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The Bank of East Asia, Limited

東亞銀行有限公司

(Incorporated in Hong Kong with limited liability in 1918)

(Stock Code: 23)

ANNOUNCEMENT OF 2017 INTERIM RESULTS

INTERIM RESULTS

The Board of Directors of the Bank is pleased to announce the unaudited results (Note 1(a)) of the Group for the six months ended 30th June, 2017.

Consolidated Income Statement

	Notes	6 months ended 30/6/2017 HK\$ Mn	6 months ended 30/6/2016 HK\$ Mn
CONTINUING OPERATIONS			
Interest income	3	10,459	10,361
Interest expense	4	(4,720)	(4,878)
Net interest income		5,739	5,483
Fee and commission income	5	1,708	1,678
Fee and commission expense		(426)	(425)
Net fee and commission income		1,282	1,253
Net trading profits/(losses)	6	187	(32)
Net result from financial instruments designated at fair value through profit or loss	7	(4)	(2)
Net hedging loss	8	(2)	(4)
Net insurance revenue	9	243	228
Other operating income	10	184	204
Non-interest income		1,890	1,647
Operating income		7,629	7,130
Operating expenses	11	(3,903)	(4,239)
Operating profit before impairment losses		3,726	2,891
Impairment losses on loans and receivables		(763)	(1,241)
Impairment losses on available-for-sale financial assets		(2)	-
Impairment losses on assets held for sale		(58)	-
Impairment losses		(823)	(1,241)
Operating profit after impairment losses		2,903	1,650
Net profit on sale of held-to-maturity investments		6	6
Net profit on sale of available-for-sale financial assets	12	215	40
Net profit on sale of disposal groups and assets held for sale		190	13
Net profit on disposal of subsidiaries/associates		2	-
Net (loss)/gain on disposal of fixed assets	13	(7)	770
Valuation gains on investment properties	22	229	45
Share of profits less losses of associates		224	192
Profit for the period before taxation		3,762	2,716
Income tax	14	(574)	(727)
Profit for the period from continuing operations		3,188	1,989
DISCONTINUED OPERATIONS			
Profit from discontinued operations	41	4,145	159
Profit for the period		7,333	2,148

Consolidated Income Statement (Continued)

		6 months ended 30/6/2017 HK\$ Mn	6 months ended 30/6/2016 HK\$ Mn
	<i>Notes</i>		
Attributable to:			
Owners of the parent			
- from continuing operations		3,171	1,981
- from discontinued operations		3,049	114
		<u>6,220</u>	<u>2,095</u>
Non-controlling interests		1,113	53
Profit for the period		<u>7,333</u>	<u>2,148</u>
Profit for the Bank		<u>6,823</u>	<u>1,682</u>
Earnings per share			
Basic	<i>1(b)</i>		
- profit for the period		HK\$2.20	HK\$0.69
- profit from continuing operations		HK\$1.08	HK\$0.65
Diluted	<i>1(b)</i>		
- profit for the period		HK\$2.20	HK\$0.69
- profit from continuing operations		HK\$1.08	HK\$0.65

Consolidated Statement of Comprehensive Income

		6 months ended 30/6/2017 HK\$ Mn	6 months ended 30/6/2016 HK\$ Mn
	Notes		
Net profit		7,333	2,148
Other comprehensive income for the period:			
Items that will not be reclassified to income statement:			
Premises:			
- unrealised surplus on revaluation of premises		39	24
Items that may be reclassified subsequently to income statement:			
Available-for-sale investment revaluation reserve:			
- fair value changes recognised to equity		1,154	47
- fair value changes reclassified from/(to) income statement:			
- on impairment and amortisation		3	18
- on disposal	12	(220)	(25)
- deferred taxes	29	(104)	33
Share of changes in equity of associates		(86)	113
Exchange differences arising from translation of accounts/disposal of overseas branches, subsidiaries and associates		1,259	(375)
Other comprehensive income		2,045	(165)
Total comprehensive income		9,378	1,983
Total comprehensive income attributable to:			
Owners of the parent		8,212	1,921
Non-controlling interests		1,166	62
		9,378	1,983

Consolidated Statement of Financial Position

		30/6/2017	31/12/2016
	Notes	HK\$ Mn	Restated HK\$ Mn
ASSETS			
Cash and balances with banks and other financial institutions		54,449	65,720
Placements with and advances to banks and other financial institutions	15	50,765	44,052
Trade bills	16	14,195	11,939
Trading assets	17	5,378	4,404
Financial assets designated at fair value through profit or loss	18	4,038	3,554
Positive fair value of derivatives	35(a)	6,887	8,938
Loans and advances to customers	19	462,799	450,445
Available-for-sale financial assets	20	117,151	110,491
Held-to-maturity investments	21	11,315	5,663
Investments in associates		7,843	6,011
Fixed assets	22	12,311	11,990
- Investment properties		4,760	4,467
- Other property and equipment		7,551	7,523
Goodwill and intangible assets		2,624	2,639
Deferred tax assets	29	855	785
Other assets	23	37,846	39,075
Total Assets		788,456	765,706
EQUITY AND LIABILITIES			
Deposits and balances of banks and other financial institutions		27,607	26,475
Deposits from customers		549,009	535,789
- Demand deposits and current accounts		78,706	74,993
- Savings deposits		130,423	126,462
- Time, call and notice deposits		339,880	334,334
Trading liabilities	24	50	50
Negative fair value of derivatives	35(a)	7,846	7,982
Certificates of deposit issued		36,656	28,857
- Designated at fair value through profit or loss		7,049	18,106
- At amortised cost		29,607	10,751
Current taxation		1,671	1,605
Debt securities issued		1,001	7,154
- Designated at fair value through profit or loss		561	418
- At amortised cost		440	6,736
Deferred tax liabilities	29	595	462
Other liabilities	25	48,962	50,088
Loan capital - at amortised cost	26	17,083	20,608
Total Liabilities		690,480	679,070
Share capital	1(d)	36,136	35,490
Reserves	30	50,166	42,941
Total equity attributable to owners of the parent		86,302	78,431
Additional equity instruments	31	8,894	5,016
Non-controlling interests		2,780	3,189
Total Equity		97,976	86,636
Total Equity and Liabilities		788,456	765,706

Consolidated Statement of Changes in Equity

	Share capital	Capital reserve – staff share options issued	Exchange revaluation reserve	Investment revaluation reserve	Revaluation reserve of bank premises	Capital reserve	General reserve	Other reserves ³	Retained profits	Total	Additional equity instruments	Non-controlling interests	Total equity
	HK\$ Mn	HK\$ Mn	HK\$ Mn	HK\$ Mn	HK\$ Mn	HK\$ Mn	HK\$ Mn	HK\$ Mn	HK\$ Mn	HK\$ Mn	HK\$ Mn	HK\$ Mn	HK\$ Mn
At 1 st January, 2017	35,490	124	(2,275)	1,359	1,728	230	14,035	5,293	22,447	78,431	5,016	3,189	86,636
Changes in equity													
Profit for the period	-	-	-	-	-	-	-	-	6,220	6,220	-	1,113	7,333
Other comprehensive income	-	-	1,206	833	39	-	-	(86)	-	1,992	-	53	2,045
Total comprehensive income	-	-	1,206	833	39	-	-	(86)	6,220	8,212	-	1,166	9,378
Issue of additional equity instruments ¹	-	-	-	-	-	-	-	-	-	-	3,878	-	3,878
Shares issued in lieu of dividend (Note 1(d))	616	-	-	-	-	-	-	-	-	616	-	-	616
Shares issued under Staff Share Option Schemes (Note 1(d))	26	-	-	-	-	-	-	-	-	26	-	-	26
Equity settled share-based transaction	-	19	-	-	-	-	-	-	-	19	-	-	19
Transfer	4	(12)	-	-	(16)	-	7	66	(49)	-	-	-	-
Dividends declared or approved during the period (Note 1(c))	-	-	-	-	-	-	-	-	(1,002)	(1,002)	-	(1,422)	(2,424)
Change of ownership in subsidiaries	-	-	-	-	-	-	-	-	-	-	-	(18)	(18)
Decrease in non-controlling interests arising from capital reduction of a subsidiary	-	-	-	-	-	-	-	-	-	-	-	(135)	(135)
At 30 th June, 2017	36,136	131	(1,069)	2,192	1,751	230	14,042	5,273	27,616	86,302	8,894	2,780	97,976
At 1 st January, 2016	33,815	90	(162)	1,383	1,639	230	13,953	4,666	21,799	77,413	5,016	3,212	85,641
Changes in equity													
Profit for the period	-	-	-	-	-	-	-	-	2,095	2,095	-	53	2,148
Other comprehensive income	-	-	(384)	73	24	-	-	113	-	(174)	-	9	(165)
Total comprehensive income	-	-	(384)	73	24	-	-	113	2,095	1,921	-	62	1,983
Shares issued in lieu of dividend (Note 1(d))	1,060	-	-	-	-	-	-	-	-	1,060	-	-	1,060
Equity settled share-based transaction	-	16	-	-	-	-	-	-	-	16	-	-	16
Transfer	-	-	-	-	(62)	-	62	127	(127)	-	-	-	-
Dividends declared or approved during the period (Note 1(c))	-	-	-	-	-	-	-	-	(1,564)	(1,564)	-	(48)	(1,612)
Buy back of Hybrid Tier 1 capital instruments ²	-	-	-	-	-	-	-	-	(6)	(6)	-	(47)	(53)
At 30 th June, 2016	34,875	106	(546)	1,456	1,601	230	14,015	4,906	22,197	78,840	5,016	3,179	87,035

1. During the period, the Bank issued HK\$3,892 million (USD500 million) undated non-cumulative subordinated Additional Tier 1 capital securities ("AT1"). Direct issuance costs of HK\$14 million are accounted for as a deduction from the equity instruments.
2. In first half 2016, the Bank bought back HK\$47 million Hybrid Tier 1 capital instruments which are classified as non-controlling interests in the consolidated financial statements. The purchase premium of HK\$6 million paid in excess of the carrying amount of the non-controlling interests acquired was charged to retained profits.
3. Other reserves include statutory reserve and other reserves.

Condensed Consolidated Cash Flow Statement

		6 months ended 30/6/2017 HK\$ Mn	6 months ended 30/6/2016 HK\$ Mn
	Notes		
NET CASH OUTFLOW FROM OPERATIONS		(3,420)	(10,130)
Income tax paid			
Hong Kong profits tax paid		(164)	(6)
Outside Hong Kong profits tax paid		(388)	(436)
NET CASH USED IN OPERATING ACTIVITIES		(3,972)	(10,572)
INVESTING ACTIVITIES			
Dividends received from associates		44	51
Dividends received from available-for-sale equity securities		14	15
Purchase of equity securities		(1,309)	(1,396)
Proceeds from sale of equity securities		1,013	1,097
Purchase of fixed assets		(174)	(188)
Proceeds from disposal of other properties and equipment		25	958
Proceeds from disposal of investment properties		-	651
Proceeds from sale of disposal groups and assets held for sale		228	646
Proceeds from sale of discontinued operations		5,947	-
(Increase)/decrease of shareholding in associates		(1,483)	2
Change of ownership in subsidiaries		(18)	-
Decrease in non-controlling interests arising from capital reduction of a subsidiary		(135)	-
NET CASH GENERATED FROM INVESTING ACTIVITIES		4,152	1,836
FINANCING ACTIVITIES			
Ordinary dividends paid		(1,563)	(308)
Distribution to Hybrid/Additional Tier 1 issue holders	1(c)	(245)	(244)
Issue of ordinary share capital		26	-
Issue of additional equity instruments		3,892	-
Issue of certificates of deposit		36,183	22,921
Issue of debt securities		295	687
Redemption of Hybrid Tier 1 issued		-	(53)
Redemption of certificates of deposit issued		(28,811)	(27,753)
Redemption of loan capital		(3,903)	-
Redemption of debt securities issued		(6,570)	(6,542)
Interest paid on loan capital		(517)	(452)
Interest paid on certificates of deposit issued		(316)	(303)
Interest paid on debt securities issued		(99)	(127)
NET CASH USED IN FINANCING ACTIVITIES		(1,628)	(12,174)
NET DECREASE IN CASH AND CASH EQUIVALENTS		(1,448)	(20,910)
CASH AND CASH EQUIVALENTS AT 1 ST JANUARY		75,841	110,966
Effect of foreign exchange rate changes		2,472	(1,494)
CASH AND CASH EQUIVALENTS AT 30 TH JUNE	32	76,865	88,562
Cash flows from operating activities included:			
Interest received		10,509	10,875
Interest paid		5,373	5,693
Dividend received		38	38

Notes:

1. (a) The information in this announcement is not audited or reviewed by the external auditors but is extracted from the interim report prepared under HKAS 34 “Interim Financial Reporting” issued by the HKICPA. Hence this announcement does not constitute the Group’s statutory accounts. The interim report, which has been reviewed by the Bank’s Audit Committee, is prepared on a basis consistent with the accounting policies and methods of computation adopted in the 2016 audited accounts, except for the accounting policy changes required under new HKFRSs and amendments that are first effective for the current accounting period as described in note 2 below, or otherwise explicitly stated, and has been reviewed by KPMG, in accordance with Hong Kong Standard on Review Engagements 2410 “Review of Interim Financial Information Performed by the Independent Auditor of the Entity” issued by the HKICPA, whose unmodified review report is included in the interim report which will be published on the websites of the HKEx and the Bank, together with the disclosures required by the Banking (Disclosure) Rules issued by the HKMA, by 30th September, 2017 as required by the Listing Rules and the Banking (Disclosure) Rules. The statutory accounts for the year ended 31st December, 2016 are available from the Bank’s registered office. The auditors have expressed an unqualified opinion on those accounts in their report dated 17th February, 2017.

The financial information relating to the financial year ended 31st December, 2016 that is included in the interim financial report as comparative information does not constitute the Bank’s statutory annual consolidated financial statements for that financial year but is derived from those financial statements. Further information relating to these statutory financial statements disclosed in accordance with section 436 of the Companies Ordinance is as follows:

The Bank has delivered the financial statements for the year ended 31st December 2016 to the Registrar of Companies in accordance with section 662(3) of, and Part 3 of Schedule 6 to, the Companies Ordinance.

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

- (b) (i) The calculation of basic earnings per share is based on the consolidated profit for the period and profit from continuing operations attributable to owners of the parent of HK\$5,975 million and HK\$2,926 million (six months ended 30th June, 2016: HK\$1,845 million and HK\$1,731 million) respectively after the distribution of HK\$245 million (six months ended 30th June, 2016: HK\$244 million) to Hybrid/Additional Tier 1 issue holders and deduction of nil (30th June, 2016: HK\$6 million) premium paid for partial bought back of Hybrid Tier 1 capital instruments, and on the weighted average of 2,714 million (six months ended 30th June, 2016: 2,662 million) ordinary shares outstanding during the six months ended 30th June, 2017.
- (ii) The calculation of diluted earnings per share is based on the consolidated profit for the period and profit from continuing operations attributable to owners of the parent of HK\$5,975 million and HK\$2,926 million (six months ended 30th June, 2016: HK\$1,845 million and HK\$1,731 million) respectively after the distribution of HK\$245 million (six months ended 30th June, 2016: HK\$244 million) to Hybrid/Additional Tier 1 issue holders and deduction of nil (30th June, 2016: HK\$6 million) premium paid for partial bought back of Hybrid Tier 1 capital instruments, and on 2,714 million (six months ended 30th June, 2016: 2,662 million) ordinary shares, being the weighted average number of ordinary shares outstanding during the six months ended 30th June, 2017, adjusted for the effects of all dilutive potential shares.

(c) Dividends

(i) Dividends payable to equity owners of the parent attributable to the interim period

	6 months ended 30/6/2017 HK\$ Mn	6 months ended 30/6/2016 HK\$ Mn
Interim dividend declared after the interim period of HK\$0.68 per share on 2,724 million shares (six months ended 30 th June, 2016: HK\$0.28 per share on 2,683 million shares)	1,852	751

The interim dividend has not been recognised as a liability at the end of the reporting period.

(ii) Dividends payable to equity owners of the parent attributable to the previous financial year, approved and paid during the interim period

	6 months ended 30/6/2017 HK\$ Mn	6 months ended 30/6/2016 HK\$ Mn
Second interim dividend paid in respect of the previous financial year on shares issued under the share option schemes subsequent to the end of the reporting period and before the close of the Register of Members of the Bank, of HK\$0.28 per share (2016: HK\$0.50 per share)	-	-
Second interim dividend of HK\$0.28 per share on 2,703 million shares (2016: HK\$0.50 per share on 2,641 million shares)	757	1,320
	<u>757</u>	<u>1,320</u>

(iii) Distribution to holders of Hybrid/Additional Tier 1 capital instruments

	6 months ended 30/6/2017 HK\$ Mn	6 months ended 30/6/2016 HK\$ Mn
Interest paid/payable on the Hybrid Tier 1 capital instruments	105	105
Amount paid on the Additional Tier 1 capital instruments	140	139
	<u>245</u>	<u>244</u>

(d) Share Capital

Movement of the Bank's ordinary shares is set out below:

	At 30 th June, 2017		At 31 st December, 2016	
	No. of shares Mn	HK\$ Mn	No. of shares Mn	HK\$ Mn
Ordinary shares, issued and fully paid:				
At 1st January	2,703	35,490	2,641	33,815
Shares issued under Staff Share Option Schemes	1	26	-	11
Transfer of the fair value of options from capital reserve – share options issued	-	4	-	1
Share issued in lieu of dividend	20	616	62	1,663
At 30 th June/31 st December	<u>2,724</u>	<u>36,136</u>	<u>2,703</u>	<u>35,490</u>

2. Changes in Accounting Policies

The HKICPA has issued a number of amendments to HKFRSs that are first effective for the current accounting period of the Group.

None of these developments have had a material effect on how the Group's results and financial position for the current or prior periods have been prepared or presented. The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period.

3. Interest Income

	6 months ended 30/6/2017 HK\$ Mn	6 months ended 30/6/2016 HK\$ Mn
CONTINUING OPERATIONS		
Securities classified as held-to-maturity or available-for-sale	1,443	1,269
Trading assets	56	73
Financial assets designated at fair value through profit or loss	83	68
Loans, deposits with banks and financial institutions, and trade bills	8,877	8,951
	<u>10,459</u>	<u>10,361</u>

The above included HK\$10,437 million (six months ended 30th June, 2016: HK\$10,373 million) interest income, before hedging effect, for financial assets that are not recognised at fair value through profit or loss and of which, interest income accrued on impaired financial assets was HK\$173 million (six months ended 30th June, 2016: HK\$190 million).

For the transactions where interest rate risk is hedged, the periodic payments and receipts arising from interest rate contracts which are qualifying hedging instruments for or individually managed in conjunction with interest-bearing financial assets are first netted together and then combined with the interest income from the corresponding financial assets.

4. Interest Expense

	6 months ended 30/6/2017 HK\$ Mn	6 months ended 30/6/2016 Restated HK\$ Mn
CONTINUING OPERATIONS		
Customer deposits, deposits of banks and other financial institutions	3,923	4,204
Certificates of deposit and debt securities issued		
- at amortised cost	268	195
- designated at fair value through profit or loss	88	114
Subordinated notes carried at amortised cost	438	364
Other borrowings	3	1
	<u>4,720</u>	<u>4,878</u>

The above included HK\$4,682 million (six months ended 30th June, 2016: HK\$4,664 million) interest expense, before hedging effect, for financial liabilities that are not recognised at fair value through profit or loss.

For the transactions where interest rate risk is hedged, the periodic payments and receipts arising from interest rate contracts which are qualifying hedging instruments for or individually managed in conjunction with interest-bearing financial liabilities are first netted together and then combined with the interest expense from the corresponding financial liabilities.

5. Fee and Commission Income

Fee and commission income arises from the following services:

	6 months ended 30/6/2017 HK\$ Mn	6 months ended 30/6/2016 HK\$ Mn
CONTINUING OPERATIONS		
Credit cards	484	484
Loans, overdrafts and guarantees	351	370
Other retail banking services	183	149
Trade finance	166	180
Trust and other fiduciary activities	115	108
Securities and brokerage	112	111
Others	297	276
Total fee and commission income	<u>1,708</u>	<u>1,678</u>

of which:

Net fee income, other than amounts included in determining the effective interest rate, arising from financial assets or financial liabilities that are not held for trading nor designated at fair value through profit or loss

	1,293	1,262
Fee income	<u>1,708</u>	<u>1,678</u>
Fee expenses	<u>(415)</u>	<u>(416)</u>

6. Net Trading Profits/(Losses)

	6 months ended 30/6/2017 HK\$ Mn	6 months ended 30/6/2016 HK\$ Mn
CONTINUING OPERATIONS		
Loss on dealing in foreign currencies and funding swaps	(518)	(517)
Profit/(Loss) on trading securities	315	(91)
Net gain on derivatives	366	554
Dividend income from listed trading securities	24	22
	<u>187</u>	<u>(32)</u>

7. Net Result from Financial Instruments Designated at Fair Value through Profit or Loss

	6 months ended 30/6/2017 HK\$ Mn	6 months ended 30/6/2016 HK\$ Mn
CONTINUING OPERATIONS		
Revaluation gain/(loss) on debts issued	5	(2)
Revaluation loss on financial assets	(9)	(3)
Profit on sale of financial assets	-	3
	<u>(4)</u>	<u>(2)</u>

8. Net Hedging Loss

	6 months ended 30/6/2017 HK\$ Mn	6 months ended 30/6/2016 HK\$ Mn
CONTINUING OPERATIONS		
Fair value hedges		
- Net profit on hedged items attributable to the hedged risk	263	454
- Net loss on hedging instruments	(265)	(458)
	<u>(2)</u>	<u>(4)</u>

There was insignificant ineffectiveness recognised in the Group's income statement arising from cash flow hedge for the six months ended 30th June, 2017 and 30th June, 2016.

