BEA 東亞銀行

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 2026 INTERIM RESULTS

INTERIM RESULTS
The Board of Directors of the Bank is pleased to announce the unaudited results (Note 1(a)) of the Group for the six months ended 30 June 2026.

Consolidated Income Statement	Notes	6 months ended 30/6/2026 HK$ Mn	6 months ended 30/6/2025 HK$ Mn
Interest income	3	15,506	16,897
Interest income calculated using the effective interest method		15,145	16,085
Related interest income		361	812
Interest expense	4	(7,809)	(9,553)
Net interest income		7,697	7,344
Fee and commission income		2,362	2,089
Fee and commission expense		(441)	(435)
Net fee and commission income	5	1,921	1,654
Net trading profit	6	1,184	1,092
Net result on financial instruments at FVTPL	7	52	4
Net result on financial assets measured at FVOCI	8	133	(14)
Net loss on sale of financial assets measured at amortised cost		(19)	(12)
Net hedging profit	9	31	23
Other operating income	10	168	168
Non-interest income		3,470	2,915
Operating income		11,167	10,259
Operating expenses	11	(4,819)	(4,812)
Operating profit before impairment losses		6,348	5,447
Impairment losses on financial instruments	12	(2,958)	(2,539)
Impairment losses		(2,958)	(2,539)
Operating profit after impairment losses		3,390	2,908
Net profit on sale of assets held for sale		1	-
Net loss on disposal of fixed assets	13	(1)	(3)
Valuation losses on investment properties	22	(407)	(98)
Share of profits less losses of associates and joint ventures		158	187
Profit for the period before taxation		3,141	2,994
Income tax	14	(699)	(570)
Profit for the period		2,442	2,424

Consolidated Income Statement (continued)

	Notes	6 months ended 30/6/2026 HK$ Mn	6 months ended 30/6/2025 HK$ Mn
Attributable to:			
Owners of the parent		2,416	2,407
Non-controlling interests		26	17
Profit for the period		2,442	2,424
Profit for the Bank		2,055	1,911
Earnings per share			
Basic	1(b)	HK$0.91	HK$0.86
Diluted	1(b)	HK$0.91	HK$0.86

Consolidated Statement of Comprehensive Income

	Notes	6 months ended 30/6/2026 HK$ Mn	6 months ended 30/6/2025 HK$ Mn
Net profit		2,442	2,424
Other comprehensive income for the period:			
Items that will not be reclassified to income statement:			
Premises:			
- unrealised surplus on revaluation of premises		-	489
- deferred taxes	28	-	(51)
Fair value reserve (equity instruments):			
- fair value change for investments held at the period end		(95)	35
- fair value change for investment disposed of		13	-
Items that may be reclassified subsequently to income statement:			
Fair value reserve (debt instruments):			
- net change in fair value		(220)	(322)
- amount transferred to income statement on disposal		(115)	221
- deferred taxes	28	54	31
Hedging reserve (cash flow hedges):			
- effective portion of changes in fair value of hedging instruments		(452)	192
- amount transferred to income statement		(37)	(6)
- deferred taxes	28	81	(31)
Share of changes in equity of associates and joint ventures		(105)	2
Exchange differences arising from translation of accounts of overseas, Macau and Taiwan branches, subsidiaries, associates and joint ventures		864	2,087
Other comprehensive income		(12)	2,647
Total comprehensive income		2,430	5,071
Total comprehensive income attributable to:			
Owners of the parent		2,404	5,054
Non-controlling interests		26	17
		2,430	5,071

Consolidated Statement of Financial Position

	Notes	30/6/2026 HK$ Mn	31/12/2025 HK$ Mn
ASSETS			
Cash and balances with banks	15	42,834	53,994
Placements with and advances to banks	16	27,857	31,647
Trade bills	17	1,591	3,444
Trading assets	18	1,641	582
Derivative assets	33(b)	4,051	3,111
Loans and advances to customers	19	542,446	543,235
Investment securities	20	229,424	208,419
Investments in associates and joint ventures	21	9,095	9,137
Fixed assets	22	13,739	12,220
- Investment properties		7,333	5,832
- Other properties and equipment		5,805	5,718
- Right-of-use assets		601	670
Goodwill and intangible assets		3,066	3,052
Deferred tax assets	28	2,290	2,005
Other assets	23	58,847	50,147
Total Assets		936,881	920,993
EQUITY AND LIABILITIES			
Deposits and balances of banks		28,787	9,307
Deposits from customers		693,431	706,579
- Demand deposits and current accounts		82,519	92,058
- Savings deposits		166,798	159,631
- Time, call and notice deposits		444,114	454,890
Trading liabilities		617	-
Derivative liabilities	33(b)	3,364	2,854
Certificates of deposit issued – at amortised cost		19,499	23,034
Current taxation		2,674	2,282
Deferred tax liabilities	28	703	818
Other liabilities	24	59,953	50,425
Loan capital – at amortised cost	25	20,351	20,063
Total Liabilities		829,379	815,362
Share capital	1(d)	42,231	42,195
Reserves	29	64,970	63,140
Total equity attributable to owners of the parent		107,201	105,335
Non-controlling interests		301	296
Total Equity		107,502	105,631
Total Equity and Liabilities		936,881	920,993

Consolidated Statement of Changes in Equity

	Share capital	General reserve	Revaluation reserve of bank premises	Capital reserve	Exchange revaluation reserve	Fair value reserve	Hedging reserve	Other reserves[1]	Retained profits	Total	Additional equity instruments	Non-controlling interests	Total equity
	HK$ Mn	HK$ Mn	HK$ Mn	HK$ Mn	HK$ Mn	HK$ Mn	HK$ Mn	HK$ Mn	HK$ Mn	HK$ Mn	HK$ Mn	HK$ Mn	HK$ Mn
At 1 January 2026	42,195	13,657	2,716	1,017	(1,311)	2,901	183	5,449	38,528	105,335	-	296	105,631
Changes in equity													
Profit for the period	-	-	-	-	-	-	-	-	2,416	2,416	-	26	2,442
Other comprehensive income	-	-	-	-	864	(363)	(408)	(105)	-	(12)	-	-	(12)
Total comprehensive income	-	-	-	-	864	(363)	(408)	(105)	2,416	2,404	-	26	2,430
Shares issued in lieu of dividend *(Note 1(d))*	21	-	-	-	-	-	-	-	-	21	-	-	21
Shares issued under Staff Share Option Schemes (*Note 1(d)*)	13	-	-	-	-	-	-	-	-	13	-	-	13
Equity settled share-based transaction	-	-	-	9	-	-	-	-	-	9	-	-	9
Transfer	2	1	16	(13)	72	(3)	-	108	(183)	-	-	-	-
Dividends declared or approved during the period	-	-	-	-	-	-	-	-	(581)	(581)	-	(21)	(602)
At 30 June 2026	42,231	13,658	2,732	1,013	(375)	2,535	(225)	5,452	40,180	107,201	-	301	107,502
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 period	-	-	-	-	-	-	-	-	2,407	2,407	-	17	2,424
Other comprehensive income	-	-	438	-	2,087	(35)	155	2	-	2,647	-	-	2,647
Total comprehensive income	-	-	438	-	2,087	(35)	155	2	2,407	5,054	-	17	5,071
Shares issued in lieu of dividend *(Note 1(d))*	75	-	-	-	-	-	-	-	-	75	-	-	75
Equity settled share-based transaction	-	-	-	10	-	-	-	-	-	10	-	-	10
Transfer	-	-	-	(18)	-	-	-	161	(143)	-	-	-	-
Distribution/Dividends declared or approved during the period	-	-	-	-	-	-	-	-	(1,146)	(1,146)	-	(10)	(1,156)
At 30 June 2025	42,135	13,658	2,724	1,009	(1,603)	2,330	135	5,389	38,659	104,436	5,021	282	109,739

Note: 1. Other reserves include statutory reserve and other reserves.

Condensed Consolidated Cash Flow Statement

	Notes	6 months ended 30/6/2026 HK$ Mn	6 months ended 30/6/2025 HK$ Mn
NET CASH OUTFLOW FROM OPERATIONS		(18,778)	(14,920)
Income tax paid			
Hong Kong profits tax paid		-	(56)
Outside Hong Kong profits tax paid		(512)	(440)
NET CASH USED IN OPERATING ACTIVITIES		(19,290)	(15,416)
INVESTING ACTIVITIES			
Dividends received from equity securities measured at FVOCI		17	22
Purchase of fixed assets and intangible assets		(345)	(144)
Proceeds from disposal of fixed assets		1	-
Proceeds from sale of assets held for sale		11	-
Acquisition of subsidiaries, net of cash acquired	30(b)	(1,876)	-
NET CASH USED IN INVESTING ACTIVITIES		(2,192)	(122)
FINANCING ACTIVITIES			
Ordinary dividends paid		(581)	(934)
Distribution to Additional Tier 1 issue holders	1(c)	-	(147)
Issue of ordinary share capital		13	-
Payment for purchase of shares under RSU scheme		(6)	(2)
Issue of loan capital		8,094	-
Capital element of lease rentals paid		(123)	(124)
Interest element of lease rentals paid		(12)	(15)
Redemption of debt securities issued		-	(393)
Redemption of loan capital issued		(7,842)	(4,713)
Interest paid on debt securities issued		-	(6)
Interest paid on loan capital issued		(599)	(719)
NET CASH USED IN FINANCING ACTIVITIES		(1,056)	(7,053)
NET DECREASE IN CASH AND CASH EQUIVALENTS		(22,538)	(22,591)
CASH AND CASH EQUIVALENTS AT 1 JANUARY		92,648	87,870
Effect of foreign exchange rate changes		1,355	1,491
CASH AND CASH EQUIVALENTS AT 30 JUNE	30(a)	71,465	66,770
Cash flows from operating activities included:			
Interest received		15,324	17,021
Interest paid		8,289	9,124
Dividend received		2	2

Notes:

1. **(a)** The information in this announcement is not audited or reviewed by the external auditors but is extracted from the interim report prepared under HKAS 34 "Interim Financial Reporting" issued by the HKICPA. Hence this announcement does not constitute the Group's statutory accounts. The interim report, which has been reviewed by the Bank's Audit Committee, is prepared on a basis consistent with the accounting policies and methods of computation adopted in the 2025 audited accounts, except for the accounting policy changes required under new HKFRS Accounting Standards and amendments that are first effective for the current accounting period as described in note 2 below, or otherwise explicitly stated, and has been reviewed by KPMG, in accordance with Hong Kong Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the HKICPA, whose unmodified review report is included in the interim report which will be published on the websites of the HKEX and the Bank, together with the disclosures required by the Banking (Disclosure) Rules and Part 6 of the Financial Institutions (Resolutions) (Loss-absorbing Capacity Requirements – Banking Sector) Rules issued by the HKMA.

The financial information relating to the financial year ended 31 December 2025 that is included in the interim financial report as comparative information does not constitute the Bank's statutory annual consolidated financial statements for that financial year but is derived from those financial statements. Further information relating to these statutory financial statements disclosed in accordance with section 436 of the Companies Ordinance is as follows:

The Bank has delivered the financial statements for the year ended 31 December 2025 to the Registrar of Companies in accordance with section 662(3) of, and Part 3 of Schedule 6 to, the Companies Ordinance.

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

(b) (i) The calculation of basic earnings per share is based on the consolidated profit for the period attributable to owners of the parent of HK$2,416 million (six months ended 30 June 2025: HK$2,260 million), after accounting for nil distribution to Additional Tier 1 issue holders (six months ended 30 June 2025: HK$147 million), and on the weighted average of 2,642 million ordinary shares outstanding during the six months ended 30 June 2026 (six months ended 30 June 2025: 2,633 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 six months ended 30 June 2026, the weighted average of ordinary shares adjusted for the effects of all dilutive potential shares was 2,654 million (six months ended 30 June 2025: 2,636 million).

(c) **Distribution/Dividends**

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

	6 months ended 30/6/2026	6 months ended 30/6/2025
	HK$ Mn	HK$ Mn
Interim dividend declared after the interim period of HK$0.46 per share on 2,644 million shares (six months ended 30 June 2025: HK$0.39 per share on 2,636 million shares)	1,216	1,028

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

1. (c) **Distribution/Dividends (continued)**

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

	6 months ended 30/6/2026	6 months ended 30/6/2025
	HK$ Mn	HK$ Mn
Second interim dividend of HK$0.22 per share on 2,642 million shares (2025: HK$0.38 per share on 2,630 million shares)	581	999

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

	6 months ended 30/6/2026	6 months ended 30/6/2025
	HK$ Mn	HK$ Mn
Distribution paid on the Additional Tier 1 capital instruments	-	147

(d) **Share Capital**

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

	30/6/2026		31/12/2025	
	No. of shares		No. of shares	
	Million	HK$ Mn	Million	HK$ Mn
Ordinary shares, issued and fully paid:				
At 1 January	2,641	42,195	2,630	42,060
Shares issued under Staff Share Option Schemes	1	13	-	4
Transfer of the fair value of options from capital reserve	-	2	-	1
Shares issued in lieu of dividend	2	21	11	130
At 30 June/31 December	2,644	42,231	2,641	42,195

Staff Share Option Schemes

During the period ended 30 June 2026, 1,255,135 (31/12/2025: 362,015) options were exercised to subscribe for 1,255,135 (31/12/2025: 362,015) ordinary shares in the Bank at a consideration of HK$13 million (31/12/2025: HK$4 million) which was credited to share capital account. HK$2 million (31/12/2025: HK$1 million) has been transferred from the capital reserve to the share capital account.

2. (a) 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. Of these, only the amendments to HKFRS 9, Financial instruments and HKFRS 7, Financial instruments: Disclosures – Amendments to the classification and measurement of financial instruments, are relevant to the Group's interim financial statements.

The amendments cover three main aspects:

- The amendments clarify when a financial asset or a financial liability is recognised and derecognised. They also introduce an optional exception that permits an entity to derecognise a financial liability before the settlement date when the financial liability is settled in cash using an electronic payment system, provided that specific criteria are met.

- For the assessment of whether a financial asset has contractual cash flows that are solely payments of principal and interest on the principal amount outstanding, the amendments clarify the assessment of interest and introduce an additional test for the financial assets with contingent features. The amendments also clarify the difference between financial assets with non-recourse features and contractually linked instruments which may then change the applicable assessments.

- The amendments introduce new disclosures for derecognition of investments in equity instruments designated at FVOCI, and for financial instruments not measured at FVTPL which contain contractual terms that could change the amount of contractual cash flows based on the occurrence or non-occurrence of a contingent event that does not relate directly to changes in basic lending risks and costs.

Upon adoption of the amendments, the Group has elected to apply the exception for the derecognition of certain payables settled in cash using qualifying electronic payment systems. Under the exception, these payables are derecognised when the Group initiates a payment instruction through a qualifying electronic payment system.

None of these amendments 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.

(b) Possible Impact of Amendments and New Standards Issued but not yet effective for the period ended 30 June 2026

Up to the date of issue of these financial statements, the HKICPA has issued a number of amendments to standards and new standards which are not yet effective for the period ended 30 June 2026 and which have not been adopted in these interim financial statements. These include the following which may be relevant to the Group.

	Effective for accounting periods beginning on or after
HKFRS 18, *Presentation and disclosure in financial statements*	1 January 2027
HKFRS 19, *Subsidiaries without public accountability: disclosures*	1 January 2027
Amendments to HKAS 21, *The Effects of Changes in Foreign Exchange Rates – Translation to a Hyperinflationary Presentation Currency*	1 January 2027

Please refer to Note 52 of 2025 annual financial statements for brief explanation of the above-mentioned standards and amendments.

3. Interest Income

	6 months ended 30/6/2026	6 months ended 30/6/2025
	HK$ Mn	HK$ Mn
Loans, placements with banks, and trade bills	11,221	12,204
Investment securities		
- measured at amortised cost or FVOCI	4,267	4,643
- mandatorily measured at FVTPL	9	27
Trading assets	9	23
	15,506	16,897

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$15,145 million (six months ended 30 June 2025: HK$16,085 million), before hedging effect, for financial assets that are not recognised at FVTPL.

4. Interest Expense

	6 months ended 30/6/2026	6 months ended 30/6/2025
	HK$ Mn	HK$ Mn
Customer deposits and deposits of banks		
- at amortised cost	6,844	8,321
- designated at FVTPL	-	15
Certificates of deposit and debt securities issued		
- at amortised cost	389	355
- designated at FVTPL	-	26
Subordinated notes carried at amortised cost	527	724
Lease liabilities	12	15
Other borrowings	37	97
	7,809	9,553

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$7,814 million (six months ended 30 June 2025: HK$9,466 million), before hedging effect, for financial liabilities that are not recognised at FVTPL.

5. Net Fee and Commission Income

Fee and commission income is disaggregated by services:

	6 months ended 30/6/2026	6 months ended 30/6/2025
	HK$ Mn	HK$ Mn
Loans, overdrafts and guarantees	511	467
Sale of third party insurance policies	493	393
Credit cards	366	402
Trust and other fiduciary activities	147	114
Securities brokerage	136	148
Other retail banking services	135	122
Investment products	131	100
Trade finance	103	94
Others	340	249
Total fee and commission income	2,362	2,089
Total fee and commission expense	(441)	(435)
	1,921	1,654

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$450 million (six months ended 30 June 2025: HK$435 million) which were included in above loan, overdrafts and guarantees and trade finance categories, and recognised insignificant relevant expenses (six months ended 30 June 2025: insignificant) under total fee and commission expense. 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$147 million (six months ended 30 June 2025: HK$114 million) as stated above and recognised relevant expenses of HK$69 million (six months ended 30 June 2025: HK$20 million) under total fee and commission expense.

