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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 2025 FINAL RESULTS

##### SUMMARY OF RESULTS

The Board of Directors of the Bank is pleased to announce the audited results (Note 1(a)) of the Group for the year ended 31 December 2025. This financial report, which has been reviewed by the Bank's Audit Committee, is prepared on a basis consistent with the accounting policies and methods adopted in the 2025 annual accounts.

##### Consolidated Income Statement

For the year ended 31 December 2025

	Notes	2025 HK\$ Mn	2024 HK\$ Mn
Interest income	4	32,968	39,809
Interest income calculated using the effective interest method		31,517	37,163
Related interest income		1,451	2,646
Interest expense	5	(17,646)	(23,280)
Net interest income		15,322	16,529
Fee and commission income		4,127	3,648
Fee and commission expense		(911)	(846)
Net fee and commission income	6	3,216	2,802
Net trading profit	7	1,982	1,421
Net result on financial instruments at FVTPL	8	113	(35)
Net result on financial assets measured at FVOCI	9	45	(38)
Net loss on sale of financial assets measured at amortised cost		(12)	(104)
Net hedging profit	10	46	92
Other operating income	11	307	312
Non-interest income		5,697	4,450
Operating income		21,019	20,979
Operating expenses	12	(9,821)	(9,634)
Operating profit before impairment losses		11,198	11,345
Impairment losses on financial instruments	13	(5,642)	(5,497)
Impairment losses on associate		-	(94)
Impairment losses on other assets		-	(2)
Impairment losses		(5,642)	(5,593)
Operating profit after impairment losses		5,556	5,752
Net profit on sale of assets held for sale	14	-	22
Net profit on disposal of subsidiary		1	-
Net (loss)/profit on disposal of fixed assets	15	(2)	16
Valuation losses on investment properties		(723)	(145)
Share of profits less losses of associates and joint ventures		(305)	195
Profit for the year before taxation		4,527	5,840
Income tax	16	(995)	(1,211)
Profit for the year		3,532	4,629

**Consolidated Income Statement (continued)**

		<u>2025</u>	<u>2024</u>
	<i>Notes</i>	HK\$ Mn	HK\$ Mn
Attributable to:			
Owners of the parent		3,501	4,608
Non-controlling interests		<u>31</u>	<u>21</u>
Profit for the year		<u><u>3,532</u></u>	<u><u>4,629</u></u>
Earnings per share			
Basic	1(b)	HK\$1.22	HK\$1.52
Diluted	1(b)	HK\$1.21	HK\$1.52
Dividends per share		HK\$0.61	HK\$0.69

## Consolidated Statement of Comprehensive Income

For the year ended 31 December 2025

	2025	2024
	HK\$ Mn	HK\$ Mn
Net profit	3,532	4,629
Other comprehensive income for the year:		
Items that will not be reclassified to income statement:		
Premises:		
- unrealised surplus on revaluation of premises	472	11
- deferred taxes	(43)	5
Fair value reserve (equity instruments):		
- net change in fair value	(114)	40
- deferred taxes	-	7
Liability credit reserve:		
- net change in fair value attributable to Group's own credit risk	-	(5)
- deferred taxes	-	1
Items that may be reclassified subsequently to income statement:		
Fair value reserve (debt instruments):		
- net change in fair value	595	1,086
- amount transferred to income statement on disposal	167	93
- deferred taxes	(112)	(199)
Hedging reserve (cash flow hedges):		
- effective portion of changes in fair value of hedging instruments	269	(28)
- amount transferred to income statement	(26)	4
- deferred taxes	(40)	4
Share of changes in equity of associates and joint ventures	35	50
Exchange differences arising from translation of accounts of overseas, Macau and Taiwan branches, subsidiaries, associates and joint ventures	2,379	(1,145)
Other comprehensive income	3,582	(76)
Total comprehensive income	7,114	4,553
Total comprehensive income attributable to:		
Owners of the parent	7,083	4,532
Non-controlling interests	31	21
	7,114	4,553

## Consolidated Statement of Financial Position

As at 31 December 2025

		2025	2024
	Notes	HK\$ Mn	HK\$ Mn
<b>ASSETS</b>			
Cash and balances with banks		53,994	41,304
Placements with and advances to banks		31,647	37,705
Trade bills		3,444	1,456
Trading assets	17	582	207
Derivative assets	23	3,111	6,227
Loans and advances to customers	18	543,235	527,829
Investment securities	19	208,419	190,783
Investments in associates and joint ventures	20	9,137	8,448
Fixed assets		12,220	12,971
- Investment properties		5,832	4,979
- Other properties and equipment		5,718	7,298
- Right-of-use assets		670	694
Goodwill and intangible assets		3,052	1,836
Deferred tax assets		2,005	1,600
Other assets	21	50,147	47,393
<b>Total Assets</b>		<b>920,993</b>	<b>877,759</b>
<b>EQUITY AND LIABILITIES</b>			
Deposits and balances of banks		9,307	24,157
Deposits from customers		706,579	643,093
- Demand deposits and current accounts		92,058	65,685
- Savings deposits		159,631	134,908
- Time, call and notice deposits		454,890	442,500
Trading liabilities		-	66
Derivative liabilities	23	2,854	5,796
Certificates of deposit issued		23,034	21,578
- Designated at fair value through profit or loss		-	705
- At amortised cost		23,034	20,873
Current taxation		2,282	1,870
Debt securities issued		-	387
- Designated at fair value through profit or loss		-	232
- At amortised cost		-	155
Deferred tax liabilities		818	685
Other liabilities		50,425	51,299
Loan capital – at amortised cost		20,063	23,089
<b>Total Liabilities</b>		<b>815,362</b>	<b>772,020</b>
Share capital	1(c)	42,195	42,060
Reserves	24	63,140	58,383
<b>Total equity attributable to owners of the parent</b>		<b>105,335</b>	<b>100,443</b>
Additional equity instruments		-	5,021
Non-controlling interests		296	275
<b>Total Equity</b>		<b>105,631</b>	<b>105,739</b>
<b>Total Equity and Liabilities</b>		<b>920,993</b>	<b>877,759</b>

## Consolidated Statement of Changes in Equity

For the year ended 31 December 2025

	Share capital	General reserve	Revaluation reserve of bank premises	Capital reserve	Exchange revaluation reserve	Fair value reserve	Hedging reserve	Liability credit reserve	Other reserves <sup>3</sup>	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	HK\$ Mn
At 1 January 2025	42,060	13,658	2,286	1,017	(3,690)	2,365	(20)	-	5,226	37,541	100,443	5,021	275	105,739
Changes in equity														
Profit for the year	-	-	-	-	-	-	-	-	-	3,501	3,501	-	31	3,532
Other comprehensive income	-	-	429	-	2,379	536	203	-	35	-	3,582	-	-	3,582
Total comprehensive income	-	-	429	-	2,379	536	203	-	35	3,501	7,083	-	31	7,114
Shares issued in lieu of dividend (Note 1(c))	130	-	-	-	-	-	-	-	-	-	130	-	-	130
Shares issue under Staff Share Option Schemes (Note 1(c))	4	-	-	-	-	-	-	-	-	-	4	-	-	4
Equity settled share-based transaction	-	-	-	24	-	-	-	-	-	-	24	-	-	24
Transfer	1	(1)	1	(24)	-	-	-	-	188	(165)	-	-	-	-
Distribution/Dividends declared or approved during the year	-	-	-	-	-	-	-	-	-	(2,321)	(2,321)	-	(10)	(2,331)
Redemption of additional equity instruments <sup>1</sup>	-	-	-	-	-	-	-	-	-	(28)	(28)	(5,021)	-	(5,049)
At 31 December 2025	42,195	13,657	2,716	1,017	(1,311)	2,901	183	-	5,449	38,528	105,335	-	296	105,631
At 1 January 2024	41,915	13,658	2,270	1,034	(2,545)	1,338	-	4	5,154	35,145	97,973	10,090	263	108,326
Changes in equity														
Profit for the year	-	-	-	-	-	-	-	-	-	4,608	4,608	-	21	4,629
Other comprehensive income	-	-	16	-	(1,145)	1,027	(20)	(4)	50	-	(76)	-	-	(76)
Total comprehensive income	-	-	16	-	(1,145)	1,027	(20)	(4)	50	4,608	4,532	-	21	4,553
Shares issued in lieu of dividend (Note 1(c))	145	-	-	-	-	-	-	-	-	-	145	-	-	145
Equity settled share-based transaction	-	-	-	22	-	-	-	-	-	-	22	-	-	22
Transfer	-	-	-	(39)	-	-	-	-	22	17	-	-	-	-
Distribution/Dividends declared or approved during the year	-	-	-	-	-	-	-	-	-	(1,886)	(1,886)	-	(9)	(1,895)
Redemption of additional equity instruments <sup>1</sup>	-	-	-	-	-	-	-	-	-	-	-	(5,069)	-	(5,069)
Share buy-back under on-market share buyback programme <sup>2</sup>	-	-	-	-	-	-	-	-	-	(343)	(343)	-	-	(343)
At 31 December 2024	42,060	13,658	2,286	1,017	(3,690)	2,365	(20)	-	5,226	37,541	100,443	5,021	275	105,739

Notes: 1. During the year, the Bank fully redeemed the HK\$5,021 million (US\$ 650 million) Additional Tier 1 capital securities issued in 2020 (2024: fully redeemed HK\$5,069 million (US\$ 650 million) Additional Tier 1 capital securities issued in 2019). The difference between redemption amount and book value of HK\$28 million was accounted for as a deduction from retained profits.

2. In 2024, the Bank bought back 35 million issued shares on the Stock Exchange at a total consideration of HK\$342 million. Together with the direct transaction cost of approximately HK\$1 million, a total amount of HK\$343 million was accounted for as a deduction from retained profits. For details of the share buy-back, please refer to Note 1(c).

3. Other reserves include statutory reserve and other reserves.

## Consolidated Cash Flow Statement

For the year ended 31 December 2025

	2025	2024
Notes	HK\$ Mn	HK\$ Mn
<b>OPERATING ACTIVITIES</b>		
Profit for the year before taxation	4,527	5,840
Adjustments for:		
Charge for impairment losses on financial instruments	5,642	5,497
Charge for impairment losses on associate	-	94
Charge for impairment losses on other assets	-	2
Share of profits less losses of associates and joint ventures	305	(195)
Net loss on sale of financial assets measured at amortised cost	12	104
Net (profit)/loss on sale of debt securities measured at FVOCI	9 (13)	54
Net profit on disposal of subsidiary	(1)	-
Net profit on sale of assets held for sale	-	(22)
Net loss/(profit) on disposal of fixed assets	2	(16)
Interest expense on debt securities issued	2	16
Interest expense on loan capital issued	1,338	1,404
Interest expense on lease liabilities	29	31
Depreciation on bank premises, furniture, fixtures and equipment	351	596
Depreciation on right-of-use assets	244	266
Dividend income from equity securities measured at FVOCI	9 (32)	(16)
Amortisation of intangible assets	259	13
Amortisation of premium/discount on debt securities and loan capital issued	38	34
Revaluation losses/(gains) on debt securities and loan capital issued	202	(24)
Valuation losses on investment properties	723	145
Equity settled share-based payment expenses	12 26	22
	<u>13,654</u>	<u>13,845</u>
(Increase)/decrease in operating assets:		
Cash and balances with banks with original maturity beyond three months	(628)	905
Placements with and advances to banks with original maturity beyond three months	(260)	2,000
Trade bills	(1,991)	(1,084)
Trading assets	(375)	2,776
Derivative assets	3,359	2,805
Loans and advances to customers	(19,960)	(5,357)
Debt investment securities measured at amortised cost	(10,211)	(19,574)
Investment securities measured at FVOCI	(8,085)	(591)
Debt investment securities mandatorily measured at FVTPL	579	857
Non-trading equity securities mandatorily measured at FVTPL	(403)	10
Other assets	(3,159)	(9,614)
(Decrease)/increase in operating liabilities:		
Deposits and balances of banks	(14,850)	(1,462)
Deposits from customers	63,486	14,495
Certificates of deposit issued	1,457	(6,047)
Trading liabilities	(66)	66
Derivative liabilities	(2,942)	1,789
Other liabilities	(740)	3,999
Exchange adjustments	(812)	83
<b>NET CASH INFLOW/(OUTFLOW) FROM OPERATIONS</b>	<u>18,053</u>	<u>(99)</u>
Income tax paid		
Hong Kong profits tax paid	(453)	(197)
Outside Hong Kong profits tax paid	(599)	(462)
<b>NET CASH GENERATED FROM/(USED IN) OPERATING ACTIVITIES</b>	<u>17,001</u>	<u>(758)</u>

## Consolidated Cash Flow Statement (continued)

	2025	2024
Notes	HK\$ Mn	HK\$ Mn
<b>INVESTING ACTIVITIES</b>		
Dividends received from equity securities measured at FVOCI	32	16
Purchase of fixed assets and intangible assets	(407)	(537)
Purchase of investment properties	(824)	-
Proceeds from disposal of fixed assets	22	135
Proceeds from disposal of investment properties	17	-
Proceeds from sale of assets held for sale	-	68
Additional investments in associates	(1)	-
<b>NET CASH USED IN INVESTING ACTIVITIES</b>	<b>(1,161)</b>	<b>(318)</b>
<b>FINANCING ACTIVITIES</b>		
Ordinary dividends paid	(1,907)	(1,156)
Distribution to Additional Tier 1 issue holders	2(c) (294)	(594)
Issue of ordinary share capital	4	-
Payment for repurchase of shares under on-market share buyback programme	-	(343)
Payment for purchase of shares under RSU scheme	(2)	-
Issue of loan capital	1,345	8,864
Capital element of lease rentals paid	(243)	(255)
Interest element of lease rentals paid	(28)	(29)
Redemption of debt securities issued	(393)	(467)
Redemption of loan capital issued	(4,713)	(1,594)
Redemption of additional equity instruments	(5,049)	(5,069)
Interest paid on debt securities issued	(6)	(19)
Interest paid on loan capital issued	(1,343)	(1,380)
<b>NET CASH USED IN FINANCING ACTIVITIES</b>	<b>(12,629)</b>	<b>(2,042)</b>
<b>NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS</b>	<b>3,211</b>	<b>(3,118)</b>
<b>CASH AND CASH EQUIVALENTS AT 1 JANUARY</b>	<b>87,870</b>	<b>92,134</b>
Effect of foreign exchange rate changes	1,567	(1,146)
<b>CASH AND CASH EQUIVALENTS AT 31 DECEMBER</b>	<b>92,648</b>	<b>87,870</b>
<b>Cash flows from operating activities included:</b>		
Interest received	33,076	39,570
Interest paid	16,078	22,481
Dividend received	4	9

## Notes to the Financial Statements

1. (a) The financial information relating to the years ended 31 December 2025 and 2024 included in this announcement of 2025 final results do not constitute the Group's statutory annual consolidated financial statements for those years but is derived from those financial statements. Further information relating to these statutory financial statements required to be disclosed in accordance with section 436 of the Companies Ordinance is as follows:

The Bank has delivered the financial statements for the year ended 31 December 2024 to the Registrar of Companies as required by section 662(3) of, and Part 3 of Schedule 6 to, the Companies Ordinance and will deliver the financial statements for the year ended 31 December 2025 in due course.