9. Net Insurance Revenue

	6 months ended 30/6/2017 HK\$ Mn	6 months ended 30/6/2016 HK\$ Mn
CONTINUING OPERATIONS		
(a) Net insurance revenue		
Net interest income	216	189
Net trading profit/(loss)	51	(3)
Net result from financial instruments designated at fair value through profit or loss	32	(8)
Net hedging loss	(12)	(4)
Net insurance premium and other income	(b) 3,033	2,341
Other operating income	1	-
	<u>3,321</u>	<u>2,515</u>
Net insurance claims and expenses	(c) (3,171)	(2,312)
	<u>150</u>	<u>203</u>
Operating expenses	(2)	(1)
Impairment loss on available-for-sale financial assets	(2)	(19)
Net profit on sale of available-for-sale financial assets	97	45
	<u>243</u>	<u>228</u>
(b) Net insurance premium and other income		
Gross insurance premium income	3,063	2,374
Reinsurer's share of gross insurance premium income	(30)	(33)
	<u>3,033</u>	<u>2,341</u>
(c) Net insurance claims and expenses		
Claims, benefits and surrenders paid	2,468	1,362
Movement in provisions	682	895
	<u>3,150</u>	<u>2,257</u>
Reinsurers' share of claim, benefits and surrenders paid	(907)	(33)
Reinsurers' share of movement in provisions	851	10
	<u>(56)</u>	<u>(23)</u>
	<u>3,094</u>	<u>2,234</u>
Net insurance commission expenses	77	78
	<u>3,171</u>	<u>2,312</u>

10. Other Operating Income

	6 months ended 30/6/2017 HK\$ Mn	6 months ended 30/6/2016 HK\$ Mn
CONTINUING OPERATIONS		
Dividend income from available-for-sale financial assets		
- listed	6	8
- unlisted	8	7
Rental from safe deposit boxes	42	44
Rental income on properties	78	118
Others	50	27
	<u>184</u>	<u>204</u>

11. Operating Expenses

	6 months ended 30/6/2017 HK\$ Mn	6 months ended 30/6/2016 Restated ^{Note} HK\$ Mn
CONTINUING OPERATIONS		
Contributions to defined contribution plan		
- Hong Kong	71	80
- Outside Hong Kong	107	123
Equity-settled share-based payment expenses	19	16
Salaries and other staff costs	2,078	2,177
Total staff costs	<u>2,275</u>	<u>2,396</u>
Premises and equipment expenses excluding depreciation		
- Rental of premises	288	314
- Maintenance, repairs and others	281	279
Total premises and equipment expenses excluding depreciation	<u>569</u>	<u>593</u>
Depreciation on fixed assets	230	240
Amortisation of intangible assets	16	16
Other operating expenses		
- Legal and professional fees	191	213
- Communications, stationery and printing	128	141
- Advertising expenses	111	111
- Card related expenses	79	72
- Business promotions and business travel	56	73
- Stamp duty, overseas and PRC business taxes, and value added taxes	55	210
- Insurance expenses	47	40
- Membership fees	7	10
- Bank charges	5	5
- Bank licence	2	2
- Donations	2	3
- Others	130	114
Total other operating expenses	<u>813</u>	<u>994</u>
Total operating expenses	<u>3,903</u>	<u>4,239</u>

Note: To better reflect the expenses nature, HK\$49 million expenses under social insurance plans of Mainland China was reclassified to salaries and other staff costs from contributions to defined contribution plan outside Hong Kong.

12. Net Profit on Sale of Available-for-Sale Financial Assets

	6 months ended 30/6/2017 HK\$ Mn	6 months ended 30/6/2016 HK\$ Mn
CONTINUING OPERATIONS		
Net revaluation gain transferred from reserves	220	25
(Loss)/Profit arising in the period	(5)	15
	<u>215</u>	<u>40</u>

13. Net (Loss)/Gain on Disposal of Fixed Assets

	6 months ended 30/6/2017 HK\$ Mn	6 months ended 30/6/2016 HK\$ Mn
CONTINUING OPERATIONS		
Net gain on disposal of investment properties	-	146
Net (loss)/gain on disposal of bank premises, furniture, fixtures and equipment	(7)	624
	<u>(7)</u>	<u>770</u>

14. Income Tax

Taxation in the consolidated income statement represents:

	6 months ended 30/6/2017 HK\$ Mn	6 months ended 30/6/2016 HK\$ Mn
CONTINUING OPERATIONS		
Current tax – Hong Kong		
Tax for the year	292	264
Under-provision in respect of prior years	18	17
	<u>310</u>	<u>281</u>
Current tax – outside Hong Kong		
Tax for the year*	361	709
Write back of over-provision in respect of prior years	(76)	(35)
	<u>285</u>	<u>674</u>
Deferred tax		
Origination and reversal of temporary differences	(21)	(228)
	<u>574</u>	<u>727</u>

* For the first half of 2016, certain properties in Mainland China were disposed of, which resulted in an impact of land value added tax and corporate income tax totalling HK\$396 million.

The provision for Hong Kong profits tax is calculated at 16.5% (six months ended 30th June, 2016: 16.5%) of the estimated assessable profits for the six months ended 30th June, 2017.

Taxation for overseas branches and subsidiaries is charged at the appropriate current rates of taxation ruling in the relevant countries.

15. Placements with and Advances to Banks and Other Financial Institutions

	30/6/2017 HK\$ Mn	31/12/2016 HK\$ Mn
Placements with and advances to banks and other financial institutions		
Maturing		
- within one month	41,840	36,511
- after one month but within one year	8,925	7,541
- after one year	-	-
	<u>50,765</u>	<u>44,052</u>
Of which:		
Placements with and advances to central banks	<u>-</u>	<u>-</u>

16. Trade Bills

	30/6/2017 HK\$ Mn	31/12/2016 HK\$ Mn
Gross trade bills	14,196	11,940
Less: Individual impairment allowance	(1)	(1)
	<u>14,195</u>	<u>11,939</u>

17. Trading Assets

	30/6/2017 HK\$ Mn	31/12/2016 HK\$ Mn
Treasury bills (including Exchange Fund Bills)	242	1,034
Certificates of deposit held	1,972	431
Debt securities	899	1,663
Equity securities	2,262	1,276
Investment funds	3	-
	<u>5,378</u>	<u>4,404</u>

18. Financial Assets Designated at Fair Value through Profit or Loss

	30/6/2017 HK\$ Mn	31/12/2016 HK\$ Mn
Debt securities	3,824	3,330
Equity securities	150	155
Investment funds	64	69
	<u>4,038</u>	<u>3,554</u>

19. Loans and Advances to Customers

(a) Loans and advances to customers	30/6/2017 HK\$ Mn	31/12/2016 HK\$ Mn
Gross loans and advances to customers	466,574	454,242
Less: Impairment allowances		
- Individual	(1,565)	(1,715)
- Collective	(2,210)	(2,082)
	<u>462,799</u>	<u>450,445</u>

(b) Loans and advances to customers - by industry sectors

The analysis of gross advances to customers and the percentage of secured advances by industry sector is based on the categories and definitions used by the HKMA.

	30/6/2017		31/12/2016	
	Gross advances	% of secured advances	Gross advances	% of secured advances
	HK\$ Mn	%	HK\$ Mn	%
Loans for use in Hong Kong				
Industrial, commercial and financial				
- Property development	24,936	77.20	21,934	78.46
- Property investment	37,311	92.02	38,224	92.41
- Financial concerns	12,920	67.35	10,296	64.91
- Stockbrokers	3,137	89.13	2,988	93.10
- Wholesale and retail trade	10,569	63.56	14,821	72.21
- Manufacturing	2,304	40.59	2,925	58.21
- Transport and transport equipment	4,843	69.83	5,633	69.60
- Recreational activities	173	70.99	171	73.50
- Information technology	2,608	0.61	2,596	0.51
- Others	22,124	76.17	18,720	79.83
- Sub-total	<u>120,925</u>	77.00	<u>118,308</u>	78.95
Individuals				
- Loans for the purchase of flats in the Home Ownership Scheme, Private Sector Participation Scheme and Tenants Purchase Scheme	1,047	100.00	988	100.00
- Loans for the purchase of other residential properties	40,121	100.00	40,750	100.00
- Credit card advances	4,129	0.00	4,540	0.00
- Others	29,957	87.27	27,301	86.84
- Sub-total	<u>75,254</u>	89.45	<u>73,579</u>	88.95
Total loans for use in Hong Kong	196,179	81.77	191,887	82.78
Trade finance	4,102	68.52	5,390	74.86
Loans for use outside Hong Kong*	266,293	55.90	256,965	59.76
Total advances to customers	<u>466,574</u>	66.89	<u>454,242</u>	69.67

* Loans for use outside Hong Kong include the following loans for use in Mainland China.

	30/6/2017		31/12/2016	
	Gross advances	% of secured advances	Gross advances	% of secured advances
	HK\$ Mn	%	HK\$ Mn	%
Property development	44,744	53.47	42,140	54.91
Property investment	28,317	94.86	28,940	94.63
Financial concerns	33,292	11.09	25,512	15.22
Wholesale and retail trade	13,322	59.49	14,639	67.90
Manufacturing	5,944	25.14	7,504	44.43
Loans for the purchase of other residential properties	15,591	99.99	15,982	99.98
Others	38,031	35.89	37,710	39.48
	<u>179,241</u>	51.96	<u>172,427</u>	57.15

Individually impaired loans, as well as relevant information, in respect of industry sectors which constitute 10% or more of total advances to customers are as follows:

	30/6/2017	31/12/2016
	HK\$ Mn	HK\$ Mn
(i) Property development		
a. Individually impaired loans	116	67
b. Individual impairment allowance	7	8
c. Collective impairment allowance	420	382
d. Provision charged to income statement		
- individual impairment loss	17	49
- collective impairment loss	46	249
e. Written off	16	8
(ii) Property investment		
a. Individually impaired loans	1,155	932
b. Individual impairment allowance	86	77
c. Collective impairment allowance	394	401
d. Provision charged to income statement		
- individual impairment loss	43	214
- collective impairment loss	15	213
e. Written off	14	146
(iii) Loans for purchase of residential properties		
a. Individually impaired loans	424	355
b. Individual impairment allowance	1	6
c. Collective impairment allowance	210	209
d. Provision charged to income statement		
- individual impairment loss	3	111
- collective impairment loss	3	91
e. Written off	5	44
(iv) Wholesale and retail trade		
a. Individually impaired loans	2,287	2,317
b. Individual impairment allowance	833	808
c. Collective impairment allowance	161	184
d. Provision charged to income statement		
- individual impairment loss	317	1,680
- collective impairment loss	5	108
e. Written off	244	928
(v) Hotels		
a. Individually impaired loans	1,077	981
b. Individual impairment allowance	337	330
c. Collective impairment allowance	70	72
d. Provision charged to income statement		
- individual impairment loss	27	433
- collective impairment loss	4	40
e. Written off	31	379

(c) Loans and advances to customers – by geographical areas

The information concerning the breakdown of the gross amount of advances to customers by countries or geographical areas is derived according to the location of the counterparties after taking into account any transfer of risk. In general, such transfer of risk takes place if the claims are guaranteed by a party in a country which is different from that of the counterparty or if the claims are on an overseas branch of a bank whose head office is located in another country.

30/6/2017					
	Total advances to customers	Advances overdue for over three months	Impaired advances to customers	Individual impairment allowance	Collective impairment allowance
	HK\$ Mn	HK\$ Mn	HK\$ Mn	HK\$ Mn	HK\$ Mn
Hong Kong	200,763	1,664	2,151	174	470
Mainland China	199,536	3,930	4,344	1,358	1,576
Other Asian Countries and Regions	29,324	121	390	33	69
Others	36,951	2	71	-	95
Total	<u>466,574</u>	<u>5,717</u>	<u>6,956</u>	<u>1,565</u>	<u>2,210</u>
% of total advances to customers			<u>1.49%</u>		
Market value of collateral held against impaired advances to customers			<u>5,321</u>		
31/12/2016 (Restated ^{Note})					
	Total advances to customers	Advances overdue for over three months	Impaired advances to customers	Individual impairment allowance	Collective impairment allowance
	HK\$ Mn	HK\$ Mn	HK\$ Mn	HK\$ Mn	HK\$ Mn
Hong Kong	194,181	721	2,164	260	416
Mainland China	192,550	3,389	4,309	1,428	1,474
Other Asian Countries and Regions	30,146	76	241	26	80
Others	37,365	3	53	1	112
Total	<u>454,242</u>	<u>4,189</u>	<u>6,767</u>	<u>1,715</u>	<u>2,082</u>
% of total advances to customers			<u>1.49%</u>		
Market value of collateral held against impaired advances to customers			<u>4,948</u>		

Note: The 2016 comparative figures have been restated to conform to current period's presentation. To align with the segment reporting, segment People's Republic of China was renamed as Mainland China which does not include Macau and Taiwan operations. Advances to customers from Macau and Taiwan operations were now presented under segment Other Asian Countries and Regions (previously named Other Asian Countries).

Impaired loans and advances are individually assessed loans with objective evidence of impairment on an individual basis. The above information by countries or geographical areas is derived according to the location of the counterparties after taking into account any transfer of risk.

Collateral includes any tangible security that carries a fair market value and is readily marketable. This includes (but is not limited to) cash and deposits, stocks and bonds, mortgages over properties and charges over other fixed assets such as plant and equipment. Where collateral values are greater than gross loans and advances to customers, only the amount of collateral up to the gross loans and advances is included.

20. Available-for-Sale Financial Assets

	30/6/2017	31/12/2016
	HK\$ Mn	HK\$ Mn
Treasury bills (including Exchange Fund Bills)	20,959	18,795
Certificates of deposit held	1,235	1,205
Debt securities	90,556	86,964
Equity securities	3,820	3,064
Investment funds	581	463
	<u>117,151</u>	<u>110,491</u>

21. Held-to-Maturity Investments

	30/6/2017	31/12/2016
	HK\$ Mn	HK\$ Mn
Treasury bills (including Exchange Fund Bills)	1,712	2,252
Certificates of deposit held	2,969	818
Debt securities	6,634	2,593
	<u>11,315</u>	<u>5,663</u>

22. Fixed Assets

	30/6/2017				
	<u>Investment properties</u> HK\$ Mn	<u>Bank premises</u> HK\$ Mn	<u>Furniture, fixtures and equipment</u> HK\$ Mn	<u>Sub-total</u> HK\$ Mn	<u>Total</u> HK\$ Mn
Cost or valuation					
At 1 st January, 2017	4,467	7,961	4,871	12,832	17,299
Additions	-	-	174	174	174
Revaluation surplus	229	-	-	-	229
Disposals	-	(28)	(110)	(138)	(138)
Transfer from bank premises to investment properties	62	(62)	-	(62)	-
Revaluation surplus on bank premises transferred to investment properties	-	39	-	39	39
Less: Elimination of accumulated depreciation on revalued bank premises	-	(6)	-	(6)	(6)
Transfer to assets held for sale	-	(1)	(8)	(9)	(9)
Exchange adjustments	2	156	67	223	225
At 30 th June, 2017	4,760	8,059	4,994	13,053	17,813
Accumulated depreciation and amortisation					
At 1 st January, 2017	-	1,660	3,649	5,309	5,309
Charge for the period	-	78	152	230	230
Elimination of accumulated depreciation on revalued bank premises	-	(6)	-	(6)	(6)
Transfer to assets held for sale	-	-	(2)	(2)	(2)
Written off on disposal	-	(9)	(97)	(106)	(106)
Exchange adjustments	-	31	46	77	77
At 30 th June, 2017	-	1,754	3,748	5,502	5,502
Net book value at 30 th June, 2017	4,760	6,305	1,246	7,551	12,311
Net book value at 31 st December, 2016	4,467	6,301	1,222	7,523	11,990
The gross amounts of the above assets are stated:					
At cost	-	7,280	4,994	12,274	12,274
At Directors' valuation - 1989	-	779	-	779	779
At professional valuation - 2017	4,760	-	-	-	4,760
	4,760	8,059	4,994	13,053	17,813

23. Other Assets

	30/6/2017 HK\$ Mn	31/12/2016 HK\$ Mn
Accrued interest	2,199	2,247
Customer liabilities under acceptances	22,511	25,084
	<u>24,710</u>	<u>27,331</u>
Other accounts	12,997	9,324
Less: Impairment allowances		
- Individual	(17)	(85)
- Collective	(1)	(1)
	<u>12,979</u>	<u>9,238</u>
Assets held for sale (<i>Note 41</i>)	157	2,506
	<u>37,846</u>	<u>39,075</u>

24. Trading Liabilities

	30/6/2017 HK\$ Mn	31/12/2016 HK\$ Mn
Exchange fund bills sold	<u>50</u>	<u>50</u>

25. Other Liabilities

	30/6/2017 HK\$ Mn	31/12/2016 HK\$ Mn
Accrued interest payable	3,160	3,812
Acceptance draft payable	22,511	25,084
Other accounts	23,291	20,766
Liabilities held for sale (<i>Note 41</i>)	-	426
	<u>48,962</u>	<u>50,088</u>

26. Loan Capital

		30/6/2017 HK\$ Mn	31/12/2016 HK\$ Mn
Subordinated notes, at amortised cost with fair value hedge adjustments			
USD600 million fixed rate subordinated notes due 16 th July, 2020	(1)	4,836	4,820
USD500 million fixed rate subordinated notes due 4 th May, 2022	(2)	-	3,881
SGD800 million fixed rate subordinated notes due 13 th September, 2022	(3)	4,539	4,284
USD500 million fixed rate subordinated notes due 20 th November, 2024	(4)	3,902	3,874
USD500 million fixed rate subordinated notes due 3 rd November, 2026	(5)	3,806	3,749
		<u>17,083</u>	<u>20,608</u>

The Group has not had any defaults of principal, interest or other breaches with respect to its debt securities during the period/year ended 30th June, 2017 and 31st December, 2016.

- (1) Two tranches of loan capital of face value totalling HK\$4,682 million (USD600 million) and carrying amount totalling HK\$4,836 million (31/12/2016: HK\$4,820 million) were issued on 16th July, 2010 (USD450 million) and on 23rd July, 2010 (USD150 million) by the Bank. These subordinated notes carrying a coupon rate of 6.125% qualifying as Tier 2 capital are listed on the Singapore Exchange and will mature on 16th July, 2020. The notes are under fair value hedge accounting and hedge ineffectiveness of HK\$2 million loss was recorded in the first half of 2017 (first half 2016: HK\$2 million loss).
- (2) On 4th May, 2017, the Bank redeemed the HK\$3,891 million (USD500 million) 6.375% subordinated notes (under the Euro Medium Term Note Programme) which were issued on 4th November, 2011 and which qualified as Tier 2 capital.
- (3) Loan capital of face value of HK\$4,535 million (SGD800 million) and carrying amount of HK\$4,539 million (31/12/2016: HK\$4,284 million) represents two tranches of 4.25% subordinated notes (under the Euro Medium Term Note Programme) qualifying as Tier 2 capital issued on 13th March, 2012 (SGD600 million) and on 27th April, 2012 (SGD200 million) by the Bank. The notes are listed on the Singapore Exchange and will mature on 13th September, 2022. The notes are under fair value hedge accounting and hedge ineffectiveness of HK\$0.5 million loss was recorded in first half of 2017 (first half 2016: HK\$1 million loss).
- (4) Loan capital of face value of HK\$3,903 million (USD500 million) and carrying amount of HK\$3,902 million (31/12/2016: HK\$3,874 million) represents 4.25% subordinated notes (under the Euro Medium Term Note Programme) qualifying as Tier 2 capital issued on 20th November, 2014 by the Bank. The notes are listed on the Hong Kong Stock Exchange and will mature on 20th November, 2024. The notes are under fair value hedge accounting and hedge ineffectiveness of HK\$2 million profit was recorded in first half of 2017 (first half 2016: HK\$1 million loss).
- (5) Loan capital of face value of HK\$3,903 million (USD500 million) and carrying amount of HK\$3,806 million (31/12/2016: HK\$3,749 million) represents 4% subordinated notes (under the Euro Medium Term Note Programme) qualifying as Tier 2 capital issued on 3rd November, 2016 by the Bank. The notes are listed on the Hong Kong Stock Exchange and will mature on 3rd November, 2026. The notes are under fair value hedge accounting and hedge ineffectiveness of HK\$0.4 million profit was recorded in first half of 2017.

27. Segment Reporting

The Group manages its businesses by divisions, which are organised by a mixture of both business lines and geography. In a manner consistent with the way in which information is reported internally to the Group's Senior Management for the purposes of resource allocation and performance assessment, the Group has presented the following nine reportable segments. No operating segments have been aggregated to form the following reportable segments.

Personal banking includes branch operations, personal internet banking, consumer finance, property loans and credit card business in Hong Kong.

Corporate banking includes corporate lending and loan syndication, asset based lending, commercial lending and securities lending in Hong Kong.

Treasury markets include treasury operations and securities dealing in Hong Kong.

Wealth management includes private banking business and related assets in Hong Kong.

Financial institutions include trade financing activities with correspondent banks in Hong Kong.

Other Hong Kong banking operations mainly include insurance business, trust business, securities & futures broking, money lender activities and corporate financial advisory in Hong Kong.

Mainland China operations (previously named as China Operation) mainly include the back office unit for Mainland China operations in Hong Kong, all branches, subsidiaries and associates operated in Mainland China, except those subsidiaries carrying out corporate services, data processing and other back office operations in Mainland China. Previously, Macau and Taiwan operations were grouped under China operations. With effect from 2017, China operations are renamed as Mainland China operations which do not include Macau and Taiwan operations. The 2016 figures have been restated for comparison purpose.