6. Net Trading Profit

	6 months ended 30/6/2026	6 months ended 30/6/2025
	HK$ Mn	HK$ Mn
Profit on dealing in foreign currencies and funding swaps	461	546
Profit on trading securities	253	97
Net gain on derivatives	468	447
Dividend income from trading equity securities	2	2
	1,184	1,092

7. Net Result on Financial Instruments at FVTPL

	6 months ended 30/6/2026 HK$ Mn	6 months ended 30/6/2025 HK$ Mn
Net loss from financial instruments designated at FVTPL	-	(3)
Net gain from financial instruments mandatorily measured at FVTPL (other than those included in net trading profits)	52	7
	52	4

8. Net Result on Financial Assets Measured at FVOCI

	6 months ended 30/6/2026 HK$ Mn	6 months ended 30/6/2025 HK$ Mn
Net profit/(loss) on sale of debt securities	116	(36)
Dividend income from equity securities	17	22
	133	(14)

9. Net Hedging Profit

	6 months ended 30/6/2026 HK$ Mn	6 months ended 30/6/2025 HK$ Mn
Fair value hedges	31	23
Cash flow hedges	-	-
	31	23

10. Other Operating Income

	6 months ended 30/6/2026 HK$ Mn	6 months ended 30/6/2025 HK$ Mn
Rental from safe deposit boxes	64	64
Rental income on properties	85	56
Others	19	48
	168	168

11. Operating Expenses

	6 months ended 30/6/2026 HK$ Mn	6 months ended 30/6/2025 HK$ Mn
Staff costs		
- Contributions to defined contribution plan		
- Hong Kong	94	104
- Outside Hong Kong	130	120
- Equity settled share-based payment expenses	15	12
- Salaries and other staff costs	2,660	2,565
	2,899	2,801
Premises and equipment expenses (excluding depreciation and amortisation)		
- Short-term leases, leases of low-value assets and variable lease payments	10	9
- Maintenance, repairs and others	429	477
	439	486
Depreciation and amortisation	452	431
Other operating expenses		
- Legal and professional fees	232	247
- Internet platform charges	171	235
- Communications, network and data subscription	141	131
- Advertising and business promotion expenses	111	104
- Others	374	377
	1,029	1,094
	4,819	4,812

12. Impairment Losses on Financial Instruments

	6 months ended 30/6/2026 HK$ Mn	6 months ended 30/6/2025 HK$ Mn
Loans and advances to customers	2,923	2,441
Debt securities	(5)	128
Others	40	(30)
	2,958	2,539

13. Net Loss on Disposal of Fixed Assets

	6 months ended 30/6/2026	6 months ended 30/6/2025
	HK$ Mn	HK$ Mn
Net loss on disposal of bank premises, furniture, fixtures and equipment	(1)	(5)
Net profit on termination of lease	-	2
	(1)	(3)

14. Income Tax

Taxation in the consolidated income statement represents:

	6 months ended 30/6/2026	6 months ended 30/6/2025
	HK$ Mn	HK$ Mn
Current tax – Hong Kong		
Hong Kong Profits Tax excluding Pillar Two income taxes:		
- Tax for the period	523	389
- Over-provision in respect of prior years	(23)	(22)
	500	367
Pillar Two income taxes	-	-
	500	367
Current tax – outside Hong Kong		
Income taxes excluding Pillar Two income taxes:		
- Tax for the period	400	422
- (Over)/under-provision in respect of prior years	(15)	132
	385	554
Pillar Two income taxes	-	3
	385	557
Deferred tax		
Origination and reversal of temporary differences	(186)	(354)
	699	570

The provision for Hong Kong profits tax is calculated at 16.5% (six months ended 30 June 2025: 16.5%) of the estimated assessable profits for the six months ended 30 June 2026.

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

For the period ended 30 June 2026, the top-up tax provision for Pillar Two income taxes was assessed insignificant (six months ended 30 June 2025: HK$3 million). The Group has applied the temporary mandatory exception to recognising and disclosing information about deferred tax assets and liabilities related to Pillar Two income taxes.

15. Cash and Balances with Banks

	30/6/2026	31/12/2025
	HK$ Mn	HK$ Mn
Cash in hand	921	1,320
Balances with central banks	30,262	35,879
Balances with other banks	11,652	16,796
Gross carrying amount before impairment allowances	42,835	53,995
Less: Impairment allowances	(1)	(1)
	42,834	53,994

16. Placements with and Advances to Banks

	30/6/2026	31/12/2025
	HK$ Mn	HK$ Mn
Placements with and advances to banks		
Maturing		
- within one month	24,373	29,106
- after one month but within one year	2,220	1,759
- after one year	1,276	786
Gross carrying amount before impairment allowances	27,869	31,651
Less: Impairment allowances	(12)	(4)
	27,857	31,647
Of which:		
Placements with and advances to central banks	2,139	145

17. Trade Bills

	30/6/2026	31/12/2025
	HK$ Mn	HK$ Mn
Measured at amortised cost		
Gross carrying amount before impairment allowances	1,381	3,436
Less: Impairment allowances	(2)	(3)
	1,379	3,433
Measured at FVOCI	212	11
	1,591	3,444

18. Trading Assets

	30/6/2026	31/12/2025
	HK$ Mn	HK$ Mn
Treasury bills (including Exchange Fund Bills)	494	-
Certificates of deposit held	343	-
Debt securities	521	343
Equity securities	32	67
Investment funds	251	172
	1,641	582

19. Loans and Advances to Customers

(a) Loans and Advances to Customers

	30/6/2026	31/12/2025
	HK$ Mn	HK$ Mn
Measured at amortised cost		
Gross carrying amount before impairment allowances	549,571	549,167
Less: Impairment allowances	(7,306)	(6,044)
	542,265	543,123
Mandatorily measured at FVTPL	181	112
	542,446	543,235

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

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

	30/6/2026		31/12/2025	
	Gross advances	% of gross advances covered by collateral	Gross advances	% of gross advances covered by collateral
	HK$ Mn	%	HK$ Mn	%
Loans for use in Hong Kong				
Industrial, commercial and financial				
- Property development	16,992	54.27	19,966	51.86
- Property investment	34,366	87.80	33,424	92.43
- Financial concerns	10,529	50.54	14,886	45.34
- Stockbrokers	1,334	72.53	694	99.07
- Wholesale and retail trade	12,224	37.09	9,546	39.67
- Manufacturing	8,399	27.61	8,011	27.58
- Transport and transport equipment	2,559	47.10	2,041	61.51
- Recreational activities	181	70.01	190	71.77
- Information technology	4,717	34.96	5,664	44.95
- Others	32,808	46.18	28,863	47.06
Sub-total	124,109	56.94	123,285	58.57
Individuals				
- Loans for the purchase of flats in the Home Ownership Scheme, Private Sector Participation Scheme and Tenants Purchase Scheme	3,026	99.99	2,853	99.74
- Loans for the purchase of other residential properties	106,464	99.94	105,394	99.56
- Credit card advances	3,163	0.00	3,486	0.00
- Others	22,166	62.28	22,097	63.03
Sub-total	134,819	91.40	133,830	90.94
Total loans for use in Hong Kong	258,928	74.89	257,115	75.41
Trade finance	9,143	18.04	9,129	18.68
Loans for use outside Hong Kong *(Note)*	281,681	25.93	283,035	25.69
Total advances to customers	549,752	48.85	549,279	48.85

19. 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.

	30/6/2026		31/12/2025	
	Gross advances	% of gross advances covered by collateral	Gross advances	% of gross advances covered by collateral
	HK$ Mn	%	HK$ Mn	%
Loans for use in Chinese Mainland				
Industrial, commercial and financial				
- Property development	15,885	59.22	16,741	56.52
- Property investment	4,571	79.38	5,392	78.50
- Financial concerns	55,297	13.29	46,991	6.73
- Wholesale and retail trade	17,639	3.96	19,266	4.50
- Manufacturing	13,189	2.73	15,792	7.57
- Transport and transport equipment	1,916	43.67	1,843	42.75
- Recreational activities	58	0.00	56	0.00
- Information technology	2,790	1.62	3,016	1.48
- Others	27,933	22.21	27,683	13.41
Sub-total	139,278	20.49	136,780	17.16
Individuals				
- Loans for the purchase of other residential properties	6,689	99.07	7,122	99.00
- Credit card advances	1,956	0.00	2,241	0.00
- Others	13,105	1.50	14,114	1.57
Sub-total	21,750	31.37	23,477	30.98
Total loans for use in Chinese Mainland	161,028	21.96	160,257	19.18

19. Loans and Advances to Customers (continued)

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

	30/6/2026		31/12/2025	
	Gross advances	% of gross advances covered by collateral	Gross advances	% of gross advances covered by collateral
	HK$ Mn	%	HK$ Mn	%
Loans for use outside Hong Kong and Chinese Mainland				
Industrial, commercial and financial				
- Property development	2,591	27.66	3,516	43.78
- Property investment	19,914	69.99	21,659	73.16
- Financial concerns	10,143	20.53	11,385	28.81
- Wholesale and retail trade	8,024	18.63	7,261	21.65
- Manufacturing	16,673	0.57	16,091	1.53
- Transport and transport equipment	8,395	16.41	7,404	14.94
- Recreational activities	904	6.73	770	8.38
- Information technology	11,154	13.17	11,138	11.06
- Others	39,948	34.17	40,533	34.97
Sub-total	117,746	29.63	119,757	32.62
Individuals				
- Loans for the purchase of other residential properties	2,633	99.93	2,734	99.97
- Credit card advances	2	0.00	2	0.00
- Others	272	59.26	285	59.20
Sub-total	2,907	96.05	3,021	96.04
Total loans for use outside Hong Kong and Chinese Mainland	120,653	31.23	122,778	34.18
Total loans for use outside Hong Kong	281,681	25.93	283,035	25.69

19. 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:

	30/6/2026	31/12/2025
	HK$ Mn	HK$ Mn
(i) Property investment		
a. Individually impaired loans	3,535	3,493
b. Specific provisions	718	449
c. Collective provisions	346	288
d. New provision charged to income statement	394	689
e. Written off	-	447
(ii) Loans for purchase of other residential properties		
a. Individually impaired loans	596	574
b. Specific provisions	24	21
c. Collective provisions	27	26
d. New provision charged to income statement	17	32
e. Written off	1	5
(iii) Financial concerns		
a. Individually impaired loans	41	44
b. Specific provisions	41	44
c. Collective provisions	52	63
d. New provision charged to income statement	25	79
e. Written off	-	119

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.

19. 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 26 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.

	30/6/2026				
	Total advances to customers	Advances overdue for over three months	Impaired advances to customers	Specific provisions	Collective provisions
	HK$ Mn	HK$ Mn	HK$ Mn	HK$ Mn	HK$ Mn
Hong Kong	237,509	4,222	5,714	2,047	704
Chinese Mainland	197,094	5,123	7,391	2,964	558
Other Asian Countries and Regions	40,771	705	1,129	688	85
Others	74,378	459	647	102	158
Total	549,752	10,509	14,881	5,801	1,505
% of total advances to customers			2.71%		

	31/12/2025				
	Total advances to customers	Advances overdue for over three months	Impaired advances to customers	Specific provisions	Collective 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
Total	549,279	8,226	14,793	4,577	1,467
% of total advances to customers			2.69%		

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.

20. Investment Securities

	30/6/2026					
	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	2,421	1,631	51,445	-	-	55,497
Less: Impairment allowances	-	-	(158)	-	-	(158)
	2,421	1,631	51,287	-	-	55,339
Investment securities measured at FVOCI	35,173	-	136,681	764	-	172,618
Investment securities mandatorily measured at FVTPL	-	-	317	2	1,148	1,467
	37,594	1,631	188,285	766	1,148	229,424

	31/12/2025					
	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)
	2,587	3,944	36,681	-	-	43,212
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
	28,433	4,108	173,816	886	1,176	208,419

20. Investment Securities (continued)

Equity Securities Designated at FVOCI

	30/6/2026		31/12/2025	
	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	764	17	885	32

As at 30 June 2026, equity securities designated at FVOCI amounting to HK$764 million (31/12/2025: HK$885 million) were held for long-term strategic purposes, of which HK$553 million (31/12/2025: HK$623 million) was attributable to the fair value of the Bank's investment in China UnionPay Co., Ltd. During the period ended 30 June 2026, the Bank disposed of an unlisted equity security designated at FVOCI upon acceptance of the share transfer offer from a major shareholder. The fair value of the investment at the date of disposal was HK$39 million. The cumulative gain recognised in the fair value reserve at the date of disposal amounted to HK$3 million. In accordance with HKFRS 9, this gain was transferred within equity from the fair value reserve to retained profits and was not reclassified to profit or loss.

21. Investments in Associates and Joint Ventures

	30/6/2026	31/12/2025
	HK$ Mn	HK$ Mn
As at 1 January	9,137	8,448
Addition	-	239
Share of profits less losses	158	(305)
Exchange difference and others	(200)	755
As at 30 June/31 December	9,095	9,137

21. Investments in Associates and Joint Ventures (continued)

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

At 30 June 2026, 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$5,016 million. The recoverable amount was higher than the carrying value of HK$3,961 million and no further impairment charge was recognised (six months ended 30 June 2025: 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 10.46% (31/12/2025: 10.40%), 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 VIU	VIU		Decrease in VIU	VIU
		HK$ Mn	HK$ Mn		HK$ Mn	HK$ Mn
At 30 June 2026						
Discount rate	-50 bps	372	5,388	+50 bps	(326)	4,690
Long-term growth rate	+50 bps	75	5,091	-50 bps	(67)	4,949
Expected cash flows	+10%	502	5,518	-10%	(502)	4,514

22. Fixed Assets

	30/6/2026							
	Investment properties	Bank premises	Furniture, fixtures and equipment	Sub-total	Right-of-use assets – Bank premises	Right-of-use assets – Furniture, fixtures and equipment	Sub-total	Total
	HK$ Mn	HK$ Mn	HK$ Mn	HK$ Mn	HK$ Mn	HK$ Mn	HK$ Mn	HK$ Mn
Cost or valuation								
At 1 January 2026	5,832	7,257	4,116	11,373	1,276	14	1,290	18,495
Additions	1,894	15	200	215	35	2	37	2,146
Revaluation deficit	(407)	-	-	-	-	-	-	(407)
Disposals	-	(3)	(50)	(53)	-	-	-	(53)
Remeasurement	-	-	-	-	2	-	2	2
Expiry/termination of lease contracts	-	-	-	-	(71)	(1)	(72)	(72)
Transfer to asset classified as assets held for sale	-	(9)	-	(9)	-	-	-	(9)
Exchange adjustments	14	111	31	142	19	-	19	175
At 30 June 2026	7,333	7,371	4,297	11,668	1,261	15	1,276	20,277
Accumulated depreciation								
At 1 January 2026	-	2,319	3,336	5,655	614	6	620	6,275
Depreciation for the period	-	59	137	196	116	2	118	314
Expiry/termination of lease contracts	-	-	-	-	(71)	(1)	(72)	(72)
Written off on disposal	-	(3)	(48)	(51)	-	-	-	(51)
Transfer to asset classified as assets held for sale	-	(4)	-	(4)	-	-	-	(4)
Exchange adjustments	-	47	20	67	9	-	9	76
At 30 June 2026	-	2,418	3,445	5,863	668	7	675	6,538
Net book value at 30 June 2026	7,333	4,953	852	5,805	593	8	601	13,739
The gross amounts of the above assets are stated:								
At cost	-	6,623	4,297	10,920	1,261	15	1,276	12,196
At Directors' valuation - 1989	-	748	-	748	-	-	-	748
At professional valuation - 2026	7,333	-	-	-	-	-	-	7,333
	7,333	7,371	4,297	11,668	1,261	15	1,276	20,277

22. Fixed Assets (continued)

	31/12/2025							
	Investment properties	Bank premises	Furniture, fixtures and equipment	Sub-total	Right-of-use assets – Bank premises	Right-of-use assets – Furniture, fixtures and equipment	Sub-total	Total
	HK$ Mn	HK$ Mn	HK$ Mn	HK$ Mn	HK$ Mn	HK$ Mn	HK$ Mn	HK$ Mn
Cost or valuation								
At 1 January 2025	4,979	7,578	7,216	14,794	1,329	26	1,355	21,128
Additions	824	8	161	169	205	5	210	1,203
Revaluation deficit	(723)	-	-	-	-	-	-	(723)
Disposals	(15)	(33)	(103)	(136)	-	-	-	(151)
Revaluation surplus on bank premises upon transfer to investment properties	-	472	-	472	-	-	-	472
Transfer from bank premises to investment properties	790	(790)	-	(790)	-	-	-	-
Transfer from investment properties to bank premises	(23)	23	-	23	-	-	-	-
Transfer to intangible assets *(Note)*	-	-	(3,261)	(3,261)	-	-	-	(3,261)
Expiry/termination of lease contracts	-	-	-	-	(301)	(18)	(319)	(319)
Less: Elimination of accumulated depreciation on revalued bank premises	-	(187)	-	(187)	-	-	-	(187)
Exchange adjustments	-	186	103	289	43	1	44	333
At 31 December 2025	5,832	7,257	4,116	11,373	1,276	14	1,290	18,495
Accumulated depreciation								
At 1 January 2025	-	2,340	5,156	7,496	642	19	661	8,157
Depreciation for the year	-	116	235	351	240	4	244	595
Expiry/termination of lease contracts	-	-	-	-	(289)	(18)	(307)	(307)
Elimination of accumulated depreciation on revalued bank premises	-	(187)	-	(187)	-	-	-	(187)
Transfer to intangible assets *(Note)*	-	-	(2,028)	(2,028)	-	-	-	(2,028)
Written off on disposal	-	(14)	(92)	(106)	-	-	-	(106)
Exchange adjustments	-	64	65	129	21	1	22	151
At 31 December 2025	-	2,319	3,336	5,655	614	6	620	6,275
Net book value at 31 December 2025	5,832	4,938	780	5,718	662	8	670	12,220
The gross amounts of the above assets are stated:								
At cost	-	6,509	4,116	10,625	1,276	14	1,290	11,915
At Directors' valuation - 1989	-	748	-	748	-	-	-	748
At professional valuation - 2025	5,832	-	-	-	-	-	-	5,832
	5,832	7,257	4,116	11,373	1,276	14	1,290	18,495

Note: *The Group previously categorised the system applications and software under fixed assets in the statement of financial position. To more appropriately reflect the underlying nature, the relevant cost of HK$3,261 million and accumulated depreciation of HK$2,028 million were reclassified from fixed assets to intangible assets.*

23. Other Assets

	30/6/2026	31/12/2025
	HK$ Mn	HK$ Mn
Accrued interest	4,513	4,331
Customer liabilities under acceptances	42,561	34,490
Other accounts	12,388	11,796
Gross carrying amount before impairment allowances	59,462	50,617
Less: Impairment allowances	(635)	(485)
	58,827	50,132
Assets held for sale	20	15
	58,847	50,147

24. Other Liabilities

	30/6/2026	31/12/2025
	HK$ Mn	HK$ Mn
Accrued interest payable	3,703	4,818
Acceptance draft payable	42,561	34,490
Impairment allowances on financial guarantee contracts issued and loan commitments issued	103	86
Lease liabilities	667	741
Other accounts *(Note)*	12,919	10,290
	59,953	50,425

Note: Include contract liabilities of HK$1,728 million (31/12/2025: HK$1,830 million) from contracts with customers under HKFRS 15.