The Bank's auditor has reported on the financial statements of the Group for both years. The auditor's reports were unqualified; did not include a reference to any matters to which the auditor drew attention by way of emphasis without qualifying its reports; and did not contain a statement under sections 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 year attributable to owners of the parent of HK\$3,207 million (2024: HK\$4,014 million) after accounting for the distribution of HK\$294 million (2024: HK\$594 million) to Additional Tier 1 issue holders, and on the weighted average of 2,636 million ordinary shares outstanding during the year (2024: 2,639 million).
- (ii) The calculation of diluted earnings per share is the same as the calculation of basic earnings per share, except that the weighted average of ordinary shares is adjusted for the effects of all dilutive potential shares. For the year ended 31 December 2025, the weighted average of ordinary shares adjusted for the effects of all dilutive potential shares was 2,641 million (2024: 2,639 million).

- (c) Share Capital

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

	2025		2024	
	No. of shares Million	HK\$ Mn	No. of shares Million	HK\$ Mn
Ordinary shares, issued and fully paid:				
At 1 January	2,630	42,060	2,650	41,915
Shares issued under Staff Share Option Schemes	-	4	-	-
Transfer of the fair value of options from capital reserve	-	1	-	-
Shares issued in lieu of dividend	11	130	15	145
Share repurchased and cancelled	-	-	(35)	-
At 31 December	<u>2,641</u>	<u>42,195</u>	<u>2,630</u>	<u>42,060</u>

### Staff Share Option Schemes

During the year, 362,015 options were exercised to subscribe for 362,015 ordinary shares in the Bank at a consideration of HK\$4 million which was credited to share capital account. HK\$1 million has been transferred from the capital reserve to the share capital account. No options were exercised and no shares were issued under the Schemes in 2024.

1. (c) Share Capital (continued)

Share buy-back

In 2024, 34,602,200 shares were repurchased on the Stock Exchange at an aggregate consideration (excluding expenses) of HK\$342 million and 35,432,000 shares were cancelled (including 829,800 shares repurchased in 2023), representing 1.31% and 1.34% of the ordinary shares in issue at the beginning of the year, respectively.

2. **Distribution/Dividends**

(a) Dividends payable to equity owners of the parent attributable to the year

	2025 HK\$ Mn	2024 HK\$ Mn
Interim dividend declared and paid of HK\$0.39 per share on 2,636 million shares (2024: HK\$0.31 per share on 2,631 million shares)	1,028	816
Second interim dividend of HK\$0.22 per share on 2,641 million shares (2024: HK\$0.38 per share on 2,630 million shares)	581	999
	<u>1,609</u>	<u>1,815</u>

The total dividends attributable to the year is HK\$0.61 per share (2024: HK\$0.69 per share). The second interim dividend has not been recognised as a liability at the end of the reporting period.

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

	2025 HK\$ Mn	2024 HK\$ Mn
Second interim dividend in respect of the previous financial year, approved and paid during the year, of HK\$0.38 per share on 2,630 million shares (2024: HK\$0.18 per share on 2,645 million shares)	999	476

(c) Distribution to holders of Additional Tier 1 capital instruments

	2025 HK\$ Mn	2024 HK\$ Mn
Distribution paid on the Additional Tier 1 capital instruments	<u>294</u>	<u>594</u>

3. **Changes in Accounting Policies**

The HKICPA has issued a number of amendments to HKFRS Accounting Standards 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.

#### 4. Interest Income

	2025	2024
	HK\$ Mn	HK\$ Mn
Loans, placements with banks, and trade bills	23,827	30,032
Investment securities		
- measured at amortised cost or FVOCI	9,047	9,662
- mandatorily measured at FVTPL	50	79
Trading assets	44	36
	<u>32,968</u>	<u>39,809</u>

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.

The above included interest income of HK\$31,517 million (2024: HK\$37,163 million), before hedging effect, for financial assets that are not recognised at FVTPL.

#### 5. Interest Expense

	2025	2024
	HK\$ Mn	HK\$ Mn
Customer deposits and deposits of banks		
- at amortised cost	15,311	20,555
- designated at FVTPL	-	57
Certificates of deposit and debt securities issued		
- at amortised cost	754	805
- designated at FVTPL	35	239
Subordinated notes carried at amortised cost	1,376	1,438
Lease liabilities	29	31
Other borrowings	141	155
	<u>17,646</u>	<u>23,280</u>

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.

The above included interest expense of HK\$17,501 million (2024: HK\$22,712 million), before hedging effect, for financial liabilities that are not recognised at FVTPL.

## 6. Net Fee and Commission Income

Fee and commission income is disaggregated by services:

	2025	2024
	HK\$ Mn	HK\$ Mn
Credit cards	824	831
Loans, overdrafts and guarantees	823	823
Sale of third party insurance policies	759	596
Securities brokerage	306	225
Trust and other fiduciary activities	246	170
Other retail banking services	243	213
Investment products	210	205
Trade finance	184	131
Others	532	454
Total fee and commission income	4,127	3,648
Total fee and commission expense	(911)	(846)
	<u>3,216</u>	<u>2,802</u>

For fee income and expense arising from financial assets and financial liabilities not measured at FVTPL, the Group earned fee and commission income of HK\$727 million (2024: HK\$716 million) which were included in above loan, overdrafts and guarantees and trade finance categories, and recognised insignificant relevant expenses (2024: HK\$5 million) under total fee and commission expenses. These figures excluded amounts incorporated in determining the effective interest rate on such financial assets and financial liabilities.

For fee income and expense arising from trust and other fiduciary activities, the Group earned fee and commission income of HK\$246 million (2024: HK\$170 million) as stated above and recognised relevant expenses of HK\$88 million (2024: HK\$17 million) under total fee and commission expenses.

## 7. Net Trading Profit

	2025	2024
	HK\$ Mn	HK\$ Mn
Profit on dealing in foreign currencies and funding swaps	877	619
Profit on trading securities	248	132
Net gain on derivatives	855	661
Dividend income from trading equity securities	4	9
Loss on other dealing activities	(2)	-
	<u>1,982</u>	<u>1,421</u>

## 8. Net Result on Financial Instruments at FVTPL

	2025	2024
	HK\$ Mn	HK\$ Mn
Net loss from financial instruments designated at FVTPL	(3)	(90)
Net gain from financial instruments mandatorily measured at FVTPL (other than those included in net trading profit)	116	55
	<u>113</u>	<u>(35)</u>

**9. Net Result on Financial Assets Measured at FVOCI**

	<u>2025</u> HK\$ Mn	<u>2024</u> HK\$ Mn
Net profit/(loss) on sale of debt securities	13	(54)
Dividend income from equity securities	32	16
	<u>45</u>	<u>(38)</u>

**10. Net Hedging Profit**

	<u>2025</u> HK\$ Mn	<u>2024</u> HK\$ Mn
Fair value hedges	46	92
Cash flow hedges	-	-
	<u>46</u>	<u>92</u>

**11. Other Operating Income**

	<u>2025</u> HK\$ Mn	<u>2024</u> HK\$ Mn
Rental from safe deposit boxes	129	122
Rental income on properties	116	117
Others	62	73
	<u>307</u>	<u>312</u>

## 12. Operating Expenses

	2025 HK\$ Mn	2024 HK\$ Mn
Contributions to defined contribution plan*		
- Hong Kong	200	216
- Outside Hong Kong	246	234
Equity settled share-based payment expenses	26	22
Salaries and other staff costs	5,236	5,144
Total staff costs	<u>5,708</u>	<u>5,616</u>
Premises and equipment expenses excluding depreciation		
- Expenses relating to short-term leases	11	10
- Expenses relating to low value assets	3	7
- Variable lease payments not included in the measurement of lease liabilities	4	1
- Maintenance, repairs and others	881	768
Total premises and equipment expenses excluding depreciation	<u>899</u>	<u>786</u>
Depreciation and amortisation	<u>854</u>	<u>875</u>
Other operating expenses		
- Legal and professional fees	564	491
- Internet platform charges	458	540
- Communications, stationery and printing	323	304
- Advertising and business promotion expenses	251	256
- Others	764	766
Total other operating expenses	<u>2,360</u>	<u>2,357</u>
Total operating expenses**	<u>9,821</u>	<u>9,634</u>

\* Forfeited contributions totalling HK\$39 million (2024: HK\$26 million) were utilised to reduce the Group's contribution during the year. There were no forfeited contributions available for reducing future contributions at the year end (2024: Nil).

\*\* Included direct operating expenses of HK\$17 million (2024: HK\$10 million) in respect of investment properties which generated rental income during the year.

## 13. Impairment Losses on Financial Instruments

	2025 HK\$ Mn	2024 HK\$ Mn
Loans and advances to customers	5,526	5,152
Debt securities	163	330
Others	(47)	15
	<u>5,642</u>	<u>5,497</u>

#### 14. Net Profit on Sale of Assets Held for Sale

	2025	2024
	HK\$ Mn	HK\$ Mn
Net profit on sale of properties	-	21
Net profit on sale of disposal groups	-	1
	<u>-</u>	<u>22</u>

#### 15. Net (Loss)/Profit on Disposal of Fixed Assets

	2025	2024
	HK\$ Mn	HK\$ Mn
Net profit on disposal of investment properties	2	-
Net (loss)/profit on disposal of bank premises, furniture, fixtures and equipment	(8)	15
Net profit on termination of lease	4	1
	<u>(2)</u>	<u>16</u>

#### 16. Income Tax

Taxation in the consolidated income statement represents:

	2025	2024
	HK\$ Mn	HK\$ Mn
Current tax – Hong Kong		
Hong Kong Profits Tax excluding Pillar Two income taxes:		
- Tax for the year	779	710
- Over-provision in respect of prior years	(189)	(63)
	<u>590</u>	<u>647</u>
Pillar Two income taxes	-	-
	<u>590</u>	<u>647</u>
Current tax – outside Hong Kong		
Income taxes excluding Pillar Two income taxes:		
- Tax for the year	663	495
- Under/(over)-provision in respect of prior years	132	(147)
	<u>795</u>	<u>348</u>
Pillar Two income taxes	4	-
	<u>799</u>	<u>348</u>
Deferred tax		
Origination and reversal of temporary differences	(394)	216
	<u>995</u>	<u>1,211</u>

The provision for Hong Kong profits tax is calculated at 16.5% (2024: 16.5%) of the estimated assessable profits for the year.

Taxation for overseas, Macau and Taiwan branches and subsidiaries is charged at the appropriate current rates of taxation ruling in the relevant jurisdictions.

## 17. Trading Assets

	2025	2024
	HK\$ Mn	HK\$ Mn
Debt securities	343	-
Equity securities	67	53
Investment funds	172	154
	<u>582</u>	<u>207</u>

## 18. Loans and Advances to Customers

### (a) Loans and Advances to Customers

	2025	2024
	HK\$ Mn	HK\$ Mn
Measured at amortised cost		
Gross carrying amount before impairment allowances	549,167	532,931
Less: Impairment allowances	(6,044)	(5,102)
	<u>543,123</u>	<u>527,829</u>
Mandatorily measured at FVTPL	112	-
	<u>543,235</u>	<u>527,829</u>

## 18. Loans and Advances to Customers (continued)

### (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.

	2025		2024	
	Gross advances	% of gross advances covered by collateral	Gross advances	% of gross advances covered by collateral
	HK\$ Mn	%	HK\$ Mn	%
<b>Loans for use in Hong Kong</b>				
Industrial, commercial and financial				
- Property development	19,966	51.86	20,317	62.87
- Property investment	33,424	92.43	39,520	92.24
- Financial concerns	14,886	45.34	13,148	47.41
- Stockbrokers	694	99.07	1,437	72.92
- Wholesale and retail trade	9,546	39.67	8,940	44.72
- Manufacturing	8,011	27.58	4,169	29.80
- Transport and transport equipment	2,041	61.51	3,766	19.38
- Recreational activities	190	71.77	132	99.42
- Information technology	5,664	44.95	3,465	48.90
- Others	28,863	47.06	30,000	52.68
Sub-total	<u>123,285</u>	58.57	<u>124,894</u>	64.14
Individuals				
- Loans for the purchase of flats in the Home Ownership Scheme, Private Sector Participation Scheme and Tenants Purchase Scheme	2,853	99.74	1,131	97.98
- Loans for the purchase of other residential properties	105,394	99.56	98,966	99.06
- Credit card advances	3,486	0.00	3,501	0.00
- Others	22,097	63.03	22,502	62.98
Sub-total	<u>133,830</u>	90.94	<u>126,100</u>	89.86
Total loans for use in Hong Kong	257,115	75.41	250,994	77.06
Trade finance	9,129	18.68	6,889	24.79
Loans for use outside Hong Kong (Note)	283,035	25.69	275,048	31.44
Total advances to customers	<u>549,279</u>	48.85	<u>532,931</u>	52.84

## 18. Loans and Advances to Customers (continued)

### (b) Loans and Advances to Customers – by Industry Sectors (continued)

*Note: Loans for use outside Hong Kong include the following loans for use in Chinese Mainland and loans for use outside Hong Kong and Chinese Mainland.*

	2025		2024	
	Gross advances	% of gross advances covered by collateral	Gross advances	% of gross advances covered by collateral
	HK\$ Mn	%	HK\$ Mn	%
<b>Loans for use in Chinese Mainland</b>				
Industrial, commercial and financial				
- Property development	16,741	56.52	21,473	51.91
- Property investment	5,392	78.50	6,016	71.40
- Financial concerns	46,991	6.73	44,808	13.92
- Wholesale and retail trade	19,266	4.50	13,177	6.06
- Manufacturing	15,792	7.57	16,002	1.47
- Transport and transport equipment	1,843	42.75	1,949	75.70
- Recreational activities	56	0.00	298	0.00
- Information technology	3,016	1.48	2,389	1.08
- Others	27,683	13.41	25,644	10.59
Sub-total	<u>136,780</u>	17.16	<u>131,756</u>	20.44
Individuals				
- Loans for the purchase of other residential properties	7,122	99.00	8,277	99.74
- Credit card advances	2,241	0.00	2,923	0.00
- Others	14,114	1.57	16,243	1.81
Sub-total	<u>23,477</u>	30.98	<u>27,443</u>	31.16
Total loans for use in Chinese Mainland	<u>160,257</u>	19.18	<u>159,199</u>	22.29