Overseas operations include the back office unit for overseas banking operations in Hong Kong, all branches, subsidiaries and associates operated in overseas, except those subsidiaries carrying out corporate services in overseas. Before 2017, Macau and Taiwan operations were grouped under China operations. With effect from 2017, Macau and Taiwan operations are grouped under Overseas operations and the 2016 figures have been restated for comparison purpose.

Corporate services include company secretarial services, share registration and business services, and offshore corporate and trust services.

Other businesses include property-related business, supporting units of Hong Kong operations, investment properties, bank premises, the net results of other subsidiaries in Hong Kong except for those subsidiaries which are included in other Hong Kong banking operations.

For the purposes of assessing segment performance and allocating resources between segments, the Group's Senior Management monitors the results, assets and liabilities attributable to each reportable segment on the following bases:

Segment assets include all tangible assets, intangible assets and financial assets with the exception of interests in associates, deferred tax assets and other corporate assets. Segment liabilities include deposits, financial liabilities and other liabilities attributable to the individual segments.

Revenue and expenses are allocated to the reportable segments with reference to interest and fee and commission income generated by those segments and the expenses incurred by those segments or which otherwise arise from the depreciation or amortisation of assets attributable to those segments. Segment revenue and expenses do not include the Group's share of revenue and expenses arising from the activities of the Group's associates. Other than reporting inter-segment income, assistance provided by one segment to another, including sharing of assets, is not measured.

	Hong Kong banking operations								Total reportable segments HK\$ Mn	Others HK\$ Mn	Inter-segment elimination HK\$ Mn	Total HK\$ Mn
	Personal banking	Corporate banking	Treasury markets	Wealth management	Financial institutions	Others	Mainland China operations	Overseas operations				
	HK\$ Mn	HK\$ Mn	HK\$ Mn	HK\$ Mn	HK\$ Mn	HK\$ Mn	HK\$ Mn	HK\$ Mn				
6 months ended 30 th June, 2017												
CONTINUING OPERATIONS												
Net interest income/(expense)	1,699	963	(177)	183	17	116	1,944	741	5,486	255	(2)	5,739
Non-interest income/(expense)	465	182	(83)	237	9	328	388	115	1,641	416	(167)	1,890
Operating income	2,164	1,145	(260)	420	26	444	2,332	856	7,127	671	(169)	7,629
Operating expenses	(832)	(88)	(64)	(100)	(5)	(224)	(1,424)	(281)	(3,018)	(1,054)	169	(3,903)
Operating profit/(loss) before impairment losses	1,332	1,057	(324)	320	21	220	908	575	4,109	(383)	-	3,726
(Charge for)/Write back of impairment losses on loans and receivables	(75)	(169)	-	(1)	-	(6)	(510)	1	(760)	(3)	-	(763)
Impairment losses on available-for-sale financial assets	-	-	(2)	-	-	-	-	-	(2)	-	-	(2)
Impairment losses on assets held for sale	-	-	-	-	-	-	(58)	-	(58)	-	-	(58)
Operating profit/(loss) after impairment losses	1,257	888	(326)	319	21	214	340	576	3,289	(386)	-	2,903
Profit/(Loss) on sale of fixed assets, held-to-maturity investments and available-for-sale financial assets	(4)	5	213	-	-	2	(1)	-	215	(1)	-	214
Profit/(Loss) on sale of disposal groups and assets held for sale	-	-	-	-	-	-	(2)	-	(2)	192	-	190
Profit on disposal of subsidiaries/associates	-	-	-	-	-	-	-	-	-	2	-	2
Valuation gains on investment properties	-	-	-	-	-	-	-	-	-	229	-	229
Share of profits less losses of associates	-	-	-	-	-	-	37	187	224	-	-	224
Profit/(Loss) before taxation	1,253	893	(113)	319	21	216	374	763	3,726	36	-	3,762
Depreciation for the period	(30)	(1)	(2)	(1)	-	(7)	(100)	(16)	(157)	(73)	-	(230)
At 30 th June, 2017												
Segment assets	74,766	151,382	157,847	24,657	8,351	20,299	295,634	107,857	840,793	15,037	(75,374)	780,456
Investments in associates	-	-	-	-	-	49	2,120	5,674	7,843	-	-	7,843
Other assets – Assets held for sale	-	-	-	-	-	-	118	39	157	-	-	157
Total assets	74,766	151,382	157,847	24,657	8,351	20,348	297,872	113,570	848,793	15,037	(75,374)	788,456
Segment liabilities	296,398	1,112	58,541	22,259	6	15,878	246,911	95,261	736,366	2,378	(48,264)	690,480
Other liabilities – Liabilities held for sale	-	-	-	-	-	-	-	-	-	-	-	-
Total liabilities	296,398	1,112	58,541	22,259	6	15,878	246,911	95,261	736,366	2,378	(48,264)	690,480

	Hong Kong banking operations									Total reportable segments	Inter-segment elimination		
	Personal banking	Corporate banking	Treasury markets	Wealth management	Financial institutions	Others	Mainland China operations	Overseas operations	Corporate services		Others	Inter-segment elimination	Total
	HK\$ Mn	HK\$ Mn	HK\$ Mn	HK\$ Mn	HK\$ Mn	HK\$ Mn	HK\$ Mn	HK\$ Mn	HK\$ Mn		HK\$ Mn	HK\$ Mn	HK\$ Mn
6 months ended 30 th June, 2016 (Restated)													
CONTINUING OPERATIONS													
Net interest income/(expense)	1,436	1,091	(215)	175	8	144	1,948	757	-	5,344	139	-	5,483
Non-interest income/(expense)	407	70	(62)	183	8	312	413	109	-	1,440	389	(182)	1,647
Operating income	1,843	1,161	(277)	358	16	456	2,361	866	-	6,784	528	(182)	7,130
Operating expenses	(875)	(95)	(56)	(96)	(5)	(285)	(1,697)	(317)	-	(3,426)	(994)	181	(4,239)
Operating profit/(loss) before impairment losses	968	1,066	(333)	262	11	171	664	549	-	3,358	(466)	(1)	2,891
(Charge for)/Write back of impairment losses on loans and receivables	(86)	(168)	1	(2)	-	(17)	(948)	(21)	-	(1,241)	-	-	(1,241)
Operating profit/(loss) after impairment losses	882	898	(332)	260	11	154	(284)	528	-	2,117	(466)	(1)	1,650
Profit/(Loss) on sale of fixed assets, held-to-maturity investments and available-for-sale financial assets	(2)	6	35	-	-	2	781	(6)	-	816	-	-	816
Profit/(Loss) on sale of disposal groups and assets held for sale	-	-	-	-	-	-	-	(8)	-	(8)	21	-	13
Valuation gains on investment properties	-	-	-	-	-	-	-	1	-	1	44	-	45
Share of profits less losses of associates	-	-	-	-	-	(1)	74	119	-	192	-	-	192
Profit/(Loss) before taxation	880	904	(297)	260	11	155	571	634	-	3,118	(401)	(1)	2,716
Depreciation for the period	(29)	(1)	(1)	(1)	-	(9)	(108)	(16)	-	(165)	(75)	-	(240)
At 31 st December, 2016 (Restated)													
Segment assets	73,887	150,132	149,947	23,627	8,207	18,523	283,987	104,266	-	812,576	17,255	(72,642)	757,189
Investments in associates	-	-	-	-	-	49	1,166	4,796	-	6,011	-	-	6,011
Other assets – Assets held for sale	-	-	-	-	-	-	251	39	2,205	2,495	11	-	2,506
Total assets	73,887	150,132	149,947	23,627	8,207	18,572	285,404	109,101	2,205	821,082	17,266	(72,642)	765,706
Segment liabilities	291,835	922	62,725	21,308	6	14,756	238,308	92,512	-	722,372	2,066	(45,794)	678,644
Other liabilities – Liabilities held for sale	-	-	-	-	-	-	41	-	385	426	-	-	426
Total liabilities	291,835	922	62,725	21,308	6	14,756	238,349	92,512	385	722,798	2,066	(45,794)	679,070

28. Analysis of Assets and Liabilities by Remaining Maturity

	30/6/2017							
	Repayable on demand	Within 1 month	3 months or less but over 1 month	1 year or less but over 3 months	5 years or less but over 1 year	Over 5 years	Undated or overdue	Total
	HK\$ Mn	HK\$ Mn	HK\$ Mn	HK\$ Mn	HK\$ Mn	HK\$ Mn	HK\$ Mn	HK\$ Mn
Assets								
Cash and balances with banks and other financial institutions	24,360	1,736	262	3,318	-	-	24,773	54,449
Placements with and advances to banks and other financial institutions	168	41,672	5,934	2,991	-	-	-	50,765
Trade bills	7	2,204	4,286	7,698	-	-	-	14,195
Trading assets	-	325	871	1,309	564	44	2,265	5,378
Financial assets designated at fair value through profit or loss	-	-	-	272	2,590	962	214	4,038
Positive fair value of derivatives	-	-	-	-	-	-	6,887	6,887
Loans and advances to customers	4,660	46,893	34,778	91,491	185,802	94,932	4,243	462,799
Available-for-sale financial assets	-	3,226	10,593	22,099	53,113	23,719	4,401	117,151
Held-to-maturity investments	92	1,779	1,584	1,359	5,914	587	-	11,315
Investments in associates	-	-	-	-	-	-	7,843	7,843
Fixed assets	-	-	-	-	-	-	12,311	12,311
Goodwill and intangible assets	-	-	-	-	-	-	2,624	2,624
Deferred tax assets	-	-	-	-	-	-	855	855
Other assets	218	7,733	7,778	12,636	635	14	8,832	37,846
Total assets	29,505	105,568	66,086	143,173	248,618	120,258	75,248	788,456
Liabilities								
Deposits and balances of banks and other financial institutions	1,194	14,460	7,247	4,698	8	-	-	27,607
Deposits from customers	210,299	96,369	125,592	95,320	21,429	-	-	549,009
- Demand deposits and current accounts	78,706	-	-	-	-	-	-	78,706
- Savings deposits	130,423	-	-	-	-	-	-	130,423
- Time, call and notice deposits	1,170	96,369	125,592	95,320	21,429	-	-	339,880
Trading liabilities	-	-	-	50	-	-	-	50
Negative fair value of derivatives	-	-	-	-	-	-	7,846	7,846
Certificates of deposit issued	-	3,213	14,934	18,509	-	-	-	36,656
Current taxation	-	-	-	1,671	-	-	-	1,671
Debt securities issued	-	-	-	256	745	-	-	1,001
Deferred tax liabilities	-	-	-	-	-	-	595	595
Other liabilities	1,134	5,420	8,092	15,651	8,512	3,050	7,103	48,962
Loan capital	-	-	4,539	-	12,544	-	-	17,083
Total liabilities	212,627	119,462	160,404	136,155	43,238	3,050	15,544	690,480
Net gap	(183,122)	(13,894)	(94,318)	7,018	205,380	117,208		

	31/12/2016 (Restated ^{Note})							
	Repayable on demand	Within 1 month	3 months or less but over 1 month	1 year or less but over 3 months	5 years or less but over 1 year	Over 5 years	Undated or overdue	Total
	HK\$ Mn	HK\$ Mn	HK\$ Mn	HK\$ Mn	HK\$ Mn	HK\$ Mn	HK\$ Mn	HK\$ Mn
Assets								
Cash and balances with banks and other financial institutions	34,554	2,334	1,297	1,717	-	-	25,818	65,720
Placements with and advances to banks and other financial institutions	-	36,511	5,550	1,991	-	-	-	44,052
Trade bills	25	1,053	4,739	6,122	-	-	-	11,939
Trading assets	-	1,015	462	1,040	611	-	1,276	4,404
Financial assets designated at fair value through profit or loss	-	74	-	118	2,655	483	224	3,554
Positive fair value of derivatives	-	-	-	-	-	-	8,938	8,938
Loans and advances to customers	5,146	48,919	26,316	92,573	178,060	95,454	3,977	450,445
Available-for-sale financial assets	-	4,860	12,123	18,159	50,299	21,523	3,527	110,491
Held-to-maturity investments	-	355	1,840	1,220	1,665	583	-	5,663
Investments in associates	-	-	-	-	-	-	6,011	6,011
Fixed assets	-	-	-	-	-	-	11,990	11,990
Goodwill and intangible assets	-	-	-	-	-	-	2,639	2,639
Deferred tax assets	-	-	-	-	-	-	785	785
Other assets	130	6,383	6,068	18,103	620	11	7,760	39,075
Total assets	39,855	101,504	58,395	141,043	233,910	118,054	72,945	765,706
Liabilities								
Deposits and balances of banks and other financial institutions	5,874	11,867	3,097	5,395	242	-	-	26,475
Deposits from customers	202,900	90,949	122,576	96,981	22,383	-	-	535,789
- Demand deposits and current accounts	74,993	-	-	-	-	-	-	74,993
- Savings deposits	126,462	-	-	-	-	-	-	126,462
- Time, call and notice deposits	1,445	90,949	122,576	96,981	22,383	-	-	334,334
Trading liabilities	-	-	50	-	-	-	-	50
Negative fair value of derivatives	-	-	-	-	-	-	7,982	7,982
Certificates of deposit issued	-	4,501	7,124	16,389	843	-	-	28,857
Current taxation	-	-	-	1,605	-	-	-	1,605
Debt securities issued	-	1	1	5,423	1,729	-	-	7,154
Deferred tax liabilities	-	-	-	-	-	-	462	462
Other liabilities	1,064	5,295	7,504	19,915	7,523	2,878	5,909	50,088
Loan capital	-	-	-	8,165	12,443	-	-	20,608
Total liabilities	209,838	112,613	140,352	153,873	45,163	2,878	14,353	679,070
Net gap	(169,983)	(11,109)	(81,957)	(12,830)	188,747	115,176		

Note: The 2016 comparative figures have been restated to conform to current period's presentation of Consolidated Statement of Financial Position.

29. Deferred Tax Assets and Liabilities Recognised

The components of deferred tax (assets)/liabilities recognised in the consolidated statement of financial position and the movements during the period are as follows:

Deferred tax arising from:	Depreciation allowances in excess of related depreciation	Revaluation of properties	Impairment losses on financial assets	Revaluation of available- for-sale securities	Tax losses	Others	Total
	HK\$ Mn	HK\$ Mn	HK\$ Mn	HK\$ Mn	HK\$ Mn	HK\$ Mn	HK\$ Mn
At 1 st January, 2017	218	101	(784)	72	(16)	86	(323)
(Credited)/Charged to income statement	12	-	42	-	-	(75)	(21)
Charged to reserve	-	-	-	104	-	-	104
Exchange and other adjustments	(1)	-	(20)	(1)	-	2	(20)
At 30 th June, 2017	229	101	(762)	175	(16)	13	(260)
Balance as at 31 st December, 2016	218	101	(784)	72	(16)	86	(323)

30. Reserves

	30/6/2017 HK\$ Mn	31/12/2016 HK\$ Mn
General reserve	14,042	14,035
Revaluation reserve on bank premises	1,751	1,728
Investment revaluation reserve	2,192	1,359
Exchange revaluation reserve	(1,069)	(2,275)
Other reserves	5,634	5,647
Retained profits*	27,616	22,447
	<u>50,166</u>	<u>42,941</u>
Proposed dividends, not provided for	<u>1,852</u>	<u>757</u>

* A regulatory reserve is maintained to satisfy the provisions of the Banking Ordinance for prudential supervision purposes by earmarking amounts in respect of losses which the Bank will or may incur on loans and advances and investments in addition to impairment losses recognised. Movements in the reserve are earmarked directly through retained earnings and in consultation with the HKMA. As at 30th June, 2017, HK\$4,129 million (31st December, 2016: HK\$4,372 million) was included in the retained profits in this respect which was distributable to equity holders of the Group subject to consultation with the HKMA.

31. Additional Equity Instruments

		30/6/2017 HK\$ Mn	31/12/2016 HK\$ Mn
USD650 million undated non-cumulative subordinated capital securities	(1)	5,016	5,016
USD500 million undated non-cumulative subordinated capital securities	(2)	3,878	-
		<u>8,894</u>	<u>5,016</u>

(1) On 2nd December, 2015, the Bank issued undated non-cumulative subordinated capital securities ("Additional Tier 1 Capital Securities") with a face value of US\$650 million (equivalent to HK\$5,016 million net of related issuance costs). The Additional Tier 1 Capital Securities are undated and bear a 5.50% coupon until the first call date on 2nd December, 2020. The coupon will be reset every five years if the Additional Tier 1 Capital Securities are not redeemed to a fixed rate equivalent to the then-prevailing five-year US Treasury rate plus 3.834% per annum. The coupon payments may be cancelled at the sole discretion of the Bank. The Additional Tier 1 Capital Securities will be written down if a non-viability event occurs and is continuing. They rank higher than ordinary shares in the event of a winding-up.

(2) On 18th May, 2017, the Bank issued undated non-cumulative subordinated capital securities ("Additional Tier 1 Capital Securities") with a face value of US\$500 million (equivalent to HK\$3,879 million net of related issuance costs). The Additional Tier 1 Capital Securities are undated and bear a 5.625% coupon until the first call date on 18th May, 2022. The coupon will be reset every five years if the Additional Tier 1 Capital Securities are not redeemed to a fixed rate equivalent to the then-prevailing five-year US Treasury rate plus 3.682% per annum. The coupon payments may be cancelled at the sole discretion of the Bank. The Additional Tier 1 Capital Securities will be written down if a non-viability event occurs and is continuing. They rank higher than ordinary shares in the event of a winding-up.

32. Consolidated Cash Flow Statement

Cash and cash equivalents	30/6/2017 HK\$ Mn	30/6/2016 HK\$ Mn
(i) Components of cash and cash equivalents in the consolidated cash flow statement		
Cash and balances with banks and other financial institutions with original maturity within three months	25,826	23,905
Placements with and advances to banks and other financial institutions with original maturity within three months	45,354	46,876
Treasury bills with original maturity within three months	2,279	15,090
Certificates of deposit held with original maturity within three months	3,406	2,372
Debt securities with original maturity within three months	-	-
Add: Cash and balances with banks and other financial institutions included in "Assets held for sale" (Note 41)	-	240
Placements with and advances to banks and other financial institutions with original maturity within three months included in "Assets held for sale"	-	79
	<u>76,865</u>	<u>88,562</u>
(ii) Reconciliation with the consolidated statement of financial position		
Cash and balances with banks and other financial institutions	54,449	48,830
Placements with and advances to banks and other financial institutions	50,765	58,500
Treasury bills, certificates of deposit held and debt securities		
- trading assets	3,113	5,489
- designated at fair value through profit or loss	3,824	2,880
- available-for-sale	112,750	107,465
- held-to-maturity	11,315	5,323
	<u>131,002</u>	<u>121,157</u>
Add: Cash and balances with banks and other financial institutions included in "Assets held for sale" (Note 41)	-	240
Placements with and advances to banks and other financial institutions included in "Assets held for sale" (Note 41)	-	222
Amount shown in the consolidated statement of financial position	<u>236,216</u>	<u>228,949</u>
Less : Amounts with an original maturity of beyond three months	(130,728)	(115,462)
Cash balance with central bank subject to regulatory restriction	(28,623)	(24,925)
Cash and cash equivalents in the consolidated cash flow statement	<u>76,865</u>	<u>88,562</u>

33. Offsetting Financial Instruments

The following tables present details of financial instruments subject to offsetting, enforceable master netting arrangements and similar agreements.

	At 30 th June, 2017				
	Gross amounts of recognised financial assets	Gross amounts of recognised financial liabilities set off in the statement of financial position	Net amounts of financial assets presented in the statement of financial position	Related financial instruments that are not set off	Net amount
	HK\$ Mn	HK\$ Mn	HK\$ Mn	HK\$ Mn	HK\$ Mn
Assets					
Positive fair value of derivatives	58	-	58	(41)	17
Other accounts	891	(702)	189	-	189
Total	949	(702)	247	(41)	206

	At 30 th June, 2017				
	Gross amounts of recognised financial liabilities	Gross amounts of recognised financial assets set off in the statement of financial position	Net amounts of financial liabilities presented in the statement of financial position	Related financial instruments that are not set off	Net amount
	HK\$ Mn	HK\$ Mn	HK\$ Mn	HK\$ Mn	HK\$ Mn
Liabilities					
Negative fair value of derivatives	143	-	143	(41)	102
Other accounts	702	(702)	-	-	-
Total	845	(702)	143	(41)	102

	At 31 st December, 2016				
	Gross amounts of recognised financial assets	Gross amounts of recognised financial liabilities set off in the statement of financial position	Net amounts of financial assets presented in the statement of financial position	Related financial instruments that are not set off	Net amount
	HK\$ Mn	HK\$ Mn	HK\$ Mn	HK\$ Mn	HK\$ Mn
Assets					
Positive fair value of derivatives	44	-	44	(21)	23
Other accounts	431	(369)	62	-	62
Total	475	(369)	106	(21)	85

At 31st December, 2016

	Gross amounts of recognised financial liabilities	Gross amounts of recognised financial assets set off in the statement of financial position	Net amounts of financial liabilities presented in the statement of financial position	Related financial instruments that are not set off	Net amount
	HK\$ Mn	HK\$ Mn	HK\$ Mn	HK\$ Mn	HK\$ Mn
Liabilities					
Negative fair value of derivatives	130	-	130	(21)	109
Other accounts	369	(369)	-	-	-
Total	499	(369)	130	(21)	109

34. Fair Values of Financial Instruments

(a) Financial instruments carried at fair value

Fair value estimates are generally subjective in nature, and are made as of a specific point in time based on the characteristics of the financial instruments and relevant market information. The Group measures fair values using the following hierarchy of methods:

Level 1 – Quoted market price in an active market for an identical instrument.