25. Loan Capital

		30/6/2026 HK$ Mn	31/12/2025 HK$ Mn
Subordinated notes, at amortised cost with fair value hedge adjustments:			
USD500 million fixed rate Tier 2 capital securities due 22 April 2032	(1)	3,874	3,846
USD650 million fixed rate Tier 2 capital securities due 27 June 2034	(2)	5,091	5,146
USD250 million fixed rate non-preferred loss-absorbing capacity notes due 7 July 2028	(3)	1,938	1,933
USD500 million fixed rate non-preferred loss-absorbing capacity notes due 15 March 2027	(4)	-	3,898
USD500 million fixed rate non-preferred loss-absorbing capacity notes due 13 March 2027	(5)	-	3,895
USD1,000 million fixed rate non-preferred loss-absorbing capacity notes due 13 May 2032	(6)	7,778	-
JPY5,000 million fixed rate non-preferred loss-absorbing capacity notes due 13 November 2029	(7)	236	244
Subordinated notes, at amortised cost without hedging:			
RMB1,250 million (31/12/2025: RMB1,000 million) fixed rate non-preferred loss-absorbing capacity notes due 9 September 2029	(8)	1,434	1,101
		20,351	20,063

The Group has not had any defaults of principal, interest or other breaches with respect to its debt securities during the period/year ended 30 June 2026 and 31 December 2025.

(1) Loan capital with face value of US$500 million (equivalent to HK$3,921 million) and carrying amount of HK$3,874 million (31/12/2025: HK$3,846 million) represents subordinated notes carrying a coupon rate of 4.875% p.a. qualifying as Tier 2 capital and meeting the loss-absorbing capacity requirements issued on 22 April 2022 by the Bank. The notes are listed on the Stock Exchange, will mature on 22 April 2032 and are callable on 22 April 2027. The notes are under fair value hedge accounting and the hedge ineffectiveness of HK$0.4 million loss was recorded in first half of 2026.

(2) Loan capital with face value of US$650 million (equivalent to HK$5,098 million) and carrying amount of HK$5,091 million (31/12/2025: HK$5,146 million) represents subordinated notes carrying a coupon of 6.75% p.a. qualifying as Tier 2 capital and meeting the loss-absorbing capacity requirements issued on 27 June 2024 by the Bank. The notes are listed on the Stock Exchange, will mature on 27 June 2034 and are callable on 27 June 2029. The notes are under fair value hedge accounting and the hedge ineffectiveness of HK$0.6 million loss was recorded in first half of 2026.

(3) Loan capital with face value of US$250 million (equivalent to HK$1,961 million) and carrying amount of HK$1,938 million (31/12/2025: HK$1,933 million) represents non-preferred loss-absorbing capacity notes carrying a coupon rate of 5.125% p.a. and meeting the loss-absorbing capacity requirements issued on 7 July 2022 by the Bank. The notes are listed on the Stock Exchange, will mature on 7 July 2028 and are callable on 7 July 2027. The notes are under fair value hedge accounting and insignificant hedge ineffectiveness was recorded in first half of 2026.

25. Loan Capital (continued)

(4) Loan capital with face value of US$500 million (equivalent to HK$3,892 million) and carrying amount of HK$3,898 million as at 31 December 2025 represented non-preferred loss-absorbing capacity notes carrying a coupon rate of 6.75% p.a. and meeting the loss-absorbing capacity requirements issued on 15 March 2023 by the Bank. The notes were under fair value hedge accounting and the hedge ineffectiveness of HK$0.1 million profit was recorded in first half of 2026. The notes were fully redeemed when they became callable on 15 March 2026.

(5) Loan capital with face value of US$500 million (equivalent to HK$3,892 million) and carrying amount of HK$3,895 million as at 31 December 2025 represented non-preferred loss-absorbing capacity notes carrying a coupon rate of 6.625% p.a. and meeting the loss-absorbing capacity requirements issued on 13 March 2024 by the Bank. The notes were under fair value hedge accounting and the hedge ineffectiveness of HK$0.3 million loss was recorded in first half of 2026. The notes were fully redeemed when they became callable on 13 March 2026.

(6) Loan capital with face value of US$1,000 million (equivalent to HK$7,842 million) and carrying amount of HK$7,778 million represents non-preferred loss-absorbing capacity notes carrying a coupon rate of 5.375% p.a. and meeting the loss-absorbing capacity requirements issued on 13 May 2026 by the Bank. The notes are listed on the Stock Exchange, will mature on 13 May 2032 and are callable on 13 May 2031. The notes are under fair value hedge accounting and the hedge ineffectiveness of HK$3.7 million loss was recorded in first half of 2026.

(7) Loan capital with face value of JPY5,000 million (equivalent to HK$242 million) and carrying amount of HK$236 million (31/12/2025: HK$244 million) represents non-preferred loss-absorbing capacity notes carrying a coupon rate of 2.64% p.a. and meeting the loss-absorbing capacity requirements issued on 13 November 2025 by the Bank. The notes are listed on the Stock Exchange, will mature on 13 November 2029 and are callable on 13 November 2028. The notes are under fair value hedge accounting and insignificant hedge ineffectiveness was recorded in first half of 2026.

(8) Loan capital with an aggregate face value of RMB1,250 million (equivalent to HK$1,445 million) (31/12/2025: RMB1,000 million / HK$1,113 million equivalent) and carrying amount of HK$1,434 million (31/12/2025: HK$1,101 million) represents non-preferred loss-absorbing capacity notes carrying a coupon rate of 2.95% p.a. and meeting the loss-absorbing capacity requirements. The notes were issued in three tranches with face value RMB750 million, RMB 250 million and RMB 250 million on 9 September 2025, 20 November 2025 and 2 April 2026 respectively by the Bank. The notes are listed on the Stock Exchange, will mature on 9 September 2029 and are callable on 9 September 2028.

26. 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.

26. Segment Reporting (continued)

	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	HK$ Mn	HK$ Mn	HK$ Mn	HK$ Mn	HK$ Mn
6 months ended 30 June 2026											
Net interest income/(expense)	2,815	1,332	603	177	(59)	4,868	1,777	1,147	(95)	-	7,697
Non-interest income	927	524	253	587	218	2,509	898	83	-	(20)	3,470
Operating income/(expense)	3,742	1,856	856	764	159	7,377	2,675	1,230	(95)	(20)	11,167
Operating expenses	(890)	(199)	(100)	(226)	(1,396)	(2,811)	(1,572)	(456)	-	20	(4,819)
Operating profit/(loss) before impairment losses	2,852	1,657	756	538	(1,237)	4,566	1,103	774	(95)	-	6,348
(Charge for)/write back of impairment losses on financial instruments	(56)	(1,135)	2	(1)	-	(1,190)	(1,642)	(126)	-	-	(2,958)
Operating profit/(loss) after impairment losses	2,796	522	758	537	(1,237)	3,376	(539)	648	(95)	-	3,390
Net profit on sale of assets held for sale	-	-	-	-	-	-	-	1	-	-	1
Net (loss)/profit on disposal of fixed assets	-	(1)	-	-	1	-	(1)	-	-	-	(1)
Valuation (losses)/gains on investment properties	-	-	-	-	(418)	(418)	11	-	-	-	(407)
Share of profits less losses of associates and joint ventures	-	-	-	-	(2)	(2)	13	147	-	-	158
Profit/(loss) before taxation	2,796	521	758	537	(1,656)	2,956	(516)	796	(95)	-	3,141
Depreciation and amortisation for the period	(95)	(6)	(6)	(6)	(133)	(246)	(173)	(33)	-	-	(452)
At 30 June 2026											
Segment assets	130,489	148,325	265,514	18,028	11,215	573,571	268,894	135,039	-	(49,738)	927,766
Investments in associates and joint ventures	-	-	-	-	52	52	3,285	5,758	-	-	9,095
Other assets – Assets held for sale	-	-	-	-	15	15	5	-	-	-	20
Total assets	130,489	148,325	265,514	18,028	11,282	573,638	272,184	140,797	-	(49,738)	936,881
Total liabilities	368,043	60,656	49,762	38,268	4,314	521,043	238,082	119,897	-	(49,643)	829,379

26. Segment Reporting (continued)

	Hong Kong operations										
	Personal banking	Wholesale banking	Treasury markets	Wealth management	Others	Total	Chinese Mainland operations	Overseas, Macau and Taiwan operations	Corporate management	Inter-segment elimination	Total
	HK$ Mn	HK$ Mn	HK$ Mn	HK$ Mn	HK$ Mn	HK$ Mn	HK$ Mn	HK$ Mn	HK$ Mn	HK$ Mn	HK$ Mn
6 months ended 30 June 2025											
Net interest income/(expense)	2,498	1,323	578	165	(79)	4,485	1,744	1,204	(89)	-	7,344
Non-interest income	846	389	78	527	189	2,029	799	105	-	(18)	2,915
Operating income/(expense)	3,344	1,712	656	692	110	6,514	2,543	1,309	(89)	(18)	10,259
Operating expenses	(858)	(226)	(99)	(223)	(1,399)	(2,805)	(1,591)	(434)	-	18	(4,812)
Operating profit/(loss) before impairment losses	2,486	1,486	557	469	(1,289)	3,709	952	875	(89)	-	5,447
Impairment losses on financial instruments	(71)	(1,305)	(38)	(72)	(2)	(1,488)	(698)	(353)	-	-	(2,539)
Operating profit/(loss) after impairment losses	2,415	181	519	397	(1,291)	2,221	254	522	(89)	-	2,908
Net (loss)/profit on disposal of fixed assets	(3)	-	-	-	(1)	(4)	1	-	-	-	(3)
Valuation (losses)/gains on investment properties	-	-	-	-	(99)	(99)	-	1	-	-	(98)
Share of profits less losses of associates and joint ventures	-	-	-	-	12	12	42	133	-	-	187
Profit/(loss) before taxation	2,412	181	519	397	(1,379)	2,130	297	656	(89)	-	2,994
Depreciation and amortisation for the period	(99)	(10)	(5)	(3)	(113)	(230)	(170)	(31)	-	-	(431)
At 31 December 2025											
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

27. Analysis of Assets and Liabilities by Remaining Maturity

	30/6/2026							
	Repayable on demand	Within 1 month	3 months or less but over 1 month	1 year or less but over 3 months	5 years or less but over 1 year	Over 5 years	Undated or overdue	Total
	HK$ Mn	HK$ Mn	HK$ Mn	HK$ Mn	HK$ Mn	HK$ Mn	HK$ Mn	HK$ Mn
Assets								
Cash and balances with banks	34,110	26	41	119	-	-	8,538	42,834
Placements with and advances to banks	-	24,373	369	1,847	1,268	-	-	27,857
Trade bills	1	616	342	632	-	-	-	1,591
Trading assets	-	-	-	976	382	-	283	1,641
Derivative assets	-	-	-	-	-	-	4,051	4,051
Loans and advances to customers	2,949	68,852	48,862	132,516	162,040	119,177	8,050	542,446
Investment securities	-	10,747	19,903	34,467	91,800	70,582	1,925	229,424
Investments in associates and joint ventures	-	-	-	-	-	-	9,095	9,095
Fixed assets	-	-	-	-	-	-	13,739	13,739
Goodwill and intangible assets	-	-	-	-	-	-	3,066	3,066
Deferred tax assets	-	-	-	-	-	-	2,290	2,290
Other assets	14	10,643	12,400	24,075	801	844	10,070	58,847
Total assets	37,074	115,257	81,917	194,632	256,291	190,603	61,107	936,881
Liabilities								
Deposits and balances of banks	1,009	14,253	10,673	2,852	-	-	-	28,787
Deposits from customers	251,121	118,120	180,423	125,921	17,846	-	-	693,431
- Demand deposits and current accounts	82,519	-	-	-	-	-	-	82,519
- Savings deposits	166,798	-	-	-	-	-	-	166,798
- Time, call and notice deposits	1,804	118,120	180,423	125,921	17,846	-	-	444,114
Trading liabilities	-	500	-	-	-	117	-	617
Derivative liabilities	-	-	-	-	-	-	3,364	3,364
Certificates of deposit issued	-	4,031	7,360	7,092	1,016	-	-	19,499
Current taxation	-	-	-	2,670	4	-	-	2,674
Deferred tax liabilities	-	-	-	-	-	-	703	703
Other liabilities	830	11,253	13,048	25,081	1,326	866	7,549	59,953
- Lease liabilities	-	20	38	152	347	110	-	667
- Other accounts	830	11,233	13,010	24,929	979	756	7,549	59,286
Loan capital	-	-	-	3,874	16,477	-	-	20,351
Total liabilities	252,960	148,157	211,504	167,490	36,669	983	11,616	829,379
Net gap	(215,886)	(32,900)	(129,587)	27,142	219,622	189,620		

27. Analysis of Assets and Liabilities by Remaining Maturity (continued)

	31/12/2025							
	Repayable on demand	Within 1 month	3 months or less but over 1 month	1 year or less but over 3 months	5 years or less but over 1 year	Over 5 years	Undated or overdue	Total
	HK$ Mn	HK$ Mn	HK$ Mn	HK$ Mn	HK$ Mn	HK$ Mn	HK$ Mn	HK$ Mn
Assets								
Cash and balances with banks	45,380	11	403	256	-	-	7,944	53,994
Placements with and advances to banks	-	29,106	708	1,050	783	-	-	31,647
Trade bills	1	355	1,292	1,796	-	-	-	3,444
Trading assets	-	-	-	-	321	22	239	582
Derivative assets	-	-	-	-	-	-	3,111	3,111
Loans and advances to customers	2,394	63,357	50,229	127,375	170,046	120,182	9,652	543,235
Investment securities	-	15,499	14,870	21,338	91,089	63,551	2,072	208,419
Investments in associates and joint ventures	-	-	-	-	-	-	9,137	9,137
Fixed assets	-	-	-	-	-	-	12,220	12,220
Goodwill and intangible assets	-	-	-	-	-	-	3,052	3,052
Deferred tax assets	-	-	-	-	-	-	2,005	2,005
Other assets	19	9,737	12,564	16,218	816	746	10,047	50,147
Total assets	47,794	118,065	80,066	168,033	263,055	184,501	59,479	920,993
Liabilities								
Deposits and balances of banks	783	5,910	2,062	552	-	-	-	9,307
Deposits from customers	253,042	136,734	182,829	123,277	10,697	-	-	706,579
- Demand deposits and current accounts	92,058	-	-	-	-	-	-	92,058
- Savings deposits	159,631	-	-	-	-	-	-	159,631
- Time, call and notice deposits	1,353	136,734	182,829	123,277	10,697	-	-	454,890
Derivative liabilities	-	-	-	-	-	-	2,854	2,854
Certificates of deposit issued	-	5,320	7,232	9,304	1,178	-	-	23,034
Current taxation	-	-	-	2,278	4	-	-	2,282
Deferred tax liabilities	-	-	-	-	-	-	818	818
Other liabilities	909	8,814	13,830	17,690	1,333	955	6,894	50,425
- Lease liabilities	-	24	38	160	387	132	-	741
- Other accounts	909	8,790	13,792	17,530	946	823	6,894	49,684
Loan capital	-	-	7,793	-	12,270	-	-	20,063
Total liabilities	254,734	156,778	213,746	153,101	25,482	955	10,566	815,362
Net gap	(206,940)	(38,713)	(133,680)	14,932	237,573	183,546		

28. Deferred Tax Assets and Liabilities Recognised

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

Deferred tax arising from:	Depreciation allowances in excess of related depreciation	Revaluation of properties	Impairment losses on financial assets	Revaluation of financial assets at FVOCI	Cash flow hedge	Tax losses	Others	Total
	HK$ Mn	HK$ Mn	HK$ Mn	HK$ Mn	HK$ Mn	HK$ Mn	HK$ Mn	HK$ Mn
At 31 December 2025/ 1 January 2026	(385)	(114)	2,043	(424)	(36)	12	91	1,187
(Charged)/credited to income statement	(16)	-	208	-	-	(3)	(3)	186
Credited to reserves	-	-	-	54	81	-	-	135
Exchange and other adjustments	-	-	72	-	-	-	7	79
At 30 June 2026	(401)	(114)	2,323	(370)	45	9	95	1,587

Deferred tax assets and liabilities are offset on an individual entity basis when there is a legally enforceable right to set off current tax assets against current tax liabilities and when the deferred income taxes relate to the same authority. The following amounts, determined after appropriate offsetting, are shown in the consolidated statement of financial position:

	30/6/2026	31/12/2025
	HK$ Mn	HK$ Mn
Net deferred tax assets recognised on the statement of financial position	2,290	2,005
Net deferred tax liabilities recognised on the statement of financial position	(703)	(818)
	1,587	1,187

29. Reserves

	30/6/2026	31/12/2025
	HK$ Mn	HK$ Mn
General reserve	13,658	13,657
Revaluation reserve on bank premises	2,732	2,716
Capital reserve (1)	1,013	1,017
Exchange revaluation reserve	(375)	(1,311)
Fair value reserve	2,535	2,901
Hedging reserve	(225)	183
Other reserves	5,452	5,449
Retained profits (2)	40,180	38,528
	64,970	63,140
Proposed dividends, not provided for	1,216	581

(1) Shares acquired for the RSU Scheme are held by the independent trustee (the "Trustee"), who has been appointed by the Bank to administer the RSU Scheme, and the total consideration (including any directly attributable costs) is deducted from capital reserve. Movement for the shares held for the RSU Scheme is set out below:

	30/6/2026		31/12/2025	
	No. of shares	HK$ Mn	No. of shares	HK$ Mn
At 1 January	(200,000)	(2)	-	-
Acquisition of shares by the Trustee	(396,988)	(6)	(200,000)	(2)
Vesting of shares under the RSU Scheme	399,199	5	-	-
At 30 June/31 December	(197,789)	(3)	(200,000)	(2)

(2) 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 30 June 2026, the effect of this requirement is to restrict the amount of reserves which can be distributed by the Bank to shareholders by HK$2,345 million (31/12/2025: HK$2,381 million).

