, Hong Kong

Member HSBC Group