Level 2 – Valuation techniques based on observable input. This category includes instruments valued using: quoted market prices in active markets for similar instruments; quoted prices for similar instruments in markets that are considered less than active; or other valuation techniques where all significant inputs are directly or indirectly observable from market data.

Level 3 – Valuation techniques using significant unobservable inputs. This category includes all instruments where the valuation technique includes inputs not based on observable data and the unobservable inputs could have a significant effect on the instrument's valuation. This category includes instruments that are valued based on quoted prices for similar instruments where significant unobservable adjustments or assumptions are required to reflect differences between the instruments.

Fair values of financial assets and financial liabilities that are traded in active markets are based on quoted market prices or counterparty quotations. For all other financial instruments the Group determines fair values using valuation techniques. Valuation techniques include net present value and discounted cash flow models and various market widely recognised option pricing models. Assumptions and inputs used in valuation techniques include risk-free and benchmark interest rates, equity prices, foreign currency exchange rates, index prices, historical or implied volatilities and correlations. The objective of valuation techniques is to arrive at a fair value measurement that reflects the price of the financial instrument that would be received to sell the asset or paid to transfer the liability in an orderly transaction between market participants at the reporting date.

The Group uses widely recognised valuation models for determining the fair value of common and simpler financial instruments, like interest rate and currency swaps that use only observable market data and require little management judgement and estimation. Observable prices and model inputs are usually available in the market for listed debt and equity securities, exchange traded derivatives and simple over-the-counter derivatives like interest rate swaps. Availability of observable market prices and model inputs reduces the need for management judgement and estimation and also reduces the uncertainty associated with determination of fair values. Availability of observable market prices and inputs varies depending on the products and markets and is prone to changes based on specific events and general conditions in the financial markets.

For more complex instruments, the Group uses valuation models, which usually are developed from recognised valuation methodologies. Some or all of the significant inputs into these models may not be observable in the market, and are derived from market prices or rates or are estimated based on assumptions. Valuation models that employ significant unobservable inputs require a higher degree of management judgement and estimation in determination of fair value. Management judgement and estimation are usually required for selection of the appropriate valuation model to be used, determination of expected future cash flows on the financial instrument being valued, determination of probability of counterparty default and prepayments and selection of appropriate discount rates.

The Group has an established control framework with respect to the measurement of fair values. This framework includes a valuation control function, namely Financial Instruments Valuation Group ("FIVG") which comprises control units independent of front office management. Procedures for price verification have been established. Any pricing models to be used would be subject to a rigorous validation and approval process.

The table below analyses financial instruments, measured at fair value at the end of the reporting period, by the level in the fair value hierarchy into which the fair value treatment is categorised.

	30/6/2017				31/12/2016			
	Level One	Level Two	Level Three	Total	Level One	Level Two	Level Three	Total
	HK\$ Mn	HK\$ Mn	HK\$ Mn	HK\$ Mn	HK\$ Mn	HK\$ Mn	HK\$ Mn	HK\$ Mn
<u>Recurring fair value measurement</u>								
Assets								
Trading assets	2,405	2,973	-	5,378	1,566	2,838	-	4,404
Financial assets designated at fair value through profit or loss	2,572	1,466	-	4,038	2,097	1,457	-	3,554
Positive fair value of derivatives	-	6,887	-	6,887	-	8,938	-	8,938
Available-for-sale financial assets	80,829	35,506	816	117,151	73,567	36,431	493	110,491
	<u>85,806</u>	<u>46,832</u>	<u>816</u>	<u>133,454</u>	<u>77,230</u>	<u>49,664</u>	<u>493</u>	<u>127,387</u>
Liabilities								
Trading liabilities	50	-	-	50	50	-	-	50
Negative fair value of derivatives	-	7,846	-	7,846	-	7,982	-	7,982
Financial liabilities designated at fair value through profit or loss	-	7,610	-	7,610	-	18,524	-	18,524
	<u>50</u>	<u>15,456</u>	<u>-</u>	<u>15,506</u>	<u>50</u>	<u>26,506</u>	<u>-</u>	<u>26,556</u>

During the period ended 30th June, 2017 and year ended 31st December, 2016, there were no significant transfers of financial instruments between Level 1 and Level 2 of the fair value hierarchy. The Group's policy is to recognise transfers between levels of fair value hierarchy as at the end of the reporting period in which they occur.

Information about significant unobservable inputs in Level 3 valuations:

	Valuation technique	Significant unobservable input(s)	Range
Unlisted available-for-sale equity instruments	Net asset value	N/A	N/A
	Discounted cash flow model	Discount rate	15.99% (31 Dec 2016: 11.92%)
		Marketability discount	20% (31 Dec 2016: 20%)
	Market-comparable approach	Earnings multiple	22.57 - 29.40 (31 Dec 2016: N/A)
		P/B ratios	5.04 – 5.08 (31 Dec 2016: N/A)
		Marketability discount	50% (31 Dec 2016: N/A)

The fair values of unlisted available-for-sale equity instruments are estimated using the discounted cash flow model, on the basis of an analysis of the investee's financial position and results, or with reference to multiples of comparable listed companies, such as price/earning ratio of comparables, adjusted for a marketability discount to reflect the fact that the shares are not actively traded. An increase in the ratio / investee's financial position and results in isolation will result in favourable movement in the fair values, while an increase in discount rate / marketability discount in isolation will result in unfavourable movement.

Valuation of financial instruments in Level 3 is subject to the same valuation control framework as described above and reviewed regularly by FIVG.

(1) Valuation of financial instruments with significant unobservable inputs

Movements in the recognised fair values of instruments with significant unobservable inputs were as follows.

During the year ended 31st December, 2016, the Group had developed an internal valuation model based on observable market inputs for pricing various foreign exchange, equity and interest rate structured derivatives contracts. As a result, these financial instruments were transferred from Level 3 to Level 2 of the fair value hierarchy at the reporting date.

	30/6/2017
	Available-for-sale financial assets
	HK\$ Mn
Assets	
At 1 st January, 2017	493
Purchases	214
Settlements	(20)
Changes in fair value recognised in the income statement	(2)
Changes in fair value recognised in the other comprehensive income	130
Exchange adjustments	1
At 30 th June, 2017	<u>816</u>

Total gains or losses for the period included in available-for-sale fair value reserve of the other comprehensive income for assets held at the end of the reporting period	<u>130</u>
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Total gains or losses for the period included in the income statement for assets held at the end of the reporting period recorded in net trading income	<u>-</u>
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	31/12/2016			
	Assets		Liabilities	
	Positive fair value of derivatives	Available-for-sale financial assets	Negative fair value of derivatives	
	HK\$ Mn	HK\$ Mn	HK\$ Mn	HK\$ Mn
At 1 st January, 2016	3,141	750	3,891	3,017
Purchases	-	11	11	-
Settlements	(1,140)	(52)	(1,192)	(1,139)
Changes in fair value recognised in the income statement	(1,503)	-	(1,503)	(1,417)
Changes in fair value recognised in the other comprehensive income	-	(15)	(15)	-
Exchange adjustments	-	1	1	-
Transfer to level 2	(498)	(173)	(671)	(461)
Transfer to asset classified as assets held for sale	-	(29)	(29)	-
At 31 st December, 2016	<u>-</u>	<u>493</u>	<u>493</u>	<u>-</u>

Total gains or losses for the year included in available-for-sale fair value reserve of the other comprehensive income for assets held at the end of the reporting period	<u>-</u>	<u>(15)</u>	<u>(15)</u>	<u>-</u>
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Total gains or losses for the year included in the income statement for assets/liabilities held at the end of the reporting period recorded in net trading income	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
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(2) Effects of changes in significant unobservable assumptions to reasonably possible alternative assumptions

		30/6/2017	
		Effect recorded in profit or loss	Effect recorded directly in equity
		Favourable HK\$ Mn	(Unfavourable) HK\$ Mn
Available-for-sale financial assets		-	68
		-	(68)

		31/12/2016	
		Effect recorded in profit or loss	Effect recorded directly in equity
		Favourable HK\$ Mn	(Unfavourable) HK\$ Mn
Available-for-sale financial assets		-	41
		-	(41)

The fair values of financial instruments are in certain circumstances, measured using valuation models that incorporate assumptions that are not supported by prices from observable current market transactions in the same instrument and are not based on observable market data. The table above shows the sensitivity of fair values due to parallel movement of plus or minus 10% in reasonably possible alternative assumptions.

(b) Fair values of financial instruments carried at other than fair value

The following methods and significant assumptions have been applied in determining the fair values of financial instruments presented below:

- (i) The fair value of demand deposits and savings accounts with no specific maturity is assumed to be the amount payable on demand at the end of the reporting period.
- (ii) The fair value of variable rate financial instruments is assumed to be approximated by their carrying amounts and, in the case of loans and unquoted debt securities, does not, therefore, reflect changes in their credit quality, as the impact of credit risk is recognised separately by deducting the amount of the impairment allowances from both the carrying amount and fair value.
- (iii) The fair value of fixed rate loans and mortgages carried at amortised cost is estimated by comparing market interest rates when the loans were granted with current market rates offered on similar loans. Changes in the credit quality of loans within the portfolio are not taken into account in determining gross fair values, as the impact of credit risk is recognised separately by deducting the amount of the impairment loss and allowances from both the carrying amount and fair value.
- (iv) The fair value of unquoted equity investments is estimated, if possible, using the applicable dividend discount model or the net asset value in the investment, or benchmarking against peer group's market information.
- (v) The fair value of unlisted open-ended investment funds is estimated using the net asset value per share as reported by the managers of such funds.

- (vi) The fair value of financial guarantees issued is determined by reference to fees charged in an arm's length transaction for similar services, when such information is obtainable, or is otherwise estimated by reference to interest rate differentials, by comparing the actual rates charged by lenders when the guarantee is made available with the estimated rates that lenders would have charged, had the guarantees not been available, where reliable estimates of such information can be made.

The carrying amounts of the Group's financial instruments carried at cost or amortised cost are not materially different from their fair values as at 30th June, 2017 and 31st December, 2016 except as follows:

	30/6/2017		31/12/2016	
	Carrying amount	Fair value	Carrying amount	Fair value
	HK\$ Mn	HK\$ Mn	HK\$ Mn	HK\$ Mn
Financial assets				
Held-to-maturity investments	11,315	13,931	5,663	5,724

35. Off-balance Sheet Exposures

(a) The following is a summary of each significant class of off-balance sheet exposures:

	30/6/2017 HK\$ Mn	31/12/2016 HK\$ Mn
Contractual amounts of contingent liabilities		
Direct credit substitutes	22,166	17,568
Transaction-related contingencies	1,024	763
Trade-related contingencies	1,550	1,133
	<u>24,740</u>	<u>19,464</u>
Contractual amounts of commitments		
Commitments that are unconditionally cancellable without prior notice	163,525	160,737
Other commitments with an original maturity		
- up to 1 year	13,238	10,419
- over 1 year	30,406	27,633
	<u>207,169</u>	<u>198,789</u>
Total	<u>231,909</u>	<u>218,253</u>
Credit risk weighted amounts	<u>37,890</u>	<u>34,130</u>
Fair value of derivatives		
Assets		
Exchange rate contracts	4,559	6,148
Interest rate contracts	2,136	2,582
Equity contracts	176	202
Others	16	6
	<u>6,887</u>	<u>8,938</u>
Liabilities		
Exchange rate contracts	5,594	5,709
Interest rate contracts	1,945	2,019
Equity contracts	292	234
Others	15	20
	<u>7,846</u>	<u>7,982</u>
Notional amounts of derivatives		
Exchange rate contracts	755,418	529,917
Interest rate contracts	391,677	386,691
Equity contracts	13,821	10,911
Others	1,287	1,297
	<u>1,162,203</u>	<u>928,816</u>
Credit risk weighted amounts*		
Exchange rate contracts	4,170	5,131
Interest rate contracts	506	775
Equity contracts	54	41
Others	160	286
	<u>4,890</u>	<u>6,233</u>

The fair value and credit risk weighted amounts of the off-balance sheet exposures do not take into account the effects of bilateral netting arrangements.

* The Bank adopted the Foundation Internal Ratings Based approach according to Capital Rules for calculating the credit risk weighted amount as at 30th June, 2017 and 31st December, 2016.

(b) Capital Commitments

Capital commitments on purchase of property, plant and equipment outstanding as at 30th June and 31st December and not provided for in the accounts were as follows:

	30/6/2017 HK\$ Mn	31/12/2016 HK\$ Mn
Expenditure authorised and contracted for	236	212
Expenditure authorised but not contracted for	163	107
	<u>399</u>	<u>319</u>

36. Material Related Party Transactions

(a) Key management personnel remuneration

Remuneration for key management personnel of the Group, including amounts paid to the Directors and certain of the highest paid employees, is as follows:

	30/6/2017 HK\$ Mn	30/6/2016 HK\$ Mn
Short-term employee benefits	78	54
Post-employment benefits	3	3
Equity compensation benefits	19	16
	<u>100</u>	<u>73</u>

- (b) The Group maintains certain retirement benefit schemes for its staff. In the six months ended 30th June, 2017, the total amount of contributions the Group made to the schemes was HK\$79 million (six months ended 30th June, 2016: HK\$85 million).

The Group enters into a number of transactions with the Group's related parties, including its associates, and key management personnel and their close family members and companies controlled or significantly influenced by them. The transactions include accepting deposits from and extending credit facilities to them. All interest rates in connection with the deposits taken and credit facilities extended are under terms and conditions normally applicable to customers of comparable standing.

The interest received from and interest paid to the Group's related parties for the six months ended 30th June, 2017, outstanding balances of amounts due from and due to them at 30th June, 2017 and maximum outstanding balance of amounts due from and due to them for the six months ended 30th June, 2017 are aggregated as follows:

	Key management personnel		Associates	
	30/6/2017 HK\$ Mn	30/6/2016 HK\$ Mn	30/6/2017 HK\$ Mn	30/6/2016 HK\$ Mn
Interest income	59	47	9	10
Interest expense	13	14	-	-
Amounts due from	4,725	5,714	684	678
Amounts due to	2,528	3,881	32	92
Maximum amounts due from	5,493	7,835	725	742
Maximum amounts due to	5,648	6,207	151	490
Committed facilities to	2,505	3,807	317	296

37. Basis of Consolidation

Unless otherwise stated, all financial information contained in the interim report is prepared according to the consolidation basis for accounting purposes.

The capital adequacy ratio and liquidity position of the Group are prepared according to the basis of consolidation for regulatory purposes. The main difference between the consolidation base for accounting and regulatory purposes is that the former includes the Bank and all its subsidiaries whereas the latter includes the Bank and only some of the Group's subsidiaries which mainly conduct banking business or other businesses incidental to banking business.

38. Comparative Figures

Certain 2016 comparative figures have been restated to conform to current period's presentation. Please refer to Consolidated Statement of Financial Position, Notes 4, 11, 19(c), 27 and 28 for the effect of restatement.

39. Possible Impact of Amendments, New Standards and Interpretations Issued but not Yet Effective for the six months ended 30th June, 2017

A number of amendments and new standards are effective for annual periods beginning after 1st January, 2017 and earlier application is permitted; however, the Group has not early adopted any new or amended standards in preparing the interim financial report. The Group has the following updates to the information provided in the last Annual Report about the possible impacts of the new standards issued but not yet effective which may have a significant impact on the Group's consolidated financial statements.

HKFRS 9, Financial Instruments

HKFRS 9 will replace the current standard on accounting for financial instruments, HKAS 39, Financial instruments: Recognition and measurement, with effective date of 1 January 2018. It introduces new requirements for classification and measurement of financial assets, calculation of impairment of financial assets and hedge accounting. On initial adoption of HKFRS 9, the opening re-measurements will be incorporated through an adjustment to opening reserves and retained earnings at 1 January 2018.

The Group is assessing the impact that the impairment requirements will have on its consolidated financial statements and any consequential effects on regulatory capital. The Group has developed a model which considers various quantitative and qualitative factors including, but not limited to, customers' financial and demographic information, default statistics of different customer types, recovery rate of different collaterals, external credit rating, geographical region, economic trend and forecast, etc. so as to measure the impairment loss for the assets. The model is under the testing and tuning stage. Moreover, a centralized system for calculating the impairment loss of the Group has been built and under testing. The progress has also been regularly reported to the Risk Committee and the Board. The Group will perform a parallel run during the second half of 2017 to gain a better understanding of the potential effect of the new standard and to validate the controls and new governance and operational processes. The Group will quantify the potential impact of HKFRS 9 once it is practicable to provide reliable estimates, which will be no later than the publication of its 2017 Annual Report.

Further information on the requirements of HKFRS 9 is disclosed in note 55 in the 2016 Annual Report.

HKFRS 16, Leases

The Group is still assessing the impact of the new standard but it is not practicable to quantify the effect as at the date of the publication of these consolidated financial statements.

40. Statement of Compliance

The interim financial report has been prepared in accordance with the applicable disclosure provisions of the Listing Rules and in compliance with HKAS 34, "Interim Financial Reporting", issued by the HKICPA. It was authorised for issue on 25th August, 2017. It also contains the disclosure information required under the Banking (Disclosure) Rules made under section 60A of the Banking Ordinance.

41. Discontinued Operations and Assets Held for Sale

On 5th October, 2016, the Bank, NWS Holdings Limited ("NWS Holdings") and East Asia Secretaries (BVI) Limited ("East Asia Secretaries") entered into a share purchase agreement with Trivium Investment Limited ("Trivium"), a wholly-owned subsidiary of global investment firm, Permira, for the sale of all the issued shares of Tricor Holdings Limited ("Tricor") held by East Asia Secretaries to Trivium for a total consideration of HK\$6,470 million. Tricor was 75.61% owned by the Bank and 24.39% owned by NWS Holdings, in each case through East Asia Secretaries. On 31st March, 2017, the Bank completed the disposal of Tricor to Trivium. Following completion of the disposal, the Bank has ceased to hold any equity interest in Tricor and Tricor has ceased to be a subsidiary of the Bank. A net profit of HK\$3,005 million in respect of the disposal was recorded and included in the profits attributable to owners of the parent from discontinued operations. Tricor's operating results are reported as discontinued operations in the consolidated income statement and the corresponding assets and liabilities as at 31st December, 2016 were presented separately as assets held for sale and liabilities held for sale respectively in the consolidated financial statements.

On 6th December, 2016, the Bank entered into an agreement to sell its wholly-owned subsidiary, Shaanxi Fuping BEA Rural Bank Corporation ("BEA Rural Bank") to Shaanxi Dingbian Rural Commercial Bank Corporation for a total consideration of RMB24 million. The sale was completed on 22nd May, 2017. BEA Rural Bank's assets and liabilities as at 31st December, 2016 were presented separately as assets held for sale and liabilities held for sale respectively in the consolidated financial statements.

The results of discontinued operations for the periods are as follows:

	6 months ended 30/6/2017 HK\$ Mn	6 months ended 30/6/2016 HK\$ Mn
Interest income	1	3
Interest expense	(1)	(1)
Net interest income	-	2
Fee and commission income	312	626
Fee and commission expense	-	-
Net fee and commission income	312	626
Net trading losses	(4)	(2)
Other operating income	-	1
Non-interest income	308	625
Operating income	308	627
Operating expenses	(232)	(441)
Operating profit before impairment losses	76	186
Impairment losses on loans and receivables	(2)	(2)
Operating profit after impairment losses	74	184
Net profit on sale of available-for-sale financial assets	-	4
Net profit on sale of discontinued operations	4,084	-
Share of profits less losses of associates	1	2
Profit for the period before taxation	4,159	190
Income tax		
Current tax		
- Hong Kong	(8)	(17)
- Outside Hong Kong	(6)	(16)
Deferred tax	-	2
Profit for the period from discontinued operations	4,145	159

The assets and liabilities of the disposal groups held for sale are summarised below:

	30/6/2017 HK\$ Mn	31/12/2016 HK\$ Mn
ASSETS		
Cash and balances with banks and other financial institutions	-	426
Placements and advances to banks and other financial institutions	-	66
Loans and advances to customers	-	95
Gross loans and advances to customers	-	96
Less: Collective impairment allowance	-	(1)
Available-for-sale financial assets	-	27
Investments in associates	-	21
Fixed assets	-	205
- Investment properties	-	22
- Other properties and equipment	-	183
Goodwill and intangible assets	-	1,149
Deferred tax assets	-	10
Other assets	-	315
Accrued interest and other accounts	-	346
Less: Individual impairment allowance	-	(25)
Collective impairment allowance	-	(6)
Assets held for sale	-	2,314
LIABILITIES		
Deposits and balances of banks and other financial institutions	-	66
Deposits from customers	-	40
Current taxation	-	18
Deferred tax liabilities	-	3
Other accounts and provisions	-	299
Liabilities held for sale	-	426

The assets held for sale and liabilities held for sale are summarised below:

	30/6/2017 HK\$ Mn	31/12/2016 HK\$ Mn
Assets held for sale (Note 23)		
Disposal groups held for sale	-	2,314
Other properties and loans	157	192
	157	2,506
Liabilities held for sale (Note 25)		
Disposal groups held for sale	-	426

The cumulative income recognised in other comprehensive income relating to disposal groups held for sale is as follows:

	30/6/2017 HK\$ Mn	30/6/2016 HK\$ Mn
Cumulative income recognised in other comprehensive income	-	31

The net cash flows incurred by discontinued operations and included in the condensed consolidated cash flow statement are as follows:

	30/6/2017 HK\$ Mn	30/6/2016 HK\$ Mn
Operating activities	-	125
Investing activities	-	(14)
Financing activities	-	(80)
Net cash inflow	-	31

SUPPLEMENTARY FINANCIAL INFORMATION

A. Capital Adequacy

	30/6/2017	31/12/2016
	HK\$ Mn	HK\$ Mn
Capital base		
- Common Equity Tier 1 capital	70,375	62,780
- Additional Tier 1 capital	10,667	7,142
- Total Tier 1 capital	81,042	69,922
- Tier 2 capital	19,156	20,360
- Total capital	100,198	90,282
Risk weighted assets by risk type		
- Credit risk	517,654	477,065
- Market risk	25,025	14,981
- Operational risk	31,347	29,267
	574,026	521,313
Less: Deductions	(3,045)	(3,014)
	570,981	518,299
	30/6/2017	31/12/2016
	%	%
Common Equity Tier 1 capital ratio	12.3	12.1
Tier 1 capital ratio	14.2	13.5
Total capital ratio	17.5	17.4

Capital adequacy ratios are compiled in accordance with the Capital Rules issued by the HKMA. In accordance with the Capital Rules, the Bank has adopted the foundation internal ratings-based approach for the calculation of the risk-weighted assets for credit risk and the internal models approach for the calculation of market risk and standardised approach for operational risk.