## 18. Loans and Advances to Customers (continued)

### (b) Loans and Advances to Customers – by Industry Sectors (continued)

	2025		2024	
	Gross advances	% of gross advances covered by collateral	Gross advances	% of gross advances covered by collateral
	HK\$ Mn	%	HK\$ Mn	%
<b>Loans for use outside Hong Kong and Chinese Mainland</b>				
Industrial, commercial and financial				
- Property development	3,516	43.78	6,298	64.05
- Property investment	21,659	73.16	26,676	77.20
- Financial concerns	11,385	28.81	13,739	63.34
- Wholesale and retail trade	7,261	21.65	4,697	13.06
- Manufacturing	16,091	1.53	13,860	1.25
- Transport and transport equipment	7,404	14.94	5,287	19.72
- Recreational activities	770	8.38	1,149	43.75
- Information technology	11,138	11.06	7,248	3.34
- Others	40,533	34.97	33,779	35.80
Sub-total	<u>119,757</u>	32.62	<u>112,733</u>	42.58
Individuals				
- Loans for the purchase of other residential properties	2,734	99.97	2,816	100.00
- Credit card advances	2	0.00	2	0.00
- Others	285	59.20	298	64.28
Sub-total	<u>3,021</u>	96.04	<u>3,116</u>	96.52
Total loans for use outside Hong Kong and Chinese Mainland	<u>122,778</u>	34.18	<u>115,849</u>	44.03
Total loans for use outside Hong Kong	<u>283,035</u>	25.69	<u>275,048</u>	31.44

## 18. Loans and Advances to Customers (continued)

### (b) Loans and Advances to Customers – by Industry Sectors (continued)

Individually impaired loans, as well as relevant information, in respect of industry sectors which constitute not less than 10% of total loans and advances to customers are as follows:

	2025	2024
	HK\$ Mn	HK\$ Mn
(i) Property investment		
a. Individually impaired loans	3,493	3,464
b. Specific provisions	449	582
c. Collective provisions	288	57
d. New provision charged to income statement	689	918
e. Written off	447	426
(ii) Loans for purchase of other residential properties		
a. Individually impaired loans	574	453
b. Specific provisions	21	9
c. Collective provisions	26	25
d. New provision charged to income statement	32	21
e. Written off	5	1
(iii) Financial concerns		
a. Individually impaired loans	44	229
b. Specific provisions	44	128
c. Collective provisions	63	72
d. New provision charged to income statement	79	342
e. Written off	119	249

The specific provisions represent lifetime expected credit loss provisions for credit impaired (Stage 3) exposures and the collective provisions represent the 12-month and lifetime expected credit loss provisions for non-credit impaired (Stage 1 and Stage 2) exposures.

## 18. Loans and Advances to Customers (continued)

### (c) Loans and Advances to Customers – by Geographical Areas

The information concerning the breakdown of the gross amount of advances to customers by geographical areas is derived according to the location of the counterparties after taking into account any transfer of risk in accordance with the requirements of Banking (Disclosure) Rules. 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. The location of a party is determined by its residence which is the economic territory under whose laws the party is incorporated or registered. This requirement is different from the allocation under segment reporting in Note 22 which is prepared in a manner consistent with the way in which information is reported internally to the Group's Senior Management. The specific provisions represent lifetime expected credit loss provisions for credit impaired (Stage 3) exposures and the collective provisions represent the 12-month and lifetime expected credit loss provisions for non-credit impaired (Stage 1 and Stage 2) exposures.

	2025				
	Total	Advances	Impaired	Specific	Collective
	advances to customers	overdue for over three months	advances to customers	provisions	provisions
	HK\$ Mn	HK\$ Mn	HK\$ Mn	HK\$ Mn	HK\$ Mn
Hong Kong	240,346	4,726	6,456	2,153	689
Chinese Mainland	195,489	2,794	7,333	2,242	487
Other Asian Countries and Regions	39,591	152	156	63	114
Others	73,853	554	848	119	177
<b>Total</b>	<b>549,279</b>	<b>8,226</b>	<b>14,793</b>	<b>4,577</b>	<b>1,467</b>
% of total advances to customers			<u>2.69%</u>		
	2024				
	Total	Advances	Impaired	Specific	Collective
	advances to customers	overdue for over three months	advances to customers	provisions	provisions
	HK\$ Mn	HK\$ Mn	HK\$ Mn	HK\$ Mn	HK\$ Mn
Hong Kong	239,272	3,180	6,824	1,834	353
Chinese Mainland	188,654	3,163	6,938	1,964	561
Other Asian Countries and Regions	34,585	221	272	135	95
Others	70,420	245	459	21	139
<b>Total</b>	<b>532,931</b>	<b>6,809</b>	<b>14,493</b>	<b>3,954</b>	<b>1,148</b>
% of total advances to customers			<u>2.72%</u>		

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

## 19. Investment Securities

	2025					
	Treasury bills (including Exchange Fund Bills)	Certificates of deposit held	Debt securities	Equity securities	Investment funds	Total
	HK\$ Mn	HK\$ Mn	HK\$ Mn	HK\$ Mn	HK\$ Mn	HK\$ Mn
Investment securities measured at amortised cost						
Gross carrying amount before impairment allowances	2,587	3,944	36,975	-	-	43,506
Less: Impairment allowances	-	-	(294)	-	-	(294)
	<u>2,587</u>	<u>3,944</u>	<u>36,681</u>	<u>-</u>	<u>-</u>	<u>43,212</u>
Investment securities measured at FVOCI	25,846	164	136,495	885	-	163,390
Investment securities mandatorily measured at FVTPL	-	-	640	1	1,176	1,817
	<u>28,433</u>	<u>4,108</u>	<u>173,816</u>	<u>886</u>	<u>1,176</u>	<u>208,419</u>
	2024					
	Treasury bills (including Exchange Fund Bills)	Certificates of deposit held	Debt securities	Equity securities	Investment funds	Total
	HK\$ Mn	HK\$ Mn	HK\$ Mn	HK\$ Mn	HK\$ Mn	HK\$ Mn
Investment securities measured at amortised cost						
Gross carrying amount before impairment allowances	2,566	544	27,660	-	-	30,770
Less: Impairment allowances	-	-	(927)	-	-	(927)
	<u>2,566</u>	<u>544</u>	<u>26,733</u>	<u>-</u>	<u>-</u>	<u>29,843</u>
Investment securities measured at FVOCI	30,020	-	127,928	999	-	158,947
Investment securities mandatorily measured at FVTPL	-	-	1,219	1	773	1,993
	<u>32,586</u>	<u>544</u>	<u>155,880</u>	<u>1,000</u>	<u>773</u>	<u>190,783</u>

### Equity Securities Designated at FVOCI

	2025		2024	
	Fair value	Dividend income recognised	Fair value	Dividend income recognised
	HK\$ Mn	HK\$ Mn	HK\$ Mn	HK\$ Mn
Equity investments held for long-term strategic purposes	<u>885</u>	<u>32</u>	<u>999</u>	<u>16</u>

As at 31 December 2025, equity securities designated at FVOCI amounting to HK\$885 million (2024: HK\$999 million) were held for long-term strategic purposes, of which HK\$623 million (2024: HK\$807 million) was attributable to the fair value of the Bank's investment in China UnionPay Co., Ltd. During the year ended 31 December 2025, the Bank derecognised an unlisted equity security designated at FVOCI upon acceptance of the share transfer offer from a major shareholder (2024: Nil). The fair value at the date of derecognition and the cumulative gains transferred from the fair value reserve to retained profits were insignificant.

## 20. Investments in Associates and Joint Ventures

	2025	2024
	HK\$ Mn	HK\$ Mn
Share of net assets	10,291	9,629
Goodwill	465	438
	<u>10,756</u>	<u>10,067</u>
Less: Impairment allowances	(1,619)	(1,619)
	<u>9,137</u>	<u>8,448</u>

### Update on impairment assessment of the Group's investment in AFFIN Bank Berhad ("AFFIN")

At 31 December 2025, the fair value of the Group's investment in AFFIN based on the quoted market price had been persistently below the carrying amount. As a result, the Group performed an impairment test on the investment using a value-in-use ("VIU") methodology and this demonstrated that the recoverable amount of the investment was HK\$4,709 million. The recoverable amount was higher than the carrying value of HK\$4,125 million and no further impairment charge was recognised (2024: no impairment charge). The VIU calculation uses discounted cash flow projections based on AFFIN's latest forecast of financial results and estimates made by the Group's management for the next five years and extrapolating in perpetuity using a long-term growth rate of 3% to derive a terminal value. Discount rate of 10.40% (2024: 11.57%), which is based on a Capital Asset Pricing Model calculation for AFFIN, is used in the VIU calculation.

The following table illustrates the impact on VIU of reasonably possible changes to key assumptions. This reflects the sensitivity of the VIU to each key assumption on its own and it is possible that more than one favourable and/or unfavourable change may occur at the same time.

	Favourable change		Unfavourable change	
	Increase in		Decrease in	
	VIU	VIU	VIU	VIU
	HK\$ Mn	HK\$ Mn	HK\$ Mn	HK\$ Mn
At 31 December 2025				
Discount rate	-50 bps	358	5,067	+50 bps (312) 4,397
Long-term growth rate	+50 bps	59	4,768	-50 bps (54) 4,655
Expected cash flows	+10%	471	5,180	-10% (471) 4,238

## 21. Other Assets

	2025	2024
	HK\$ Mn	HK\$ Mn
Accrued interest	4,331	4,439
Customer liabilities under acceptances	34,490	32,817
Other accounts	11,796	10,601
Gross carrying amount before impairment allowances	<u>50,617</u>	<u>47,857</u>
Less: Impairment allowances	(485)	(479)
	<u>50,132</u>	<u>47,378</u>
Assets held for sale	15	15
	<u>50,147</u>	<u>47,393</u>

## 22. 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 eight reportable segments.

**Hong Kong operations** divided into the following five reportable segments.

**Personal banking** includes branch operations, personal internet banking, consumer finance, property loans, MPF business, and credit card business.

**Wholesale banking** includes corporate lending and loan syndication, asset based lending, commercial lending, securities lending and trade financing activities with correspondent banks and corporates.

**Treasury markets** include treasury operations and securities dealing.

**Wealth management** includes private banking business, investment products & advisory and securities & futures broking.

**Others** mainly include trust business carried out by subsidiaries operating in Hong Kong and other supporting units of Hong Kong operations.

**Chinese Mainland operations** mainly include the back office unit for Chinese Mainland operations in Hong Kong, all subsidiaries and associates operating in Chinese Mainland, except those subsidiaries carrying out data processing and other back office operations for Hong Kong operations in Chinese Mainland.

**Overseas, Macau and Taiwan operations** mainly include the back office unit for Overseas, Macau and Taiwan operations in Hong Kong, Macau Branch, Taiwan Branch and all branches, subsidiaries and associates operating overseas.

**Corporate management** absorbs the regulatory capital cost of loan capital issued by the Bank and receives, from Hong Kong operations, the interest income on business activities funded by capital instruments issued by the Bank.

For the purposes of assessing segment performance and allocating resources among 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 assets with the exception of interests in associates and joint ventures and assets held for sale. 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.

## 22. Segment Reporting (continued)

2025

	Hong Kong operations						Chinese Mainland operations	Overseas, Macau and Taiwan operations	Corporate management	Inter-segment elimination	Total
	Personal banking	Wholesale banking	Treasury markets	Wealth management	Others	Total					
	HK\$ Mn	HK\$ Mn	HK\$ Mn	HK\$ Mn	HK\$ Mn	HK\$ Mn					
Net interest income/(expense)	5,328	2,756	1,267	334	(151)	9,534	3,530	2,419	(161)	-	15,322
Non-interest income/(expense)	1,676	701	370	1,006	379	4,132	1,418	185	-	(38)	5,697
Operating income/ (expense)	7,004	3,457	1,637	1,340	228	13,666	4,948	2,604	(161)	(38)	21,019
Operating expenses	(1,814)	(474)	(193)	(461)	(2,809)	(5,751)	(3,230)	(878)	-	38	(9,821)
Operating profit/(loss) before impairment losses	5,190	2,983	1,444	879	(2,581)	7,915	1,718	1,726	(161)	-	11,198
Impairment losses on financial instruments	(133)	(3,703)	(22)	(30)	(3)	(3,891)	(1,421)	(330)	-	-	(5,642)
Operating profit/(loss) after impairment losses	5,057	(720)	1,422	849	(2,584)	4,024	297	1,396	(161)	-	5,556
Net profit on sale of subsidiary	-	-	-	-	1	1	-	-	-	-	1
Net (loss)/profit on disposal of fixed assets	(4)	(3)	-	-	-	(7)	(1)	6	-	-	(2)
Valuation losses on investment properties	-	-	-	-	(696)	(696)	(27)	-	-	-	(723)
Share of profits less losses of associates and joint ventures	-	-	-	-	10	10	(585)	270	-	-	(305)
Profit/(loss) before taxation	5,053	(723)	1,422	849	(3,269)	3,332	(316)	1,672	(161)	-	4,527
Depreciation and amortisation for the year	(199)	(20)	(10)	(9)	(215)	(453)	(336)	(65)	-	-	(854)
Segment assets	130,721	148,650	244,265	17,300	12,720	553,656	267,563	136,119	-	(45,497)	911,841
Investments in associates and joint ventures	-	-	-	-	54	54	3,168	5,915	-	-	9,137
Other assets – Assets held for sale	-	-	-	-	15	15	-	-	-	-	15
Total assets	130,721	148,650	244,265	17,300	12,789	553,725	270,731	142,034	-	(45,497)	920,993
Total liabilities	369,203	55,309	34,143	37,132	4,083	499,870	239,053	121,445	-	(45,006)	815,362
Capital expenditure incurred during the year	142	16	1	29	969	1,157	229	55	-	-	1,441