30. Notes on Condensed Consolidated Cash Flow Statement

(a) Cash and cash equivalents

	30/6/2026 HK$ Mn	30/6/2025 HK$ Mn
(i) Components of cash and cash equivalents in the condensed consolidated cash flow statement		
Cash and balances with banks with original maturity within three months	34,111	27,961
Placements with and advances to banks with original maturity within three months	22,268	28,716
Treasury bills with original maturity within three months	13,451	9,473
Certificates of deposit held with original maturity within three months	1,631	537
Debt securities with original maturity within three months	4	83
	71,465	66,770
(ii) Reconciliation with the consolidated statement of financial position		
Cash and balances with banks	42,834	36,008
Placements with and advances to banks	27,857	30,572
Treasury bills, certificates of deposit held and debt securities		
- trading assets	1,358	3,175
- investment securities	227,510	198,250
	228,868	201,425
Amounts shown in the consolidated statement of financial position	299,559	268,005
Less: Amounts with an original maturity of beyond three months	(219,370)	(193,188)
Cash balance with central bank subject to regulatory restriction	(8,724)	(8,047)
Cash and cash equivalents in the condensed consolidated cash flow statement	71,465	66,770

(b) Net cash outflow arising from the acquisition of subsidiaries

For the six months ended 30 June 2026, the recognised amounts of assets acquired and liabilities at the date of acquisition of the subsidiaries comprise the following:

	HK$ Mn
Cash and balances with banks	
- with original maturity within three months	72
- with original maturity beyond three months	70
Fixed assets – Investment properties	1,894
Deferred tax assets	3
Other assets	1
Current taxation	(5)
Other liabilities	(87)
Total consideration paid in cash	1,948
Less: Cash and cash equivalents acquired	(72)
Cash outflow on acquisition net of cash acquired	1,876

There were no acquisitions of subsidiaries during the six months ended 30 June 2025.

31. Fair Values of Financial Instruments

(a) Financial Instruments Carried at Fair Value

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

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

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

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

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

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

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

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

31. Fair Values of Financial Instruments (continued)

(a) Financial Instruments Carried at Fair Value (continued)

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

	30/6/2026				31/12/2025			
	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
	HK$ Mn	HK$ Mn	HK$ Mn	HK$ Mn	HK$ Mn	HK$ Mn	HK$ Mn	HK$ Mn
<u>Recurring fair value measurement</u>								
Assets								
Trade Bills – Measured at FVOCI	-	212	-	212	-	11	-	11
Trading assets	777	864	-	1,641	239	343	-	582
Derivative assets	-	4,051	-	4,051	-	3,111	-	3,111
Loans mandatorily measured at FVTPL	-	181	-	181	-	112	-	112
Investment securities								
- Mandatorily measured at FVTPL	-	1,009	458	1,467	-	1,303	514	1,817
- Measured at FVOCI	43,501	128,353	764	172,618	32,641	129,864	885	163,390
	44,278	134,670	1,222	180,170	32,880	134,744	1,399	169,023
Liabilities								
Trading liabilities	500	117	-	617	-	-	-	-
Derivative liabilities	-	3,364	-	3,364	-	2,854	-	2,854
	500	3,481	-	3,981	-	2,854	-	2,854

During the period ended 30 June 2026 and year ended 31 December 2025, there were no significant transfers of financial instruments between Level 1 and Level 2 of the fair value hierarchy. The Group's policy is to recognise transfers between levels of fair value hierarchy as at the end of the reporting period in which they occur.

31. Fair Values of Financial Instruments (continued)

(a) Financial Instruments Carried at Fair Value (continued)

Information about significant unobservable inputs in Level 3 valuations:

	Valuation technique	Significant unobservable input(s)	Range
Unlisted equity securities and investment funds	Net asset value	N/A	N/A
	Discounted cash flow model	Discount rate	30/6/2026: 9.6% (31/12/2025: 8.1%)
		Marketability discount	30/6/2026: 20% (31/12/2025: 20%)
	Market-comparable approach	Earnings multiple	30/6/2026: 7.41 – 28.22 (31/12/2025: 7.51 – 35.50)
		EV/EBIT	30/6/2026: 13.96 – 23.24 (31/12/2025: 16.60 – 23.24)
		Marketability discount	30/6/2026: 40% (31/12/2025: 40%)

The fair values of unlisted equity instruments mandatorily measured at FVTPL or measured at FVOCI are estimated using the discounted cash flow model, on the basis of an analysis of the investee's financial position and results, or with reference to multiples of comparable listed companies, adjusted for a marketability discount to reflect the fact that the shares are not actively traded. An increase in the ratio/investee's financial position and results in isolation will result in favourable movement in the fair values, while an increase in discount rate/marketability discount in isolation will result in unfavourable movement. The fair value of the unlisted investment funds are estimated by using the net asset valuations provided by the managers of the funds.

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

31. Fair Values of Financial Instruments (continued)

(a) Financial Instruments Carried at Fair Value (continued)

(1) Valuation of financial instruments with significant unobservable inputs

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

	30/6/2026		31/12/2025	
	Investment securities mandatorily measured at FVTPL	Investment securities measured at FVOCI	Investment securities mandatorily measured at FVTPL	Investment securities measured at FVOCI
	HK$ Mn	HK$ Mn	HK$ Mn	HK$ Mn
Assets				
At 1 January	514	885	508	999
Additions/Purchases	-	-	1	-
Disposals/Settlements	(10)	(39)	(10)	-
Changes in fair value recognised in the income statement	(46)	-	15	-
Changes in fair value recognised in the other comprehensive income	-	(82)	-	(114)
At 30 June/31 December	458	764	514	885
Total losses for the period/year included in FVOCI fair value reserve of the other comprehensive income for assets held at the end of the reporting period	-	(95)	-	(113)
Total (losses)/gains for the period/year included in net result on financial instruments at FVTPL of the income statement for assets held at the end of the reporting period	(46)	-	13	-

31. Fair Values of Financial Instruments (continued)

(a) Financial Instruments Carried at Fair Value (continued)

(2) Effects of changes in significant unobservable assumptions to reasonably possible alternative assumptions

	30/6/2026			
	Effect recorded in profit or loss		Effect recorded directly in equity	
	Favourable	(Unfavourable)	Favourable	(Unfavourable)
	HK$ Mn	HK$ Mn	HK$ Mn	HK$ Mn
Financial assets				
Investment securities mandatorily measured at FVTPL	38	(38)	-	-
Investment securities measured at FVOCI	-	-	64	(64)
	38	(38)	64	(64)

	31/12/2025			
	Effect recorded in profit or loss		Effect recorded directly in equity	
	Favourable	(Unfavourable)	Favourable	(Unfavourable)
	HK$ Mn	HK$ Mn	HK$ Mn	HK$ Mn
Financial assets				
Investment securities mandatorily measured at FVTPL	43	(43)	-	-
Investment securities measured at FVOCI	-	-	74	(74)
	43	(43)	74	(74)

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

31. Fair Values of Financial Instruments (continued)

(b) Fair Values of Financial Instruments Carried at other than Fair Value

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

(i) The fair value of demand deposits and savings accounts with no specific maturity is assumed to be the amount payable on demand at the end of the reporting period.

(ii) The fair value of variable rate financial instruments is assumed to be approximated by their carrying amounts and, in the case of loans and unquoted debt securities, does not, therefore, reflect changes in their credit quality, as the impact of credit risk is recognised separately by deducting the amount of the impairment allowances from both the carrying amount and fair value.

(iii) The fair value of fixed rate loans and mortgages carried at amortised cost is estimated by comparing market interest rates when the loans were granted with current market rates offered on similar loans. Changes in the credit quality of loans within the portfolio are not taken into account in determining gross fair values, as the impact of credit risk is recognised separately by deducting the amount of the impairment loss and allowances from both the carrying amount and fair value.

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

The carrying amounts of the Group's financial instruments carried at cost or amortised cost are not materially different from their fair values as at 30 June 2026 and 31 December 2025.

32. Credit Risk

The mapping between the Group's Stage Allocation and the HKMA's 5-Grade Asset classification is as follows:

<table>
<tr><th colspan="2">HKMA's 5-Grade Asset Classification</th><th>Stage Allocation</th></tr>
<tr><td rowspan="2">Pass</td><td>General (i.e. do not meet the Bank's criteria of "Significant Increase of Credit Risk")</td><td>1</td></tr>
<tr><td>Meet the Bank's criteria of "Significant Increase of Credit Risk"</td><td>2</td></tr>
<tr><td colspan="2">Special Mention</td><td>2</td></tr>
<tr><td colspan="2">Substandard</td><td rowspan="3">3</td></tr>
<tr><td colspan="2">Doubtful</td></tr>
<tr><td colspan="2">Loss</td></tr>
</table>

The criterion of "significant increase of credit risk" takes into consideration of any one of the following key factors:

1. The exposure has a significant deterioration of internal or external rating as compared with the rating at the time when the exposure was originated;

2. The exposure is classified as Special Mention;

3. The rating of the exposure falls out of the "Low-Credit Risk Threshold" that is equivalent to the globally understood definition of "investment grade"; or

4. Other events and indications that the credit risk of the exposure has significantly increased since origination or purchase.

32. Credit Risk (continued)

(a) Credit Quality Analysis

Credit quality of loans and advances

The following tables set out information about the credit quality of loans and advances to customers. Unless specifically indicated, the amounts in the table represent gross carrying amounts.

	30/6/2026							
	12-month ECL		Lifetime ECL not credit-impaired		Lifetime ECL credit-impaired		Total	
	Principal	Accrued interest	Principal	Accrued interest	Principal	Accrued interest	Principal	Accrued interest
	HK$ Mn	HK$ Mn	HK$ Mn	HK$ Mn	HK$ Mn	HK$ Mn	HK$ Mn	HK$ Mn
Loans and advances to customers at amortised cost								
Grades 1-15: Pass	504,148	1,270	17,649	39	-	-	521,797	1,309
Grades 16-17: Special Mention	-	-	13,074	70	-	-	13,074	70
Grade 18: Substandard	-	-	-	-	3,742	83	3,742	83
Grade 19: Doubtful	-	-	-	-	8,462	581	8,462	581
Grade 20: Loss	-	-	-	-	2,496	247	2,496	247
Total gross carrying amount	504,148	1,270	30,723	109	14,700	911	549,571	2,290
Impairment allowances	(629)	(2)	(876)	(5)	(5,801)	(519)	(7,306)	(526)
Carrying amount	503,519	1,268	29,847	104	8,899	392	542,265	1,764
Market value of collateral held against impaired loans and advances to customers					8,320			

	31/12/2025							
	12-month ECL		Lifetime ECL not credit-impaired		Lifetime ECL credit-impaired		Total	
	Principal	Accrued interest	Principal	Accrued interest	Principal	Accrued interest	Principal	Accrued interest
	HK$ Mn	HK$ Mn	HK$ Mn	HK$ Mn	HK$ Mn	HK$ Mn	HK$ Mn	HK$ Mn
Loans and advances to customers at amortised cost								
Grades 1-15: Pass	505,758	1,380	14,493	48	-	-	520,251	1,428
Grades 16-17: Special Mention	-	-	14,235	68	-	-	14,235	68
Grade 18: Substandard	-	-	-	-	5,256	71	5,256	71
Grade 19: Doubtful	-	-	-	-	6,867	460	6,867	460
Grade 20: Loss	-	-	-	-	2,558	214	2,558	214
Total gross carrying amount	505,758	1,380	28,728	116	14,681	745	549,167	2,241
Impairment allowances	(666)	(2)	(801)	(2)	(4,577)	(383)	(6,044)	(387)
Carrying amount	505,092	1,378	27,927	114	10,104	362	543,123	1,854
Market value of collateral held against impaired loans and advances to customers					8,611			

32. Credit Risk (continued)

(a) Credit Quality Analysis (continued)

Credit quality of loans and advances (continued)

The following table sets out the credit analysis for loans and advances to customers mandatorily measured at FVTPL.

	30/6/2026	31/12/2025
	HK$ Mn	HK$ Mn
Loans and advances to customers mandatorily measured at FVTPL		
Grade 20: Loss	181	112
Total carrying amount at fair value	181	112

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

Credit quality of financial assets other than loans and advances

The following tables set out the credit analysis for financial assets other than loans and advances to customers, measured at amortised cost and FVOCI. Unless specifically indicated, for financial assets, the amounts in the table represent gross carrying amounts/fair value. For loan commitment and financial guarantee contracts, the amounts in the table represent the amounts committed or guaranteed, respectively.

	30/6/2026							
	12-month ECL		Lifetime ECL not credit-impaired		Lifetime ECL credit-impaired		Total	
	Principal	Accrued interest	Principal	Accrued interest	Principal	Accrued interest	Principal	Accrued interest
	HK$ Mn	HK$ Mn	HK$ Mn	HK$ Mn	HK$ Mn	HK$ Mn	HK$ Mn	HK$ Mn
Trade bills measured at amortised cost								
Grades 1-15: Pass	1,381	1	-	-	-	-	1,381	1
Total gross carrying amount	1,381	1	-	-	-	-	1,381	1
Impairment allowances	(2)	-	-	-	-	-	(2)	-
Carrying amount	1,379	1	-	-	-	-	1,379	1

	31/12/2025							
	12-month ECL		Lifetime ECL not credit-impaired		Lifetime ECL credit-impaired		Total	
	Principal	Accrued interest	Principal	Accrued interest	Principal	Accrued interest	Principal	Accrued interest
	HK$ Mn	HK$ Mn	HK$ Mn	HK$ Mn	HK$ Mn	HK$ Mn	HK$ Mn	HK$ Mn
Trade bills measured at amortised cost								
Grades 1-15: Pass	3,436	1	-	-	-	-	3,436	1
Total gross carrying amount	3,436	1	-	-	-	-	3,436	1
Impairment allowances	(3)	-	-	-	-	-	(3)	-
Carrying amount	3,433	1	-	-	-	-	3,433	1

32. Credit Risk (continued)

(a) Credit Quality Analysis (continued)

Credit quality of financial assets other than loans and advances (continued)

	30/6/2026							
	12-month ECL		Lifetime ECL not credit-impaired		Lifetime ECL credit-impaired		Total	
	Principal	Accrued interest	Principal	Accrued interest	Principal	Accrued interest	Principal	Accrued interest
	HK$ Mn	HK$ Mn	HK$ Mn	HK$ Mn	HK$ Mn	HK$ Mn	HK$ Mn	HK$ Mn
Trade bills measured at FVOCI								
Grades 1-15: Pass	212	-	-	-	-	-	212	-
Total carrying amount at fair value	212	-	-	-	-	-	212	-
Impairment allowances	-	-	-	-	-	-	-	-

	31/12/2025							
	12-month ECL		Lifetime ECL not credit-impaired		Lifetime ECL credit-impaired		Total	
	Principal	Accrued interest	Principal	Accrued interest	Principal	Accrued interest	Principal	Accrued interest
	HK$ Mn	HK$ Mn	HK$ Mn	HK$ Mn	HK$ Mn	HK$ Mn	HK$ Mn	HK$ Mn
Trade bills measured at FVOCI								
Grades 1-15: Pass	11	-	-	-	-	-	11	-
Total carrying amount at fair value	11	-	-	-	-	-	11	-
Impairment allowances	-	-	-	-	-	-	-	-

	30/6/2026							
	12-month ECL		Lifetime ECL not credit-impaired		Lifetime ECL credit-impaired		Total	
	Principal	Accrued interest	Principal	Accrued interest	Principal	Accrued interest	Principal	Accrued interest
	HK$ Mn	HK$ Mn	HK$ Mn	HK$ Mn	HK$ Mn	HK$ Mn	HK$ Mn	HK$ Mn
Placements with and advances to banks								
Grades 1-15: Pass	27,869	64	-	-	-	-	27,869	64
Total gross carrying amount	27,869	64	-	-	-	-	27,869	64
Impairment allowances	(12)	-	-	-	-	-	(12)	-
Carrying amount	27,857	64	-	-	-	-	27,857	64

	31/12/2025							
	12-month ECL		Lifetime ECL not credit-impaired		Lifetime ECL credit-impaired		Total	
	Principal	Accrued interest	Principal	Accrued interest	Principal	Accrued interest	Principal	Accrued interest
	HK$ Mn	HK$ Mn	HK$ Mn	HK$ Mn	HK$ Mn	HK$ Mn	HK$ Mn	HK$ Mn
Placements with and advances to banks								
Grades 1-15: Pass	31,651	47	-	-	-	-	31,651	47
Total gross carrying amount	31,651	47	-	-	-	-	31,651	47
Impairment allowances	(4)	-	-	-	-	-	(4)	-
Carrying amount	31,647	47	-	-	-	-	31,647	47

32. Credit Risk (continued)

(a) Credit Quality Analysis (continued)

Credit quality of financial assets other than loans and advances (continued)

	30/6/2026			
	12-month ECL	Lifetime ECL not credit-impaired	Lifetime ECL credit-impaired	Total
	HK$ Mn	HK$ Mn	HK$ Mn	HK$ Mn
Loan commitments				
Grades 1-15: Pass	367,229	6,927	-	374,156
Grades 16-17: Special Mention	-	1,163	-	1,163
Grade 18: Substandard	-	-	-	-
Total	367,229	8,090	-	375,319
Impairment allowances	(79)	(10)	-	(89)
Financial guarantee contracts				
Grades 1-15: Pass	20,506	390	-	20,896
Grades 16-17: Special Mention	-	60	-	60
Grade 18: Substandard	-	-	-	-
Total	20,506	450	-	20,956
Impairment allowances	(14)	-	-	(14)

	31/12/2025			
	12-month ECL	Lifetime ECL not credit-impaired	Lifetime ECL credit-impaired	Total
	HK$ Mn	HK$ Mn	HK$ Mn	HK$ Mn
Loan commitments				
Grades 1-15: Pass	358,326	5,198	-	363,524
Grades 16-17: Special Mention	-	1,266	-	1,266
Grade 18: Substandard	-	-	1	1
Total	358,326	6,464	1	364,791
Impairment allowances	(61)	(6)	-	(67)
Financial guarantee contracts				
Grades 1-15: Pass	18,518	220	-	18,738
Grades 16-17: Special Mention	-	65	-	65
Grade 18: Substandard	-	-	101	101
Total	18,518	285	101	18,904
Impairment allowances	(15)	(1)	(3)	(19)

32. Credit Risk (continued)

(a) Credit Quality Analysis (continued)

Credit quality of financial assets other than loans and advances (continued)

Credit risk of treasury transactions is managed in the same way as the Group manages its corporate and bank lending risk and risk gradings are applied to the counterparties with individual counterparty limits set.