The basis of consolidation for regulatory purposes is different from the basis of consolidation for accounting purposes. Subsidiaries included in consolidation for regulatory purposes are specified in a notice from the HKMA in accordance with Section 3C of the Capital Rules. Subsidiaries not included in consolidation for regulatory purposes are non-financial companies and the securities and insurance companies that are authorised and supervised by a regulator and are subject to supervisory arrangements regarding the maintenance of adequate capital to support business activities comparable to those prescribed for authorised institutions under the Capital Rules and the Banking Ordinance. The Bank's shareholdings in these subsidiaries are deducted from its Tier 1 capital and Tier 2 capital subject to the thresholds and transitional arrangements as determined in accordance with Part 3 and Schedule 4H of the Capital Rules respectively.

The subsidiaries that are included in consolidation for regulatory purposes are listed in Note 37 of the Interim Report.

The Group operates subsidiaries in a number of countries and territories where capital is governed by local rules and there may be restrictions on the transfer of regulatory capital and funds between members of the Group.

For the purpose of compliance with the Banking (Disclosure) Rules, the Group has established a section on the Bank's website. Additional information relating to the Group's regulatory capital and other disclosures can be found in this section of the Bank's website, accessible through the "Regulatory Disclosures" link on the home page of the Bank's website at www.hkbea.com or at the following direct link: www.hkbea.com/regulatory_disclosures.

B. Liquidity Position

		30/6/2017	31/12/2016
		%	%
Average liquidity coverage ratio	- First quarter	150.7	151.3
	- Second quarter	129.5	141.2
	- Third quarter	N.A.	133.5
	- Fourth quarter	N.A.	137.2

The liquidity coverage ratio is calculated in accordance with the Banking (Liquidity) Rules effective from 1st January, 2015. The information for the regulatory disclosure can be found on the Bank's website accessible through the "Regulatory Disclosures" link on the home page of the Bank's website at www.hkbea.com or at the following direct link: www.hkbea.com/regulatory_disclosures.

The Bank held an amount of HKD-denominated level 1 assets that was not less than 20% of its HKD-denominated total net cash outflows. There is no significant currency mismatch in the Bank's LCR at respective levels of consolidation.

C. International Claims

The information on international claims discloses exposures to foreign counterparties on which the ultimate risk lies, and is derived according to the location of the counterparties after taking into account any recognised risk transfer. In general, such transfer of risk takes place if the claims are guaranteed by a party in a country which is different from that of the counterparty or if the claims are on an overseas branch of a bank whose head office is located in another country. Only countries constituting 10% or more of the aggregate international claims after taking into account any recognised risk transfer are disclosed.

	30/6/2017					
	Non-bank private sector					Total claims
	Banks	Official sector	Non-bank financial institutions	Non-financial private sector	Others	
	HK\$ Mn	HK\$ Mn	HK\$ Mn	HK\$ Mn	HK\$ Mn	HK\$ Mn
Counterparty country/ jurisdiction						
Developed countries	28,274	3,062	7,374	12,836	-	51,546
Offshore centres	6,528	988	5,969	74,807	-	88,292
- of which: Hong Kong	5,567	984	5,668	63,945	-	76,164
Developing Asia and Pacific	39,466	5,054	10,154	90,921	-	145,595
- of which: China	26,452	4,857	9,004	83,594	-	123,907

	31/12/2016					
	Non-bank private sector					Total claims
	Banks	Official sector	Non-bank financial institutions	Non-financial private sector	Others	
	HK\$ Mn	HK\$ Mn	HK\$ Mn	HK\$ Mn	HK\$ Mn	HK\$ Mn
Counterparty country/ jurisdiction						
Developed countries	18,381	4,476	6,906	10,251	-	40,014
Offshore centres	6,921	544	3,737	76,943	-	88,145
- of which: Hong Kong	4,260	540	3,606	65,877	-	74,283
Developing Asia and Pacific	23,712	3,706	8,978	96,198	-	132,594
- of which: China	10,494	3,517	8,831	89,147	-	111,989

The above figures are computed in accordance with the HKMA's guidelines on the return of international banking statistics and the Banking (Disclosure) Rules in respect of the reporting period on the consolidated basis.

D. Mainland Activities

The table below summaries the non-bank Mainland China exposure of the Bank's Hong Kong Office and the Bank's Mainland subsidiary banks categorised by types of counterparties:

	30/6/2017		
	On-balance sheet exposure	Off-balance sheet exposure	Total
	HK\$ Mn	HK\$ Mn	HK\$ Mn
<u>Type of counterparties</u>			
1. Central government, central government-owned entities and their subsidiaries and joint ventures	31,192	6,204	37,396
2. Local governments, local government-owned entities and their subsidiaries and joint ventures	23,185	1,184	24,369
3. PRC nationals residing in Mainland China or other entities incorporated in Mainland China and their subsidiaries and joint ventures	158,550	34,908	193,458
4. Other entities of central government not reported in item 1 above	5,104	662	5,766
5. Other entities of local governments not reported in item 2 above	2,291	234	2,525
6. PRC nationals residing outside Mainland China or entities incorporated outside Mainland China where the credit is granted for use in Mainland China	3,762	990	4,752
7. Other counterparties where the exposures are considered by the reporting institution to be non-bank Mainland China exposures	38,452	2,440	40,892
Total	262,536	46,622	309,158
Total assets after provision	733,932		
On-balance sheet exposures as percentage of total assets	35.8%		

	31/12/2016 (Restated)		
	On-balance sheet exposure	Off-balance sheet exposure	Total
	HK\$ Mn	HK\$ Mn	HK\$ Mn
<u>Type of counterparties</u>			
1. Central government, central government-owned entities and their subsidiaries and joint ventures	32,612	5,955	38,567
2. Local governments, local government-owned entities and their subsidiaries and joint ventures	21,379	642	22,021
3. PRC nationals residing in Mainland China or other entities incorporated in Mainland China and their subsidiaries and joint ventures	162,746	34,346	197,092
4. Other entities of central government not reported in item 1 above	5,004	831	5,835
5. Other entities of local governments not reported in item 2 above	3,588	5	3,593
6. PRC nationals residing outside Mainland China or entities incorporated outside Mainland China where the credit is granted for use in Mainland China	4,092	709	4,801
7. Other counterparties where the exposures are considered by the reporting institution to be non-bank Mainland China exposures	37,368	2,243	39,611
Total	<u>266,789</u>	<u>44,731</u>	<u>311,520</u>
Total assets after provision	<u>710,187</u>		
On-balance sheet exposures as percentage of total assets	<u>37.6%</u>		

The above figures are disclosed in accordance with the return relating to Mainland activities the Bank submitted to the HKMA pursuant to section 63 of the Banking Ordinance in respect of the interim reporting period, which are computed on the consolidated basis as required by the HKMA for its regulatory purposes.

E. Overdue, Rescheduled and Repossessed Assets

(a) Overdue and rescheduled advances

	30/6/2017		31/12/2016	
	HK\$ Mn	% of total advances to customers	HK\$ Mn	% of total advances to customers
Advances to customers overdue for				
- 6 months or less but over 3 months	713	0.1	455	0.1
- 1 year or less but over 6 months	1,843	0.4	1,009	0.2
- Over 1 year	3,161	0.7	2,725	0.6
	<u>5,717</u>	<u>1.2</u>	<u>4,189</u>	<u>0.9</u>
Rescheduled advances to customers	106	0.0	107	0.0
Total overdue and rescheduled advances	<u>5,823</u>	<u>1.2</u>	<u>4,296</u>	<u>0.9</u>
Covered portion of overdue advances	<u>4,363</u>	<u>0.9</u>	<u>2,907</u>	<u>0.6</u>
Uncovered portion of overdue advances	<u>1,354</u>	<u>0.3</u>	<u>1,282</u>	<u>0.3</u>
Current market value of collateral held against the covered portion of overdue advances	<u>7,477</u>		<u>5,678</u>	
Individual impairment allowance made on advances overdue for more than 3 months	<u>1,423</u>		<u>1,510</u>	

Loans and advances with a specific repayment date are classified as overdue when the principal or interest is overdue and remains unpaid at the period-end. Loans repayable by regular instalments are treated as overdue when an instalment payment is overdue and remains unpaid at period-end. Loans repayable on demand are classified as overdue either when a demand for repayment has been served on the borrower but repayment has not been made in accordance with the demand notice, and/or when the loans have remained continuously outside the approved limit advised to the borrower for more than the overdue period in question.

An asset considered as an eligible collateral should generally satisfy the following:

- The market value of the asset is readily determinable or can be reasonably established and verified;
- The asset is marketable and there exists a readily available secondary market for disposing of the asset;
- The Bank's right to repossess the asset is legally enforceable and without impediment; and
- The Bank is able to secure control over the asset if necessary.

The two main types of "Eligible Collateral" are as follows:

- "Eligible Financial Collateral" mainly comprises cash deposits and shares.
- "Eligible Physical Collateral" mainly comprises land and buildings, vehicles and equipment.

When the Bank's clients face financial difficulties and fail to settle their loans, depending on different situations, the Bank usually takes the following actions to recover the debt:

- Debt rescheduling / restructuring
- Enforcement of security
- Legal action
- Recovery via debt collector

(b) Advances to banks

	30/6/2017 HK\$ Mn	31/12/2016 HK\$ Mn
Advances to banks overdue for		
- 6 months or less but over 3 months	-	-
- 1 year or less but over 6 months	-	-
- Over 1 year	-	-
	-	-
Rescheduled advances to banks	-	-
Total overdue and rescheduled advances	-	-

(c) Other overdue and rescheduled assets

	30/6/2017		
	Accrued interest HK\$ Mn	Debt securities HK\$ Mn	Other assets* HK\$ Mn
Other assets overdue for			
- 6 months or less but over 3 months	-	-	-
- 1 year or less but over 6 months	-	-	-
- Over 1 year	-	-	1
	-	-	1
Rescheduled assets	-	-	-
Total other overdue and rescheduled assets	-	-	1

	31/12/2016		
	Accrued interest HK\$ Mn	Debt securities HK\$ Mn	Other assets* HK\$ Mn
Other assets overdue for			
- 6 months or less but over 3 months	-	-	-
- 1 year or less but over 6 months	-	-	-
- Over 1 year	-	-	1
	-	-	1
Rescheduled assets	-	-	-
Total other overdue and rescheduled assets	-	-	1

* Other assets refer to trade bills and receivables.

(d) Repossessed assets

	30/6/2017 HK\$ Mn	31/12/2016 HK\$ Mn
Reposessed land and buildings*	599	333
Reposessed vehicles and equipment	-	-
Reposessed machines	-	-
Total reposessed assets	599	333

The amount represents the estimated market value of the reposessed assets as at 30th June, 2017 and 31st December, 2016.

* The balance included HK\$51 million (31/12/2016: HK\$19 million) relating to properties that were contracted for sale but not yet completed.

F. Currency Concentrations

The net non-structural position or net structural position in a particular foreign currency is disclosed when the position in that currency constitutes 10% or more of the total net position or total net structural position in all foreign currencies respectively. The net option position is calculated in the basis of the delta-weighted position of all foreign currency option contracts.

	30/6/2017				
	USD	RMB	SGD	Other foreign currencies	Total
	HK\$ Mn	HK\$ Mn	HK\$ Mn	HK\$ Mn	HK\$ Mn
Spot assets	207,435	275,570	23,167	58,801	564,973
Spot liabilities	(181,841)	(262,872)	(26,301)	(49,400)	(520,414)
Forward purchases	282,910	243,597	4,588	14,558	545,653
Forward sales	(304,625)	(267,923)	(1,818)	(23,625)	(597,991)
Net options position	(10,325)	10,549	-	(53)	171
Net long/(short) non-structural position	(6,446)	(1,079)	(364)	281	(7,608)

	31/12/2016				
	USD	RMB	SGD	Other foreign currencies	Total
	HK\$ Mn	HK\$ Mn	HK\$ Mn	HK\$ Mn	HK\$ Mn
Spot assets	186,600	273,715	20,885	58,258	539,458
Spot liabilities	(172,440)	(253,575)	(24,727)	(48,147)	(498,889)
Forward purchases	184,475	130,912	4,880	9,091	329,358
Forward sales	(191,621)	(161,274)	(1,628)	(19,070)	(373,593)
Net options position	(9,366)	9,233	-	(24)	(157)
Net long/(short) non-structural position	(2,352)	(989)	(590)	108	(3,823)

	30/6/2017				
	USD	RMB	MYR	Other foreign currencies	Total
	HK\$ Mn	HK\$ Mn	HK\$ Mn	HK\$ Mn	HK\$ Mn
Net structural position	2,142	13,213	2,138	942	18,435

	31/12/2016				
	USD	RMB	MYR	Other foreign currencies	Total
	HK\$ Mn	HK\$ Mn	HK\$ Mn	HK\$ Mn	HK\$ Mn
Net structural position	2,173	12,834	2,033	903	17,943

The above figures are disclosed in accordance with the return relating to foreign currency positions the Bank submitted to the HKMA pursuant to section 63 of the Banking Ordinance in respect of the interim reporting period, which are computed on the consolidated basis as required by the HKMA for its regulatory purposes.

G. Leverage Ratio

	<u>30/6/2017</u>	<u>31/12/2016</u>
	%	%
Leverage ratio	9.8	8.8

The disclosure on leverage ratio was effective 31st March, 2015 and is computed on the same consolidated basis as specified in a notice from the HKMA in accordance with section 3C of the Capital Rules. The relevant disclosures pursuant to section 24A of the Banking (Disclosure) Rules for this period can be found on the Bank's website accessible through the "Regulatory Disclosures" link on the home page of the Bank's website at www.hkbea.com or at the following direct link: www.hkbea.com/regulatory_disclosures.

H. Countercyclical Capital Buffer Ratio

	<u>30/6/2017</u>	<u>31/12/2016</u>
	%	%
Countercyclical capital buffer ratio	0.476	0.243

The relevant disclosures pursuant to section 24B of the Banking (Disclosure) Rules for this period can be found on the Bank's website accessible through the "Regulatory Disclosures" link on the home page of the Bank's website at www.hkbea.com or at the following direct link: www.hkbea.com/regulatory_disclosures.

I. Capital Conservation Buffer Ratio

Under section 3M of the Capital Rules, the capital conservation buffer ratio for calculating the Bank's buffer level is 1.25% for 30/6/2017 and 0.625% for 31/12/2016.

J. Higher Loss Absorbency Ratio

The HKMA has designated the Bank as a domestic systematically important authorised institution ("D-SIB"). Under section 3V of the Capital Rules, the higher loss absorbency ratio applicable to the Bank is 0.5% for 30/6/2017 and 0.25% for 31/12/2016.

K. Pillar 3 Regulatory Disclosures

The Pillar 3 regulatory disclosures for this period which are prepared in accordance with the Banking (Disclosure) Rules and disclosure templates issued by the HKMA can be found on the Bank's website accessible through the "Regulatory Disclosures" link on the home page of the Bank's website at www.hkbea.com or at the following direct link: www.hkbea.com/regulatory_disclosures.

INTERIM DIVIDEND

The Board are pleased to declare an interim dividend of HK\$0.68 per share (the “2017 Interim Dividend”) (2016 Interim Dividend: HK\$0.28 per share) for the six months ended 30th June, 2017. The 2017 Interim Dividend will be paid in cash with an option to receive new, fully paid shares in lieu of cash (the “Scrip Dividend Scheme”), to shareholders whose names appear on the Register of Members of the Bank at the close of business on Thursday, 14th September, 2017. The ex-dividend date for the 2017 Interim Dividend will be on Monday, 11th September, 2017. Details of the Scrip Dividend Scheme and the election form will be sent to shareholders on or about Thursday, 14th September, 2017. The Scrip Dividend Scheme is conditional upon the Listing Committee of the Stock Exchange granting the listing of and permission to deal in the new shares to be issued under the Scrip Dividend Scheme. The dividend warrants and the share certificates for the scrip dividend will be sent to shareholders by ordinary mail on or about Tuesday, 10th October, 2017.

CLOSURE OF REGISTER OF MEMBERS

The Register of Members of the Bank will be closed on Wednesday, 13th September, 2017 and Thursday, 14th September, 2017. In order to qualify for the 2017 Interim Dividend, all transfer documents should be lodged for registration with Tricor Standard Limited, Level 22, Hopewell Centre, 183 Queen’s Road East, Hong Kong, by 4:00 p.m. on Tuesday, 12th September, 2017.

FINANCIAL REVIEW

Financial Performance

For the first six months of 2017, the Group earned a profit attributable to owners of the parent of HK\$6,220 million, representing an increase of HK\$4,125 million or 196.9%, compared with the HK\$2,095 million earned in the same period in 2016.

The result includes a net profit of some HK\$3 billion in respect of the disposal of Tricor Holdings Limited and its subsidiaries to Trivium Investment Limited, a wholly-owned subsidiary of global investment firm, Permira, for a total consideration of HK\$6.47 billion, which the Bank has recorded under profits attributable to owners of the parent from discontinued operations.

Excluding net profit from discontinued operations, profit attributable to owners of the parent from continuing operations amounted to HK\$3,171 million, representing an increase of HK\$1,190 million, or 60.0%, compared to the first half of 2016.

Basic earnings per share from continuing operations rose from HK\$0.65 in the first half of 2016 to HK\$1.08 in the corresponding period in 2017. Incorporating discontinued operations, basic earnings per share rose from HK\$0.69 in 2016 to HK\$2.20 in 2017.

Annualised return on average assets rose from 0.5% to 1.1%, while the annualised return on average equity rose from 4.8% to 10.8%.

During the first six months of 2017, the Group’s net interest income from continuing operations increased by HK\$256 million, or 4.7%, to HK\$5,739 million. Net interest margin increased from 1.59% to 1.64%, and average interest bearing assets increased by 1.9%.

Net fee and commission income from continuing operations grew by HK\$29 million, or 2.3%, to HK\$1,282 million. Commission income from insurance, retail banking, and trust and fiduciary businesses grew, whereas income from trade finance and loans and guarantees declined.

Net trading and hedging results from continuing operations increased by HK\$219 million to HK\$181 million. Overall, non-interest income from continuing operations grew by 14.7% to HK\$1,890 million. Operating income from continuing operations increased by 7.0% to HK\$7,629 million.

Total operating expenses from continuing operations fell by 7.9% to HK\$3,903 million. The cost-to-income ratio improved from 59.4% in the first half of 2016 to 51.2% in the first half of 2017.

Operating profit before impairment losses from continuing operations stood at HK\$3,726 million, an increase of HK\$835 million, or 28.9%, when compared with the corresponding period in 2016.

Impairment losses on loans and receivables from continuing operations fell by 38.5% to HK\$763 million. The Group's impaired loan ratio remained steady at 1.49% at the end of June 2017, the same as that at the end of December 2016. The impaired loan ratio for Hong Kong operations fell from 1.03% to 1.00%, while that for Mainland China operations fell from 2.87% to 2.79%.

Operating profit after impairment losses from continuing operations amounted to HK\$2,903 million, an increase of HK\$1,253 million, or 75.9%.

Net profit on the sale of available-for-sale financial assets from continuing operations increased by 437.3% to HK\$215 million.

Net profit on the disposal of assets held for sale from continuing operations included a net gain of HK\$192 million for the sale of a property in Hong Kong.

Valuation gains on investment properties from continuing operations increased to HK\$229 million.

The Group shared after-tax profits from associates of HK\$224 million from continuing operations, an increase of HK\$32 million, or 16.6% compared to the same period in 2016.

After accounting for income taxes, profit after taxation from continuing operations rose to HK\$3,188 million, an increase of 60.3% compared to the HK\$1,989 million recorded in the first half of 2016.

Financial Position

Total consolidated assets of the Group stood at HK\$788,456 million at the end of June 2017, an increase of 3.0% compared to HK\$765,706 million at the end of 2016.

Gross advances to customers rose by 2.7% to HK\$466,574 million, while trade bills negotiated grew by 18.9% to HK\$14,196 million.

Total equity attributable to owners of the parent increased to HK\$86,302 million, up 10.0%, mainly due to the net profit of HK\$6,220 million earned during the first six months of 2017. Additional equity instruments increased to HK\$8,894 million, up 77.3%, due to an issue of US\$500 million in Additional Tier One Capital Instruments in May 2017.

Total deposits from customers grew by 2.5% to HK\$549,009 million. Of the total, demand deposits and current account balances increased by HK\$3,713 million, or 5.0%; savings deposits increased by HK\$3,961 million, or 3.1%; and time deposits increased by HK\$5,546 million, or 1.7%. Total deposit funds, comprising deposits from customers and all certificates of deposit issued, rose by 3.7% to HK\$585,665 million.

The loan-to-deposit ratio stood at 79.7% at the end of June 2017, compared to 80.4% at the end of 2016.

As at 30th June, 2017, the total capital ratio, tier 1 ratio, and common equity tier 1 ratio were 17.5%, 14.2%, and 12.3%, respectively. The average liquidity coverage ratio for the quarter ended 30th June, 2017 was 129.5%, which was well above the statutory limit of 80% for the year 2017.