## 22. Segment Reporting (continued)

2024

	Hong Kong operations						Chinese Mainland operations	Overseas, Macau and Taiwan operations	Corporate management	Inter-segment elimination	Total
	Personal banking	Wholesale banking	Treasury markets	Wealth management	Others	Total					
	HK\$ Mn	HK\$ Mn	HK\$ Mn	HK\$ Mn	HK\$ Mn	HK\$ Mn					
Net interest income/(expense)	5,678	2,735	1,514	368	(236)	10,059	3,845	2,635	(10)	-	16,529
Non-interest income/(expense)	1,336	601	108	688	337	3,070	1,234	173	-	(27)	4,450
Operating income/ (expense)	7,014	3,336	1,622	1,056	101	13,129	5,079	2,808	(10)	(27)	20,979
Operating expenses	(1,746)	(499)	(193)	(420)	(2,570)	(5,428)	(3,376)	(857)	-	27	(9,634)
Operating profit/(loss) before impairment losses	5,268	2,837	1,429	636	(2,469)	7,701	1,703	1,951	(10)	-	11,345
Impairment losses on financial instruments	(147)	(3,214)	(63)	(346)	(1)	(3,771)	(1,557)	(169)	-	-	(5,497)
Impairment losses on associate	-	-	-	-	-	-	(94)	-	-	-	(94)
Impairment losses on other assets	-	-	-	-	-	-	(2)	-	-	-	(2)
Operating profit/(loss) after impairment losses	5,121	(377)	1,366	290	(2,470)	3,930	50	1,782	(10)	-	5,752
Net profit on sale of assets held for sale	-	-	-	-	-	-	21	1	-	-	22
Net profit on disposal of fixed assets	-	-	-	-	-	-	16	-	-	-	16
Valuation losses on investment properties	-	-	-	-	(145)	(145)	-	-	-	-	(145)
Share of profits less losses of associates and joint ventures	-	-	-	-	(3)	(3)	(23)	221	-	-	195
Profit/(loss) before taxation	5,121	(377)	1,366	290	(2,618)	3,782	64	2,004	(10)	-	5,840
Depreciation and amortisation for the year	(207)	(22)	(11)	(9)	(220)	(469)	(345)	(61)	-	-	(875)
Segment assets	124,403	147,833	250,180	16,480	12,427	551,323	242,878	127,701	-	(52,606)	869,296
Investments in associates and joint ventures	-	-	-	-	44	44	3,598	4,806	-	-	8,448
Other assets – Assets held for sale	-	-	-	-	15	15	-	-	-	-	15
Total assets	124,403	147,833	250,180	16,480	12,486	551,382	246,476	132,507	-	(52,606)	877,759
Total liabilities	361,929	42,612	49,125	33,622	3,578	490,866	218,836	114,439	-	(52,121)	772,020
Capital expenditure incurred during the year	251	28	-	9	157	445	266	30	-	-	741

## 23. Off-Balance Sheet Exposures

### (a) Contingent Liabilities and Commitments

The following is a summary of the contractual amounts of each significant class of contingent liabilities and commitments and the aggregate credit risk-weighted amount and is prepared with reference to the completion instructions for the HKMA return of capital adequacy ratio.

	2025	2024
	HK\$ Mn	HK\$ Mn
Contingent liabilities		
Direct credit substitutes	5,910	3,085
Transaction-related contingencies	6,964	6,776
Trade-related contingencies	2,589	6,051
	<u>15,463</u>	<u>15,912</u>
Commitments		
Asset sales with recourse	45	-
Commitments that are unconditionally cancellable without prior notice	337,576	280,189
Other commitments with an original maturity		
- up to 1 year	2,336	4,150
- over 1 year	34,120	27,272
	<u>374,077</u>	<u>311,611</u>
Total	<u>389,540</u>	<u>327,523</u>
Credit risk-weighted amounts	<u>16,650</u>	<u>19,525</u>

### (b) Derivatives

	2025	2024
	HK\$ Mn	HK\$ Mn
Fair value of derivatives		
Assets		
Exchange rate contracts	1,567	5,010
Interest rate contracts	1,251	933
Equity contracts	293	284
	<u>3,111</u>	<u>6,227</u>
Liabilities		
Exchange rate contracts	1,867	4,287
Interest rate contracts	694	1,230
Equity contracts	293	279
	<u>2,854</u>	<u>5,796</u>
Notional amount of derivatives		
Exchange rate contracts	381,875	493,956
Interest rate contracts	286,207	306,516
Equity contracts	17,060	12,055
	<u>685,142</u>	<u>812,527</u>

## 24. Reserves

	2025	2024
	HK\$ Mn	HK\$ Mn
General reserve	13,657	13,658
Revaluation reserve on bank premises	2,716	2,286
Capital reserve	1,017	1,017
Exchange revaluation reserve	(1,311)	(3,690)
Fair value reserve	2,901	2,365
Hedging reserve	183	(20)
Liability credit reserve	-	-
Other reserves	5,449	5,226
Retained profits ( <i>Note</i> )	38,528	37,541
	<u>63,140</u>	<u>58,383</u>
Dividends declared, not provided for	<u>581</u>	<u>999</u>

*Note:* A regulatory reserve is maintained to satisfy the provisions of the Hong Kong 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 profits and in consultation with the HKMA. As at 31 December 2025, the effect of this requirement is to restrict the amount of reserves which can be distributed by the Bank to shareholders by HK\$2,381 million (2024: HK\$2,586 million).

## Unaudited Supplementary Financial Information

### A. Capital Adequacy

	2025	2024
	HK\$ Mn	HK\$ Mn
Capital base		
- Common Equity Tier 1 capital	89,632	85,828
- Additional Tier 1 capital	-	5,021
- Tier 1 capital	89,632	90,849
- Tier 2 capital	12,339	17,523
- Total capital	101,971	108,372
Risk-weighted assets by risk type		
- Credit risk	329,455	431,236
- Market risk	8,520	4,878
- Operational risk	26,808	40,572
- Capital floor adjustment	-	12,180
	364,783	488,866
Less: Deductions	(2,598)	(2,767)
	362,185	486,099
	2025	2024
	%	%
Common Equity Tier 1 capital ratio	24.7	17.7
Tier 1 capital ratio	24.7	18.7
Total capital ratio	28.2	22.3

Regulatory capital ratios at 31 December 2025 are calculated based on the Basel III Final Reform package which was implemented in Hong Kong on 1 January 2025.

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. For credit valuation adjustment ("CVA"), the Bank has adopted the reduced basic CVA approach to calculate the CVA capital charge.

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 securities and insurance companies that are authorised and supervised by a regulator and 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 Common Equity Tier 1 capital subject to the thresholds as determined in accordance with Part 3 of the Capital Rules.

## Unaudited Supplementary Financial Information (continued)

### A. Capital Adequacy (continued)

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 banking group.

For the purpose of compliance with the Banking (Disclosure) Rules and Part 6 of the Financial Institutions (Resolutions) (Loss-absorbing Capacity Requirements – Banking Sector) 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 Disclosure" link on the home page of the Bank's website at [www.hkbea.com](http://www.hkbea.com) or at the following direct link: [www.hkbea.com/regulatory\\_disclosures](http://www.hkbea.com/regulatory_disclosures).

### B. Leverage Ratio

	<u>2025</u>	<u>2024</u>
	HK\$ Mn	HK\$ Mn
Tier 1 capital	89,632	90,849
Exposure measure	948,592	928,662
	<u>2025</u>	<u>2024</u>
	%	%
Leverage ratio	9.4	9.8

The leverage ratio 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 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](http://www.hkbea.com) or at the following direct link: [www.hkbea.com/regulatory\\_disclosures](http://www.hkbea.com/regulatory_disclosures).

## Unaudited Supplementary Financial Information (continued)

### C. Liquidity Position

Liquidity coverage ratio

	<u>2025</u>	<u>2024</u>
	%	%
Average liquidity coverage ratio		
- First quarter	190.3	213.1
- Second quarter	176.5	271.0
- Third quarter	169.7	247.0
- Fourth quarter	182.8	204.6

The liquidity coverage ratio is calculated in accordance with the Banking (Liquidity) Rules. 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](http://www.hkbea.com) or at the following direct link: [www.hkbea.com/regulatory\\_disclosures](http://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.

Net stable funding ratio

	<u>2025</u>	<u>2024</u>
	HK\$ Mn	HK\$ Mn
Total available stable funding	628,821	594,979
Total required stable funding	499,062	471,563
	<u>2025</u>	<u>2024</u>
	%	%
Net stable funding ratio	126.0	126.2

The net stable funding ratio is calculated in accordance with the Banking (Liquidity) Rules. 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](http://www.hkbea.com) or at the following direct link: [www.hkbea.com/regulatory\\_disclosures](http://www.hkbea.com/regulatory_disclosures).

**Unaudited Supplementary Financial Information (continued)**

**D. Overdue, Rescheduled and Repossessed Assets**

(a) Overdue and rescheduled advances to customers

	2025		2024	
	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	2,012	0.4	873	0.2
- 1 year or less but over 6 months	1,386	0.2	1,866	0.3
- Over 1 year	4,828	0.9	4,070	0.8
	8,226	1.5	6,809	1.3
Rescheduled advances to customers	654	0.1	1,382	0.2
Total overdue and rescheduled advances	8,880	1.6	8,191	1.5
of which:				
Covered portion of overdue advances	5,134	0.9	3,502	0.7
Uncovered portion of overdue advances	3,092	0.6	3,307	0.6
Current market value of collateral held against the covered portion of overdue advances	8,901		6,232	
Specific provisions made on advances overdue for more than 3 months	2,934		1,875	

Loans and advances with a specific repayment date are classified as overdue when the principal or interest is overdue and remains unpaid at the year-end. Loans repayable by regular instalments are treated as overdue when an instalment payment is overdue and remains unpaid at year-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:

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

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

- (i) "Eligible Financial Collateral" mainly comprises cash deposits and shares.
- (ii) "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:

- (a) Debt rescheduling/restructuring
- (b) Enforcement of security
- (c) Legal action
- (d) Recovery via debt collector

**Unaudited Supplementary Financial Information (continued)**

**D. Overdue, Rescheduled and Repossessed Assets (continued)**

(b) Overdue and rescheduled advances to banks

	2025 HK\$ Mn	2024 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

	2025		
	Accrued interest HK\$ Mn	Debt securities HK\$ Mn	Other assets* HK\$ Mn
Other assets overdue for			
- 6 months or less but over 3 months	63	-	-
- 1 year or less but over 6 months	55	-	-
- Over 1 year	431	296	-
	549	296	-
Rescheduled assets	8	25	-
Total other overdue and rescheduled assets	557	321	-
Specific provisions made on other assets overdue for more than 3 months	235	286	-

	2024		
	Accrued Interest HK\$ Mn	Debt Securities HK\$ Mn	Other assets* HK\$ Mn
Other assets overdue for			
- 6 months or less but over 3 months	79	-	-
- 1 year or less but over 6 months	71	39	-
- Over 1 year	483	1,055	-
	633	1,094	-
Rescheduled assets	50	-	-
Total other overdue and rescheduled assets	683	1,094	-
Specific provisions made on other assets overdue for more than 3 months	287	1,063	-

\* Other assets refer to trade bills and receivables.

## Unaudited Supplementary Financial Information (continued)

### D. Overdue, Rescheduled and Repossessed Assets (continued)

#### (d) Repossessed assets

	<u>2025</u>	<u>2024</u>
	HK\$ Mn	HK\$ Mn
Reposessed land and buildings ( <i>Note</i> )	233	1,368
Reposessed vehicles and equipment	4	10
Total reposessed assets	<u>237</u>	<u>1,378</u>

The amount represents the estimated market value of the reposessed assets as at 31 December.

*Note: For the year ended 31 December 2025, the reposessed assets included HK\$54 million (2024: HK\$76 million) relating to properties that were contracted for sale but not yet completed.*

### E. Banking Disclosure Statement

Additional information disclosures for this year which are prepared in accordance with the Banking (Disclosure) Rules, the disclosure requirements in Part 6 of Financial Institutions (Resolution) (Loss-absorbing Capacity Requirements – Banking Sector) 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](http://www.hkbea.com) or at the following direct link: [www.hkbea.com/regulatory\\_disclosures](http://www.hkbea.com/regulatory_disclosures).

## **STATEMENT OF COMPLIANCE**

- (1) In preparing the accounts for 2025, the Bank has fully complied with the Banking (Disclosure) Rules and the disclosure requirements in Part 6 of Financial Institutions (Resolution) (Loss-absorbing Capacity Requirements – Banking Sector) Rules.
- (2) The Group is committed to maintaining high standards of corporate governance and considers such commitment essential in balancing the interests of shareholders, customers, employees and other relevant stakeholders, and in upholding accountability and transparency.
- (3) Throughout the financial year ended 31 December 2025, the Bank has complied with all code provisions set out in the CG Code.
- (4) During the financial year ended 31 December 2025, the Bank has followed the modules on CG-1, CG-5, Guidance on Empowerment of INEDs and the circular on Bank Culture Reform.

## **SECOND INTERIM DIVIDEND**

The Board has declared a second interim dividend for the year ended 31 December 2025 of HK\$0.22 per Share (the "**2025 Second Interim Dividend**") (2024 Second Interim Dividend: HK\$0.38 per Share), which, together with the 2025 interim dividend of HK\$0.39 per Share paid in October 2025, will constitute a total dividend of HK\$0.61 per Share for the full year (2024 full-year dividend: HK\$0.69 per Share). The 2025 Second Interim Dividend will be paid on or about Monday, 13 April 2026 in cash, with an option to receive new, fully paid Shares in lieu of cash dividend at the market value (except for adjustments for fractions) equal to the total amount of the dividend that such shareholder would otherwise be entitled to receive in cash (the "**Scrip Dividend Scheme**"), to shareholders whose names appear on the Register of Members of the Bank at the close of business on Monday, 9 March 2026 (Record Date). For the purpose of calculating the number of new Shares to be allotted under the Scrip Dividend Scheme, the market value of the new Shares means the average closing price of the Shares on the Stock Exchange from Tuesday, 3 March 2026 (being the first day that the Shares will be traded ex-dividend) to Monday, 9 March 2026 (both days inclusive). The listing document containing details of the Scrip Dividend Scheme and the election form will be sent to shareholders on or about Wednesday, 18 March 2026.

The Scrip Dividend Scheme is conditional upon 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 Monday, 13 April 2026.