At the end of the reporting period, the credit quality of investment in debt securities analysed by designation of external credit assessment institution, Moody's Ratings, or equivalent, is as follows:

	30/6/2026							
	12-month ECL		Lifetime ECL not credit-impaired		Lifetime ECL credit-impaired		Total	
	Principal	Accrued interest	Principal	Accrued interest	Principal	Accrued interest	Principal	Accrued interest
	HK$ Mn	HK$ Mn	HK$ Mn	HK$ Mn	HK$ Mn	HK$ Mn	HK$ Mn	HK$ Mn
Debt investment securities measured at amortised cost								
Aaa	-	-	-	-	-	-	-	-
Aa1 to Aa3	32,808	308	-	-	-	-	32,808	308
A1 to A3	18,349	199	-	-	-	-	18,349	199
Baa1 to Baa3	4,011	45	-	-	-	-	4,011	45
Below Baa3	-	-	-	-	-	-	-	-
Unrated	172	4	-	-	157	7	329	11
Total gross carrying amount	55,340	556	-	-	157	7	55,497	563
Impairment allowances	(13)	-	-	-	(145)	(7)	(158)	(7)
Carrying amount	55,327	556	-	-	12	-	55,339	556

	31/12/2025							
	12-month ECL		Lifetime ECL not credit-impaired		Lifetime ECL credit-impaired		Total	
	Principal	Accrued interest	Principal	Accrued interest	Principal	Accrued interest	Principal	Accrued interest
	HK$ Mn	HK$ Mn	HK$ Mn	HK$ Mn	HK$ Mn	HK$ Mn	HK$ Mn	HK$ Mn
Debt investment securities measured at amortised cost								
Aaa	-	-	-	-	-	-	-	-
Aa1 to Aa3	30,367	292	-	-	-	-	30,367	292
A1 to A3	8,786	76	-	-	-	-	8,786	76
Baa1 to Baa3	2,606	12	-	-	-	-	2,606	12
Below Baa3	446	3	62	1	-	-	508	4
Unrated	943	6	-	-	296	14	1,239	20
Total gross carrying amount	43,148	389	62	1	296	14	43,506	404
Impairment allowances	(8)	-	-	-	(286)	(14)	(294)	(14)
Carrying amount	43,140	389	62	1	10	-	43,212	390

32. Credit Risk (continued)

(a) Credit Quality Analysis (continued)

Credit quality of financial assets other than loans and advances (continued)

	30/6/2026							
	12-month ECL		Lifetime ECL not credit-impaired		Lifetime ECL credit-impaired		Total	
	Principal	Accrued interest	Principal	Accrued interest	Principal	Accrued interest	Principal	Accrued interest
	HK$ Mn	HK$ Mn	HK$ Mn	HK$ Mn	HK$ Mn	HK$ Mn	HK$ Mn	HK$ Mn
Debt investment securities measured at FVOCI								
Aaa	6,417	-	-	-	-	-	6,417	-
Aa1 to Aa3	42,568	141	-	-	-	-	42,568	141
A1 to A3	78,377	908	-	-	-	-	78,377	908
Baa1 to Baa3	42,232	496	-	-	-	-	42,232	496
Below Baa3	-	-	-	-	-	-	-	-
Unrated	2,260	22	-	-	-	-	2,260	22
Total carrying amount at fair value	171,854	1,567	-	-	-	-	171,854	1,567
where impairment allowances included	(65)	(1)	-	-	-	-	(65)	(1)

	31/12/2025							
	12-month ECL		Lifetime ECL not credit-impaired		Lifetime ECL credit-impaired		Total	
	Principal	Accrued interest	Principal	Accrued interest	Principal	Accrued interest	Principal	Accrued interest
	HK$ Mn	HK$ Mn	HK$ Mn	HK$ Mn	HK$ Mn	HK$ Mn	HK$ Mn	HK$ Mn
Debt investment securities measured at FVOCI								
Aaa	6,575	2	-	-	-	-	6,575	2
Aa1 to Aa3	32,067	163	-	-	-	-	32,067	163
A1 to A3	77,348	900	-	-	-	-	77,348	900
Baa1 to Baa3	43,526	506	-	-	-	-	43,526	506
Below Baa3	-	-	-	-	-	-	-	-
Unrated	2,989	45	-	-	-	-	2,989	45
Total carrying amount at fair value	162,505	1,616	-	-	-	-	162,505	1,616
where impairment allowances included	(73)	(1)	-	-	-	-	(73)	(1)

32. Credit Risk (continued)

(a) Credit Quality Analysis (continued)

Credit quality of financial assets other than loans and advances (continued)

The following table sets out the credit analysis for non-trading debt investment securities measured at FVTPL.

	30/6/2026	31/12/2025
	HK$ Mn	HK$ Mn
Non-trading debt investment securities measured at FVTPL		
Aaa	-	-
Aa1 to Aa3	-	-
A1 to A3	194	408
Baa1 to Baa3	110	207
Below Baa3	3	2
Unrated	10	23
Total carrying amount at fair value	317	640

The following table sets out the credit analysis for trading debt investment securities.

	30/6/2026	31/12/2025
	HK$ Mn	HK$ Mn
Trading debt investment securities measured at FVTPL		
Aaa	-	-
Aa1 to Aa3	494	-
A1 to A3	864	343
Baa1 to Baa3	-	-
Below Baa3	-	-
Unrated	-	-
Total carrying amount at fair value	1,358	343

The following table shows the credit quality of the counterparties to which there were exposures arising from derivative asset transactions.

	30/6/2026	31/12/2025
	HK$ Mn	HK$ Mn
Derivative assets		
Aa1 to Aa3	1,241	833
A1 to A3	885	489
Baa1 to Baa3	398	418
Below Baa3	-	-
Unrated	1,527	1,371
Total carrying amount at fair value	4,051	3,111

Cash and balances with banks

At 30 June 2026, the Group held cash and balances with banks of HK$42,835 million (31 December 2025: HK$53,995 million), of which 97% (31 December 2025: 96%) of cash and balances with banks counterparties that are rated at investment grade, based on Moody's Ratings, or equivalent ratings.

32. **Credit Risk (continued)**

(b) Impairment Allowances Reconciliation

The following tables show reconciliations from the opening to the closing balance of the impairment allowance by type of financial instrument. The reconciliation is prepared by comparing the position of impairment allowance between 1 January and 30 June/31 December at transaction level. Transfers between different stages of ECL are deemed to occur at the beginning of the year and therefore amounts transferred net to zero. The re-measurement of ECL resulting from a change in ECL stage is reported under the ECL stage in which they are transferred to.

	30/6/2026			
	12-month ECL	Lifetime ECL not credit-impaired	Lifetime ECL credit-impaired	Total
	HK$ Mn	HK$ Mn	HK$ Mn	HK$ Mn
Loans and advances to customers				
Balance at 1 January	668	803	4,960	6,431
Transfer to 12-month ECL	5	(5)	-	-
Transfer to lifetime ECL not credit-impaired	(8)	32	(24)	-
Transfer to lifetime ECL credit-impaired	(1)	(70)	71	-
New financial assets originated or purchased, assets derecognised, repayments and further lending	72	(5)	236	303
Write-offs	-	-	(1,779)	(1,779)
Changes in models	11	4	-	15
Net remeasurement of impairment allowances (including exchange adjustments)	(116)	122	2,856	2,862
Balance at 30 June	631	881	6,320	7,832
Of which:				
For loans and advances to customers at amortised cost *(Note 19(a))*	629	876	5,801	7,306
For related accrued interest receivable *(Note 23)*	2	5	519	526
	631	881	6,320	7,832

32. Credit Risk (continued)

(b) Impairment Allowances Reconciliation (continued)

	31/12/2025			
	12-month ECL	Lifetime ECL not credit-impaired	Lifetime ECL credit-impaired	Total
	HK$ Mn	HK$ Mn	HK$ Mn	HK$ Mn
Loans and advances to customers				
Balance at 1 January	892	261	4,298	5,451
Transfer to 12-month ECL	13	(13)	-	-
Transfer to lifetime ECL not credit-impaired	(17)	56	(39)	-
Transfer to lifetime ECL credit-impaired	(5)	(103)	108	-
New financial assets originated or purchased, assets derecognised, repayments and further lending	38	236	234	508
Write-offs	-	-	(3,904)	(3,904)
Changes in models	(190)	(272)	(26)	(488)
Net remeasurement of impairment allowances (including exchange adjustments)	(63)	638	4,289	4,864
Balance at 31 December	668	803	4,960	6,431
Of which:				
For loans and advances to customers at amortised cost *(Note 19(a))*	666	801	4,577	6,044
For related accrued interest receivable *(Note 23)*	2	2	383	387
	668	803	4,960	6,431

32. Credit Risk (continued)

(b) Impairment Allowances Reconciliation (continued)

	30/6/2026			
	12-month ECL	Lifetime ECL not credit-impaired	Lifetime ECL credit-impaired	Total
	HK$ Mn	HK$ Mn	HK$ Mn	HK$ Mn
Debt investment securities				
Balance at 1 January	82	-	300	382
Transfer to 12-month ECL	-	-	-	-
Transfer to lifetime ECL not credit-impaired	-	-	-	-
Transfer to lifetime ECL credit-impaired	-	-	-	-
New financial assets originated or purchased, assets derecognised, repayments and further investment	6	-	-	6
Write-offs	-	-	(149)	(149)
Net remeasurement of impairment allowances (including exchange adjustments)	(9)	-	1	(8)
Balance at 30 June	79	-	152	231
Of which:				
For debt investment securities measured at amortised cost *(Note 20)*	13	-	145	158
For related accrued interest receivable *(Note 23)*	-	-	7	7
	13	-	152	165
For debt investment securities measured at FVOCI	65	-	-	65
For related accrued interest receivable	1	-	-	1
	66	-	-	66

32. Credit Risk (continued)

(b) Impairment Allowances Reconciliation (continued)

	31/12/2025			
	12-month ECL	Lifetime ECL not credit-impaired	Lifetime ECL credit-impaired	Total
	HK$ Mn	HK$ Mn	HK$ Mn	HK$ Mn
Debt investment securities				
Balance at 1 January	85	5	1,114	1,204
Transfer to 12-month ECL	1	(1)	-	-
Transfer to lifetime ECL not credit-impaired	-	-	-	-
Transfer to lifetime ECL credit-impaired	-	-	-	-
New financial assets originated or purchased, assets derecognised, repayments and further investment	5	(4)	(835)	(834)
Write-offs	-	-	-	-
Changes in models	(7)	-	-	(7)
Net remeasurement of impairment allowances (including exchange adjustments)	(2)	-	21	19
Balance at 31 December	82	-	300	382
Of which:				
For debt investment securities measured at amortised cost *(Note 20)*	8	-	286	294
For related accrued interest receivable *(Note 23)*	-	-	14	14
	8	-	300	308
For debt investment securities measured at FVOCI	73	-	-	73
For related accrued interest receivable	1	-	-	1
	74	-	-	74

The impairment allowances of debt investment securities measured at FVOCI are not separately recognised in the statement of financial position because they have been adjusted to the carrying amounts of debt investment securities measured at FVOCI as their fair values.

32. Credit Risk (continued)

(b) Impairment Allowances Reconciliation (continued)

	30/6/2026			
	12-month ECL	Lifetime ECL not credit-impaired	Lifetime ECL credit-impaired	Total
	HK$ Mn	HK$ Mn	HK$ Mn	HK$ Mn
Others				
Balance at 1 January	99	8	71	178
Transfer to 12-month ECL	2	(2)	-	-
Transfer to lifetime ECL not credit-impaired	-	-	-	-
Transfer to lifetime ECL credit-impaired	-	-	-	-
New financial assets originated or purchased, assets derecognised and repayments	44	1	10	55
Write-offs	-	-	-	-
Changes in models	1	-	-	1
Net remeasurement of impairment allowances (including exchange adjustments)	(17)	3	-	(14)
Balance at 30 June	129	10	81	220
Of which:				
For trade bills measured at FVOCI	-	-	-	-
For related accrued interest receivable	-	-	-	-
	-	-	-	-
For trade bills measured at amortised cost *(Note 17)*	2	-	-	2
For related accrued interest receivable	-	-	-	-
	2	-	-	2
For placements with and advances to banks *(Note 16)*	12	-	-	12
For related accrued interest receivable	-	-	-	-
	12	-	-	12
For cash and balances with banks *(Note 15)*	1	-	-	1
For related accrued interest receivable	-	-	-	-
	1	-	-	1
For loan commitments and financial guarantee contracts *(Note 24)*	93	10	-	103
For account receivables and other accounts other than accrued interest receivable *(Note 23)*	21	-	81	102

32. Credit Risk (continued)

(b) Impairment Allowances Reconciliation (continued)

	31/12/2025			
	12-month ECL	Lifetime ECL not credit-impaired	Lifetime ECL credit-impaired	Total
	HK$ Mn	HK$ Mn	HK$ Mn	HK$ Mn
Others				
Balance at 1 January	135	22	61	218
Transfer to 12-month ECL	8	(8)	-	-
Transfer to lifetime ECL not credit-impaired	(1)	1	-	-
Transfer to lifetime ECL credit-impaired	-	-	-	-
New financial assets originated or purchased, assets derecognised and repayments	1	(9)	1	(7)
Write-offs	-	-	(1)	(1)
Changes in models	(11)	(6)	-	(17)
Net remeasurement of impairment allowances (including exchange adjustments)	(33)	8	10	(15)
Balance at 31 December	99	8	71	178
Of which:				
For trade bills measured at FVOCI	-	-	-	-
For related accrued interest receivable	-	-	-	-
	-	-	-	-
For trade bills measured at amortised cost *(Note 17)*	3	-	-	3
For related accrued interest receivable	-	-	-	-
	3	-	-	3
For placements with and advances to banks *(Note 16)*	4	-	-	4
For related accrued interest receivable	-	-	-	-
	4	-	-	4
For cash and balances with banks *(Note 15)*	1	-	-	1
For related accrued interest receivable	-	-	-	-
	1	-	-	1
For loan commitments and financial guarantee contracts *(Note 24)*	76	7	3	86
For account receivables and other accounts other than accrued interest receivable *(Note 23)*	15	1	68	84

The impairment allowances of trade bills measured at FVOCI are not separately recognised in the statement of financial position because they have been adjusted to the carrying amount of trade bills measured at FVOCI as their fair values.

33. 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.

	30/6/2026	31/12/2025
	HK$ Mn	HK$ Mn
Contingent liabilities		
Direct credit substitutes	6,789	5,910
Transaction-related contingencies	7,418	6,964
Trade-related contingencies	3,402	2,589
	17,609	15,463
Commitments		
Asset sales with recourse	139	45
Commitments that are unconditionally cancellable without prior notice	346,503	337,576
Other commitments with an original maturity		
- up to 1 year	2,998	2,336
- over 1 year	34,833	34,120
	384,473	374,077
Total	402,082	389,540
Credit risk-weighted amounts	18,339	16,650

(b) Derivatives

	30/6/2026	31/12/2025
	HK$ Mn	HK$ Mn
Fair value of derivatives		
Assets		
Exchange rate contracts	2,018	1,567
Interest rate contracts	1,460	1,251
Equity contracts	573	293
	4,051	3,111
Liabilities		
Exchange rate contracts	1,691	1,867
Interest rate contracts	1,099	694
Equity contracts	574	293
	3,364	2,854
Notional amount of derivatives		
Exchange rate contracts	395,633	381,875
Interest rate contracts	287,155	286,207
Equity contracts	15,350	17,060
	698,138	685,142

33. Off-Balance Sheet Exposures (continued)

(c) Capital Commitments

Capital commitments outstanding as at 30 June and 31 December and not provided for in the financial statements were as follows:

	30/6/2026	31/12/2025
	HK$ Mn	HK$ Mn
Expenditure authorised and contracted for	398	334
Expenditure authorised but not contracted for	154	125
	552	459

(d) Contingencies

The Group receives legal claims against it arising in the normal courses of business. The Group considers none of these matters as material. Where appropriate the Group recognises provisions for liabilities when it is probable that an outflow of economic resources embodying economic benefits will be required and for which a reliable estimate can be made of the obligation.