ECONOMIC OVERVIEW

The global economy improved in the first half of 2017. The US economy maintained its steady advance, while economic conditions in both China and Europe stabilised.

With stronger external demand, Hong Kong's exports rose by 8.8% in the first six months of 2017. Against this positive backdrop, Hong Kong's economy expanded by 4.0% in the first half of the year. The unemployment rate fell to 3.1% in June 2017.

Residential property prices jumped by 9.3% in the first half of the year, as both end-user and investment demand remained strong amid the ultra-low interest rate environment. With equity prices also rising, a positive wealth effect was evident and private consumption grew by 4.6% in the first half.

Tourist arrivals recovered, helping the decline in retail sales to narrow to 0.6% in the first half of 2017, from the 8.1% year-on-year fall at the end of 2016.

Stronger external demand will support the Hong Kong economy for the remainder of the year. Nevertheless, there are concerns that any quickening in the pace of US interest rate hikes will impact the local property market. GDP growth is forecast to average 3.5% for 2017 as a whole, with inflation at 2.0%.

On the Mainland, stronger external demand fuelled the manufacturing sector, with export growth accelerating to 8.5% in the first six months of 2017. This led to improvement in the employment market, providing support to domestic consumption. As a result, the economy grew by 6.9% in the first half of 2017.

Looking ahead, the Mainland government is expected to take advantage of the stable economic conditions to push forward economic reform, including more restrictive policies for the property sector. Already, there are signs that property prices are cooling in first-tier cities. Tighter policies for the property market are in line with the government's effort to deleverage the economy. Investment growth is expected to slow in the coming months, limiting growth of the Mainland economy to about 6.8% for 2017. Inflation should remain moderate at 1.8%.

OPERATIONS REVIEW

Business – Hong Kong

In the six months to 30th June, 2017, the aggregate value of all BEA Hong Kong customer loans and trade bills rose by 1.5%. Customer loans grew by 1.2%, total deposits by 3.3%, and debt investments by 4.2%.

Retail Banking

BEA's retail banking operations performed well in the first half of 2017, benefitting from the progress made on converting to digital services and improving operational efficiency. Operating income rose by 17.4% year-on-year, driven by double-digit increases in both net interest income and net fee and commission income.

Strong uptake of all-in-one accounts from both individual and corporate customers contributed to an improvement in the Bank's current and savings account ratio compared to the end of 2016. This helped to mitigate increases in funding costs.

Sales of investment products improved significantly, as retail investors returned to the markets. Insurance sales also grew, despite a high base comparison from the previous year.

The branch digitalisation project will be completed by the end of 2017 and good progress has been made in migrating customers to digital channels. The BEA mobile app is being enhanced continually to improve functionality and increase the user base. Customers can now enjoy instant access via touch-ID login. A convenient mobile stock-trading function will be launched in the third quarter of the year, and this is expected to further drive adoption of the app and enhance fee income.

Corporate & Commercial Banking

Corporate Banking faced sustained pressure during the period under review. Both net interest income and net fee and commission income fell, weighing on operating income. The drop was partially offset by lower losses arising from customer defaults on RMB derivative positions as the currency stabilised.

Chinese conglomerates continue to seek funding for overseas expansion and acquisitions. The Bank has been very conservative in its approach to loan growth, aiming to maintain asset quality rather than increase market share. As a result, the corporate loan book increased by just 0.7% compared to the end of 2016.

Margins were squeezed due to higher funding costs and market competition. However, following the Hong Kong Monetary Authority's decision to raise the risk-weight floor for new residential mortgages to 25%, Hong Kong banks have raised mortgage prices in order to offset higher capital costs. This should, in turn, ease downward pressure on pricing in the broader loan market.

Meanwhile, fee income has been impacted in part by a reduction in RMB treasury-related services. As demand for these products is unlikely to return, the Bank is exploring new avenues for fee revenue. These include strengthening banking services for local SMEs to grow current and savings account balances and transactional fee income, developing insurance products targeted at corporate clients, and leveraging the Bank's cross-border platform.

Wealth Management

Private Banking benefitted from a significant improvement in market sentiment during the first half of 2017. Net fee and commission income recorded double-digit growth; net interest income also increased. Overall, operating income was 13.9% higher year-on-year. Both loans and assets under management rose compared to the end of 2016.

Private Banking has been hiring new staff with good client connections as part of a concerted effort to expand its Mainland client base. The Bank will continue to invest in new talent to grow the Private Banking business in line with opportunities.

The Bank is also utilising its extensive local branch network to expand the reach of its wealth management service platform. In collaboration with leading asset management firms, BEA has launched advanced products not normally available to the retail segment, broadening the investment horizons of affluent customers. A growing number of retail clients are receptive to online wealth management tools, and the Bank's digital strategy will play an increasingly important role in meeting their needs going forward. As this business develops, fee income is expected to rise steadily.

Insurance & MPF Services

BEA Life Limited, the Bank's wholly-owned life insurance arm, achieved growth of 13.2% in new premium income during the period under review. Demand for short-term savings products with guaranteed returns remained solid, supported by the low interest rate environment. BEA Life will continue to provide a good mix of products that meet client needs for protection, short-term savings and long-term financial goals.

The general insurance market continued to be highly competitive in the first half of 2017, as market players cut rates to sustain top-line growth. Facing a tough sales environment, particularly for group medical insurance, Blue Cross (Asia-Pacific) Insurance Limited, BEA's wholly-owned general insurance arm, has focussed on profitability. As a result, satisfactory growth was achieved in underwriting profit for general insurance, despite a decline in gross premium income. Individual medical and travel insurance were the major contributors to the rise in underwriting profit.

Total membership in BEA's Mandatory Provident Fund schemes grew to 710,670 in the first half of 2017, while AUM increased by 11.9% to HK\$23.2 billion. The MPF Default Investment Strategy came into effect on 1st April, 2017 and DIS funds were introduced in each of the three MPF schemes accordingly. The Bank has allocated resources to investor education, employer/employee communication and regulatory compliance to ensure a smooth launch.

Business – China

Mainland China's macro-economy showed signs of improvement during the period under review. The domestic economy expanded by 6.9% year-on-year in the first half of 2017, after growing by 6.7% in 2016. The rebound was supported by better export, import, industrial output, retail sales and fixed-asset investment figures. The RMB also strengthened against the US dollar.

Thanks to the improving economy and effective management action, BEA's China banking operations returned to profit in the first half of 2017.

Net profit for China banking operations reached HK\$336 million for the first half of 2017, reversing the net loss of HK\$462 million for the full year in 2016. Reduced provisions for impairment losses on loans contributed to the improvement.

Total loans to corporates and individuals rose by 4.6% from the figure at the end of 2016 to HK\$148,459 million. Customer deposits rose a similar 4.6% to HK\$189,621 million.

The modest increases were in line with BEA China's prudent approach to expanding its loan book. The turnaround was assisted by ongoing efforts to control operating, funding, and credit costs, and proactive action to optimise the asset and liability structure.

Thanks to these efforts, net interest margin for China banking operations improved by 5 basis points to 1.76% in the first half of 2017. In the second half of 2016, it was 1.71%.

Underlying operating expenses for China banking operations for the first half of 2017 stood at HK\$1,384 million, while the cost-to-income ratio stood at 57.6%.

BEA China intensified its network repositioning programme in the first half of the year, with a further eight sub-branches merging with other outlets. As at the end of June 2017, BEA China operated 30 branches and 81 sub-branches in 44 cities across the country – still one of the most extensive networks of any foreign bank on the Mainland.

The impaired loan gross formation rate stabilised and special mention loans declined during the first half of 2017. New impaired loans mainly came from the wholesale and retail trade and property investment sectors.

To optimise its asset structure and income sources, BEA China focussed its business development efforts on non-property loans, consumer loans, cross-border business, and sales of treasury and wealth management products. BEA China will enhance efforts to promote the abovementioned businesses in order to further diversify its asset and income portfolios. Additionally, BEA China will continue to focus on supporting the Mainland's real economy and identify opportunities arising from national strategies, including the Belt and Road Initiative.

Apart from traditional banking services, the BEA Group has extensive expertise and experience in supporting Mainland customers going abroad, including the provision of integrated financial service platforms and efficient one-stop cross-border financial solutions. Going forward, BEA China will rely on this specialist knowledge and expertise to improve the composition of its loan book further, as well as boost fee income.

Retail banking has traditionally provided BEA China with higher yields. Riding on strong demand for consumer finance on the Mainland, BEA China will continue developing business in this area, including credit card instalment loans and secured personal loans. In addition, BEA China is equipping itself to expand its consumer finance business significantly through tactical partnerships with market leaders in the vibrant internet sector.

BEA China will further streamline its branch network in the second half of 2017. It will also further enhance productivity, proactively monitor asset quality and boost the recovery, mitigation and disposal of existing impaired assets.

Thanks to the measures adopted over the past two years, BEA China is now better placed to meet the challenges of the future. On the 10th Anniversary of its incorporation in Mainland China, BEA China is confident of achieving new heights and serving as Mainland China's most local foreign bank in the years ahead.

Business – Macau and Taiwan

Macau's gaming industry rebounded in the first half of 2017 after contracting for three years, which helped drive renewed economic growth in the city. Capitalising on this, BEA's Macau operation focussed on expanding its customer base, particularly among professionals and high net worth clients. The Branch achieved a 47.3% increase in the number of SupremeGold customers, and 17.5% increase in retail deposits in the first half of the year, compared to the end of 2016.

In the second half of 2017, Macau Branch will expand its retail banking product range and step up marketing efforts for insurance and investment products to further develop its fee and commission income.

Turning to Taiwan, although GDP grew by 2.6% in the first quarter of 2017, uncertainties remain in the market. Lending margins were under pressure due to intense competition and a rise in funding costs. Given the challenging operating environment, BEA's Taiwan Branch will prioritise margins over loan growth for the remainder of the year.

Business – International

The Bank's US operations registered solid gains in the first half of 2017, with operating profit rising by 19.7% and net profit by 21.7%, compared with the year-earlier period. Asset quality remained healthy, with the impaired loan ratio standing at 0.14% at the end of June 2017.

Business and real estate investment are expected to remain stable in the second half of 2017. The outlook for the period may be affected by the future course of policies under the Trump Administration, including those on infrastructure investment, corporate tax reform and deregulation.

Riding on market opportunities, BEA's New York and Los Angeles branches will continue to diversify and expand their loan portfolios, targeting financially strong corporate borrowers and high quality real estate projects.

In the United Kingdom, the Bank's operations posted a 28.2% rise in operating profit and 39.4% rise in net profit in the first half of the year. On the back of the depreciation of the pound sterling following the UK's decision to leave the European Union, and the Bank of England's interest rate cut, overseas investors showed renewed interest in acquiring quality assets in the UK, particularly prime London properties. However, the results of the UK General Election in June have clouded the outlook for the remainder of the year. With the Conservative Party losing its majority in Parliament, Brexit negotiations are expected to be even more difficult.

In line with demand, BEA's UK branches will continue to expand their residential mortgage and construction loan portfolio. In addition, London Branch will seek to diversify its loan portfolio to non-property sectors and maintain close ties with Mainland, Asian and international banks to explore lending opportunities to different industries.

In Singapore, while uncertainties remain, the economy is forecast to grow by 1% to 3% in 2017. Singapore Branch has stepped up efforts to improve the credit quality of its loan assets by exiting riskier sectors. Meanwhile, the Branch will strengthen its presence in the middle-market segment and provide effective cross-border financial solutions to facilitate China's trade flows and investments in Southeast Asia, thus capturing new business.

The Bank's Labuan Branch continues to finance local Malaysian corporates and expand in sectors showing strong economic growth.

Additionally, with growing opportunities resulting from outbound investments by businesses in Mainland China, Hong Kong, and other markets, BEA's overseas network will continue to work closely with BEA's Head Office, BEA China as well as the Bank's strategic partners to enhance customer referrals.

Other Subsidiaries

Credit Gain Finance Company Limited

In the first half of 2017, Credit Gain reported a contraction in loan portfolio growth, due to increasing controls and restrictions on its products and underwriting criteria. These compelled the Company to further tighten its credit risk exposure. Looking ahead, Credit Gain will continue to rationalise its branch network and diversify its marketing channels to enhance competitiveness. As of 30th June, Credit Gain operated a total of 16 service outlets in Hong Kong, Shenzhen, and Chongqing.

BEA Union Investment Management Limited

BEA Union Investment recorded an 18.7% increase in AUM in the first half of 2017. This growth was mainly due to the Company's success in penetrating both the retail and institutional client segments in Europe and Asia.

In response to the growing demand from retail investors for funds with income features, the Asian Strategic Bond Fund was introduced at the beginning of the year.

BEA Union Investment is strengthening its China investment services by participating in the Stock and Bond Connects, broadening distribution through the Mutual Recognition of Funds scheme, and expanding its business scope via the Wholly Foreign Owned Enterprise scheme. The Company will also extend its distribution into Switzerland via the Mutual Recognition of Funds scheme between Hong Kong and Switzerland.

Our People

As of 30th June, 2017, the BEA Group employed 9,970 people:

Continuing Operations	As of 30 th June, 2017	As of 30 th June, 2016 Restated
Hong Kong	4,293	4,740
Mainland China	5,121	5,559
Overseas (including Macau and Taiwan)*	556	575
Total	9,970	10,874

** With effect from 2017, Macau and Taiwan operations are grouped under Overseas operations and the 2016 figures have been restated for comparison purposes.*

During the first six months of 2017, BEA continued to recruit talented personnel to support its business development objectives, and to strengthen its leadership pipeline.

Staff development remains a major focus of BEA's personnel strategy. A broad range of training and development programmes is provided to groom young recruits, develop leadership talent, and strengthen the capability of the Bank's staff. Managers are encouraged to take advantage of job rotation opportunities to gain broader exposure. In addition, the Bank has recently introduced a new sponsorship programme to support staff members in their pursuit of certification under the Enhanced Competency Framework on Cyber Security and Anti-money Laundering and Counter-Terrorist Financing issued by the HKMA.

Future Prospects

The business environment improved in the first half of 2017. With the improving outlook for advanced economies and more optimistic growth prospects for the Mainland, BEA will proactively explore and capture emerging business opportunities, such as the Belt and Road initiative.

However, the Bank recognises that downside risks could bring fresh challenges in the second half of the year. Major risks include the pace of US interest rate normalisation, Brexit-related negotiations, a possible rise in protectionist sentiment as well as heightened geopolitical tensions in various regions.

For the second half of 2017, BEA will continue to focus on the three strategic initiatives set out at the beginning of the year, namely: (1) managing asset quality and credit risk; (2) controlling operating costs; and (3) investing in digitalisation.

Firstly, BEA will continue to give priority to managing asset quality and risk by maintaining tight credit guidelines, systematically reviewing loans for early warning signals, and following up on impaired loan recovery. As a result, no significant deterioration in the non-performing-loan ratio is expected in 2017. The Bank anticipates a notable improvement in credit costs compared to the second half of 2016.

Secondly, BEA will carry through its 3-year cost-saving plan to achieve gross savings of HK\$700 million by the end of 2018. At the end of the first half of 2017, the Bank had achieved approximately two-thirds of its 3-year target. In Hong Kong, future savings will come from the rationalisation and digitalisation of the branch network.

Thirdly, BEA will further extend its digital initiatives in order to improve the customer experience and enhance efficiency. The Bank aims to complete the digitalisation of its branch network in Hong Kong by the end of 2017. BEA will continue to promote online channels as a convenient and effective way for customers to purchase investment and insurance products. In addition, further improvements will be made to the Bank's online services for corporate and private banking clients.

BEA will also aim to generate more non-interest income from businesses such as wealth management and sales of investment products. As the RMB has stabilised and credit expansion has slowed on the Mainland due to tightened liquidity, Chinese clients have returned to the Hong Kong market for funding. Leveraging BEA China's branch network, BEA will engage with strong Mainland corporates seeking loans to fund their business expansion and overseas acquisitions. BEA will also further develop its relations with high net-worth Mainland individuals looking for cross-border wealth management services.

BEA's Mainland operation is likely to experience pressure on net interest margins in the second half of 2017, due to tight liquidity in the market. BEA China will maintain a defensive posture, and continue to enhance asset quality, mitigate credit risk, rationalise the branch network and improve outlet productivity.

As announced previously, BEA China is aligning its business expansion strategies with initiatives that enjoy strong government support, such as the Belt and Road initiative. BEA China aims to serve Chinese companies seeking funding with financing through multiple channels. In addition, BEA China will continue to explore opportunities in internet finance and accelerate the development of its mobile platform in order to capture mobile banking opportunities.

The Bank Group will further enhance business growth on the Mainland through the establishment of partnerships. BEA is one of two banks in Hong Kong to have obtained regulatory approval to establish a Sino-foreign joint venture stockbroking company in China with a full service license under the Supplement X of the Mainland and Hong Kong Closer Economic Partnership Arrangement, also known as "CEPA 10". With a 49% stake, BEA will be the single largest shareholder in East Asia Qianhai Securities Company Limited, which will enable the Bank to further enrich its service offering on the Mainland. Services will initially encompass securities brokerage, underwriting, asset management and proprietary trading, upon obtaining all relevant regulatory approvals.

For overseas markets, the Bank will continue to expand collaboration efforts with Head Office, BEA China and strategic partners in order to further develop cross-border financing business, particularly for overseas companies with businesses and investments in Mainland China.

RISK MANAGEMENT

The Group has established an effective risk governance and management framework in line with the requirements set out by the HKMA and other regulators. This framework is built around a structure that enables the Board and Management to discharge their risk management-related responsibilities with appropriate delegation, and checks and balances. These responsibilities include defining risk appetite in accordance with the Group's business strategies and objectives, formulating risk policies that govern the execution of those strategies, and establishing procedures and limits for the approval, control, monitoring, and remedy of risks.

The Risk Committee stands at the highest level of the Group's risk governance structure under the Board. It consists of six independent non-executive directors (including the Chairman of the Committee) and two non-executive directors. The Risk Committee provides direct oversight over the formulation of the Group's institutional risk appetite, and sets the levels of risk that the Group is willing to undertake with reference to its financial capacity, strategic direction, prevailing market conditions, and regulatory requirements.

The Risk Committee also ensures that the Group's risk appetite is reflected in the policies and procedures that Management adopts to execute its business functions. Through the Group's management committees at the executive level, including Crisis Management Committee, Risk Management Committee, Credit Committee, Asset and Liability Management Committee, and Operational Risk Management Committee – and with overall coordination by the Risk Management Division – the Risk Committee regularly reviews the Group's risk management framework and ensures that all important risk-related tasks are performed according to established policies with appropriate resources.

The Group has implemented an Enterprise Risk Management framework. The ERM framework is promulgated with the objectives of identifying and managing potential risks in a holistic and effective manner; fulfilling the HKMA's higher expectation for risk management of the Group as a Domestic Systemically Important Bank; and reinforcing the "Three Lines of Defence" risk management model.

The Group has adopted a "Three Lines of Defence" risk management structure to ensure that roles and responsibilities in regard to risk management within the Group are clearly defined. The "Three Lines of Defence" model is summarised as follows:

- The first line of defence comprises the Risk Owners, who are division heads at Head Office and heads of significant subsidiaries, together with staff under their management. They are primarily responsible for the day-to-day risk management of their units, including establishing and executing specific risk control mechanisms and detailed procedures.
- The second line of defence consists of the Risk Controllers, who are designated division/department heads at Head Office. Supported by their respective divisions and departments, the Risk Controllers are responsible for setting out a risk management governance framework, monitoring risks independently, and supporting the management committees in their oversight of risk management.
- The third line of defence is the Internal Audit Division, which is responsible for providing assurance on the effectiveness of the Group's risk management framework including risk governance arrangements.

The Group Chief Risk Officer coordinates all risk management-related matters of the Group, works closely with the Risk Controllers on the formulation of risk management policies, and exercises risk oversight at the Group level through a functional working relationship with all Risk Controllers and Risk Owners.

The Group has formulated policies to identify, measure, monitor, control, and report on the various types of risk and, where appropriate, to allocate adequate capital to cover those risks. The Group's major risk management policies and control limits are approved by the Board and are monitored and regularly reviewed to align with market changes, statutory requirements, and best practices in risk management processes. The Board has delegated the responsibility for on-going risk management to the Risk Committee and the management committees. Significant risk management-related issues must be reported to the Board, which oversees risk management. Moreover, on a daily basis, the Group Chief Risk Officer is responsible for overseeing the Bank Group's risk management issues which include, but are not limited to, the risk management infrastructure, strategies, appetites, culture, and resources.

Stress testing is an integral part of the Group's risk management. BEA regularly performs stress-tests on the principal risks, where appropriate, to assess the potential impact of stressed business conditions (including hypothetical situations such as a significant economic downturn in Mainland China and Hong Kong) on the Group's financial positions, in particular, capital adequacy, profitability, and liquidity. Whenever necessary, a prompt management response will be developed and executed to mitigate potential impacts.

(a) Credit risk management

Credit risk is the risk of loss arising from a borrower or counterparty failing to meet its obligations.

The Credit Committee is responsible for managing all credit risk-related issues of the Group, while the Credit Risk Management Department under the Risk Management Division of the Group is responsible for monitoring activities relating to credit risk. The Group identifies and manages credit risk by defining the target market segment, formulating appropriate credit policies, and carrying out credit assessment and monitoring of asset quality. Credit risk control limits are set for different levels. Risk, return, and market situation are considered when setting all limits. Active limit monitoring is undertaken.

In evaluating the credit risk associated with an individual customer or counterparty, financial strength and repayment ability are always the primary considerations. Credit risk may be mitigated by obtaining collateral from the customer or counterparty.