## **CLOSURE OF REGISTER OF MEMBERS**

The Register of Members of the Bank will be closed for the following periods:

- (a) For the purpose of determining shareholders who qualify for the 2025 Second Interim Dividend, the Register of Members of the Bank will be closed from Thursday, 5 March 2026 to Monday, 9 March 2026 (both days inclusive). In order to qualify for the 2025 Second Interim Dividend, all transfer documents accompanied by the relevant share certificates should be lodged for registration with Tricor Investor Services Limited at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong by 4:00 pm on Wednesday, 4 March 2026.
- (b) For the purpose of determining shareholders who are entitled to attend and vote at the 2026 AGM, the Register of Members of the Bank will be closed from Tuesday, 5 May 2026 to Friday, 8 May 2026 (both days inclusive). In order to qualify for attending and voting at the 2026 AGM, all transfer documents accompanied by the relevant share certificates should be lodged for registration with Tricor Investor Services Limited at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong by 4:00 pm on Monday, 4 May 2026.

## **PURCHASE, SALE OR REDEMPTION OF THE BANK'S LISTED SECURITIES**

### **Redemption of Subordinated Notes and Capital Securities**

On 29 May 2025 (the Optional Redemption Date), the Bank completed the redemption of the 4% Dated Subordinated Notes due 2030 (the "**Subordinated Notes**") with a face value of US\$600 million in full at par. The Subordinated Notes were issued by the Bank under its US\$6 billion Medium Term Note Programme (the "**MTN Programme**") in May 2020 and listed on the Stock Exchange.

On 21 October 2025 (the Optional Redemption Date), the Bank completed the redemption of the 5.825% Additional Tier 1 Undated Capital Securities (the "**Capital Securities**") with a face value of US\$650 million in full at par. The Capital Securities were issued by the Bank under the MTN Programme in October 2020 and listed on the Stock Exchange.

Save for the redemption of the Subordinated Notes and Capital Securities as disclosed herein, there was no purchase, sale or redemption by the Bank, or any of its subsidiaries, of the listed securities of the Bank during the year ended 31 December 2025.

## **EXECUTIVE CHAIRMAN'S STATEMENT**

In 2025, the Chinese Mainland and Hong Kong experienced a measured but positive economic recovery. The release of a highly competitive and domestically developed AI model in January set a positive tone for the year. The momentum created by this breakthrough provided broad stimulus that propelled innovation throughout the year.

While the global landscape was marked by adaptation and recalibration – most notably in response to the landmark trade tariffs introduced by the new US Administration – Mainland exporters proved adept at meeting the challenges by shifting production toward alternative destinations. Despite plunging US trade, the Chinese Mainland posted a record trade surplus and achieved its full-year growth target. Squeezed profit margins amid a highly competitive domestic market also drove many Chinese corporates to venture across borders to tap new markets.

In Hong Kong, capital markets rebounded, buoyed by a robust pipeline of IPOs from some of China's most innovative emerging companies. Residential property prices stabilised, as buyers gradually returned to the market on the back of lower interest rates and higher rents. Together with strong growth in tourism, domestic consumption improved steadily, underpinning a year of stable growth.

The Group's core performance was solid. Pre-provision operating profit was stable from last year at HK\$11.2 billion. We were particularly encouraged by a strong growth of 28% in non-interest income, which helped us deliver an increase in operating income against a challenging macro environment. This result demonstrated early success of our strategy in diversification and doubling down on building a sustainable platform for future growth.

We continue to provide for our commercial real estate ("**CRE**") exposure proactively and prudently. 77% of our provision in the year were related to Hong Kong and Chinese Mainland CRE. We also lowered the valuation of our Investment Properties portfolio by HK\$723 million. Further, the Group recorded a shared loss from associates and joint ventures of HK\$305 million, mainly from an associate operating in the Chinese Mainland.

### **Strategic priorities**

Hong Kong is well established as the top destination for Chinese Mainland firms seeking to raise capital. Now, Hong Kong has also emerged as the preferred wealth management centre for affluent global Chinese. As capital flows increasingly gravitate towards Hong Kong, the territory is poised to become the world's premier cross-border wealth management centre.

BEA is well-positioned to capture these new opportunities. Our "OneBank" initiative amplifies our cross-boundary service proposition, delivering a simplified, seamless digital and physical journey for our retail and corporate clients.

The Bank views wealth management as a crucial pillar of our growth strategy. We have invested in a strengthened sales force, deepened investment product shelf, enhanced CRM system, upgraded omni-channels, and streamlined onboarding journeys to improve the customer experience with BEA. Aided by improved market sentiment, 2025 was a successful year for BEA's retail and private banking business as well as for investment and insurance sales.

For wholesale banking, we have diversified income streams beyond traditional lending, with transaction banking, treasury sales, and syndication loan fee income becoming major contributors to our non-interest income performance. The revenue generated through collaboration among BEA's various geographic locations outpaced stand-alone revenue growth, highlighting our unique position as an enabler for Chinese enterprises seeking onshore and offshore financing solutions.

We are leveraging the capabilities of our Global Services Centre ("**GSC**") in the Guangdong province to propel efficiency gains in operational excellence. By integrating AI and automation into our daily operations, we have significantly improved service quality, turnaround times, and productivity. Apart from operations, we are also building up the Bank's technology development capability at the GSC. Tapping into the deep talent pool in the Greater Bay Area and leveraging local AI development tools, we have accelerated the pace at which we bring new products and services to market.

## **Sustainability**

BEA remains steadfast in achieving our net zero and other sustainability goals. We became the first bank headquartered in Hong Kong to join the United Nations Principles for Responsible Banking. The Bank is making steady progress towards our net zero commitment in Group operations by 2030, and continues to work closely with our customers to support their transition to low-carbon and sustainable business models. As at the end of 2025, the Bank's green and sustainable finance accounted for 17.8% of our total corporate loan and bond investments.

During the year under review, we celebrated the 15<sup>th</sup> anniversary of the "Palliative Care for the Elderly" Programme. This programme has spurred legislative changes, enabling terminally ill patients to spend their last days in residential care homes.

## **Outlook**

Looking ahead, BEA is well-positioned to grow our franchise. Hong Kong is anticipating significant wealth inflows and financing demand as it further integrates with the Chinese Mainland economy. To capture these growing opportunities, BEA has established strong collaborative and coordinated cross-boundary banking capabilities.

In the coming three years, the Bank looks to build a resilient and sustainable growth platform by driving non-interest income growth. This will be accomplished through a dedicated focus on becoming a wealth management specialist, and deepening relationships beyond lending.

The Group has made further progress in enhancing the Group's asset quality in 2025, amid challenges in both the Chinese Mainland and Hong Kong CRE markets. We shall continue to expand our non-CRE business to build a strong foundation for future growth.

Supported by a solid balance sheet, a strong capital position, and a clear strategic vision, we are poised to deliver sustainable value to our shareholders in the years to come.

In closing, it is my pleasure to extend my personal thanks to the Directors of the Bank and its subsidiaries for their wise counsel throughout the past year. Their diverse experience, spanning various industries and regions, is one of our Group's greatest strengths.

The support of our esteemed international partners, such as Criteria Caixa S.A. and Sumitomo Mitsui Banking Corporation, continues to inspire us to drive innovation and growth. We deeply value their insightful perspectives as well as the plentiful opportunities they provide.

I must also extend my sincere gratitude to all our clients, whose loyalty and trust serve as the cornerstone of our achievements. Likewise, we are immensely thankful to our shareholders, whose unwavering support makes our work possible.

Lastly, my heartfelt thanks to all my colleagues for their tireless dedication to upholding our mission of serving our stakeholders. Your individual and collective efforts drive our Bank forward and transform our shared vision into reality.

**David LI Kwok-po**  
Executive Chairman

Hong Kong, 13 February 2026

## **REPORT OF THE CO-CHIEF EXECUTIVES**

### **FINANCIAL REVIEW**

#### **Financial Performance**

In 2025, BEA and its subsidiaries earned a profit attributable to owners of the parent of HK\$3,501 million, representing a decrease of 24.0% compared to the HK\$4,608 million earned in 2024.

Basic earnings per share were HK\$1.22 in 2025, compared to HK\$1.52 the previous year. The return on average assets decreased by 0.1 percentage points to 0.4%, while the return on average equity decreased by 0.9 percentage points to 3.1%.

Pre-provision operating profit ("**PPOP**") posted a modest decline of HK\$147 million, or 1.3%, to HK\$11,198 million.

Net interest income decreased by HK\$1,207 million, or 7.3%, to HK\$15,322 million. With the reduction in interest rates, NIM narrowed by 19 basis points year-on-year, from 2.09% to 1.90%.

Non-interest income rose by 28.0% to HK\$5,697 million. Net fee and commission income increased by 14.8% year-on-year to HK\$3,216 million, supported by a growing contribution of fees from investment activities and sales of third-party insurance policies. Net profit from trading, revaluation of financial instruments, and related hedging also improved by HK\$663 million, or 44.9%, mainly driven by higher revenue from structured products and FX dealings as a result of increased customer activities.

Operating expenses rose by HK\$187 million, or 1.9%, to HK\$9,821 million. The Bank continued to invest in talent and digital capabilities while realising efficiency gains from its transformation initiatives. The cost-to-income ratio for 2025 increased by 0.8 percentage points to 46.7%.

Impairment losses on financial instruments increased by HK\$145 million, or 2.6%, to HK\$5,642 million. Provisions on the commercial real estate ("**CRE**") sector accounted for 77% of total loan loss provisions. Given the ongoing uncertainties in the CRE sectors, the Group is continuing to adopt a prudent approach by proactively managing down CRE exposure. The Group's impaired loan ratio remained manageable at 2.69%, down from 2.72% at the end of December 2024.

Meanwhile, valuation losses on the Group's investment properties increased by HK\$578 million to HK\$723 million. The Group recorded a shared loss from associates and joint ventures of HK\$305 million, mainly from an associate operating in the Chinese Mainland.

While attributable profit was impacted by the above one-off events, core business was resilient. Total operating income increased by 0.2% to HK\$21,019 million amid challenging market conditions.

#### **Financial Position**

The Group has remained focused on risk management and portfolio diversification. Gross advances to customers increased by 3.1% to HK\$549,279 million. Total consolidated assets of the Group stood at HK\$920,993 million at the end of December 2025, representing an increase of HK\$43,234 million, or 4.9%, compared to HK\$877,759 million at the end of 2024.

Total deposits from customers increased by 9.9% to HK\$706,579 million. Of the total, demand deposits and current account balances increased by HK\$26,373 million, or 40.2%; savings deposits increased by HK\$24,723 million, or 18.3%; and time deposits increased by HK\$12,390 million, or 2.8%. Total deposit funds, comprising deposits from customers and all certificates of deposit issued, amounted to HK\$729,613 million.

The loan-to-deposit ratio stood at 75.3% at the end of December 2025, compared to 80.2% at the end of 2024.

Total equity attributable to owners of the parent rose by 4.9% to HK\$105,335 million at the end of 2025.

As at 31 December 2025, the total capital ratio, tier 1 capital ratio, and common equity tier 1 capital ratio rose to 28.2%, 24.7%, and 24.7%, respectively, benefitting from the implementation of the Basel III final reform on 1 January 2025. The average liquidity coverage ratio for the quarter ended 31 December 2025 was 182.8%, well above the statutory minimum of 100%.

## **MAJOR RECOGNITIONS**

### **The Bank of East Asia, Limited**

#### **WSBI-ESBG SDG Awards 2025**

WSBI-ESBG SDG Award

*The World Savings and Retail Banking Institute – The European Savings and Retail Banking Group*

#### **Financial Institution Awards 2025**

Bank of the Year – Outstanding Performance

Clients Engagement – Excellence Performance

Premium Segment Client Service – Outstanding Performance

SME Engagement (Greater Bay Area) – Outstanding Performance

*Bloomberg Businessweek (Chinese Edition)*

#### **Financial Services Awards of Excellence 2025**

Award of Excellence – Retail Banking

Award of Excellence – SME financing

Award of Excellence – Digital Personal Banking

Award of Excellence – Corporate Payment and Cash Management Services

*The Hong Kong Economic Journal*

#### **Global Brand Awards 2025**

Best Retail Bank of the Year – Hong Kong

Best Digital Banking – Hong Kong

Best Bank for Customer Experience – Hong Kong

*Global Brands Magazine*

#### **Private Banking Awards 2025**

Hong Kong's Best for Sustainability

*Euromoney*

#### **China Wealth Awards 2024**

Best Private Bank – GBA (Silver)

Best Private Bank – Next Generation (Silver)

*Asian Private Banker*

#### **2025 Best SME's Partner Award**

Best SME's Partner Award

*Hong Kong General Chamber of Small and Medium Business*

#### **Hong Kong Green and Sustainable Finance Awards 2025**

Outstanding Award for Green and Sustainable Loan Structuring Advisor (Industrial Sector) – Visionary Sustainability-linked Loan Performance Metrics

*HKQAA*

## **The Bank of East Asia (China) Limited**

### **2024 Exemplary News Reports in the Banking Sector**

2024 Exemplary News Report on Banking Sector's Efforts in Upholding Integrity and Fostering Innovation  
*China Banking Association*

### **2024 Fintech Development Award**

2024 Fintech Development Award - Bronze  
*The People's Bank of China*

### **AI in Finance Awards 2025**

Best Bank for Fintech in Corporate Banking (Global)  
Best Bank for Trade Finance in Corporate Banking (Asia-Pacific)  
Best Bank for Payments in Corporate Banking (Asia-Pacific)  
Best Bank in Corporate Banking (China)  
*Global Finance*

## **Bank of East Asia (Trustees) Limited**

### **2025 MPF Scheme Ratings and Awards**

Gold Rated Scheme – BEA (MPF) Value Scheme  
Gold Rated Scheme (5 Year consecutive Gold) – BEA (MPF) Value Scheme  
Sustainably Friendly – BEA (MPF) Value Scheme, BEA (MPF) Value Scheme, BEA (MPF) Industry Scheme  
*MPF Ratings Limited*

### **LSEG Lipper Fund Awards Hong Kong 2025**

BEA (MPF) Value Scheme – BEA Global Equity Fund (10 Years)  
BEA (MPF) Value Scheme – BEA Hong Kong Tracker Fund (3 Years & 5 Years)  
BEA (MPF) Value Scheme – BEA Stable Fund (10 Years)  
*Hong Kong Economic Journal & LSEG*

## **BEA Union Investment Management Limited**

### **Best of the Best Award 2025**

Asian Bonds (3 Years)  
*Asia Asset Management*

### **Professional Investment Awards 2025**

Performance Awards – Global Aggregate Bonds (10 Years)  
Performance Awards – Asian Bonds (10 Years)  
Performance Awards – Global Equity (3 Years & 10 Years)  
*Investment Insights & Mandates*

### **2025 Hong Kong House Awards**

Fixed Income House of the Year  
*Fund Selector Asia*

## **BUSINESS REVIEW**

### **Economic Review and Outlook**

In 2025, the global economy proved more resilient than initially anticipated. Although global trade patterns were disrupted by uncertainty over tariffs, these uncertainties gradually eased in the second half amid bilateral trade deals, development of new markets, and investment in new technology and AI. Inflation generally decelerated across most economies in 2025 compared to 2024, allowing major central banks to adopt more accommodative monetary policies. Such policies not only sustained private consumption growth but also boosted financial markets.