34. Material Related Party Transactions

(a) Key Management Personnel Remuneration

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

	30/6/2026	30/6/2025
	HK$ Mn	HK$ Mn
Short-term employee benefits	105	99
Post-employment benefits	5	5
Termination benefits	3	-
Equity compensation benefits	15	11
	128	115

(b) The Group maintains certain retirement benefit schemes for its staff. In the six months ended 30 June 2026, the total amount of contributions the Group made to the schemes was HK$119 million (six months ended 30 June 2025: HK$120 million).

The Group enters into a number of transactions with the Group's related parties, including its associates, shareholders with significant influence, and key management personnel and their close family members and companies controlled or significantly influenced by them. The transactions include but are not limited to accepting deposits from and extending credit facilities to them. All interest rates in connection with the deposits taken and credit facilities extended are under terms and conditions normally applicable to customers of comparable standing.

34. Material Related Party Transactions (continued)

The interest received from and interest paid to the Group's related parties for the six months ended 30 June 2026, outstanding balances of amounts due from and due to them at 30 June 2026, and maximum outstanding balance of amounts due from and due to them for the six months ended 30 June 2026 are aggregated as follows:

	Key management personnel		Associates		Shareholders with significant influence	
	30/6/2026	30/6/2025	30/6/2026	30/6/2025	30/6/2026	30/6/2025
	HK$ Mn	HK$ Mn	HK$ Mn	HK$ Mn	HK$ Mn	HK$ Mn
Interest income	4	4	15	20	-	4
Interest expense	35	38	1	2	-	-
Amounts due from	281	665	585	673	-	-
Amounts due to	1,923	2,340	77	170	-	-
Maximum amounts due from	354	738	864	1,166	-	1,393
Maximum amounts due to	3,008	4,409	237	447	-	73
Committed facilities to	1,093	768	2,490	2,319	-	298

35. Basis of Consolidation

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

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

36. Statement of Compliance

The Interim Report has been prepared in accordance with the applicable disclosure provisions of the Listing Rules and in compliance with HKAS 34, "Interim Financial Reporting", issued by the HKICPA. It was authorised for issue on 20 August 2026.

This Interim Report contains condensed consolidated financial statements and selected explanatory notes. The notes include an explanation of events and transactions that are significant to an understanding of the changes in financial position and performance of the Group since the 2025 annual financial statements. The condensed consolidated interim financial statements and notes thereon do not include all of the information required for a full set of financial statements prepared in accordance with HKFRS Accounting Standards.

The Banking Disclosure Statement (refer to Note E of Supplementary Financial Information), together with the disclosures in the interim financial report, contained all the disclosures required by the Banking (Disclosure) Rules and Part 6 of the Financial Institutions (Resolutions) (Loss-absorbing Capacity Requirements – Banking Sector) Rules issued by the HKMA.

Supplementary Financial Information (Unaudited)

A. Capital Adequacy

	30/6/2026 HK$ Mn	31/12/2025 HK$ Mn
Capital base		
- Common Equity Tier 1 capital	92,166	89,632
- Additional Tier 1 capital	-	-
- Tier 1 capital	92,166	89,632
- Tier 2 capital	12,373	12,339
- Total capital	104,539	101,971
Risk-weighted assets by risk type		
- Credit risk	335,312	329,455
- Market risk	8,704	8,520
- Operational risk	26,430	26,808
	370,446	364,783
Less: Deductions	(2,389)	(2,598)
	368,057	362,185

	30/6/2026 %	31/12/2025 %
Common Equity Tier 1 capital ratio	25.0	24.7
Tier 1 capital ratio	25.0	24.7
Total capital ratio	28.4	28.2

Regulatory capital ratios 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 standardised approach for the calculation of market risk and 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 other financial regulators 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.

A. Capital Adequacy (continued)

The subsidiaries that are included in consolidation for regulatory purposes are listed in Note 35 of the Interim Report.

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

For the purpose of compliance with the Banking (Disclosure) Rules 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 or at the following direct link: www.hkbea.com/regulatory_disclosures.

B. Leverage Ratio

	30/6/2026	31/12/2025
	HK$ Mn	HK$ Mn
Tier 1 capital	92,166	89,632
Exposure measure	969,345	948,592

	30/6/2026	31/12/2025
	%	%
Leverage ratio	9.5	9.4

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 or at the following direct link: www.hkbea.com/regulatory_disclosures.

C. Liquidity Position

Liquidity coverage ratio

		30/6/2026	31/12/2025
		%	%
Average liquidity coverage ratio	- First quarter	167.7	190.3
	- Second quarter	167.9	176.5
	- Third quarter	N/A	169.7
	- Fourth quarter	N/A	182.8

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 or at the following direct link: www.hkbea.com/regulatory_disclosures.

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

Net stable funding ratio

	30/6/2026	31/12/2025
	HK$ Mn	HK$ Mn
Total available stable funding	627,006	628,821
Total required stable funding	501,457	499,062

	30/6/2026	31/12/2025
	%	%
Net stable funding ratio	125.0	126.0

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 or at the following direct link: www.hkbea.com/regulatory_disclosures.

Supplementary Financial Information (Unaudited) (continued)

D. Overdue, Rescheduled and Repossessed Assets

(a) Overdue and Rescheduled Advances to Customers

	30/6/2026		31/12/2025	
	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	1,323	0.3	2,012	0.4
- 1 year or less but over 6 months	4,070	0.7	1,386	0.2
- Over 1 year	5,116	0.9	4,828	0.9
	10,509	1.9	8,226	1.5
Rescheduled advances to customers	734	0.1	654	0.1
Total overdue and rescheduled advances	11,243	2.0	8,880	1.6
of which:				
Covered portion of overdue advances	6,218	1.1	5,134	0.9
Uncovered portion of overdue advances	4,291	0.8	3,092	0.6
Current market value of collateral held against the covered portion of overdue advances	9,855		8,901	
Specific provisions made on advances overdue for more than 3 months	4,150		2,934	

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

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

Supplementary Financial Information (Unaudited) (continued)

D. Overdue, Rescheduled and Repossessed Assets (continued)

(b) Overdue and Rescheduled Advances to Banks

	30/6/2026	31/12/2025
	HK$ Mn	HK$ Mn
Advances to banks overdue for		
- 6 months or less but over 3 months	-	-
- 1 year or less but over 6 months	-	-
- Over 1 year	-	-
	-	-
Rescheduled advances to banks	-	-
Total overdue and rescheduled advances	-	-

(c) Other Overdue and Rescheduled Assets

	30/6/2026		
	Accrued interest	Debt securities	Other assets*
	HK$ Mn	HK$ Mn	HK$ Mn
Other assets overdue for			
- 6 months or less but over 3 months	44	-	-
- 1 year or less but over 6 months	249	-	-
- Over 1 year	477	157	-
	770	157	-
Rescheduled assets	17	13	-
Total other overdue and rescheduled assets	787	170	-
Specific provisions made on other assets overdue for more than 3 months	429	145	-

	31/12/2025		
	Accrued Interest	Debt securities	Other assets*
	HK$ Mn	HK$ Mn	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	-

** Other assets refer to trade bills and receivables.*

D. Overdue, Rescheduled and Repossessed Assets (continued)

(d) Repossessed Assets

	30/6/2026	31/12/2025
	HK$ Mn	HK$ Mn
Repossessed land and buildings *(Note)*	1,931	233
Repossessed vehicles and equipment	11	4
Total repossessed assets	1,942	237

The amount represents the estimated market value of the repossessed assets as at 30 June 2026 and 31 December 2025.

Note: The balance included HK$34 million (31/12/2025: HK$54 million) relating to properties that were contracted for sale but not yet completed.

E. Banking Disclosure Statement

Additional information disclosures for this period 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 or at the following direct link: www.hkbea.com/regulatory_disclosures.

INTERIM DIVIDEND

The Board has declared an interim dividend for the six months ended 30 June 2026 of HK$0.46 per Share (the "2026 Interim Dividend") (2025 Interim Dividend: HK$0.39 per Share). The 2026 Interim Dividend will be paid on or about Tuesday, 13 October 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 Tuesday, 8 September 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 Wednesday, 2 September 2026 (being the first day that the Shares will be traded ex-dividend) to Tuesday, 8 September 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 Thursday, 17 September 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 Tuesday, 13 October 2026.

CLOSURE OF REGISTER OF MEMBERS

For the purpose of determining shareholders who qualify for the 2026 Interim Dividend, the Register of Members of the Bank will be closed from Friday, 4 September 2026 to Tuesday, 8 September 2026 (both days inclusive). Shareholders whose names appear on the Register of Members of the Bank on Tuesday, 8 September 2026 (Record Date) will be entitled to the 2026 Interim Dividend. In order to qualify for the 2026 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 Thursday, 3 September 2026.

FINANCIAL REVIEW

Financial Performance

2026 began on an optimistic note, with positive momentum carried over from 2025. The financial markets remained active, with an IPO pipeline at a multi-year high. Hong Kong's real GDP achieved 5.9% year-on-year growth in the first quarter, the strongest expansion in nearly five years. However, investor sentiment turned cautious in March as military conflicts broke out in the Middle East. Uncertainty from the prolonged closure of the Strait of Hormuz, a critical waterway for oil and gas transit, drove up energy prices, raising prospects of global stagflation and a potential rate hike by the Federal Reserve.

Against this backdrop, BEA and its subsidiaries recorded a profit attributable to owners of the parent of HK$2,416 million for the first six months of 2026, representing an increase of 0.4% compared to the HK$2,407 million earned during the same period in 2025.

Basic earnings per share were HK$0.91 for the first half of 2026, an increase of 5.8% compared to HK$0.86 for the same period last year. The annualised return on average assets remained stable at 0.5%, while the annualised return on average equity increased by 0.1 percentage points to 4.6%.

Top-line performance was resilient. Pre-provision operating profit ("PPOP") increased by HK$901 million, or 16.5%, to HK$6,348 million.

Net interest income ("NII") increased by HK$353 million, or 4.8%, to HK$7,697 million. Group net interest margin ("NIM") narrowed by 3 basis points year-on-year from 1.88% to 1.85%.

Non-interest income rose by 19.0% to HK$3,470 million. Net fee and commission income increased by 16.1% year-on-year to HK$1,921 million, supported by higher fees from sales of third-party insurance policies, investment activities, and lending-related activities. Net profit from trading, revaluation of financial instruments, and related hedging also improved by HK$148 million, or 13.2%, mainly driven by higher trading revenue as a result of increased customer activities.

Operating expenses were held stable at HK$4,819 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 the first six months of 2026 improved by 3.7 percentage points to 43.2%.

Impairment losses on financial instruments increased by HK$419 million, or 16.5%, to HK$2,958 million. The Group's impaired loan ratio stood at 2.71% at the end of June 2026, compared to 2.69% at the end of December 2025.

Meanwhile, valuation losses on the Group's investment properties increased by HK$309 million to HK$407 million.

Financial Position

The Group has remained focused on portfolio diversification and risk management. Gross advances to customers remained stable at HK$549,752 million. Total consolidated assets of the Group stood at HK$936,881 million at the end of June 2026, representing an increase of HK$15,888 million, or 1.7%, compared to HK$920,993 million at the end of 2025.

Total deposits from customers decreased by 1.9% to HK$693,431 million. Current account and savings account balances as a percentage of total customer deposits increased from 35.6% at the end of 2025 to 36.0% at the end of June 2026. Total deposit funds, comprising deposits from customers and certificates of deposit issued, amounted to HK$712,930 million. The loan-to-deposit ratio stood at 77.1% at the end of June 2026, compared to 75.3% at the end of 2025.

Total equity attributable to owners of the parent rose by 1.8% to HK$107,201 million at the end of the first half.

As at 30 June 2026, the total capital ratio, tier 1 capital ratio, and common equity tier 1 capital ratio rose to 28.4%, 25.0%, and 25.0%, respectively. The average liquidity coverage ratio for the quarter ended 30 June 2026 was 167.9%, well above the statutory minimum of 100%.

MAJOR RECOGNITIONS

The Bank of East Asia, Limited

Financial Institution Awards 2026
Asia Pacific High Net Worth Service – Outstanding
Asia Pacific Banking Service – Outstanding
Bank of the Year – Outstanding
Digital Marketing (Branding) – Excellence
Integrated Marketing (Branding Promotion) – Excellence
Premium Segment Client Service – Outstanding
GBA SME Engagement – Outstanding
Bloomberg Businessweek (Chinese Edition)

Global Brand Awards 2026
Bank of the Year – Hong Kong
Best Bank for Customer Experience – Hong Kong
Best Marketing Campaign in Retail Banking – Hong Kong
Best Social Media Marketing Campaign in Retail Banking – Hong Kong
Global Brands Magazine

Asian Private Banker 15th Awards for Distinction 2025
Highly Commended Private Bank – Hong Kong HNW
Highly Commended International Private Bank – China Offshore
Asian Private Banker

Global Private Banking Awards 2026
Hong Kong Best for Client Service
Euromoney

Asian Banking & Finance Wholesale Banking Awards (2026)
China International Cross-Border Financing Project of the Year
Asian Banking & Finance

2026 Best SME's Partner Award
Best SME's Partner Award (19 consecutive years)
The Hong Kong General Chamber of Small and Medium Business

GBA-GFA Green Finance Best Practice Case Awards
Honourable Mention Award
Greater Bay Area Green Finance Alliance

2026 Bank Staff Recognition Ceremony
Anti-Scam Excellence Award (Gold)
Anti-Money Laundering Excellence Award
Effective Collaboration with Police "Scam Response Team" Award
Real-Time Vigilance Volume & Impact Award
Spotlight Award
Hong Kong Police Force

"Say Yes To Breastfeeding"
Ten-Year Commitment to Breastfeeding-friendly Support Honorary Prize
Hong Kong Committee for UNICEF

The Bank of East Asia (China) Limited

2025 Excellent Banking News Stories
2025 Excellent Banking News Stories of Serving People's Livelihood
China Banking Association

2025 Outstanding Work Performance Award
Outstanding Contributions in the Shanghai Banking Industry
Excellence in Supporting Financial Rule of Law Development in the Shanghai Banking Industry
Outstanding Digital Financial Services in the Shanghai Banking Industry
Outstanding Cases of Green Financial Services in the Shanghai's Banking Industry
Shanghai Banking Association

BEA Union Investment Management Limited

Best of the Best Award 2026
Best MRF Manager (1 Year)
CEO of the Year – Hong Kong
CIO of the Year – Hong Kong
Pensions Leader of the Year – Hong Kong
Asia Asset Management

Professional Investment Awards 2026
Performance Awards – Asia Pacific ex-Japan Equity (3 Years & 10 Years)
Performance Awards – Global Equity (10 Years)
Performance Awards – Hong Kong Equity (3 Years)
Performance Awards – Asian Bonds (10 Years)
Performance Awards – Asian High Yield (5 Years & 10 Years)
Performance Awards – Multi-Strategy (Asia Multi-Asset, 3 Years)
Investment Insights & Mandates

Bank of East Asia (Trustees) Limited

2026 MPF Awards
Silver Rated Scheme – BEA (MPF) Master Trust Scheme, BEA (MPF) Industry Scheme, BEA (MPF) Value Scheme
Sustainably Friendly – BEA (MPF) Master Trust Scheme, BEA (MPF) Industry Scheme, BEA (MPF) Value Scheme
MPF Ratings Limited

GUM MPF Awards 2025
Smart Value Star – BEA (MPF) Value Scheme
Best in Class – US Equity Fund – BEA (MPF) Master Trust Scheme
Best in Class – Mixed Asset Fund (>40-60% Equity & >60-80% Equity) – BEA (MPF) Value Scheme
Outstanding Performance – Bronze (5 Years and 10 Years) – BEA (MPF) Value Scheme
Gain Miles Assurance Consultants Limited

LSEG Lipper Fund Awards Hong Kong 2026
Best Group (Pension Funds) – Equity
Best Equity Asia Pacific (ex-Japan) Fund (3 Years & 10 Years) – BEA (MPF) Master Trust Scheme
Best Mixed Asset HKD Aggressive Fund (10 Years) – BEA (MPF) Value Scheme
Best Mixed Asset HKD Conservative Fund (10 Years) – BEA (MPF) Value Scheme
Best Equity Hong Kong Fund (5 Years) – BEA (MPF) Industry Scheme
Hong Kong Economic Journal & LSEG

STRATEGIC PRIORITIES

BEA Group's 2026–2028 strategic plan aims at strengthening resilience, enhancing long-term growth prospects, and improving shareholder returns. The plan is built on three key pillars: 1) diversifying the asset base; 2) driving sustainable revenue growth; and 3) delivering technology-driven efficiency gains.

Diversifying the asset base

Over the past few years, we have significantly reduced our exposure to commercial real estate ("CRE") in both Hong Kong and the Chinese Mainland. Non-CRE lending now represents 83% of the Group's loan portfolio, moving steadily towards its 2028 target mix of 85% non-CRE and 15% CRE exposures. Despite ongoing challenges in the property sector, we have taken proactive measures to manage risk and strengthen asset quality. The Group's total impairment charges for the first half of 2026 amounted to HK$2,958 million, with the majority related to CRE exposures. Additional provisions were made for projects in the Chinese Mainland due to slower property sales, while updated valuations of office and retail properties in Hong Kong led to further impairments. These actions reflect our commitment to building a more resilient and sustainable balance sheet.

Driving sustainable revenue growth

On the business front, BEA is enhancing its position as a trusted cross-border banking partner. The Bank is focused on capturing opportunities arising from the growing accumulation of wealth across the region while supporting Chinese companies pursuing overseas expansion. This strategic direction is expected to generate sustainable fee income and deepen customer relationships across markets. Further details on the progress made to date are provided in the "Business Review" section below.

Delivering technology-driven efficiency gains

Technology and innovation form the cornerstone of the Group's transformation agenda. This year, we launched a three-year programme to build its future technology architecture, modernise legacy systems, and strengthen resilience. As part of this effort, we are reducing architectural complexity and migrating non-critical applications from mainframe environments to open platforms, creating a more agile and scalable foundation. These initiatives will support future growth while enabling the adoption of emerging technologies to accelerate digital transformation, enhance risk management and compliance, and strengthen financial crime prevention in line with the HKMA's guidance.