The Group has established policies, procedures, and rating systems to identify, measure, monitor, control, and report on credit risk. In this connection, guidelines for management of credit risk have been laid down in the Group's Credit Risk Management Manual. These guidelines stipulate delegated lending authorities, credit underwriting criteria, credit monitoring processes, an internal rating structure, credit recovery procedures and a provisioning policy. They are reviewed and enhanced on an ongoing basis to cater for market changes, statutory requirements, and best practices in risk management processes.

(b) Market risk management

Market risk is the risk arising from adverse movements in market factors such as interest rates, foreign exchange, equity prices, and commodities prices, which result in profits or losses for the Group. The aim in managing market risk is to reduce the Group's exposure to the volatility inherent in financial instruments.

The Asset and Liability Management Committee deals with all market risk-related issues of the Group. It is also responsible for conducting a regular review of interest rate trends and deciding the corresponding future business strategy. The Asset & Liability Management Department under the Risk Management Division of the Group is responsible for monitoring activities relating to market risk.

The use of derivatives for proprietary trading and the sale of derivatives to customers as risk management products are integral parts of the Group's business activities. These instruments are also used to manage the Group's own exposures to market risk, as part of its asset and liability management process. The principal derivatives instruments used by the Group are interest rate, foreign exchange, and equity-related contracts, in the form of both over-the-counter derivatives and exchange traded derivatives. Most of the Group's derivatives positions have been entered into to meet customer demand and to manage the risk of these and other trading positions.

In this connection, the key types of market risk that must be managed are:

(i) Currency risk

The Group's foreign currency positions arise from foreign exchange dealing (including derivatives), commercial banking operations, and structural foreign currency exposures. The Group's non-structural foreign currency exposures are mainly denominated in USD, RMB, and SGD. All foreign currency positions are managed within limits approved by the Board or the Asset and Liability Management Committee.

Structural foreign currency positions, which arise mainly from foreign currency investments in the Group's branches, subsidiaries, and associated companies, are excluded from "value-at-risk" measurements, as related gains or losses are taken to reserves. Such foreign currency positions are managed with the principal objective of ensuring that the Group's reserves are protected from exchange rate fluctuations. The Group seeks to match its foreign currency denominated assets closely with corresponding liabilities in the same currencies.

(ii) *Interest rate risk*

The Group's trading interest rate positions arise from treasury and dynamic hedging of commercial banking activities. Interest rate risk is managed daily by the Treasury Markets Division of the Group within the limits approved by the Board or the Asset and Liability Management Committee. The instruments used to manage interest rate risk include interest rate swaps and other derivatives.

(iii) *Equity risk*

The Group's equity positions arise from equity investment and dynamic hedging of customer-driven business. Equity risk is managed daily by the Investment Department within the limits approved by the Board, Investment Committee, or the Asset and Liability Management Committee.

Market risk control limits have been set at varying levels according to the practical requirements of different units. The Board approves the core control limits and has delegated the authority to set detailed control limits to the Asset and Liability Management Committee. Risk, return, and market conditions are considered when setting limits. Active limit monitoring is carried out.

In this connection, the Asset and Liability Management Committee monitors the related market risk arising from the risk-taking activities of the Group, to ensure that overall and individual market risks are within the Group's risk tolerance level. Risk exposures are monitored frequently to ensure that they are within established control limits.

The Group quantifies the market risk of the underlying trading portfolio by means of VaR. VaR is a statistical estimate that measures the potential losses in market value of a portfolio as a result of unfavourable movements in market rates and prices, if positions are held unchanged over a certain horizon time period.

The Group estimates VaR for the Group's trading portfolio by the historical simulation approach, where the VaR is calculated by revaluing the portfolio for each of the market movement scenarios obtained from the historical observation period. This methodology uses movements in market rates and prices over a one-day holding period with a 99% confidence level under a two-year observation period. This approach has been applied since 1st January, 2017. Prior to that, a parametric approach was adopted.

Structural foreign exchange positions arising from net investments in branches and subsidiaries are not included in the VaR for the foreign exchange trading position.

The book value of listed shares, as well as the book value of private equity funds and unlisted equities (collectively the "Unlisted Securities"), are subject to limits and these are monitored by the Management of the Group. The Unlisted Securities and listed non-trading equities are not included in the VaR for the equity trading position, and are managed through delegated limits. The limits are subject to regular review by the Asset and Liability Management Committee.

Value-at-risk statistics

	Year 2017 1st half			
	At 30th June	Maximum	Minimum	Mean
	HK\$ Mn	HK\$ Mn	HK\$ Mn	HK\$ Mn
VaR for total trading activities	43	49	38	42
VaR for foreign exchange trading positions*	9	17	9	14
VaR for interest rate trading positions	3	4	2	3
VaR for equity trading positions	35	37	25	29

	Year 2016 1st half			
	At 30th June	Maximum	Minimum	Mean
	HK\$ Mn	HK\$ Mn	HK\$ Mn	HK\$ Mn
VaR for total trading activities	36	45	31	38
VaR for foreign exchange trading positions*	12	14	8	11
VaR for interest rate trading positions	3	7	2	4
VaR for equity trading positions	25	34	23	27

**Including all foreign exchange positions but excluding structural foreign exchange positions.*

The average daily profit for all trading activities (including foreign exchange, interest rate, and equity trading activities) in the first six months of 2017 was HK\$2.76 million (average daily profit of HK\$0.59 million in the first six months of 2016). The standard deviation of the daily profit/loss for the period was HK\$4.43 million (standard deviation of HK\$8.60 million for the same period in 2016).

(c) Operational risk management

Operational risk is the risk of loss resulting from inadequate or failed internal processes, people and systems or from external events.

The objectives of operational risk management are to identify, assess, monitor, and report on operational risk systematically and effectively; to minimise the operational loss and other impact on the Group; and to comply with the relevant regulatory requirements.

The Operational Risk Management Committee is responsible for overseeing operational risk management of the Group while the Operational Risk Management Department under the Risk Management Division of the Group is responsible for monitoring activities relating to operational risk.

The operational risk management tools adopted include operational risk incident reporting, risk control self-assessment, key risk indicators, operation manuals, insurance policies, etc.

(d) Liquidity risk management

Liquidity risk is the risk that the Group may not be able to meet its obligations as they come due because of an inability to obtain adequate funding (funding liquidity risk); or that the Group cannot easily liquidate assets quickly without significantly lowering market prices because of inadequate market depth or market disruptions (market liquidity risk).

The purpose of liquidity risk management is to ensure sufficient cash flows to meet all financial commitments and to capitalise on opportunities for business expansion. This includes the Group's ability to meet deposit withdrawals either on demand or at contractual maturity, to repay borrowings as they mature, to comply with the statutory Liquidity Coverage Ratio, and to make new loans and investments as opportunities arise.

The Asset and Liability Management Committee is delegated by the Board to oversee the Group's liquidity risk management. The Asset and Liability Management Committee sets the strategy, policy, and limits for managing liquidity risk and the means for ensuring that such strategy and policy are implemented. Regular meetings are held to review the compliance status of the monitoring matrix established and the need for any change in strategy and policy. Liquidity is managed daily by the Capital Markets & Liquidity Management Department under the Treasury Markets Division of the Group within the set limits. The Asset & Liability Management Department under the Risk Management Division of the Group is responsible for monitoring the activities relating to liquidity risk. The Internal Audit Division performs periodic reviews to ensure that the liquidity risk management functions are carried out effectively.

The LCR, which came into effect on 1st January, 2015, imposes a more stringent regulatory regime for liquidity risk management on the Group. Banking (Liquidity) Rules require the Group to meet the minimum LCR by 2019. During the transitional period, the percentage will increase from 60% in 2015 to 100% in 2019, with 10% added to the regulatory requirement each year from 2016. To ensure compliance with the enhanced regulatory requirement, material changes in the LCR will be reported regularly to the Asset and Liability Management Committee together with proposed mitigation actions to cope with adverse changes arising from, but not limited to, composition of the deposit base and remaining tenor to maturity, short-term lending activities, and the Group's asset and liability mix strategy. An internal LCR target has been established to maintain the ratio within a suitable range. In planning the asset and liability mix strategy, the Group assesses the impact of asset growth and funding structure on the LCR with support from relevant business units for the Asset and Liability Management Committee's review and decision.

As part of Group efforts to manage the LCR effectively, emphasis is placed on strengthening the deposit base by retaining loyal customers and maintaining customer relationships. The Group balances funding among retail, small business, and wholesale funding to avoid concentration in any one source. Professional markets are accessed through the issuance of certificates of deposit, medium-term notes, subordinated debts, money market placement and borrowing for the purposes of providing additional funding, maintaining a presence in local money markets, and optimising asset and liability maturities.

Internally, intra-group funding transactions are carried out at arm's length and treated in a manner in line with other third party transactions, with regular monitoring and appropriate control.

In addition to observing the statutory LCR, the Group has established different liquidity metrics – including but not limited to the loan-to-deposit ratio, cumulative maturity mismatch ratio, funding concentration ratio, intra-group exposure threshold, and cross-currency funding ratio – to measure and analyse the Group's liquidity risk.

As a majority of the Group's liquidity risk arises from the maturity mismatch gap between the Group's asset and liability portfolios, the Group manages liquidity risk by conducting cash flow analysis and projections through the regular use of the Bank's management information system. These are carried out on a regular basis to identify funding needs arising from on and off-balance sheet items in a specific time frame over a set of time horizons. The Group maintains sufficient HQLA as a liquidity cushion that can be accessed in times of stress. The HQLA for fulfilling the LCR consist of cash, exchange fund bills and notes, high quality government debt securities, and other equivalent liquid marketable assets. The majority of HQLA are denominated in Hong Kong dollars. Contingent funding sources are maintained to provide strategic liquidity to meet unexpected and material cash outflows.

The Group also conducts stress-testing regularly to analyse liquidity risk. Both on and off-balance sheet items and their impact on cash flow are considered, together with applicable hypothetical and historical assumptions. The assessment and review of market liquidity risk are included in the various control processes, including investment/trading strategy, market risk monitoring, valuation, and portfolio review. Three stress scenarios – namely an institution-specific crisis, a general market crisis, and a crisis involving a combination of the two – are adopted with minimum survival period defined according to HKMA's Supervisory Policy Manual module LM-2 "Sound Systems and Controls for Liquidity Risk Management".

With reference to the stress-testing results, the Group identifies potential vulnerabilities within the Group and formulates a contingency funding policy that sets out the Group's strategy for dealing with any liquidity problem and the procedures for making up cash flow deficits in emergency situations.

The contingency funding policy is designed to be pro-active and pre-emptive, and stipulates the following three stages:

1. The Group utilises early warning indicators, including both qualitative and quantitative measures, and monitors both internal and external factors. Should there be any early signs of a significant impact on the Group's liquidity position, the Asset and Liability Management Committee is informed. The Asset and Liability Management Committee will consider appropriate remedial actions and will consider employing crisis management if the situation warrants.
2. A Crisis Management Committee, which is chaired by the Chairman & Chief Executive, is formed to handle the crisis. Strategy and procedures for obtaining contingency funding, as well as roles and responsibilities of the parties concerned, are clearly stated.
3. In the final stage, a post-crisis review is carried out to recommend necessary improvements to avoid incidents of a similar nature in the future.

An annual drill test is conducted and the contingency funding policy is subject to regular review in order to accommodate any changes in the business environment. Any significant changes to the contingency funding policy are approved by the Board.

Certificates of Deposit, Debt Securities Issued, and Loan Capital

In the first half of 2017, BEA issued floating rate certificates of deposit and debt securities with a face value of US\$75 million; fixed rate certificates of deposit and debt securities with a face value of HK\$3,020 million, US\$192 million, CNY104 million, GBP266 million and JPY5,000 million; and zero coupon certificates of deposit and debt securities with a face value of HK\$2,547 million, US\$2,287 million, CNY2,080 million, GBP50 million and EUR250 million, JPY2,000 million and CHF70 million. The Group redeemed a quantity of certificates of deposit and debt securities amounting to HK\$32,836 million equivalent upon maturity.

At the end of June 2017, the face value of the outstanding certificates of deposit and debt securities issued was equivalent to HK\$37,743 million, with a carrying amount equivalent to HK\$37,657 million.

Maturity Profile of Certificates of Deposit and Debt Securities Issued

As at 30th June, 2017

(All expressed in millions of dollars)

	Total Face Value	Year of Maturity			
		2017	2018	2019	2020
Floating Rate					
HKD	300	300			
USD	330	255	55		20
Fixed Rate (Note)					
HKD	5,750	4,217	1,233	300	
USD	294	219	75		
CNY	454	350	104		
SGD	50	50			
JPY	5,000		5,000		
GBP	142	142			
EUR	90	90			
Zero Coupon					
HKD	3,085	2,790	295		
USD	1,982	1,873	109		
CNY	2,955	2,955			
GBP	75	75			
JPY	2,000		2,000		
CHF	70		70		
Total Certificates of Deposit and Debt Securities issued in HKD equivalent					
	37,743	32,712	4,575	300	156

Note:

Associated interest rate swaps have been arranged in order to manage interest rate risk from long-term certificates of deposit and debt securities issued, if deemed necessary.

In the first half of 2017, the Group redeemed a quantity of loan capital amounting to HK\$3,891 million equivalent.

At the end of June 2017, the face value of the outstanding loan capital issued was equivalent to HK\$17,023 million, with a carrying amount equivalent to HK\$17,083 million.

Maturity Profile of Loan Capital
As at 30th June, 2017
(All expressed in millions of dollars)

	Total Face Value	Year of Maturity			
		2020	2022	2024	2026
USD (Notes 1 & 2)	1,600	600		500	500
SGD (Note 3)	800		800		
Total Loan Capital issued in HKD equivalent	17,023	4,682	4,535	3,903	3,903

Notes:

1. The USD500 million loan capital that matures in 2024 will be callable on 20th November, 2019.
2. The USD500 million loan capital that matures in 2026 will be callable on 3^d November, 2021.
3. Callable on 13th September, 2017.

(e) Interest rate risk management

Interest rate risk is the risk resulting from adverse movements in interest rates. The Asset and Liability Management Committee is delegated by the Board to oversee the Group's interest rate risk management, establish the strategy and policy for managing interest rate risk, and determine the means for ensuring that such strategies and policies are implemented. Interest rate risk is managed daily by the Treasury Markets Division of the Group within the limits approved by the Board or the Asset and Liability Management Committee. The Asset & Liability Management Department under the Risk Management Division of the Group is responsible for monitoring the activities relating to interest rate risk. The Internal Audit Division performs periodic reviews to ensure that the interest rate risk management functions are implemented effectively.

Interest rate risk primarily results from the timing differences in the re-pricing of interest-bearing assets, liabilities, and off-balance sheet items in the banking book. In determining the level of interest rate risk, assessments are made for the re-pricing risk, basis risk, options risk, and yield curve risk. The Group manages the interest rate risk on the banking book primarily by focusing on re-pricing mismatches. Gap analysis provides a static view of the maturity and re-pricing characteristics of the Group's assets, liabilities, and off-balance sheet positions. Re-pricing gap limits are set to control the Group's interest rate risk.

Sensitivity analysis in relation to the impact of changes in interest rates on earnings and economic value is assessed through a hypothetical interest rate shock of 200 basis points across the yield curve on the Group's assets, liabilities, and off-balance sheet positions and is performed on a monthly basis. Sensitivity limits are set to control the Group's interest rate risk exposure under both earnings and economic value perspectives. The results are reported to the Asset and Liability Management Committee on a regular basis.

(f) Strategic risk management

Strategic risk is the risk of current or potential impact on the Group's earnings, capital, reputation, or standing arising from changes in the environment the Group operates in, adverse strategic decisions, improper implementation of decisions, or lack of responsiveness to industry, economic, or technological changes.

The Risk Management Division of the Group monitors the activities under the Group's prevailing interest earning asset mix and funding strategies and regularly reports the status to the Asset and Liability Management Committee, Risk Management Committee, Risk Committee, and the Board, where appropriate.

Capital management through projection of the Capital Adequacy Ratio and Internal Capital Adequacy Assessment Process is also regularly conducted to assess the level of capital resources needed to support the risks that the Group tolerates.

(g) Legal risk management

Legal risk is the risk of loss arising from unenforceable contracts, lawsuits, or adverse judgment that may disrupt or otherwise negatively affect the operations or financial condition of the Group.

The objective of managing legal risk is to identify, assess, monitor, and report on legal risk, and to comply with the relevant legal and regulatory requirements.

The Group provides appropriate training courses conducted by qualified internal personnel and/or external lawyers/professionals, and issues regular reminders to staff members. When dealing with legal matters, the Group engages qualified internal personnel and, when necessary and appropriate, external lawyers with appropriate expertise including counsel and senior counsel for advice.

The Operational Risk Management Committee is responsible for overseeing the management of the Group's legal risk.

(h) Reputation risk management

Reputation risk is the risk that the Group's reputation is damaged by one or more events that result in negative publicity about the Group's business practices, conduct, or financial condition. Such negative publicity, whether true or not, may impair public confidence in the Group and may result in costly litigation or lead to a decline in its customer base, business, and/or revenue.

The objective of managing reputation risk is to identify, assess, monitor, report, and mitigate such risk, and to ensure compliance with the relevant regulatory requirements.

The Group establishes various policies, guidelines, manuals and codes to ensure compliance with applicable laws, rules and regulations, and to ensure that the Bank Group maintains a high standard of corporate governance, which in turn helps to safeguard and enhance the Group's reputation.

The Group formulates and adheres to the Reputation Risk Management Manual, which outlines a systematic approach to the management of reputation risk, including a framework for reputation risk identification, assessment, monitoring, mitigation and control, thereby protecting and enhancing the reputation of the Bank Group. The Guidelines for Incident Response and Management have been formulated to ensure swift response to and management of unexpected incidents. The Media Guidelines have been established to ensure effective and consistent delivery of the Group's key messages to the media.

The Operational Risk Management Committee is responsible for overseeing the management of the Group's reputation risk.

(i) Compliance risk management

Compliance risk is the risk of loss arising from legal or regulatory sanctions, fines and penalties, financial losses or damage to reputation that the Group may suffer as a result of its failure to comply with laws, regulations, rules, related self-regulatory organisation standards, and codes of conduct applicable to its banking activities.

The Group has established various policies, guidelines and manuals to ensure compliance with all applicable legislation, rules, codes of conduct, industry standards and guidelines issued by the relevant regulatory authorities that govern the Group's operations. The Group has also formulated and adheres to the Group Compliance Risk Management Manual, which outlines a systematic approach to the management of compliance risk, including a framework for compliance risk identification, assessment, monitoring, mitigation, and control, thereby enabling the Bank Group to manage its compliance risk effectively. Moreover, a robust mechanism for monitoring the compliance risk is in place; and independent regulatory compliance reviews are conducted on major functions of the Bank using a risk-based approach.

(j) Technology risk management

Technology risk is the risk of loss to the Group due to inadequate or failed technical processes, people and/or computing systems; or unauthorised access or disruption to technology resources, in particular relating to cyber security and e-banking.

The Group has established a technology risk management framework, which is supported by comprehensive control policies, standards, guidelines, and procedures.

Control measures relating to the security of internet systems and applications, customer authentication, risk assessment for new products and services, and confidentiality and integrity of information are adopted.

The Operational Risk Management Committee is responsible for overseeing the technology risk-related issues of the Group.

(k) New product and business risk management

New product and business risk is the risk of loss due to insufficient pre-assessment of significant potential risks introduced to the Group arising from the launch of new products, the structural change of existing products, and the establishment of new business operations (i.e. through the establishment of a new subsidiary and/ or merger & acquisition). The significant potential risks include Credit Risk, Market Risk, Operational Risk, Liquidity Risk, Interest Rate Risk, Legal Risk, Technology Risk, Compliance Risk, Strategic Risk, Reputation Risk and Business Continuity Risk.

The Group establishes a robust risk governance structure, supported by comprehensive control guidelines and procedures. This structured process ensures that the potential significant risks are duly assessed, documented and approved when initiating a new product or business. It also facilitates Senior Management's oversight of new products and businesses.

Each new product launch must go through an approval process, which includes business and financial analysis and risk assessment. New products are reviewed and assessed by the New Products Evaluation Working Group (comprising the representatives of supporting / control units), endorsed by the Steering Group for New Product and Business Risk Management (chaired by the Bank's Group Chief Risk Officer and comprising the division heads of supporting / control units), and approved by the Risk Management Committee.

(l) Business continuity risk management

Business continuity risk is the risk of loss arising from business disruptions in the event of an incident or crisis. Business disruption could be caused by the loss of staff members, information technology and telecommunication systems, premises, key service providers, vital records, etc.

To manage business continuity risk, the Group establishes comprehensive policies, guidelines and manuals. Business impact analysis is conducted and business continuity plans are developed by all individual functional units of the Group.

Annual Business Continuity Plan drills are performed to test preparedness and effectiveness of the business continuity plans of all functional units.

CORPORATE SOCIAL RESPONSIBILITY

BEA's corporate social responsibility ("CSR") initiatives are firmly based on the three pillars of its community investment programme, namely education, social welfare, and the environment.

In February, BEA participated in Hong Kong's first city-wide financial education campaign, the Hong Kong Money Month Education Fair. Staff members devised and manned a game booth at the Fair, with the goal of teaching children and teenagers the importance of sound money management.

BEA supported the Community Business' ENGAGE programme for the third consecutive year, welcoming 22 Form 4 and 5 secondary school students from less affluent communities to BEA Tower to learn about banking and career opportunities in the banking industry. During the visit, which was organised in April, students took turns to act as a customer service representative in a simulated branch environment.

BEA is a long-standing supporter of The Community Chest of Hong Kong ("The Community Chest" or the "Chest"), and for the second consecutive year the Bank served as title sponsor for The Community Chest BEA Charity Golf Day, raising nearly HK\$2.3 million for mental health services provided by member agencies of the Chest.