The economy of the Chinese Mainland remained resilient amid external pressures, anchored by solid exports, growing at 5% and meeting the government's annual growth target. Proactive policy measures, including targeted subsidies, supported household spending. However, the property sector remained pressured.

In Hong Kong, the economic recovery became more broad-based with improvements in retail sales and private consumption. The residential property market also showed signs of a turnaround, backed by lower interest rates, improved sentiment, strong rental demand, and a rebound in transactions. Financial markets were largely buoyant, with rising stock valuations and robust IPO activity despite global headwinds. Exports experienced double-digit growth, while inbound tourism supported the retail sector. Overall, the city regained its footing as a trade and financial hub, with GDP growing by a solid 3.5% in 2025.

In 2026, global economic growth is expected to remain moderate. The boost from front-loaded trade – as trading partners attempted to avoid tariffs – will fade, and relatively elevated tariff rates and other trade barriers may continue to disrupt investments and supply chains. Major central banks are likely to maintain accommodative monetary policies, and the US Federal Reserve is likely to implement additional rate cuts. While AI investments could lead to productivity gains, their impact on the labour market remains highly uncertain.

The Chinese Mainland is expected to maintain steady growth, with policy support to promote high-tech development and boost domestic consumption. Meanwhile, the Chinese Mainland's comprehensive and resilient supply chains will continue to enhance its export competitiveness. There is still room for further monetary easing, but the pace and magnitude of easing is likely to be moderate.

Hong Kong's economy is expected to recover further, with solid growth in 2026 supported by financial markets, trade, tourism, and consumption. Hong Kong will continue to play a key role as a hub for offshore RMB and cross-boundary capital flows, while positive spillover effects from the Chinese Mainland's macro policies will also support growth. Interest rate cuts may spur positive sentiment in investment properties.

### **Business – Hong Kong**

The Bank's Hong Kong operations recorded a profit before tax of HK\$3,332 million, a decline of 11.9% compared to the previous year.

Weakness in CRE continued to impact asset quality, exerting pressure on property valuations. Impairment losses on financial instruments increased by 3.2% to HK\$3,891 million. During the period under review, our Hong Kong investment property portfolio recorded a valuation mark-down of HK\$696 million.

During the year, NIM fell by 14 basis points year-on-year. We focused our efforts on driving fee-generating activities, which delivered a 34.6% increase in non-interest income and fully offset the 5.2% drop in net interest income. As a result, operating income rose by 4.1% to HK\$13,666 million.

We remained disciplined on costs, which rose by 5.9%. Our digitalisation and transformation projects have yielded accelerating efficiency gains, which have been strategically reinvested into talent and technology to sharpen our competitiveness and sustain growth.

The three online platforms we have considerably invested in over the past two years are contributing positively to the growth of fee and commission income. In particular, our new digital trading platform, BEA SmarTrade, which powers the seamless trading of Hong Kong and US stocks as well as Mainland A-shares, doubled the Bank's total online stock trading revenue.

At the back end, we continued to centralise our mid- to back-office tasks to the BEA Global Services Centre ("GSC") and stepped up the digitalisation of these processes. These efforts have enabled network-wide workflow alignment across different regions within a single location, facilitating broader AI adoption to uplift productivity.

Looking ahead, asset quality remains a major focus. Having recognised write-downs and reduced exposure to CRE in 2025 and prior years, we believe the situation will stabilise in 2026. Interest rate cuts, good residential sales and improved market sentiment should provide short-term liquidity and debt serviceability relief to borrowers. We will remain vigilant in monitoring the portfolio.

Management's priorities, alongside stabilising asset quality, will focus on diversifying the bank's asset base and revenue streams, driving efficiency through AI and technology, and building a future-ready workforce.

### **Retail Banking**

The Bank's retail operations demonstrated resilient performance, with 25.5% growth in non-interest income, largely alleviating pressure on net interest income. Overall, net profit remained flat year-on-year.

A key driver of this resilience was strong momentum in retail wealth throughout the year, which grew at an impressive rate of 38.2% and significantly bolstered non-interest income. Securities trading, fixed income and structured products were strong contributors. These gains were underpinned by strategic initiatives, including enriched product offerings and upgraded digital channels.

Bancassurance remained a major source of commission income. Our strong partnership with AIA once again delivered robust results in 2025. The Bank achieved 29.5% growth in annualised new premiums, reaching a record high and further solidifying its position as AIA's major bancassurance partner in the region.

Meanwhile, customer acquisition across various segments saw healthy growth. Notably, SupremeGold Private accounts rose by 30.4%, highlighting our increasing appeal to affluent retail customers. Additionally, our franchise continues to resonate strongly with Mainland clients, as evidenced by the robust double-digit increase in our southbound cross-boundary client base, asset under management ("AUM"), and revenue. Further enhancing our offering, the launch of a multi-currency debit card in 2025 provides customers with greater convenience for overseas spending while strengthening the Bank's competitive edge in an evolving global payments landscape.

We remain fully committed to the eMPF initiative aimed at centralising and automating scheme administration. Following the successful transition of our BEA (MPF) Value Scheme to the eMPF platform in 2024, the Bank's Master Trust Scheme joined in March 2025, with the Industry Scheme migration set for completion by the second quarter of 2026.

To accelerate our wealth management business – our key growth driver – we are expanding our sales force, enhancing our investment product platform, and leveraging partnerships with Chinese Mainland banks to broaden customer acquisition channels. With our long-established network in the region, the Bank is poised to capitalise on opportunities arising from greater mobility of people and deeper integration with the GBA.

### **Wholesale Banking**

2025 proved to be another challenging year for Wholesale Banking, as additional impairments on Chinese Mainland and Hong Kong CRE accounts weighed on performance.

Wholesale Banking maintained stable operating income, with a 3.6% growth recorded. Costs were 5.1% lower, reflecting the results of streamlining client relationship management and the active adoption of AI tools to improve efficiency.

Loan balances recorded low single-digit growth amid subdued credit demand and our sustained efforts to de-risk the CRE loan portfolio. Meanwhile, exposure to non-CRE sectors, such as aviation, commodity trading, telecommunication services and utilities increased notably, demonstrating our strategic focus on diversifying our asset base.

Despite the ongoing challenges, the Bank continued to pursue its strategy and deliver solid results. Through the acquisition of more operating accounts, we achieved over 32% year-on-year increase in average current account and savings account ("**CASA**") balances, helping to offset the impact of NIM contraction. Fee- and commission-generating businesses such as treasury, insurance, as well as payment and cash management, also recorded substantial growth.

Under our OneBank strategy, we have been working closely with our counterparts in BEA China to capture cross-boundary lending opportunities. We bundled currency and interest rate hedging solutions with loan deals to help customers manage these risks while generating both interest and fee income for the Bank. With the accelerating trend of Chinese Mainland enterprises seeking overseas expansion, BEA will collaborate with the Government's GoGlobal Task Force and various industry platforms to provide support to these corporates as they expand abroad.

Locally, we remain committed to supporting small and medium-sized enterprises ("**SMEs**"), providing a full suite of banking services to this important pillar of our economy. Our flagship SME loan products were well received, reporting more than a twofold increase in both the number of applications and loans outstanding.

During the year, we completed the full customer migration to BEA Corporate Online, our revamped digital platform for business clients. The new platform, with its enhanced functionality, has improved the user experience and uplifted the division's digital revenue by 72%. Relationship-based corporate clients value our in-person services alongside enhanced digital channels.

### **Wealth Management**

Private Banking delivered strong results in 2025, underpinned by a resurgence in investor optimism and the revitalisation of Hong Kong as a leading global IPO market. As interest rates began to trend downward, clients proactively moved capital out of fixed deposits into higher-yielding investments to optimise portfolio returns.

Private Banking delivered more than 20% increase in operating income, fueled by a dual expansion in our client base and total AUM. Non-interest income was particularly strong, rising by more than 40% as demand for equity and FX-linked structured products surged.

To capitalise on this momentum, we focused on increasing our service capacity, diversifying our product suite, and modernising our platform. A critical component of this effort was the nearly 15% increase in our frontline sales force, which directly contributed to the addition of new high-net-worth individuals and fresh AUM. Over half of these new relationships originated from the Chinese Mainland, highlighting the critical value of our expansive Mainland network and integrated OneBank collaboration within the BEA Group.

Our Discretionary Portfolio Management platform also reached a significant milestone in 2025. By leveraging a digitally enabled product and solutions suite, we enhanced our ability to provide highly customised investment strategies at scale. The integration of AI has not only allowed us to better meet evolving client needs, but it has also drastically reduced client onboarding times by automating complex workflows.

Furthermore, we strengthened our holistic wealth proposition by integrating insurance and trust services into our core solution offerings. This unified approach ensures that we support our clients through every stage of their wealth journey – from accumulation and preservation to the seamless transfer of assets to the next generation, whom we view as a vital driver of our future growth.

The outlook for wealth business remains bright as the GBA continues to generate significant new private capital. Hong Kong's unique status as a financial gateway, coupled with supportive government initiatives like the enhanced cross-boundary connection schemes, provides a robust foundation for our continued business growth.

### **Business – Chinese Mainland**

The Chinese Mainland recorded a 5.0% increase in GDP in 2025. Exports reached a new high, despite trade tensions with the US. Investments in AI, automation, and technology are transforming the economy and setting the foundation for future growth. Meanwhile, the local property sector continued to face challenges.

Amid a complex economic landscape, BEA's Chinese Mainland banking operations demonstrated resilience despite a year-on-year decline of 2.5% in total operating income. This decrease was primarily attributable to the prolonged low-interest rate environment and intense competition, resulting in an 8.1% drop in net interest income to HK\$3,522 million. However, this decline was largely offset by robust growth in non-interest income, which rose by 14.9% to HK\$1,425 million, boosted by strong performances in fee-based businesses, including trade finance, syndicated loans, treasury operations, and wealth management.

Operating expenses dropped by 4.2% to HK\$3,148 million, following the implementation of effective cost-control measures and capture of the efficiencies delivered by the Bank's digital transformation and automation initiatives.

Ongoing pressures in the property market were reflected in the rise of the impaired loan ratio to 3.36% with further downgrades of property-related exposures. Nevertheless, overall impairment losses on financial instruments declined by 8.7% to HK\$1,422 million.

In all, the net profit for the Chinese Mainland banking operations was HK\$255 million, up 45.2%.

Total loans and advances increased by 2.5% to HK\$150,544 million, as BEA China took a prudent approach to portfolio management and prioritised lending to strategic industries aligned with national policies. Meanwhile, deposits increased by 17.8% to HK\$194,628 million with the share of CASA deposits expanding by 8.6 percentage points, which improved the funding mix.

The wholesale banking segment delivered robust growth, with non-interest income rising by 21.9% year-on-year. The improvement was driven by BEA China's strength in syndicated loan origination and increased treasury sales. BEA China played a pivotal role in the establishment of the GBA Cross-boundary Mergers and Acquisitions Alliance in August 2025, which strengthens our ability to support corporates pursuing overseas acquisitions and investment opportunities.

Trade finance fee income grew by 55.0% year-on-year, remaining a steadfast contributor to transaction banking revenue. Complementing this growth, BEA China launched an innovative digital supply chain platform during the year, offering customers faster access to online supply chain financing solutions.

BEA China continued to diversify its loan portfolio with the proportion of non-property-related loans rising to 86%. Reflecting its commitment to climate change mitigation, the Bank expanded its green and sustainable finance ("**GSF**") portfolio, which accounted for 18.0% of its total wholesale banking portfolio at year-end.

In personal banking, BEA China achieved promising results. Wealth management services were successfully expanded to additional cities, including Shenyang, Dalian, and Xi'an. Our strategic focus on affluent customers led to robust growth in both the affluent client base and AUM. This boosted non-interest income, which was up by 10.8% year-on-year. Additionally, low-cost deposits grew substantially, supported by stronger wealth management sales and frontline capabilities.

The launch of the Group's GSC in March 2025 was a key milestone, aimed at accelerating operational transformation and improving efficiency. BEA China's continued investments in digital technology and AI boosted its service delivery and operational capacity during the year. These efforts earned the Bank multiple Fintech accolades, including national-level recognition from the People's Bank of China.

As at the end of 2025, BEA China maintained a strong network across the Chinese Mainland, with 29 branches and 30 sub-branches spanning 38 cities, including 20 outlets within the GBA. Further solidifying its commitment to the development of the GBA, BEA China opened the Shenzhen Futian Sub-Branch, with the Group's refreshed branding, as a flagship outlet to capture opportunities in the region.

Looking ahead, as the Chinese Mainland embarks on its 15<sup>th</sup> Five-Year Plan, BEA China is well-positioned to advance the country's strategic priorities. Leveraging its expertise and deep roots, the Bank will focus on sustainable growth and reinforcing its role in one of the world's most dynamic economies.

## **Business – Overseas, Macau, and Taiwan**

In 2025, the Bank's overseas, Macau, and Taiwan operations navigated heightened economic uncertainties effectively despite challenges posed by evolving policy landscapes and elevated geopolitical tensions.

During the period under review, net interest income decreased by 8.2% year-on-year to HK\$2,420 million. The decline stemmed primarily from a 22 basis point compression in NIM. The Bank's portfolio diversification strategy led to reduced CRE exposure in favour of investment-grade and large corporate clients across a wide range of industries, which generally entail lower yields. Additionally, lower returns on reserve deposits and treasury securities held with central banks contributed to the decline in interest income.

Meanwhile, net fee and commission income rose by 14.7% to HK\$127 million, boosted by higher loan fees.

PPOP fell by 11.0% to HK\$1,774 million. Operating expenses recorded a modest increase of 2.1%, driven by higher investments in technology. Despite this, the cost-to-income ratio remained healthy at 32.0%.

Net profit after tax declined by 21.7% to HK\$1,095 million as expected credit losses ("ECL") rose to HK\$330 million, compared to HK\$172 million in the same period last year. The increase was primarily due to credit downgrades on certain CRE and hotel exposures in the US and UK. Despite the rise in ECL, the impaired loan ratio improved to 1.07% from 1.13% at the end of 2024.