To accelerate AI-driven transformation, we established the Innovation Office in March 2026 to drive business growth, efficiency improvements, innovation, and the development of data and AI foundations across the Group. AI has become a key enabler of transformation across our front-to-back operations. From enhancing customer engagement through personalised digital marketing to streamlining customer onboarding, automating KYC processes, and strengthening source-of-wealth verification for high-net-worth customers, AI is delivering tangible business benefits across multiple functions. Significant progress has also been achieved in back-office operational efficiency, with approximately 15% of operating processes now AI-enabled and more than 40% of compliance processes automated. To foster a culture of innovation and encourage usage, we continue to invest in employee training and AI-enabled productivity tools for daily use.

Through disciplined execution of these priorities, BEA is laying the foundation for a more resilient, innovative, and growth-oriented banking franchise for the future.

BUSINESS REVIEW

Economic Review and Outlook

In the first half of 2026, military conflicts in the Middle East weighed on the global economy. Amid heightened geopolitical tensions and renewed inflationary pressures, global economic momentum softened. Energy shocks, supply chain disruptions, and trade tensions also weakened producer and consumer confidence. Central banks in major developed markets are expected to maintain or tighten their monetary stances, reinforcing a higher-for-longer interest rate environment.

The Chinese Mainland economy demonstrated solid performance in the first quarter before moderating in the second. Overall, it maintained relative stability amid broader global economic challenges. Growth is increasingly driven by export competitiveness and accelerated development in advanced manufacturing. In particular, economic contributions from high-tech and green industries are on track to surpass those from traditional property development activities, partially offsetting slowing fixed-asset investments and domestic consumption growth.

The Hong Kong economy has sustained a broad-based recovery, characterised by resilient exports, consumption, investment, alongside an improving private residential property market. A continued rebound in the number of tourists boosted retail sales, while consumer sentiment also benefited from a steady labour market and robust activity in the housing sector. Building on a strong performance in the first half of the year, the Hong Kong economy will likely solidify its growth momentum in the second half. Shifting US monetary policy expectations, driven by persistent inflation and a steady labour market in the US, preclude near-term rate cuts and introduce potential upward rate risks. However, Hong Kong's sound economic fundamentals leave it well-equipped to navigate a higher-for-longer interest rate environment.

Business – Hong Kong

After a strong start to the year, business sentiment was influenced by the onset of the Middle East crisis in early March. Despite the increasingly complex global macroeconomic environment, we remained committed to executing the strategies laid down in our three-year strategic plan, including improving asset quality, fostering sustainable growth in non-interest income, and leveraging technology-driven efficiency gains.

The Bank's Hong Kong operations reported a profit before tax of HK$2,956 million in the first half of 2026, representing a year-on-year increase of 38.8%. This growth was primarily driven by an 8.5% increase in net interest income, attributed to higher for longer interest rates as rate-cut expectations faded. Additionally, non-interest income grew by 23.7%, bolstered by strong performance in investment and insurance sales.

Operating income rose by 13.2%, while operating expenses edged up marginally, resulting in positive jaws. Consequently, PPOP recorded a robust expansion of 23.1%.

Asset quality remained stable. While the residential property sector had experienced positive momentum since late 2025, challenges persisted in the CRE sector. Elevated office vacancy rates continued to weigh on rental yields and valuations. Although a full recovery may take time, the overall resilience of Hong Kong's economy has offered a supportive environment for the stabilisation of our portfolio.

Our transformation initiatives have been progressing well. We have scaled up the BEA Global Services Centre ("GSC") in Guangdong as planned. Workflows migrated to this operations hub have been automated and streamlined through straight-through processing, enabling the end-to-end deployment of AI tools to enhance efficiency and accuracy. This has strengthened our operational capabilities and positioned us to support business expansion effectively at scale.

Retail Banking

The retail banking business delivered a satisfactory performance in the first half of 2026, driven by double-digit growth in NII and continued expansion in fee-based income. Operating income reported a 11.9% year-on-year increase, and coupled with lower impairment losses from the retail loan portfolio, overall profitability strengthened.

Our value proposition, "Your Home for Wealth", reflects our unwavering commitment as a trusted specialist in wealth management. We aim to capitalise on the immense opportunities arising from the continuous wealth accumulation in the region and Hong Kong's unique position as the world's leading cross-border wealth management centre.

Noteworthy growth in key customer segments and corresponding increases in assets under management ("AUM") during the period under review highlighted the effectiveness of our strategic initiatives. Investment sales income achieved a 22.6% year-on-year growth, fueled by sustained momentum in unit trusts, structured products, and securities trading.

Insurance annualised new premiums continued on a steady upward trajectory, exemplifying the strength of our bancassurance partnership with AIA, which achieved another record-breaking milestone. The high-net-worth customer segment was a significant contributor to this growth. We remain focused on expanding our product suite, with particular emphasis on protection solutions for the high-end segment, ensuring our offerings are aligned with their evolving wealth planning needs.

Years of focused investment in digital banking platforms have generated tangible results. Total digital revenue increased by 32.0% year on year, driven by an impressive growth in income from investment activity, FX, and payment conducted through online channels. Customer engagement also continued to improve, with BEA Mobile emerging as the leading driver of Net Promoter Score (NPS) in 2025. This momentum was sustained into the first half of 2026, a testament to the enhanced customer satisfaction and loyalty fostered by our digital touchpoints.

Looking ahead, we remain steadfast in our commitment to refining our advisory offerings, expanding our product portfolio, and strengthening both our sales force and customer engagement strategies. We are equipping our relationship managers ("RMs") with AI tools and streamlining selling and due diligence processes to ensure a satisfying customer experience.

Wholesale Banking

The local business environment continued to show signs of recovery in the first half of 2026, with robust activity in the IPO market, a steady revival in inbound tourism, and strong demand for AI technology-related electronic components. However, challenges lingered due to persistent geopolitical uncertainty, elevated energy prices, and shifting consumer behaviours.

Against this backdrop, the financial performance of Wholesale Banking improved year-on-year for the period under review. Operating income rose by 8.4%, supported by stable interest income and double-digit growth in non-interest income. A resilient top line, together with lower impairment losses on CRE legacy loans and reduced costs, contributed to a 187.9% uplift in the profit before tax.

We made significant progress in diversifying our portfolio, prioritising non-interest income businesses. Our focus on transaction banking, treasury, and corporate wealth management has proven effective, with satisfactory growth in each contributing to the 34.7% increase in non-interest income. Efforts to enhance online channels also bore fruit, as revenue generated from our corporate banking digital platform rose by 114.7%, mainly driven by FX, deposits, and payments.

Facing tighter profit margins at home, Chinese Mainland enterprises have increasingly explored new markets overseas, with ASEAN countries ranking among the top "GoGlobal" destinations. Many corporates look to Hong Kong as a springboard, and we have actively capitalised on this trend by providing cross-boundary financing and advisory services. Income generated from these GoGlobal customers has now become one of our significant revenue streams.

Harnessing our OneBank strategy, BEA's teams in Hong Kong, the Chinese Mainland and our overseas operations worked closely together along with our strategic partners to extend our reach to Europe, Japan, ASEAN, and other international markets. We will continue to leverage this unique position to support Chinese companies in their global expansion and establish ourselves as the preferred banking partner in their growth journey.

Wealth Management

Investor sentiment remained mixed during the period under review. While US equity markets continued to test new highs, the Hong Kong stock market experienced a challenging first half. As demand for geographical, asset class, and currency diversification grew, we focused on providing a seamless, cross-boundary platform that provides clients with timely access to global investment opportunities.

Notwithstanding a choppy operating environment, Private Banking demonstrated resilient performance. Operating income posted an increase of 10.9% year-on-year, driven by higher NII and non-interest income.

In the face of market volatility, clients increasingly shifted towards sophisticated trading strategies and wealth preservation approaches, fuelling demand for structured products as well as fixed-income solutions. Furthermore, appetite for wealth planning solutions, including Universal Life and Savings Plan, stayed strong, with nearly 80% growth in related revenue. These client activities contributed to solid double-digit growth in non-interest income.

Most notably, AUM within our Discretionary Portfolio Management ("DPM") mandates more than doubled during the period under review. This accelerated momentum was driven by a flight to professional management in uncertain times. Our suite of DPM strategies provided customers with a sophisticated investment alternative, bolstering the Bank's recurring revenue streams while reinforcing our position as a full-service wealth specialist.

With an expanded sales force, the number of new customers increased by 40% year-on-year. Affluent Chinese customers accounted for more than half of this growth. To maintain this momentum, we aim to further enhance our client acquisition channels and expand our presence among high-net-worth individuals.

Guided by our strategic pillars — segment-focused, advisory-led, and tech-driven — we remain committed to delivering tailored solutions, offering expert financial advice, and embracing innovative technologies to address the evolving needs of our clients. Leveraging our unique position as a Hong Kong-based bank, BEA is poised to capitalise on the region's abundant wealth management opportunities through its established network.

Business – the Chinese Mainland

In the first half of 2026, BEA's Chinese Mainland banking operations navigated an evolving macroeconomic landscape. The Chinese Mainland's GDP grew by 4.7% year-on-year, bolstered by supportive policy measures. However, growth momentum moderated amid disparities in contributions across key economic drivers.

Despite heightened geopolitical uncertainties, exports remained robust. Both industrial production and the services sector continued to expand steadily, particularly in high-tech and equipment manufacturing. However, retail sales stalled and investment spending contracted in the early months of the year. In the property market, first-tier cities showed signs of stabilisation, while performance of the broader market remained subdued.

Amid this mixed backdrop, BEA's Chinese Mainland banking operations delivered steady business performance. Total operating income increased 4.1% year-on-year to HK$2,647 million, with improvements in both NII and non-interest income.

NII increased 1.9% year-on-year even though NIM narrowed by 17 basis points, while non-interest income rose by 8.9% with steady growth from fees and commissions for cross-boundary and wealth management services, as well as higher trading income.

Operating expenses declined to HK$1,542 million driven by disciplined cost management along with efficiency gains from streamlined operations and process automation. Platform fees associated with the internet lending business also fell on lower volumes.

Consequently, PPOP increased 12.2% year-on-year to HK$1,105 million.

Nevertheless, impairment losses rose to HK$1,641 million, with the impaired loan ratio rising to 3.24%. These increases reflected ongoing structural adjustments in the economy and the Bank's efforts, as part of its broader roadmap, to resolve legacy non-performing exposures by 2028. As a result, the reporting period recorded a net loss of HK$573 million.

Total loans and advances remained stable at HK$151,012 million compared with the end of 2025, despite a continued strategic contraction in property-related loans.

Total deposits fell by 8.1% to HK$178,946 million, primarily due to a significant influx of deposits at the end of the previous year, which created a high base effect. During the period under review, the deposit mix improved with an increase in Current Account and Savings Account deposits and a decrease in structured deposits, leading to a reduction in funding costs.

In wholesale banking, NII improved due to the stronger deposit mix, though loan demand remained subdued. Non-interest income also increased year-on-year, with resilient performance of treasury sales, trade finance, and syndicated loans.

Personal banking continued its strategic focus on the affluent segment and wealth management services, yielding growth in both the number of clients and AUM. This contributed to a rise in non-interest income even as NII fell.

Reaffirming its confidence and long-term commitment to the Chinese Mainland market, the Bank strengthened its presence through a strategic acquisition of additional floors in the BEA Finance Tower, which houses the headquarters of BEA China in Shanghai's prestigious Lujiazui district.

As at 30 June 2026, BEA China operates 29 branches and 28 sub-branches across 38 cities on the Chinese Mainland. Within the GBA, BEA China has one of the most extensive networks among foreign banks, with 18 outlets covering all the cities in the region.

Business – Overseas, Macau, and Taiwan

In the first half of 2026, the Bank's overseas, Macau, and Taiwan operations faced a complex operating environment shaped by ongoing geopolitical tensions and economic uncertainties.

During the period under review, NII dropped by 4.7% year-on-year to HK$1,147 million. The decline was primarily driven by our de-risking strategies, which prioritised investment-grade and large corporate customers. This approach led to NIM compression. Additionally, lower yields on local reserve deposits and treasury securities weighed on NII. However, the decline was partially offset by increased interest income from higher customer advance volumes.

Net fee and commission income delivered robust growth, surging by 13.8% to HK$67 million, fuelled by higher loan-related fees.

Operating expenses rose by 5.9%, largely reflecting sticky inflationary pressures as well as sustained investments in technology and digital transformation. Notwithstanding these challenges, the cost-to-income ratio remained at a healthy level of 35.5%.

While higher IT costs combined with NII headwinds led to a 11.4% decrease in PPOP, net profit after tax rose by 20.0%. The increase was driven primarily by a significant reduction in impairment losses compared to the same period in the previous year, underscoring the success of our proactive de-risking actions.

At the branch level, the Bank's US and UK operations steadily advanced their strategic priorities, focusing on portfolio diversification, disciplined risk management, and selective business expansion.

Singapore Branch further strengthened customer engagement across targeted ASEAN markets, capitalising on regional trade and capital flow opportunities, while remaining vigilant about evolving geopolitical developments and policy landscapes. Its diversified approach to revenue generation has included targeted expansion of trade finance and treasury activities.

Macau Branch continued to leverage cross-boundary business opportunities arising from the GBA initiative. Meanwhile, Taiwan Branch deepened relationships with leading local corporates, particularly those expanding their operations in the Chinese Mainland and ASEAN region, reinforcing its role in facilitating regional connectivity.

The OneBank initiative remained central to the Group's strategy, with increased collaboration across overseas, Macau, and Taiwan branches as well as other business units. This integrated approach has enhanced cross-selling capabilities, broadened product offerings, and nurtured deeper customer engagement, resulting in expanded wallet share and a more seamless customer experience.

Looking ahead, the Bank's overseas, Macau, and Taiwan operations will remain focused on agility and optimising returns on risk-weighted assets, while prioritising proactive portfolio and rigorous risk management.

The branches will continue advancing digital transformation and automation initiatives, including evaluating the migration of specific processes to GSC. In parallel, the branches will operate in line with the Group's three-year strategic plan by strengthening cost discipline, enhancing workforce optimisation, and delivering sustainable growth.

BEA Union Investment Management Limited

BEA Union Investment Management Limited ("BEA Union Investment") delivered another resilient set of half-year results. In the face of challenges posed by the Middle East conflict and shifting interest rate expectations, it has helped clients weather uncertainties and seize opportunities.

Building on BEA Group's strong foundation and unwavering commitment to Hong Kong as a global financial hub, BEA Union Investment continued to expand its team and strengthen its position as a trusted fund manager. Momentum in its Chinese Mainland-related business remained robust, supported by strong domestic interest in offshore opportunities.

Navigating evolving market dynamics, BEA Union Investment focused on prudent asset allocation and identifying structural mispricing that would help investors earn better returns. As at 30 June 2026, assets under management and advisory reached US$14.5 billion, representing an increase of 25.0% from 31 December 2025. Its efforts have been recognised by the industry, most notably at the prestigious Overseas Golden Bull Fund Awards.

Looking ahead, the market is expected to remain volatile amid a complex geopolitical landscape and the upcoming US midterm elections. BEA Union Investment will continue to prioritise actionable insights and achieving sustainable growth.

Our People

As of 30 June 2026, the BEA Group employed 7,617 people:

	As at 30 June 2026	As at 31 December 2025	As at 30 June 2025
Hong Kong	4,463	4,467	4,579
Chinese Mainland	2,610	2,651	2,724
Macau and Taiwan	115	115	117
Overseas	429	436	441
Total	7,617	7,669	7,861

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. As we start to implement the BEA strategic plan for 2026–2028, our people agenda is tailored to drive sustainable revenue growth and to achieve technology-driven efficiency gains. By fostering a future-ready workforce, we strive to remain agile, innovative, and highly responsive to the needs of our customers in Hong Kong, the Chinese Mainland and beyond.

To drive sustainable revenue, we have reconfigured relevant business units and teams to support our OneBank strategy. This alignment ensures seamless cross-boundary service delivery, particularly in wealth management and corporate banking. We have intensified our recruitment for strategic roles, including RMs in retail, private banking, and cross-boundary wealth management businesses. Recognising that growth in the modern era requires more than just traditional banking skills, we are also pivoting towards emerging sectors, including green and sustainable banking. With a view to aligning individual efforts with corporate goals, we have extended the strong discipline of balanced scorecard management from the Group level down to individuals, ensuring collective commitment to the Bank's strategic focuses.

To achieve technology-driven efficiency, a radical shift in how we organise and upskill our teams is required. We have refined our Technology Division and established a dedicated Innovation Office to centralise our efforts and accelerate the deployment of AI-driven solutions. These structural changes allow us to modernise our infrastructure, strengthen our engineering capabilities, and deploy customised AI and data solutions that reduce lead times and enhance customer experience.

A critical component of this efficiency drive is the transformation of GSC. We are morphing GSC from a manual-heavy processing centre into a sophisticated, tech-and-sales-driven Global Operations Hub. This transition is supported by robust capacity-building initiatives across key areas, not least Fintech and AI.

Talent development remains our most vital investment. Through the "Cross-boundary (XB) Learning Accelerator" training, we are equipping our staff in high-revenue Chinese Mainland cities with the expertise needed to navigate complex regional markets. Simultaneously, our leadership pipelines — the Future Leader Accelerated Programme (FLAP) and the new NEXus Talent Programme (NEXT) — are grooming the next generation leaders. A commitment to deliberately cultivate homegrown talent and future leaders remains the cornerstone of our talent strategy. Our Group Management Trainee Programme continued to provide invaluable experience, with trainees undertaking four-month attachments in the Chinese Mainland and visits to overseas branches to further deepen their OneBank perspective.

Our cultural training journey is equally transformative. We have progressed from fostering a "Growth Mindset" to "Design Thinking", and we are now embedding the "BeAgile" framework across the Bank. This shift ensures our delivery methods are adaptable, collaborative, and focused on creating customer value. By 2026, we expect a 50% penetration rate for "BeAgile" training in Hong Kong and 25% in BEA China, overseas branches, and GSC, creating a unified, responsive organisational DNA.