The Bank also encourages its staff to participate in charitable endeavours. In January, approximately 300 employees together with their families and friends took part in The Community Chest's 2017 Hong Kong & Kowloon Walk for Millions in support of family and child welfare services.

For the eighth straight year, the Bank celebrated International Women's Day by purchasing red date tea from the Hong Kong Young Women's Christian Association for distribution to female staff members. Proceeds from the sale were used to support the Association's services for women.

On the environmental front, the BEA Group actively supported initiatives to combat climate change. A signatory of the External Lighting Charter of the Hong Kong government's Environment Bureau, the Bank received the Platinum Award from the Bureau for its efforts to conserve energy at its branches. In recognition of its efforts to reduce its impact on the environment, BEA was awarded the "Silver Award" in the Servicing and Trading Industry category of the prestigious Hong Kong Awards for Environmental Excellence programme.

During the first half of 2017, the BEA Volunteer Team was active in a range of charitable events, including fundraising, organising gatherings for senior citizens during holidays, and redistributing unsold vegetables from Shek Kip Mei market to disadvantaged seniors. In addition, the Volunteer Team jointly organised an Easter gathering with SAHK (formerly the Spastics Association of Hong Kong) for mentally or physically disabled children of the Pak Tin Pre-school Centre. Staff volunteers also joined hands with the Hong Kong Red Cross to organise a Blood Donation Day in April at BEA Tower.

The Bank of East Asia Charitable Foundation ("BEA Foundation") reaffirmed its support for expanding palliative care in Hong Kong by committing to a third 3-year phase of its pioneering palliative care programme, organised jointly with "la Caixa" Foundation and The Salvation Army Hong Kong and Macau Command. In Phase III, the Palliative Care Programme will be extended to address the needs of elderly residents suffering from dementia, which is a growing concern in Hong Kong.

Enhancing access to education and promoting parent-child bonds are core values of the BEA Group. For the fifth consecutive year, the BEA Foundation joined with the Sheng Kung Hui's Religious Education Resource Centre to organise the BEA Parent-Child Reading Programme. The Programme reached out to 2,000 primary students and 400 kindergarten students whose families are receiving Comprehensive Social Security Assistance or are obtaining student financial assistance with the aim of fostering a love of reading and strengthening parent-child bonds.

In February, BEA's staff volunteers organised a day camp for the members of the BEA "High Five" Club, a flagship programme under the BEA Foundation's banner. Held at the Lady MacLehose Holiday Village, the day camp provided nearly 100 children, parents, and staff volunteers with an opportunity to interact through a wide range of fun activities.

On the Mainland, BEA China head office and 17 BEA China branches across the country launched the “Happy New Year of the Rooster” charity campaign to celebrate the Lunar New Year. Nearly 200 volunteers provided over 1,330 hours of volunteer service, delivering gifts such as daily necessities and books to more than 2,690 senior citizens and children.

From March to May 2017, BEA China organised an environmental protection charity campaign in 22 cities nationwide. More than 730 volunteers including staff members of BEA China and their family members and clients contributed over 4,000 hours to promote the importance of environmental protection through various activities, including the planting of more than 400 trees.

In May 2017, 14 volunteers from BEA China provided over 40 hours of teaching for the students of Falaigu Primary School, Fengyi Village, Xundian Hui and Yi Autonomous County, Kunming, Yunnan Province, on a wide range of subjects, including English, painting, and world geography.

BEA China strives to enhance the transparency of its CSR endeavours by issuing a CSR report each year via its website. In May, BEA China issued its ninth CSR Report, for the year ended 31st December, 2016.

For the fourth consecutive year, BEA’s Macau Branch participated in the “Skip a Meal” campaign organised as part of the World Vision of Macau Association’s “Macau Famine”. Funds raised from Macau Famine will support World Vision’s work to provide food and nutrition to children and families in African countries, such as South Sudan, Zimbabwe, and Somalia. Staff members of the Macau Branch supported the activity by skipping a meal in May and donating the cost of the meal to World Vision.

In February, BEA’s operations in Malaysia supported the “Charity at Heart” campaign organised by the Pavilion Group, which donated all proceeds raised from the campaign to elderly homes and organisations in need of support throughout the country.

As the title sponsor and insurance partner of the Asian Fencing Championships 2017, Blue Cross collaborated with the Hong Kong Fencing Association to organise Hong Kong’s first world-class fencing championship and charity fencing competition in May. Two dream teams comprising Chinese Olympic medallists and top Hong Kong fencers helped raise HK\$100,000 for the InspiringHK Sports Foundation to develop fencing in Hong Kong. To foster greater interest in the sport among the youth of Hong Kong, a “Smart Kids Fencing Workshop” was organised after the event.

RECOGNITION

During the first six months of 2017, the Bank received a number of awards in recognition of its achievements. These included:

- “Best Bank in Hong Kong 2017” from Global Finance;
- “2017 Best SME’s Partner Award” (for the tenth consecutive year) from- The Hong Kong General Chamber of Small and Medium Business;
- “Quamnet Outstanding Enterprise Award 2016 – Outstanding SME Service Provider (Bank)” (for the fourth consecutive year) from Quam (H.K.) Limited;
- Best Mobile Banking Application, Hong Kong 2016 from International Finance Awards 2016 by International Finance Magazine;
- Digital Banking – Excellence from Financial Institution Awards 2017 by Bloomberg Businessweek Chinese Edition;
- Gold Award for 2016 highest number of Online Payment merchants and Silver Award for 2016 highest Online Payment transaction volume for merchant from UnionPay International;
- “Best Premium Commercial Card Program”, “Highest Growth Outstanding Balance – 1st Runner Up”, “Highest Growth Cardholder Spending – 1st Runner Up” from Mastercard;
- “Highest Card Volume Growth (Credit Card) - Bronze Award” from UnionPay International;
- “2016 E-commerce Efficiency-International” from Visa Inc.; and
- “2017 Best Bank Card Innovation” from MoneyHero.com.hk.

In addition, BEA China earned the following distinctions:

- “2017 Best Financial Planning Mobile APP for Customers” in the “Top International Financial Planning Institution Selection 2017” from International Financial News.

BEA Union Investment received a number of awards in recognition of the performance of its funds.

For the BEA Union Investment Asian Bond and Currency Fund:

- "Best Bond Fund, Asia Pacific, Local Currency" from Lipper Fund Awards Programme 2017 Hong Kong (for its 3-year performance);
- "Best Bond Fund, Asia Pacific, Local Currency" from Lipper Fund Awards Programme 2017 Hong Kong (for its 5-year performance);
- "2017/18 FSM Fund Picks – Asian Fixed Income" from Fundsupermart.com;
- "2017 Fund Selector Asia Hong Kong – Platinum Winner in Regional Bond" from Fund Selector Asia; and
- "BENCHMARK Fund of the Year Awards 2016: Asia High Yield Bond within Funds Awards, Best-In-Class" from BENCHMARK magazine.

For the BEA Union Investment Global Bond Fund:

- "BENCHMARK Fund of the Year Awards 2016: Global Bond within Funds Awards, Best-In-Class" from BENCHMARK magazine.

For the BEA Union Investment Hong Kong Dollar (HK\$) Bond Fund:

- "BENCHMARK Fund of the Year Awards 2016: HKD Bond within Funds Awards, Best-In-Class" from BENCHMARK magazine.

For the BEA (MPF) Greater China Equity Fund:

- "BENCHMARK Fund of the Year Awards 2016: Greater China Equity within MPF Awards, Best-In-Class" from BENCHMARK magazine.

During the period under review, BEA also received the following awards in recognition of its Corporate Social Responsibility programme:

- "President's Award" (for the 18th consecutive year), "Diamond Award" in the Corporate & Employee Contribution Programme 2015/2016 (for the 23rd consecutive year), "7th Top Fund Raiser Award" in the Dress Casual Day 2016 programme, and "3th Runner-up in the Top Fund-raiser Award" in the Hong Kong & Kowloon Walk 2016/2017 from The Community Chest of Hong Kong;
- Named "Caring Company" by The Hong Kong Council of Social Service ("HKCSS") (for the 14th consecutive year). Blue Cross and Credit Gain were named "Caring Company" for the ninth and seventh year, respectively;
- Named "Business for Sustainability 2016/2017" by HKCSS;
- "Community Engagement Gold Award" (for the third consecutive year) from the Senior Citizen Home Safety Association;
- "Best Partner Award" from the Senior Citizen Home Safety Association;
- Top Fundraising Award (Private Rice Stall), Highest Volunteer Participation Award (Private Rice Stall), and Oxfam Corporate Donor Award from Oxfam Hong Kong;
- "Gold Award for Volunteer Service" from the Social Welfare Department's Central Office for Volunteer Service in 2016 (for the fourth consecutive year);
- "Manpower Developer" (2016-2018) by Employees Retraining Board;
- "TWGHs Charity Raffle Sales Competition 2016/2017 (corporations / organisations) – Champion Award" from Tung Wah Group of Hospitals;
- Indoor Air Quality Certificate (Good Class for BEA's Head Office Building) from the Environmental Protection Department and the Hong Kong Accreditation Service of the HKSAR Government;
- Tree Conservation Scheme Certificate 2017 (for BEA and East Asia Facility Management Limited) from the Hong Kong Environmental Protection Association; and
- "Silver Award" in the Servicing and Trading Industry category in the Hong Kong Awards for Environmental Excellence Programme.

BEA China received the following recognition:

- “2016 Best Practice of Social Responsibility Award” from the China Banking Association;
- “Outstanding Charitable Contribution of the Year” in the 14th (2017) China Charity Rankings organised by China Philanthropy Times; and
- “Award for Education Aid” as part of the Lujiazui Financial City Warm Heart Annual Charity Rankings 2017 from Lujiazui Financial City.

In addition to being named a “Caring Company” by HKCSS, Credit Gain received the following recognition during the first half of 2017:

- “Caring Agency Award 2016 – 1-Star Certificate” from Tsuen Wan and Kwai Tsing District Co-ordinating Committee on Elderly Services of the Social Welfare Department (for the fourth consecutive year).

PURCHASE, SALE OR REDEMPTION OF THE BANK’S LISTED SECURITIES

On 24th April, 2017, the Bank completed the redemption of a face value of US\$700 million of 2.375% Senior Notes (the “April 2017 USD Senior Notes”) upon their maturity. The April 2017 USD Senior Notes were issued in 2014 under the Bank’s Medium Term Note (“MTN”) Programme and listed on the Singapore Exchange.

On 4th May, 2017, the Bank completed an early redemption of a face value of US\$500 million of 6.375% Subordinated Notes due 2022 (the “2022 USD Subordinated Notes”) upon their first call date. The 2022 USD Subordinated Notes were issued in 2011 under the Bank’s MTN Programme and listed on the Singapore Exchange.

On 26th June, 2017, the Bank completed the redemption of a face value of US\$100 million of 2.08% Senior Notes (the “June 2017 USD Senior Notes”) upon their maturity. The June 2017 USD Senior Notes were issued in 2014 under the MTN Programme of the Bank’s Singapore Branch and listed on the Singapore Exchange.

Save for the redemption of the April 2017 USD Senior Notes, the 2022 USD Subordinated Notes and the June 2017 USD Senior Notes as disclosed herein, there was no purchase, sale or redemption by the Bank or any of its subsidiaries, of listed securities of the Bank during the year six months ended 30th June, 2017.

COMPLIANCE WITH CORPORATE GOVERNANCE CODE

The Group is committed to maintaining high standards of corporate governance and considers such commitment essential in balancing the interests of shareholders, customers and employees; and in upholding accountability and transparency.

The Bank has in place a corporate governance framework which sets out a range of governance principles and practices to direct and guide the business conducts and affairs of the Group.

The Bank also constantly reviews and enhances the effectiveness of our corporate governance practices to ensure that they are in line with the requirements of relevant rules and regulations.

Throughout the accounting period for the six months ended 30th June, 2017, the Bank has complied with all the Code Provisions set out in the CG Code, except for Code Provision A.2.1 as explained below. The Bank has also followed the modules on CG-1 and CG-5 issued by the HKMA.

Code Provision A.2.1 of the CG Code stipulates that the roles of chairman and chief executive officer should be separate and should not be performed by the same individual.

Dr. the Hon. Sir David LI Kwok-po is the Chairman & Chief Executive of the Bank. The Board considers that this structure will not impair the balance of power and authority between the Board and the Management of the Bank. The division of responsibilities between the Chairman and the Chief Executive is clearly established and set out in the job mandate of the Chairman & Chief Executive. The balance of power and authority is ensured by the operations of the Board, which comprises experienced and high calibre individuals and meets regularly to discuss issues affecting operations of the Bank. There is a strong independent element in the composition of the Board. After the conclusion of the 2017 AGM, out of the 17 Board members, 8 are INEDs. The Board believes that the current structure is conducive to strong and consistent leadership, enabling the Bank to make and implement decisions promptly and efficiently. The Board believes that Sir David's appointment to the posts of Chairman and Chief Executive is beneficial to the business prospects and management of the Bank.

The Bank received confirmations from Directors that they have spent sufficient time performing their responsibilities as Directors of the Bank and have given sufficient time and attention to the Bank's affairs. All Directors (including any Directors, who were appointed, resigned or retired, during the six months ended 30th June, 2017) acknowledged that they have participated, from time to time, in continuous professional development to develop and refresh their knowledge and skills for carrying out their duties and responsibilities as Directors of the Bank.

The AC of the Bank has reviewed the results of the Bank for the six months ended 30th June, 2017 and the Bank's Interim Report 2017.

COMPLIANCE WITH MODEL CODE

The Bank has adopted its own code of securities transactions by the Directors and Chief Executive, i.e. *Policy on Insider Dealing – Directors and Chief Executive* ("Bank's Policy") on terms no less exacting than the required standard set out in Appendix 10 – Model Code for Securities Transactions by Directors of Listed Issuers ("Model Code") of the Listing Rules.

The Bank has also adopted a *Policy on Insider Dealing – Group Personnel* to be observed by the employees of the Bank or directors or employees of the Bank's subsidiaries, in respect of their dealings in the securities of the Bank.

Following specific enquiries by the Bank, all Directors (including any Directors, who were appointed, resigned or retired, during the six months ended 30th June, 2017) confirmed that they had complied with the required standard set out in the Model Code and the Bank's Policy at all the applicable time during the six months ended 30th June, 2017.

By order of the Board

David LI Kwok-po

Chairman & Chief Executive

Hong Kong, 25th August, 2017

As at the date of this announcement, the Board of Directors of the Bank comprises Dr. the Hon. Sir David LI Kwok-po[#] (Chairman & Chief Executive), Professor Arthur LI Kwok-cheung (Deputy Chairman), Dr. Allan WONG Chi-yun** (Deputy Chairman), Mr. Aubrey LI Kwok-sing*, Mr. Winston LO Yau-lai**, Mr. Stephen Charles LI Kwok-sze*, Dr. Isidro FAINÉ CASAS*, Dr. Peter LEE Ka-kit*, Mr. Adrian David LI Man-kiu[#] (Deputy Chief Executive), Mr. Brian David LI Man-bun[#] (Deputy Chief Executive), Dr. Daryl NG Win-kong**, Mr. Masayuki OKU*, Dr. the Hon. Rita FAN HSU Lai-tai**, Mr. Meocre LI Kwok-wing**, Dr. the Hon. Henry TANG Ying-yen**, The Hon. CHAN Kin-por** and Dr. Delman LEE**.*

[#] *Executive Director*

^{*} *Non-executive Director*

^{**} *Independent Non-executive Director*

GLOSSARY

詞彙

2017 AGM 「2017 股東周年常會」	an Annual General Meeting of the Bank held in the Grand Ballroom, Four Seasons Hotel, 8 Finance Street, Hong Kong on Friday, 5 th May, 2017 at 11:30 a.m. or any adjournment thereof 本行於 2017 年 5 月 5 日星期五上午 11 時 30 分在香港中環金融街 8 號四季酒店大禮堂舉行的股東周年常會，或其任何續會
AC 「審核委員會」	the Audit Committee of the Bank 本行的審核委員會
AUM 「管理資產」	Assets under management 管理資產
Bank Group or BEA Group or Group 「集團」或「本集團」	The Bank and its subsidiaries 東亞銀行及其附屬公司
Bank or BEA 「本行」或「東亞銀行」	The Bank of East Asia, Limited, a limited liability company incorporated in Hong Kong 東亞銀行有限公司，於香港註冊成立的有限公司
Banking Ordinance 《銀行業條例》	Hong Kong Banking Ordinance (Chapter 155 of the Laws of Hong Kong) 香港《銀行業條例》（香港法例第 155 章）
BEA China 「東亞中國」	The Bank of East Asia (China) Limited, a wholly-owned subsidiary of the Bank 東亞銀行(中國)有限公司，本行的全資附屬公司
BEA Life 「東亞人壽」	BEA Life Limited, a wholly-owned subsidiary of the Bank 東亞人壽保險有限公司，本行的全資附屬公司
BEA Union Investment 「東亞聯豐投資」	BEA Union Investment Management Limited, a non-wholly-owned subsidiary of the Bank 東亞聯豐投資管理有限公司，本行的非全資附屬公司
Blue Cross 「藍十字」	Blue Cross (Asia-Pacific) Insurance Limited, a wholly-owned subsidiary of the Bank 藍十字(亞太)保險有限公司，本行的全資附屬公司
Board 「董事會」	Board of Directors of the Bank 本行的董事會
Capital Rules 「《資本規則》」	Banking (Capital) Rules issued by the HKMA 金管局頒布的《銀行業(資本規則)》
CG Code 「《企業管治守則》」	Corporate Governance Code and Corporate Governance Report, Appendix 14 of the Listing Rules 《上市規則》附錄 14 內所載的《企業管治守則》及《企業管治報告》
CG-1 「CG-1」	Supervisory Policy Manual CG-1 on Corporate Governance of Locally Incorporated Authorized Institutions, issued by the HKMA 金管局頒布之監管政策手冊 CG-1 內有關《本地註冊認可機構的企業管治》
CG-5 「CG-5」	Supervisory Policy Manual CG-5 on Guideline on a Sound Remuneration System, issued by the HKMA 金管局頒布之監管政策手冊 CG-5 內有關《穩健的薪酬制度指引》
CHF 「瑞士法郎」	Swiss franc, the lawful currency of Switzerland 瑞士法定貨幣

China, Mainland, Mainland China, or PRC 「中國」或「內地」	People's Republic of China 中華人民共和國
CNY or RMB 「人民幣」	Chinese yuan or Renminbi, the lawful currency of the PRC 中國法定貨幣
Companies Ordinance 「《公司條例》」	the Companies Ordinance (Chapter 622 of the Laws of Hong Kong) 《公司條例》（香港法例第 622 章）
Credit Gain 「領達財務」	Credit Gain Finance Company Limited, a wholly-owned subsidiary of the Bank 領達財務有限公司，本行的全資附屬公司
Director(s) 「董事」	includes any person who occupies the position of a director, by whatever name called, of the Bank or otherwise as the context may require 包括任何擔任本行董事職位的人士（無論該人是以何職稱擔任該職位），或文義另有所指的人士
DIS 「預設投資」	Default Investment Strategy 預設投資策略
East Asia Qianhai Securities Company Limited 「東亞前海證券」	East Asia Qianhai Securities Company Limited 東亞前海證券有限責任公司
ERM 「企業風險管理架構」	Enterprise Risk Management 企業風險管理架構
EUR 「歐羅」	Euro 歐羅區法定貨幣
GBP 「英鎊」	Pound sterling, the lawful currency of the UK 英國法定貨幣
GDP 「本地生產總值」	Gross domestic product 本地生產總值
HK\$ or HKD 「港幣」	Hong Kong dollar, the lawful currency of Hong Kong 香港法定貨幣
HKAS 「香港會計準則」	Hong Kong Accounting Standards 香港會計準則
HKEx 「香港交易所」	Hong Kong Exchanges and Clearing Limited 香港交易及結算所有限公司
HKFRS 「香港財務報告準則」	Hong Kong Financial Reporting Standards 香港財務報告準則
HKICPA 「香港會計師公會」	Hong Kong Institute of Certified Public Accountants 香港會計師公會
HKMA 「金管局」	Hong Kong Monetary Authority 香港金融管理局
Hong Kong or HK or HKSAR 「香港」	Hong Kong Special Administrative Region of PRC 中華人民共和國香港特別行政區

HQLA 「優質流動資產」	High quality liquid asset 優質流動資產
JPY 「日圓」	Japanese yen, the lawful currency of Japan 日本法定貨幣
LCR 「流動性覆蓋比率」	Liquidity coverage ratio 流動性覆蓋比率
Listing Rules 「《上市規則》」	the Rules Governing the Listing of Securities on the Stock Exchange (as amended, modified or otherwise supplemented from time to time) 聯交所《證券上市規則》，經不時修訂、修改或以其他方式補充
Mn 「百萬」	Million 百萬
MPF 「強積金」	Mandatory Provident Fund 強制性公積金
Senior Management 「高層管理人員」	the Deputy Chief Executives of the Bank 本行的副行政總裁
SFO 「《證券及期貨條例》」	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) 《證券及期貨條例》（香港法例第 571 章）
SGD 「新加坡元」	Singapore dollar, the lawful currency of Singapore 新加坡法定貨幣
SME 「中小企」	Small and medium-sized enterprise 中小型企業
Stock Exchange 「聯交所」	The Stock Exchange of Hong Kong Limited 香港聯合交易所有限公司
UK 「英國」	United Kingdom 英國
US 「美國」	United States of America 美利堅合眾國
US\$ or USD 「美元」	United States dollar, the lawful currency of the US 美國法定貨幣
VaR 「風險值」	value-at-risk 風險值