The Bank's US and UK operations continued to evolve with a focus on portfolio diversification and risk management. During the year, UK operations expanded their geographical reach into the Middle East, selectively participating in syndicated financing with borrowers supported by sovereign wealth funds.

Singapore Branch strengthened customer engagement in targeted ASEAN countries while navigating challenges posed by US-China tensions and evolving US policies. The branch achieved significant growth in income from trade finance and treasury services as it seized opportunities in regional supply-chain and cash management services.

Macau Branch continued to leverage cross-boundary business prospects in the GBA. Meanwhile, Taiwan Branch fostered relationships with leading local corporates expanding into the Chinese Mainland and ASEAN markets, further reinforcing the Bank's regional connectivity.

The OneBank initiative remains a cornerstone of the Group's strategy, fostering closer collaboration across overseas, Macau, and Taiwan branches, as well as other business units within the Bank. This approach has not only enhanced cross-selling opportunities but also broadened product coverage and increased share of wallet in priority sectors.

Looking ahead, the Bank's overseas, Macau, and Taiwan operations will maintain a steadfast focus on proactive portfolio management to safeguard asset quality, while prioritising agility in responding to policy shifts, optimising returns on risk-weighted assets, and upholding strict cost discipline. The Group remains dedicated to advancing digital transformation and automation, and exploring opportunities to transition select processes to GSC. These efforts aim to enhance customer service quality and boost operational resilience.

## **BEA Union Investment Management Limited**

BEA Union Investment Management Limited ("BEA Union") enjoyed resilient performance amid an increasingly complex global investment landscape in 2025. It celebrated its 18<sup>th</sup> anniversary as a trusted fund manager, helping clients navigate challenges and delivering sustainable growth.

BEA Union commemorated this milestone by unveiling a refreshed brand identity – Opportunity in partnership – which reflects its dedication to fostering collaboration and unlocking opportunities. By combining global expertise with deep local-market insights, BEA Union creates bespoke solutions for its clients across equities, fixed-income, and multi-asset strategies.

Demand from the Chinese Mainland remains robust, as investors seek diversification. BEA Union will maintain its focus on capturing growth opportunities by leveraging Hong Kong's advantage as a super-connector between the Chinese Mainland and global markets, optimising its cross-border investment channels to deliver value.

BEA Union's focus on teamwork and connectivity is the foundation of its success. As at 31 December 2025, assets under management and advisory reached US\$12 billion, representing a 58.3% increase year-on-year.

Looking ahead, BEA Union will continue to enhance its investment capabilities and strengthen partnerships, with the goal of delivering long-term growth and shared success.

## Our People

As at 31 December 2025, the BEA Group employed 7,669 people:

	As at 31 December 2025	As at 30 June 2025	As at 31 December 2024
Hong Kong	4,467	4,579	4,564
Chinese Mainland	2,651	2,724	2,766
Macau and Taiwan	115	117	118
Overseas	436	441	432
<b>Total</b>	<b>7,669</b>	<b>7,861</b>	<b>7,880</b>

People are integral to the Bank's ability to adapt and transform, which in turn underpins our drive to develop a long-term, sustainable business. To this end, we continually invest in various initiatives to support a progressive and agile workforce that embraces and implements change.

Staff engagement is critical to management's ability to further advance the Bank's transformation agenda. The results of our 2025 employee pulse survey reaffirm that our efforts to nurture a positive organisational culture are bearing fruit, with encouragingly high scores in Sustainable Engagement (90%), Transformation (88%), and Teamwork (85%); reflecting the commitment, dedication, and collaborative spirit of our people across different units and geographical locations in the Group as we continue to grow and evolve together under OneBank. We continue to place heavy emphasis on team building, and launched various sports competitions and non-sports activities throughout the year to foster stronger connections and camaraderie among colleagues.

We organised 'Bring Your Kids to Work Day' in Hong Kong Head Office, BEA China, GSC, and branches in Macau, Taiwan, Singapore, and the UK. The events not only featured a range of fun-filled games that were enjoyed by all, but also inspired the next generation by creating opportunities for them to experience their parents' professional world. In addition, we encouraged staff to participate in CSR and volunteer activities, bringing meaning and purpose to their work in alignment with the Bank's commitment to serve the communities in which it operates.

We are dedicated to upholding a performance-driven culture that is based on merit and competency. To reflect this commitment, on 1 January 2025 we launched a standardised grading structure to align staff roles across the Group. This initiative will enhance workforce management and facilitate cross-border internal mobility.

We encourage staff in senior management roles to be change leaders, and we empower our staff to be drivers of our transformation initiatives, fully capable of navigating today's dynamic environment. We adopt a robust people-planning process through talent attraction and retention, capacity building and cultural training, and HR operations modernisation. With a change mindset, we leverage the transformation agenda to create a business and work culture that is fit for the future.

Additionally, we continue to strengthen GSC's infrastructure, systems, and manpower to drive excellence, and enhance training programmes to equip staff with the expertise to maximise GSC's full potential.

A central pillar of our talent strategy is the identification and cultivation of future leaders from within. For our high-potential senior managers, the Future Leaders Accelerator Program ("**FLAP**") provides comprehensive development support to prepare them for succession into leadership roles with greater responsibilities. A new cohort of FLAP was onboarded in 2025, strengthening our future leadership pipeline.

Our Group Management Trainee Programme continued to provide invaluable experience to young recruits, with trainees undertaking five-month attachments in the Chinese Mainland and overseas branches to further deepen their OneBank perspective. Meanwhile, our Functional Trainee Programmes in divisions such as Wholesale Banking focused on equipping trainees with specialised knowledge to propel their career development. In support of our staff's continuous professional development, we have been encouraging and sponsoring staff in different specialised areas to pursue professional qualifications under the HKMA's Enhanced Competency Framework ("**ECF**").

In 2025, we launched a Bank-wide training series on AI and Fintech Insights, aimed at keeping staff informed about fast-moving developments in Fintech, AI, and data management. Our multi-tiered GBA Learning Accelerator Programme is empowering staff by enhancing their cross-boundary collaboration skills, and providing them with a direct pathway to the advanced GBA Elite programme.

We also launched a new 3-tiered thematic programme for staff Group-wide named "BeAgile", aimed at building an agile mindset and culture in the way we work, we lead, and we serve our customers. Working in close collaboration with subject matter experts and business lines, the programme also provides opportunities for our staff to be agile in live projects and deliver tangible outcomes.

To support the Bank's commitment to our net zero climate goals, we ran Climate Fresk Workshops conducted by our in-house certified facilitators, providing a deep dive into the impact of climate change.

As we progress on our journey, we remain devoted to building an inclusive and collaborative workplace where every employee is encouraged to share their views and strengthen their competence.

## **RISK MANAGEMENT**

### **Approach to Risk**

We recognise that a sound risk culture is the foundation of our strength. To this end, we maintain a prudent and proactive risk management framework that supports risk awareness, proper behaviour, and sound judgement in relation to risk-taking. All employees are responsible for the management of risk.

The following principles guide the Group's risk appetite and determine how its business and risks are managed. Further details on the Group's management of principal risks are set out in Note 42 of "Notes to the Financial Statements".

### **Risk and Return**

The Group's risk appetite is used to guide its business plan. The level of return generated through business activities is in line with the risk taken and in alignment with strategic plans, business outlooks, and risk management policies, with an aim to generate sustainable earnings.

### **Capital Adequacy**

We are committed to maintaining a sound capital position defined by regulatory and internal capital ratios after taking into account the Bank's dividend policy and the need to meet capital requirements. The Group and each of its members expect to maintain a robust capital adequacy position that supports the growth of business activities.

### **Liquidity & Funding Management**

We are committed to having sufficient funds to continue business and operations under crisis scenarios on a Group basis, with the ability to meet all obligations as they come due.

## **Regulatory Compliance**

We strive to deliver fair treatment to customers and ensures that operations are conducted with integrity and in compliance with all applicable legal and regulatory requirements. The Group will not tolerate negative conduct risk outcomes that go against the spirit of the law and regulatory requirements, and is committed to developing and promoting a sound corporate culture and incentivising proper staff behaviour.

## **Operational Resilience**

We are committed to being operationally resilient and maintaining critical operations through disruptions under severe but plausible scenarios including pandemics, cyber incidents, technology failures, and natural disasters.

## **Cybersecurity**

We strive to adapt to the rapid pace of technological change to improve the Bank's services for clients and enhance customer experience, and are committed to continually strengthening cybersecurity capabilities including identification, prevention, detection, and response to address the ever-evolving cyber threat landscape and protect our critical information assets and systems from external malicious attacks.

## **Reputation**

Any preventable events that could materially damage the Group's reputation will not be tolerated. Through an established reputation risk management process, we proactively identify and tackle potential threats, as well as minimise the impact of any risk events.

## **ESG Risks Including Climate Risk**

We recognise the importance of sustainability to long-term business success and therefore consider environmental and social concerns when extending financing to customers, making investments, and conducting operations. This strategic direction guides the Group towards supporting companies and projects that positively impact the environment and society, while complying with local regulations and standards of governance. We are committed to managing and mitigating environmental, social, and governance risks, including climate risk, in a manner that is strategically aligned with our Sustainability Vision and Mission Statements, and reducing carbon emissions in the Group's business and operations.

## **Model Risk**

We are committed to maintaining good model quality while embracing the adoption of AI models to enhance the Group's operations and performance. We ensure that all of the Group's models are implemented under controlled conditions, incorporating certain level of human-in-the-loop oversight.

## **Risk Management Framework**

We have established a robust risk governance and management framework that ensures appropriate oversight of, and accountability for, the effective management of risk.

This framework enables the Board and Senior Management to administer risk management-related responsibilities with appropriate delegation and checks and balances.

The key aspects of the framework, principal risks, and principal uncertainties are outlined below.

## **Enterprise Risk Management**

We manage risk on a Group-wide basis within an Enterprise Risk Management ("**ERM**") framework. The ERM framework spans multiple risk types and focuses on optimising the balance and interaction of the different types of risk, and the balance between risk and return.

It provides an effective and efficient approach to governance and oversight within the Group, and helps us monitor and mitigate risk during the course of carrying out the Group's strategies.

Further, the ERM framework promotes risk awareness throughout the Group and facilitates better operational and strategic decision-making, promoting a strong risk culture and ensuring that operations are compatible with the nature and level of risk that stakeholders are willing to take.

### Risk Governance

The Board of Directors has ultimate responsibility for the effective management of risk. It approves risk appetite and risk policies that govern the execution of strategies, procedures, and limits.

The Risk Committee stands at the highest level of the Group's risk governance structure under the Board. It provides direct oversight of the formulation of the Group's risk appetite and ensures that the Group's risk appetite is reflected in the policies and procedures that Senior Management adopts to execute business functions.

Risk management committees have been established throughout the Group, and with the assistance of these committees, the Risk Committee regularly reviews the Group's ERM framework and ensures that all important risk-related tasks are performed according to established policies and with appropriate resources.

### Three Lines of Defence

We have adopted the "Three Lines of Defence" risk management structure to ensure that roles and responsibilities with regard to risk management within the Group are clearly defined. The "Three Lines of Defence" model is summarised below.

<b>The First Line of Defence</b>	Comprises the Risk Owners, who are heads of business units or support units of the Bank Group, together with staff under their purview.  They are responsible for the day-to-day management of risk within their units, including establishing and executing specific risk-control mechanisms and detailed procedures.
<b>The Second Line of Defence</b>	Consists of the Risk Controllers, who are designated staff responsible for setting out a risk management governance framework, monitoring risks independently, and supporting the management committees in their oversight of risk management for the Bank Group.
<b>The Third Line of Defence</b>	Internal Audit Division, which is responsible for providing assurance as to the effectiveness of the Group's risk management framework, including risk-governance arrangements.

The Group Chief Risk Officer leads and coordinates all the Group's risk management-related matters, 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.

### Principal Risks

The Group faces a variety of risks that could affect its franchise, operations, and financial health. The principal risks identified by us and how they are managed are set out in the following table.

<b>Principal risk type</b>	<b>How it is managed</b>
<b>Credit Risk</b>	We have established control limits, delegated lending authorities, underwriting criteria, monitoring processes, internal rating structures, recovery procedures, and provisioning policies, and these are set out in the Group's policies, guidelines, and manuals in line with regulatory requirements and above all, to address market situations.

<b>Interest Rate Risk</b>	We have established control limits and assesses gap risk, basis risk, and options risk primarily through the monitoring of repricing mismatches and the impact of changes in interest rates on earnings and economic value.
<b>Market Risk</b>	We measure and monitor potential loss due to adverse price movements and market volatility in accordance with the control limits set out in the Group's policies, guidelines, and manuals.
<b>Liquidity Risk</b>	We conduct cash-flow analysis to monitor funding needs and have a contingency funding plan in place that clearly stipulates the procedures and mitigating actions required to meet liquidity needs in crisis situations.
<b>Operational Risk</b>	We have established and implemented a framework that defines the standards, processes, and internal controls for managing operational risks against risk appetite through various tools and systems in a cost-effective manner.
<b>Reputation Risk</b>	We identify, assess, monitor, mitigate, and control reputation risk systematically. Specific procedures and guidelines are in place to facilitate timely and effective communication with various stakeholders in order to defuse any potential reputation-risk incidents.
<b>Strategic Risk</b>	We formulate and update the Group's strategic plan (covering a period of five years) annually to set strategic goals and objectives, evaluate strategic positions, and develop appropriate strategies according to the changing external environment and internal capabilities.
<b>Legal Risk</b>	We have adopted comprehensive policies, guidelines, and manuals. Qualified internal personnel and/or external professionals are engaged to provide advice and training courses.
<b>Compliance Risk</b>	We have established various policies, guidelines, and manuals to ensure compliance with legal and regulatory requirements. A risk-based approach is in place to complement the management of compliance risk.
<b>Technology Risk</b>	We strengthen cybersecurity awareness of all staff through comprehensive training programmes, and further mitigate systemic cybersecurity risk and advanced technology risk by implementing a range of control measures.

## **Risk Appetite**

Risk Appetite is set by the Board, and defines the accepted and tolerated levels of risk and return from an enterprise-wide perspective. The Risk Appetite Statement consists of qualitative statements and quantitative metrics, covering financial risks and non-financial risks.

## **Risk Profile**

The Risk Profile report provides both a point-in-time view and a forward-looking assessment of the suite of risk categories, as well as an assessment of their potential impact on the Group's financial results, reputation, and business sustainability.