The impact of these initiatives is reflected in our 2025 Employee Survey, where we achieved a 99% response rate and scores of 86–90% in Innovation, Transformation, and Sustainable Engagement. This internal enthusiasm is mirrored by external recognition. In 2026, BEA's MSCI ESG Rating was elevated to "AA" (Leader). MSCI specifically highlighted the Bank's workforce management and engagement initiatives as industry-leading, a testament to the strength of our human capital management practices.

Looking ahead, our focus remains on optimising the workforce while simultaneously upskilling it. We are navigating a period of rapid changes in the macroeconomic environment and market conditions, but our direction is clear. By investing in AI fluency, cross-boundary expertise, and an agile culture, we are building a bank that is as resilient as it is innovative.

RISK MANAGEMENT

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.

Principal Risks

BEA Group faces a variety of risks that could affect its franchise, operations, and financial health. The principal risks identified include credit risk, interest rate risk, market risk, liquidity risk, operational risk, reputation risk, strategic risk, legal risk, compliance risk, and technology risk. The description of principal risks, and how they are managed, are set out in the "Risk Management" section of the Bank's 2025 Annual Report.

Key Developments

During the period under review, the BEA Group continued to face multiple headwinds, including persistent vulnerabilities in the Hong Kong and Chinese Mainland CRE sectors, global economic uncertainties stemming from escalating geopolitical tensions and trade fragmentation, and renewed inflationary pressures. At the same time, the rapid evolution of AI-driven threats and quantum computing worldwide has elevated fraud and cybersecurity risks, including those associated with third parties, to unprecedented levels.

In response to these challenges, we have actively managed the associated risks, with enhanced risk management in the following areas in the first half of 2026:

- 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 a thematic review to assess the potential impacts of the Middle East conflict, enabling 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 a focus on borrowers' liquidity strength. Furthermore, controls were strengthened for more effective credit protection via stronger financial covenants, deeper analysis of sector risks, and AI-driven search for account irregularities.

- We continually reviewed the Operational Risk Management Framework to proactively identify and manage emerging operational risks, and we also conducted assurance reviews to validate the effectiveness of internal risk controls. Furthermore, we enhanced the Operational Resilience Framework to strengthen key risk domains such as information and communication technology, cybersecurity, third-party dependencies, business continuity, and incident management.

- We bolstered our Third-Party Risk Management Framework by tightening cybersecurity and operational resilience controls over third-party services and production environments. Through the use of AI-driven monitoring tools and market intelligence, we improved our risk monitoring capabilities with more timely identification of external third-party risks.

- To uplift the cyber resilience of our critical operations, we have further strengthened our data backup arrangements and recovery capabilities. We enhanced our Cyber Resilience Framework by employing advanced practices such as cyber resilience testing and cyber mapping, improving our preparedness for compliance with the Protection of Critical Infrastructure (Computer Systems) Ordinance, and transitioning to post-quantum cryptography.

- We recognise the importance of responsible and ethical application of AI as we increasingly embrace related technologies in our operations. We have established a governance framework and 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 more effectively and efficiently monitor money laundering, terrorist financing, and fraud risks. We also ensured adaptability to technological advancements and the evolving regulatory landscape through ongoing monitoring and regular reviews 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), such as "Money Safe" protection, public education to raise awareness of frauds and scams, as well as the launch of an internal campaign to reinforce our commitment to integrity.

- We have further integrated physical climate risk management into our operational and credit frameworks in response to the escalating challenges posed by extreme weather events. Leveraging the HKMA's assessment platform and external data, we perform periodic physical risk assessments across our infrastructure footprint, including branches, offices, and data centres, as well as our customers' underlying assets and supply chains. We require appropriate mitigation and adaptation measures as a prerequisite for credit extension and the development of new operating sites, ensuring resilience for the Group and our customers against environmental volatility.

Principal Uncertainties

During the first half of 2026, 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
Macroeconomic Risk	
Elevated geopolitical tensions and rising international trade barriers remain primary risks affecting the global economy. Notably, the Middle East conflict has disrupted energy supply chains and increased the volatility of commodity prices. These factors, alongside renewed inflationary pressures, continue to complicate the US Federal Reserve's monetary policy trajectory and may result in prolonged restrictive financial conditions. While robust exports have supported the Chinese Mainland and Hong Kong economies thus far, foreign demand could weaken due to inflationary pressures overseas. Furthermore, export growth could decelerate if global AI investment moderates. In Hong Kong, while the private residential market has been recovering steadily, the CRE sector has shown only tentative signs of stabilisation. In the Chinese Mainland, real estate market activities remain largely lacklustre.	We will continue to closely monitor the market situation and our portfolios in order to manage risk exposure. From a credit risk perspective, we focus on identifying potential adverse events and developing methods to mitigate any impacts 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 – in Hong Kong and the Chinese Mainland as well as overseas markets in the US and UK – amid prevailing market volatility. In addition, we adapt our credit strategies to counter potential risks arising from probable adversities, such as a prolonged Middle East conflict, further geopolitical tensions, uncertain monetary policy actions, and slower than expected economic growth. Our lending appetite has become highly selective, with prudent and proactive credit risk management adopted to control loan asset quality. From the perspective of 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. In terms of compliance risk, we actively track the development of relevant sanction regimes and mitigate risk exposure where appropriate.

Cybersecurity Risk	
Cybersecurity risk continues to be a key focus area for regulators and the banking industry amid the rapidly evolving threat landscape. Attackers are increasingly leveraging advanced technologies, including AI, and developing more sophisticated, adaptive, and scalable methods to compromise banks' cybersecurity and disrupt operations.	We adopt a multi-pronged approach to managing cybersecurity risk and strengthen cyber resilience: • Engage independent experts to assess controls against evolving threats and address gaps • Enhance capabilities with reference to the HKMA's Cyber Resilience Assessment Framework (C-RAF), aligning with initiatives such as the Cyber Resilience Testing Framework and Cyber Mapping Exercise • Leverage global and industry threat intelligence – including insights on emerging risks arising from advanced technologies such as AI, distributed ledger technology, and quantum computing – and participate in HKAB's Cyber Intelligence Sharing Platform • Maintain robust incident response and recovery arrangements with regular testings and cyber insurance coverage • Strengthen protection of critical systems and staff capabilities, supporting readiness for post-quantum cryptography and compliance with regulatory expectations

Third-party Risk	
While it is inevitable for banks to engage system vendors or service providers for specialised expertise, any weaknesses in their security posture could cascade directly onto the banks. Third-party risk can manifest in various forms, ranging from regulatory non-compliance to supply chain attacks.	We address the risk with stringent assessment and monitoring throughout the lifecycle of third-party engagements: • Establish a robust governance framework overseeing third-party risk management • Conduct risk-based due diligence through a comprehensive procurement process for third-party selection • Perform risk assessments to identify the criticality of service engagements • Implement contractual protections to safeguard the Bank's interests • Monitor ongoing performance and controls, including regular service reviews, business continuity planning and testing, security controls, and issue escalation

Fraud Risk	
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.	We adopt a multi-pronged approach to mitigating 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

ESG and Climate-related Risks	
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 • Integrated customers' transition plans and financed emissions data into credit assessment and decision-making processes

SUSTAINABILITY

In the first half of 2026, the Group made steady progress in measuring the financed emissions in its carbon-intensive sector portfolios according to the updated Global GHG Accounting and Reporting Standard published by the Partnership for Carbon Accounting Financials in December 2025. By year-end, we will have re-baselined our emissions reduction targets based on the latest methodology and data. In addition to the transition plans already established for the Power, Energy (Oil & Gas), Automotive Manufacturing, and Steel sectors, we will develop transition plans for Commercial Real Estate and Aviation, which will appear in our Group's 2026 ESG Report.

Based on BEA's Coal Phase-out Policy established in March, we will no longer provide financing dedicated to the development of new coal-fired power plants, thermal coal mines, or related capacity expansions. Furthermore, we are committed to phasing out our exposure to existing plants and mines, as well as companies whose main business is thermal coal power generation or mining in Organisation for Economic Cooperation and Development (OECD) countries and non-OECD countries by 2030 and 2040, respectively. The Group will continue to offer green and transition financing to support the sector's transition towards a low-carbon economy.

As at the end of June, green and sustainable finance ("GSF") accounted for 18.0% of the Group's total corporate loans and bond investments. To support customers' transition journeys, we have broadened the scope of our GSF framework to encompass transition finance and the environmentally sustainable economic activities defined under Phase 2A of the Hong Kong Taxonomy for Sustainable Finance, specifically designed to support decarbonisation in hard-to-abate sectors. In line with this strategy, our Singapore Branch acted as a Mandated Lead Arranger for a S$570 million transition club loan to finance the construction of a hydrogen-ready combined cycle gas turbine facility. The loan aligns with international and domestic sustainable finance guidelines and supports Singapore's transition towards a sustainable future.

Having established an expedited credit review process or "green track" for GSF applications in the Chinese Mainland and Hong Kong, BEA has further expanded its efforts by also establishing a green track for overseas markets. Furthermore, in January, we became a member of the Asia Pacific Loan Market Association Green and Sustainable Lending Committee's SME Taskforce. As a member of the Taskforce, we contributed to the development of a Practice Note on Sustainability-Linked Loan ("SLL") Principles, fostering the adoption of SLLs among small and medium-sized enterprises ("SMEs").

On the operations front, we continued to implement energy-saving initiatives included in our Net Zero Operations Execution Plan. The Plan outlines our decarbonisation approach and investment principles, guiding us towards achieving net zero operational emissions by 2030. A key milestone was the installation of a more energy-efficient chiller plant at our Head Office Building in Hong Kong. By utilising refrigerants with low Global Warming Potential, this upgrade is projected to reduce the Group's annual carbon footprint by nearly 5%, contributing to our target of achieving a 43% reduction in operational emissions against the 2019 baseline by the end of the year.

To address the increasing prevalence of phishing scams, the Bank strengthened its customer protection and monitoring measures. Targeted electronic direct mailing (eDM) campaigns were launched to educate customers about common phishing tactics, such as the impersonation of public entities to request fraudulent payments. In addition, in-branch anti-scam initiatives were implemented for high-risk groups, including the elderly and students from the Chinese Mainland. For these segments, the Bank distributed anti-fraud leaflets and introduced an Anti-scam Risk Questionnaire to help identify potential threats. These efforts reflect the Bank's broader commitment to financial education, providing customers with essential resources and materials to increase their awareness and resilience against fraudulent activities.

To formalise oversight of corporate social responsibility activities across the Bank Group, in March, we established a Community Investment Committee ("CIC") and its sub-committee in the Chinese Mainland. The CIC oversees efforts across the markets in which we operate to ensure strategic alignment, development of a robust ecosystem of strategic partners, and measurable ESG impact.

In April, we commenced Phase VI (2026–2029) of the "Palliative Care for the Elderly" Programme in partnership with the "la Caixa" Banking Foundation and The Salvation Army Hong Kong and Macau Territory. With the theme of "Bridging Gaps, Cultivating Compassion", the Programme builds on public health policy implementation and rising community awareness of Advance Medical Directives to establish an "Integrated Palliative and Compassionate Care" model – uniting healthcare, social services, and civic support to foster empathy and holistic care across the final stages of life.

Meanwhile, on the Chinese Mainland, BEA China launched Phase IV (2026–2028) of the Firefly Project, furthering the "Green FireFly" initiative that was introduced in 2023. This initiative focuses on advancing educational opportunities and promoting environmental protection in rural areas.

BEA's continued progress in enhancing its ESG performance and disclosure has been widely recognised by international ESG raters.

- BEA has been included in the S&P Global Sustainability Yearbook (China) for a third consecutive year and ranked first among banks featured in this year's edition

- MSCI ESG Rating has upgraded BEA's score from "A" (average) to "AA" (leader)

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

Redemption of Non-Preferred Loss Absorbing Notes

On 13 March 2026 (the Optional Redemption Date), the Bank completed the redemption of the 6.625% Non-Preferred Loss Absorbing Notes due 2027 (the "LAC Notes I") with a face value of US$500 million in full at par. The LAC Notes I were issued by the Bank under its US$6 billion Medium Term Note Programme (the "MTN Programme") in March 2024 and listed on the Stock Exchange.

On 16 March 2026 (the Optional Redemption Date), the Bank completed the redemption of the 6.75% Non-Preferred Loss Absorbing Notes due 2027 (the "LAC Notes II") with a face value of US$500 million in full at par. The LAC Notes II were issued by the Bank under the MTN Programme in March 2023 and listed on the Stock Exchange.

Save for the redemption of the Non-Preferred Loss Absorbing Notes 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 six months ended 30 June 2026.

COMPLIANCE WITH CORPORATE GOVERNANCE CODE

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

The Bank has in place a Corporate Governance Framework which identifies all the key participants of the Group and their roles in the application of effective governance policies and processes. A *Corporate Governance Policy* has also been established to direct and guide the business conducts and affairs of the Group. The Framework is reviewed and updated (where appropriate) from time to time to ensure it complies with the evolving regulatory requirements and meets the needs of the Bank Group.

Throughout the six months ended 30 June 2026, the Bank has complied with all code provisions set out in the CG Code.

During the six months ended 30 June 2026, the Bank has also followed the modules on CG-1, CG-5, Guidance on Empowerment of INEDs and the circular on Bank Culture Reform.

The Bank has received confirmation from each Director that he/she has spent sufficient time performing his/her responsibilities as a Director of the Bank and has given sufficient time, attention and effort to the Bank Group's affairs. All Directors acknowledged that they have participated, from time to time, in continuous professional development to develop and refresh their knowledge and skills for carrying out their duties and responsibilities as Directors of the Bank.

The Audit Committee of the Bank has reviewed the results of the Bank for the six months ended 30 June 2026 and the Bank's Interim Report 2026.

COMPLIANCE WITH MODEL CODE

The Bank has established its own code of securities transactions to be observed by Directors and Chief Executive, i.e. *Policy on Insider Dealing – Directors and Chief Executive* (the "Bank's Policy") on terms no less exacting than the required standard set out in Appendix C3 – Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") of the Listing Rules.

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

Following specific enquiries by the Bank, all Directors confirmed that they had complied with the required standard set out in the Model Code and the Bank's Policy throughout the six months ended 30 June 2026.

By order of the Board

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

Hong Kong, 20 August 2026

As at the date of this announcement, the Board of Directors of the Bank comprises Dr the Hon. Sir David LI Kwok-po# (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# (Co-Chief Executive), Mr Brian David LI Man-bun# (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*.*

Executive Director
* *Non-executive Director*
** *Independent Non-executive Director*

GLOSSARY
詞彙

Bank or BEA	The Bank of East Asia, Limited, a limited liability company incorporated in Hong Kong
「本行」或「東亞銀行」	東亞銀行有限公司，於香港註冊成立的有限公司
Bank Culture Reform	Bank Culture Reform as elaborated in the circular issued by the HKMA on 2 March 2017
「銀行企業文化改革」	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	The Bank and its subsidiaries
「集團」或「東亞銀行集團」或「本集團」	東亞銀行及其附屬公司
Banking Ordinance	The Banking Ordinance (Chapter 155 of the Laws of Hong Kong)
「《銀行業條例》」	《銀行業條例》（香港法例第 155 章）
BEA China	The Bank of East Asia (China) Limited, a wholly-owned subsidiary of the Bank
「東亞中國」	東亞銀行（中國）有限公司，本行的全資附屬公司
Board	The Board of Directors of the Bank
「董事會」	本行的董事會
Capital Rules	The Banking (Capital) Rules issued by the HKMA
「《資本規則》」	金管局頒布之《銀行業（資本）規則》
CG Code	Corporate Governance Code, Appendix C1 to the Listing Rules
「《企業管治守則》」	《上市規則》附錄 C1 內所載的《企業管治守則》
CG-1	Supervisory Policy Manual CG-1 on Corporate Governance of Locally Incorporated Authorized Institutions, issued by the HKMA
「CG-1」	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	Supervisory Policy Manual CG-5 on Guideline on a Sound Remuneration System, issued by the HKMA
「CG-5」	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	The People's Republic of China
「中國」	中華人民共和國
Companies Ordinance	The Companies Ordinance (Chapter 622 of the Laws of Hong Kong)
「《公司條例》」	《公司條例》（香港法例第 622 章）
Director(s)	Includes any person who occupies the position of a director, by whatever name called, of the Bank or otherwise as the context may require
「董事」	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）
ECL	Expected credit loss
「預期信貸損失」	預期信貸損失
ESG	Environmental, social, and governance
「環境、社會及管治」	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
HKAS 「香港會計準則」	Hong Kong Accounting Standards 香港會計準則
HKEX 「香港交易所」	Hong Kong Exchanges and Clearing Limited 香港交易及結算所有限公司
HKFRS 「香港財務報告準則」	Hong Kong Financial Reporting Standards 香港財務報告準則
HKICPA 「香港會計師公會」	The Hong Kong Institute of Certified Public Accountants 香港會計師公會
HKMA 「金管局」	The Hong Kong Monetary Authority 香港金融管理局
Hong Kong or HK or HKSAR 「香港」或「香港特別行政區」或「香港特區」	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
IPO 「首次公開招股」	Initial Public Offering 首次公開招股
JPY 「日元」	Japanese Yen, the lawful currency of Japan 日本法定貨幣日元
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
RMB 「人民幣」	Renminbi, the lawful currency of the PRC 中國法定貨幣人民幣
RSU(s) 「受限制股份單位」	Restricted Share Unit(s) 受限制股份單位
RSU Scheme 「受限制股份單位計劃」	The Restricted Share Unit Scheme adopted by the Bank with effect from 1 January 2025 本行於 2025 年 1 月 1 日起採納的受限制股份單位計劃
S$ 「新加坡元」	Singapore dollar, the lawful currency of Singapore 新加坡法定貨幣新加坡元
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 US 美國法定貨幣美元