## **Key Developments**

The Group faced multiple headwinds and challenges in 2025, including downturns in the Hong Kong and Chinese Mainland real estate sectors, as well as global economic uncertainties stemming from the tight monetary environment and persistent geopolitical and trade tensions. At the same time, cyberattacks and fraud cases have been on the rise around the globe.

In response to these challenges, we have actively managed the associated risks, with enhanced risk management in the following areas in 2025:

- In addition to our ongoing efforts to enhance credit monitoring and special assets management, we remained vigilant about our asset quality amid persistent macroeconomic uncertainties. We conducted thematic reviews to assess the potential direct and second-order impacts of US tariff policy, allowing us to proactively identify vulnerable accounts for closer scrutiny. Meanwhile, to manage credit risk associated with Hong Kong CRE exposure, we closely tracked market developments and strategically rebalanced our portfolio mix by continuous diversification into non-CRE sectors. We were selective in onboarding new CRE deals with focus on the borrowers' liquidity strength. Furthermore, controls were strengthened for more effective credit protection via such measures as stronger financial covenants, deeper analysis of sector risks, and AI-driven search for account irregularities, in order to be braced for potential adversities ahead.
- We constantly review the Operational Risk Management Framework to identify, assess, monitor, and mitigate risks arising from inadequate or failed processes, people, systems, or external events. We proactively apply key tools to enhance control measures. The Business Continuity Management Policy and Manual are reviewed and enhanced to assure sustainability.
- The Operational Resilience Framework was developed to set out the core principles and standards to govern resilience-related controls. Operational resilience parameters include critical operations as well as tolerance for disruptions and severe but plausible scenarios. Through process mapping and scenario testing, we were able to enhance our resilience by mitigating the vulnerabilities identified, transforming various operational procedures and revising business continuity plans.
- We enhanced our Third Party Risk Management Framework, prioritised resources focusing on high-risk areas under third-party engagements, tightened the controls on third-party services and operations in production environments, and ensured proper cybersecurity and resilience measures are in place to manage the risk associated with third parties.
- In conjunction with detection and protection control measures, we have continued to strengthen our data backup arrangements to enhance our ability to recover vital operations as proposed by the HKMA and Hong Kong Association of Banks ("**HKAB**") and perform regular testing to address the risk of destructive cyberattacks targeting critical computer systems.
- We recognise the importance of responsible and ethical application of AI as we increasingly embrace these technologies in our operations. We have implemented a governance framework and established a steering committee to oversee AI adoption and ensure accountability and compliance across the Bank Group. Furthermore, we have formulated a three-year AI strategy to drive transformation across our business operations and talent development, along with a qualitative risk appetite statement to articulate our tolerance for the model risk that may arise from AI adoption.
- We accelerated the adoption of Regtech and AI to enhance the effectiveness and efficiency of the monitoring of money laundering, terrorist financing, and fraud risks. We also ensured adaptability to technological advancements and the evolving regulatory landscape through ongoing monitoring and regular review of our Regtech and AI initiatives.
- We continue to collaborate closely with other stakeholders to enhance anti-fraud controls and strengthen integrity management amid a constantly evolving threat landscape. This includes the implementation of initiatives and enhancement measures proposed by the HKMA, the Hong Kong Police Force, and the Independent Commission Against Corruption ("**ICAC**"). Key initiatives include the implementation of "Money Safe" protection and increased efforts in public education to enhance customer awareness in anti-fraud-and-scam protection, as well as the launch of an internal campaign to enhance staff awareness of integrity.

- The Risk Appetite Statement is aligned strategically with the Group's Sustainability Vision and Mission Statements, and continuous efforts have been made to expand green and sustainable lending to support customers to realise their transition plans to a low-carbon economy. Furthermore, under the Group's Green and Sustainable Finance framework, sector policies have been developed to establish a consistent Bank-wide stance towards lending to high carbon-emitting sectors. The relevant framework and policies are under regular review to ensure they are in close alignment with the latest market developments and standards including the Hong Kong Taxonomy for Sustainable Finance published by the HKMA.

## Principal Uncertainties

During 2025, we identified a number of emerging risks. The key uncertainties currently facing the Group and the mitigating measures implemented are set out below.

Principal Uncertainties	Mitigating Measures
<p><b>Macro-economy</b></p> <p>The global economic environment remains volatile as it adjusts to a landscape of rising geoeconomic fragmentation. While financial markets have exhibited significant strength and weathered the volatilities triggered by trade policy uncertainties, the global economy is still exposed to potential supply chain disruptions and fragile consumer confidence. The US Federal Reserve continues to be data dependent, and its path of interest rate adjustment remains uncertain. Coupled with elevated borrowing costs, high office vacancy rates have prolonged the downturns in the CRE sectors in Hong Kong and the Chinese Mainland. Although Hong Kong has benefitted from strengthening exports and sustained expansion in domestic demand, the overall business conditions for local SMEs continue to pose challenges.</p> <p>The economic outlook for the year ahead is cautiously optimistic. External uncertainties, especially those arising from geopolitical and trade tensions, will remain a significant risk factor that warrants close monitoring.</p>	<p>We will continue to closely monitor the market situation and our portfolios in order to manage risk exposure.</p> <p>From a credit risk perspective, we continue to identify potential adverse events and develop methods to mitigate the impact on BEA's capital adequacy and asset quality. Such measures include enhanced credit control on loan exposures, thematic reviews on high-risk sectors and stress testing on capital adequacy and loan-loss allowances. We remain alert to developments in the property sector, closely monitoring our CRE exposures – including in Hong Kong and the Chinese Mainland as well as overseas markets in the US and UK – amid ongoing market volatility. In addition, we adapt our credit strategies to counter potential risks arising from probable adversities, such as US tariffs, global trade tensions, and slower than expected monetary easing and economic recovery.</p> <p>The Group's lending appetite has become highly selective, with prudent and proactive credit risk management adopted to control loan asset quality.</p> <p>Regarding market and interest rate risks, we continue to assess trends, manage exposure, perform hedging scenario analysis and stress testing, review our risk-taking strategy, and formulate mitigating actions as necessary.</p> <p>Regarding compliance risk, we continue to track the development of relevant sanction regimes and mitigate risk exposure where appropriate.</p>

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## Cybersecurity Risk

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Cybersecurity risk is a key focus area for regulators and the banking industry as this risk evolves rapidly. Attackers are constantly developing more sophisticated and efficient ways to undermine banks' cybersecurity and operations.

We take a multi-pronged approach to tackle cybersecurity risk and improve cyber resilience:

- Engage external consultants to assess the Group's cybersecurity controls against emerging risks to identify and implement necessary improvements
- Refine the Group's cybersecurity capabilities according to the suggestions based on the HKMA's Cyber Resilience Assessment Framework ("**C-RAF**"), and assess systemic cyber risks through the cross-sectoral cyber mapping exercise and cyber resilience testing framework
- Analyse intelligence sources to monitor the latest worldwide threats and risks from the use of advanced technologies like generative AI and distributed ledger technology, as well as establish industry-wide collaborations on the Cyber Intelligence Sharing Platform ("**CISP**") managed by HKAB
- Maintain a proper incident response management process, including cybersecurity insurance and monitoring mechanism
- Enhance training programmes to promote security awareness among staff, improve security practices, and ensure capabilities of designated staff in protecting critical computer systems

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## Fraud Risk

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As the digitalisation of financial services accelerates worldwide, the banking industry is experiencing an increase in the risk of fraud. Fraudsters are employing increasingly sophisticated deceptive tactics to achieve unlawful financial gains.

The Bank adopts a multi-pronged approach to mitigate the risk:

- Identify and assess, in a systematic and timely manner, potential fraud risks that could impact the Bank
  - Work with the HKMA, the Hong Kong Police Force, and other financial institutions to share information about emerging threats and best practices
  - Monitor trends and developments in fraudulent techniques, and regularly enhance or adjust the Bank's fraud monitoring systems and remediation process as needed
  - Promote customer awareness and education to prevent fraud and scam
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## ESG and Climate-related Risks

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Climate change poses both short- and long-term risks to the banking industry. "Physical risk" refers to the impacts of weather and climate-related events that could lead to disruptions to the business and operations of banks and their clients. "Transition risk" refers to the risk related to the adjustment process towards a low-carbon economy, which can be prompted by policy, legal, technology, and market changes as climate change mitigation and adaptation measures are adopted.

To manage potential ESG and climate-related risks as well as cultivate strong awareness throughout the Group, we have:

- Enhanced climate risk assessment tools and internal scoring systems to strengthen the evaluation of physical and transition risks for our customers and investees
  - Implemented Green Fintech technologies to enhance the accuracy of climate risk assessment for the Bank and our counterparties
  - Developed sector transition guides for customers in brown industries, providing advice on low-carbon technologies and infrastructure to support their move toward a net zero economy
  - Completed the first nature and biodiversity risk study, which provided key insights for identifying critical risk drivers and assessing the resultant impact on our lending and investment portfolios
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## COMPLIANCE

Compliance is an integral part of the Group's corporate governance regime, and we are committed to upholding the highest standards in all jurisdictions in which the Group operates.

The Compliance Division is responsible for overseeing the regulatory compliance framework and monitoring compliance risks for the Group, communicating new regulatory requirements to relevant units, delivering compliance advice on the implementation of regulations, conducting regulatory compliance reviews using a risk-based approach, and regularly reporting compliance matters to the Group's management committees.

Any significant compliance issues, including those related to anti-money laundering ("**AML**") and counter-financing of terrorism ("**CFT**"), are also reported to the Risk Committee and the Board of Directors via the management committees. Through the support of the risk and compliance function established in the Bank's business and support units, which acts as the first line of defence against regulatory non-compliance, a comprehensive and efficient compliance risk management framework is maintained.

We are fully prepared to meet the demands of an evolving regulatory environment (including those related to AML, CFT, Anti-Bribery and Corruption, and Fraud), international standards and regulatory changes in jurisdictions where the Group has a presence, cross-border business, investment and insurance sales practices, customer protection (particularly in a digital environment), personal data protection, and all other relevant requirements.

By order of the Board  
**Adrian David LI Man-kiu**  
Co-Chief Executive

**Brian David LI Man-bun**  
Co-Chief Executive

Hong Kong, 13 February 2026

*As at the date of this announcement, the Board of Directors of the Bank comprises Dr the Hon. Sir David LI Kwok-po<sup>#</sup> (Executive Chairman), Professor Arthur LI Kwok-cheung\* (Deputy Chairman), Dr Allan WONG Chi-yun\*\* (Deputy Chairman), Mr Aubrey LI Kwok-sing\*, Mr Stephen Charles LI Kwok-sze\*, Mr Adrian David LI Man-kiu<sup>#</sup> (Co-Chief Executive), Mr Brian David LI Man-bun<sup>#</sup> (Co-Chief Executive), Dr Daryl NG Win-kong\*, Dr the Hon. Rita FAN HSU Lai-tai\*\*, Mr Meocre LI Kwok-wing\*\*, Dr the Hon. Henry TANG Ying-yen\*\*, Dr Delman LEE\*\*, Mr William Junior Guilherme DOO\*\*, Dr David MONG Tak-yeung\*\*, and Dr Francisco Javier SERRADO TREPAT\*.*

<sup>#</sup> Executive Director

\* Non-executive Director

\*\* Independent Non-executive Director

## GLOSSARY

### 詞彙

2026 AGM 「2026 股東周年常會」	An annual general meeting of the Bank to be held in the Grand Ballroom, Four Seasons Hotel, 8 Finance Street, Central, Hong Kong on Friday, 8 May 2026 at 11:30 am or any adjournment thereof 本行將於 2026 年 5 月 8 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
AGM 「股東周年常會」	An annual general meeting of the Bank 本行的股東周年常會
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
Bank Culture Reform 「銀行企業文化改革」	Bank Culture Reform as elaborated in the circular issued by the HKMA on 2 March 2017 金管局於 2017 年 3 月 2 日發出之通告所闡述的銀行企業文化改革
Bank Group or BEA Group or Group 「集團」或「東亞銀行集團」或「本集團」	The Bank and its subsidiaries 東亞銀行及其附屬公司
Banking Ordinance 「《銀行業條例》」	The Banking Ordinance (Chapter 155 of the Laws of Hong Kong) 《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
Board 「董事會」	The Board of Directors of the Bank 本行的董事會
Capital Rules 「《資本規則》」	The Banking (Capital) Rules issued by the HKMA 金管局頒布之《銀行業（資本）規則》
CG Code 「《企業管治守則》」	Corporate Governance Code, Appendix C1 to the Listing Rules 《上市規則》附錄 C1 內所載的《企業管治守則》
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《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《穩健的薪酬制度指引》
China or PRC 「中國」	The People's Republic of China 中華人民共和國
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）

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 包括任何任職本行（或文義另有所指的實體）董事職位的人士（不論其職銜如何）
ESG 「環境、社會及管治」	Environmental, social, and governance 環境、社會及管治
FVOCI 「通過其他全面收益以反映公平價值」	Fair value through other comprehensive income 通過其他全面收益以反映公平價值
FVTPL 「通過損益以反映公平價值」	Fair value through profit or loss 通過損益以反映公平價值
GBA 「大灣區」	Guangdong-Hong Kong-Macao Greater Bay Area 粵港澳大灣區
GDP 「國內生產總值」	Gross domestic product 國內生產總值
Guidance on Empowerment of INEDs 「提升獨立非執行董事的專業能力指引」	The guidance on Empowerment of Independent Non-Executive Directors (INEDs) in the Banking Industry in Hong Kong, issued by the HKMA 金管局頒布之提升香港銀行業獨立非執行董事的專業能力指引
HK\$ or HKD 「港幣」	Hong Kong dollar, the lawful currency of Hong Kong 香港法定貨幣港幣
HK\$ Mn 「港幣百萬元」	HK\$ Million 港幣百萬元
HKFRS 「香港財務報告準則」	Hong Kong Financial Reporting Standards 香港財務報告準則
HKMA 「金管局」	The 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 the People's Republic of China 中華人民共和國香港特別行政區
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 of Hong Kong Limited 《香港聯合交易所有限公司證券上市規則》
MPF 「強積金」	Mandatory Provident Fund 強制性公積金
NIM 「淨息差」	Net interest margin 淨息差

Senior Management 「高層管理人員」	The Co-Chief Executives and Deputy Chief Executives of the Bank 本行的聯席行政總裁及副行政總裁
Share(s) 「股」或「股份」	Ordinary share(s) of the Bank 本行普通股
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」	The United Kingdom 英國
US 「美國」	The United States of America 美利堅合眾國
US\$ or USD 「美元」	United States dollar, the lawful currency of the United States of America 美國法定貨幣美元